

**Community Housing Advocacy and Development and Subsidiaries**  
**Audit Report**  
**For the Year Ended September 30, 2012**

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**Community Housing Advocacy and Development and Subsidiaries**  
**Audit Report**  
**For the Year Ended September 30, 2012**

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# Selden Fox, LTD.

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

630-954-1400  
630-954-1327 FAX

email@seldenfox.com  
www.seldenfox.com

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the consolidated statement of financial position of **Community Housing Advocacy and Development and Subsidiaries** at September 30, 2012 and 2011, and the related consolidated statement of activities for the year ended September 30, 2012 and the consolidated statements of functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Corporation's 2011 consolidated financial statements, and in our report dated February 15, 2012, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012 and 2011, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2013, on our consideration of Community Housing Advocacy and Development and Subsidiaries' internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

*Selden Fox, Ltd.*

January 11, 2013

**Community Housing Advocacy and Development and Subsidiaries**  
**Consolidated Statement of Financial Position**  
**September 30,**

<b>Assets</b>	<b>2012</b>	<b>2011</b>
Current assets:		
Cash and cash equivalents	\$ 142,261	\$ 31,480
Rent receivable, net of an allowance of \$70,013 at September 30, 2012 (\$13,000 at September 30, 2011)	187,422	115,240
Grants receivable	1,322,163	1,554,648
Other receivables	351,813	164,723
Home inventory	-	234,202
Prepaid expenses	8,453	25,226
<b>Total current assets</b>	<b>2,012,112</b>	<b>2,125,519</b>
Property and equipment:		
Land	6,866,803	6,688,793
Buildings	26,981,439	23,783,638
Maintenance vehicles	61,868	61,868
Building improvements and appliances	6,545,281	6,450,649
Construction in progress	151,415	1,230,641
<b>Total property and equipment</b>	<b>40,606,806</b>	<b>38,215,589</b>
Less accumulated depreciation	9,841,938	9,009,089
<b>Net property and equipment</b>	<b>30,764,868</b>	<b>29,206,500</b>
Other assets:		
Restricted cash	596,799	642,088
Deposits	186,356	162,159
Investment in Just Homes	2,313,075	2,548,108
Bond issuance costs, net of accumulated amortization of \$68,441 and \$62,333 at September 30, 2012 and 2011	79,401	85,509
<b>Total other assets</b>	<b>3,175,631</b>	<b>3,437,864</b>
<b>Total assets</b>	<b>\$ 35,952,611</b>	<b>\$ 34,769,883</b>

<b>Liabilities and Net Assets</b>	<b>2012</b>	<b>2011</b>
Current liabilities:		
Line of credit	\$ 375,470	\$ 650,687
Bonds payable, current portion	358,000	342,000
Mortgage loans payable, current portion	1,497,605	1,929,399
Accounts payable	186,694	375,739
Accrued interest	93,581	97,958
Accrued real estate taxes	44,499	672,597
Accrued other expense	73,268	113,236
Funds held for others	56,679	44,053
Security deposits	286,045	283,762
<b>Total current liabilities</b>	<b>2,971,841</b>	<b>4,509,431</b>
Long-term liabilities:		
Line of credit, noncurrent	-	150,938
Bonds payable, noncurrent	6,953,000	7,311,000
Mortgage loans payable, noncurrent	5,694,803	5,864,731
<b>Total long-term liabilities</b>	<b>12,647,803</b>	<b>13,326,669</b>
<b>Total liabilities</b>	<b>15,619,644</b>	<b>17,836,100</b>
Net assets:		
Unrestricted	14,695,516	12,443,657
Temporarily restricted	5,637,451	4,490,126
<b>Total net assets</b>	<b>20,332,967</b>	<b>16,933,783</b>
<b>Total liabilities and net assets</b>	<b>\$ 35,952,611</b>	<b>\$ 34,769,883</b>

See accompanying notes.

**Community Housing Advocacy and Development and Subsidiaries**  
**Consolidated Statement of Activities**  
**For the Year Ended September 30, 2012**  
**(With Comparative Totals for 2011)**

	Unrestricted	Temporarily Restricted	Total	2011 Total
Revenues:				
Housing assistance payments	\$ 834,453	\$ -	\$ 834,453	\$ 865,815
Rent income	3,800,723	-	3,800,723	3,557,171
Discount provided to tenants	(778,811)	-	(778,811)	(728,916)
Property management	170,860	-	170,860	70,338
Grant income	-	1,357,000	1,357,000	1,587,231
Late fees and laundry room income	60,953	-	60,953	62,928
Interest income	372	-	372	1,681
Donations	142,160	15,000	157,160	205,295
Loss on sale of assets	(688,382)	-	(688,382)	(4,931)
Property tax exemption refund	2,971,471	-	2,971,471	161,893
Miscellaneous income	96,205	-	96,205	314,468
Net assets released from restrictions	224,675	(224,675)	-	-
<b>Total revenues</b>	<b>6,834,679</b>	<b>1,147,325</b>	<b>7,982,004</b>	<b>6,092,973</b>
Functional expenses:				
Program services	4,078,873	-	4,078,873	4,424,940
Management and general	425,685	-	425,685	312,690
Fund-raising	78,262	-	78,262	83,342
<b>Total functional expenses</b>	<b>4,582,820</b>	<b>-</b>	<b>4,582,820</b>	<b>4,820,972</b>
<b>Change in net assets</b>	<b>2,251,859</b>	<b>1,147,325</b>	<b>3,399,184</b>	<b>1,272,001</b>
Net assets, beginning of the year	12,443,657	4,490,126	16,933,783	15,661,782
Net assets, end of the year	<b>\$ 14,695,516</b>	<b>\$ 5,637,451</b>	<b>\$ 20,332,967</b>	<b>\$ 16,933,783</b>

See accompanying notes.

**Community Housing Advocacy and Development and Subsidiaries**  
**Consolidated Statement of Functional Expenses**  
**For the Year Ended September 30, 2012**

	Program Services	Management and General	Fund-raising	Total
Assessments	\$ 173,873	\$ -	\$ -	\$ 173,873
Automobile	10,712	-	-	10,712
Bad debts	138,607	-	-	138,607
Consulting fees	20,339	-	-	20,339
Depreciation and amortization	830,567	8,390	-	838,957
Fund-raising	-	-	10,969	10,969
Interest	769,204	-	-	769,204
JUST HOMES	751	-	-	751
Miscellaneous	13,522	3,348	-	16,870
Operating expenses	202	185,564	-	185,766
Other insurance	148,642	22,942	-	171,584
Other property costs	54,100	-	-	54,100
Professional fees	85,786	145,485	-	231,271
Property insurance	108,314	5,701	-	114,015
Real estate taxes	77,985	5,499	-	83,484
Repairs and maintenance	462,027	-	-	462,027
Salaries and payroll taxes	795,078	45,136	67,293	907,507
Security	30,818	-	-	30,818
Utilities	358,346	3,620	-	361,966
<b>Total functional expenses</b>	<b>\$ 4,078,873</b>	<b>\$ 425,685</b>	<b>\$ 78,262</b>	<b>\$ 4,582,820</b>

See accompanying notes.

**Community Housing Advocacy and Development and Subsidiaries**  
**Consolidated Statement of Functional Expenses**  
**For the Year Ended September 30, 2011**

	Program Services	Management and General	Fund-raising	Total
Assessments	\$ 183,208	\$ -	\$ -	\$ 183,208
Automobile	14,852	-	-	14,852
Bad debts	37,515	-	-	37,515
Consulting fees	11,543	607	-	12,150
Depreciation and amortization	782,391	7,903	-	790,294
Fund-raising	-	-	17,635	17,635
Interest	771,924	-	-	771,924
JUST HOMES	1,541	-	-	1,541
Miscellaneous	4,422	4,247	-	8,669
Occupancy	3,600	-	-	3,600
Operating expenses	1,300	129,700	-	131,000
Other insurance	81,377	25,179	-	106,556
Other property costs	22,985	-	-	22,985
Professional fees	18,662	74,159	-	92,821
Property insurance	105,309	5,543	-	110,852
Property management	17,001	-	-	17,001
Real estate taxes	915,770	8,973	-	924,743
Repairs and maintenance	339,971	-	-	339,971
Salaries and payroll taxes	746,051	52,947	65,707	864,705
Security	24,288	-	-	24,288
Utilities	341,230	3,432	-	344,662
<b>Total functional expenses</b>	<b>\$ 4,424,940</b>	<b>\$ 312,690</b>	<b>\$ 83,342</b>	<b>\$ 4,820,972</b>

See accompanying notes.

**Community Housing Advocacy and Development and Subsidiaries**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended September 30,**

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in total net assets	\$ 3,399,184	\$ 1,272,001
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation and amortization	838,957	790,294
Bad debt expense	138,607	37,515
Increase in receivables	(165,394)	(902,717)
(Increase) decrease in prepaid expense	16,773	(3,652)
Decrease in restricted cash	45,289	9,350
Increase in deposits	(24,197)	(45,347)
Increase (decrease) in accounts payable and accrued expenses	(861,488)	313,339
Increase in funds held for others	12,626	24,856
Increase (decrease) in security deposits	2,283	(4,866)
<b>Net cash from operating activities</b>	<u>3,402,640</u>	<u>1,490,773</u>
Cash flows from investing activities:		
Purchase of property and equipment	(821,982)	(933,589)
Increase in property held for resale	-	(83,272)
<b>Net cash from investing activities</b>	<u>(821,982)</u>	<u>(1,016,861)</u>
Cash flows from financing activities:		
Net borrowings (repayments) on lines of credit	(426,155)	394,200
Proceeds from notes payable	263,342	15,491
Payments made on mortgage notes	(1,965,064)	(582,433)
Payments made on bonds payable	(342,000)	(322,000)
<b>Net cash from financing activities</b>	<u>(2,469,877)</u>	<u>(494,742)</u>
<b>Net change in cash</b>	<b>110,781</b>	<b>(20,830)</b>
Cash, beginning of the year	<u>31,480</u>	<u>52,310</u>
Cash, end of the year	<u>\$ 142,261</u>	<u>\$ 31,480</u>
Supplemental disclosures:		
Noncash investing and financing transactions -		
Property loans and line of credit borrowings used to purchase property	<u>\$ 1,100,000</u>	<u>\$ 119,000</u>
Conversion of Just Homes inventory and investment to property and equipment	<u>\$ 469,235</u>	<u>\$ -</u>
Cash payments for interest	<u>\$ 773,926</u>	<u>\$ 776,417</u>

See accompanying notes.



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

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### 1. Summary of Significant Accounting Policies

**General** – Community Housing Advocacy and Development, formerly known as Community Housing Association of DuPage, was incorporated February 16, 1983 under the Not-for-profit Corporation Act of the State of Illinois, with the purpose to provide and advocate quality affordable housing to participants in the U.S. Department of Housing and Urban Development's Section 8 program and to low and moderate income individuals and families. The subsidiaries, CHAD Homes, Inc. and CHAD Property Management, Inc. were incorporated in the state of Illinois as corporations in 2006 and 2008, respectively. CHAD Property Management, Inc. began operations in the prior year.

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

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

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

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

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

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

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

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

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

**Concentration of Risk** – At September 30, 2012 and 2011, the Corporation's deposits were fully insured under FDIC coverage.

**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 \$70,013 at September 30, 2012 (\$13,000 at September 30, 2011). Accounts deemed uncollectible are charged against the allowance.

**Home Inventory** – Home inventory represents the repurchase of a client's equity portion of a home in which the Association's interest is recorded as an investment. The repurchased interest in the home is then sold to another Corporation client for the same amount. At September 30, 2011, home inventory consisted of two properties. In the current year, these properties were taken out of inventory and capitalized in property and equipment, as management no longer intends to sell an equity portion in these properties.

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

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**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 \$5,000, 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 \$832,849 and \$784,186 for the years ended September 30, 2012 and 2011, respectively.

**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.

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

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

**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 2012 or 2011. 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 2011, 2010, and 2009 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, 2012 or 2011.

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, 2012 or 2011, which was its initial year of operations.

**Subsequent Events** – Subsequent events have been evaluated through January 11, 2013, 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:

	<u>2012</u>	<u>2011</u>
General operating	\$ 142,262	\$ 31,480
Required accounts:		
Tenants' security deposits	68,706	64,789
Real estate escrow	11,884	89,758
Debt service	516,209	487,541
	<u>\$ 739,061</u>	<u>\$ 673,568</u>

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

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**3. Lines of Credit**

The Corporation entered into a \$225,000 line of credit agreement with a loan date of January 1, 2012, and a maturity date of July 1, 2012, bearing interest of prime plus 1% with a floor rate of 5.00%. Total draws and repayments on the line of credit were \$225,000 and \$225,000, respectively. There is no outstanding balance at September 30, 2012.

The Corporation has a \$500,000 line of credit available at September 30, 2012 and 2011 with an outstanding balance of \$50,000 (outstanding balance of \$421,217 at September 30, 2011). This line of credit bears a variable rate of interest of the bank's prime rate with a floor rate of 4.00% (4.00% at September 30, 2012 and 2011, respectively). This line of credit is secured by a second mortgage on a building at 35 West St. Charles Road, Villa Park, Illinois, which had a net book value of \$398,334 and due on April 1, 2013.

The Corporation also has a \$600,000 line of credit available at September 30, 2012 and 2011, with an outstanding balance of \$325,470 at September 30, 2012 (outstanding balance of \$229,470 at September 30, 2011). This line of credit bears a variable rate of interest of the bank's prime rate with a floor rate of 4.00% (4.00% at September 30, 2012 and 2011, respectively). This line of credit is secured by a mortgage on certain property with a net book value of \$387,260 and is due on April 1, 2013.

On July 27, 2011, the Corporation established a \$300,000 line of credit with an outstanding balance of \$150,938 at September 30, 2011. This line of credit had a variable rate of interest (3.25% at September 30, 2011) that was tied to the prime interest rate. This line of credit was secured by a mortgage on property located at 423 Burlington Avenue, Clarendon Hills, Illinois, with no net book value. This line of credit was paid off in the current year.

**4. Debt Obligations**

The Corporation had the following long-term debt obligations at September 30, 2012 and 2011:

	2012	2011
<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 \$1,299,691 at September 30, 2012. 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>	\$ 1,080,486	\$ -

(cont'd)

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

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

	<b>2012</b>	<b>2011</b>
<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 \$265,000 on September 30, 2012.</p>	\$ 274,166	\$ 15,491
<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 Street, Bensenville, Illinois with a net book value of \$106,763 at September 30, 2012. The Corporation is required to make monthly payments of \$2,155, including interest at a rate of 6.25%, commencing May 1, 2009, with the unpaid balance due at maturity on April 1, 2039. The interest rate is subject to change on April 1, 2014 and every 60 months thereafter (the "change dates"). The interest rate at each change date shall be adjusted to the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of five years, plus 2.75%.</p>	334,865	339,633
<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 \$558,271 at September 30, 2012. The Corporation is required to make monthly payments of \$2,771, including interest at a rate of 6.25%, 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>	428,397	434,660

(cont'd)

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

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

	2012	2011
<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 \$213,380 at September 30, 2012. The Corporation is required to make monthly payments of \$900, including interest at a rate of 6.00%, 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>	\$ 141,885	\$ 144,100
<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 \$480,327 at September 30, 2012. The Corporation is required to make monthly payments of \$3,222, including interest at a rate of 6.00%, 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>	457,245	468,117
<p>On January 28, 2008, the Corporation entered into a \$623,137 mortgage note payable to Harris Bank, secured by property at 124 2<sup>nd</sup> Street, Downers Grove, Illinois with a net book value of \$1,557,635 at September 30, 2012. The Corporation was required to make monthly payments of \$3,435, including interest at a rate of 5.16%, commencing on February 28, 2008, with the unpaid balance due at maturity on January 28, 2013. The principal; was paid in full at September 30, 2012.</p>	-	588,416
<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 \$935,902 at September 30, 2012. The Corporation is required to make monthly payments of \$1,308, including interest at a rate of 6.00%, 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>	184,372	188,859
<p>(cont'd)</p>		

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

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

	2012	2011
<p>On February 13, 2007, the Corporation entered into an \$87,000 mortgage note payable to West Suburban Bank, secured by property located at 1540 and 1544 Lippert, Glendale Heights, Illinois with a net book value of \$371,442 at September 30, 2012. The Corporation was required to make monthly payments of \$555, including interest at a rate of 6.00%. The unpaid balance was due at maturity on March 1, 2032. The principal was paid in full at September 30, 2012.</p>	\$ -	\$ 79,731
<p>On October 12, 2006, the Corporation entered into a \$405,000 mortgage note payable to West Suburban Bank, secured by ten different properties located in DuPage County, with a combined net book value of \$1,870,115 at September 30, 2012. The Corporation was required to make monthly payments of \$2,556, including interest at a rate of 6.00%. The unpaid balance was due at maturity on November 1, 2026. The principal was paid in full at September 30, 2012.</p>	-	369,302
<p>On August 31, 2005, the Corporation entered into a \$350,000 mortgage note payable to West Suburban Bank, secured by seven different properties located in DuPage County, with a combined net book value of \$1,052,189 at September 30, 2012. The Corporation was required to make monthly payments of \$2,126, including interest at a rate of 6.00%. The unpaid balance was due at maturity on September 1, 2030. The principal was paid in full at September 30, 2012.</p>	-	306,880
<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 \$751,029 at September 30, 2012. 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>	465,985	481,141
<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 \$878,642 at September 30, 2012. The Corporation is required to make monthly payments of \$1,515, including interest at a rate of 6.00%. 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>	213,053	218,279

(cont'd)



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

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

	2012	2011
<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 \$490,856 at September 30, 2012. The Corporation is required to make monthly payments of \$3,596, including interest at a rate of 6.00%. 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>	\$	\$
	347,471	370,369
<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 \$642,668 at September 30, 2012. The Corporation is required to make monthly payments of \$1,218, including interest at a rate of 6.00%. 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>		
	170,863	175,089
<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 \$321,691 at September 30, 2012. The Corporation is required to make monthly payments of \$1,856, including interest at a rate of 6.00%. 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>		
	261,126	267,521
<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 \$433,461 at September 30, 2012. The Corporation is required to make monthly payments of \$2,434, including interest at a rate of 6.00%. 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>		
(cont'd)	340,987	349,458

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

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

	2012	2011
<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 \$1,479,645 at September 30, 2012. 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>	\$ 657,296	\$ 689,228
<p>On January 25, 2002, the Corporation entered into a \$453,510 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 \$398,334 at September 30, 2012. The Corporation is required to make monthly payments of \$2,416, including interest at a rate of 6.00%. 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>	467,015	477,703
<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 2013 ranging from \$88,000 to \$91,000) 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>	7,311,000	7,653,000
<p>On November 6, 1992, the Corporation entered into a \$147,226 loan agreement with the DuPage Community Development Commission secured by a building at 529 Brookside, Westmont, Illinois, which had a net book value of \$184,215 at September 30, 2012. The Corporation is required to make annual payments of \$5,499 on November 5 through 2023, including interest at 1%.</p>	62,076	66,904
<b>Total Corporation Debt</b>	<b>\$ 13,198,288</b>	<b>\$ 13,683,881</b>

In addition to the above notes, the Corporation's wholly owned subsidiaries had the following long-term debt obligations at September 30, 2012 and 2011:

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

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

	2012	2011
On August 30, 2009 CHAD Homes, Inc. converted a \$357,500 balance on a line of credit to a promissory note payable with a maturity date of August 15, 2010. The note has subsequently been amended to extend the maturity date to February 15, 2011, August 15, 2011, February 15, 2012 and lastly May 15, 2013. The promissory note is secured by certain vacant land with a book value of \$620,000 at September 30, 2012 and 2011. The subsidiary is required to make monthly payments of \$2,112 including interest at 6.50%, with the balance due at maturity.	\$ 315,120	\$ 331,716
On July 1, 2007, CHAD Homes, Inc. entered into a \$468,750 mortgage note payable to West Suburban Bank, secured by a certain property in Butterfield Estates, Glen Ellyn, Illinois, which had a net book value of \$628,309 at September 30, 2011. The subsidiary was required to make monthly payments of interest at prime (3.25% at September 30, 2011), with principal due at maturity on February 1, 2012. The principal was paid in full at September 30, 2012.	-	441,533
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.	120,000	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.	85,000	85,000
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.	60,000	60,000

(cont'd)

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

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

	<b>2012</b>		<b>2011</b>
<p>On May 17, 2006, CHAD Homes, Inc. entered into a \$600,000 promissory note to an individual, requiring a quarterly interest payment at 10%, with principal due at maturity on July 1, 2009. During the prior years, the note was modified by extending the maturity of the note first to April 1, 2010 and later to April 1, 2011 and converting the note to noninterest bearing through the maturity date or extended maturity date. The note is unsecured and subordinated to the bank debt of CHAD Homes, Inc.</p>	\$	600,000	\$ 600,000
<p>On May 17, 2006, CHAD Homes, Inc. entered into a \$125,000 promissory note to an individual, requiring a quarterly interest payment at 10%, with principal due at maturity on July 1, 2009. During the prior years, the note was modified by extending the maturity of the note first to April 1, 2010 and later to April 1, 2011 and converting the note to noninterest bearing through the maturity date or extended maturity date. The note is unsecured and subordinated to the bank debt of CHAD Homes, Inc.</p>		125,000	125,000
<b>Total Subsidiary Debt</b>	\$	1,305,120	\$ 1,763,249

The maturity of the debt is as follows:

	Corporation	Subsidiary	Total
2013	\$ 550,485	\$ 1,305,120	\$ 1,855,605
2014	576,816	-	576,816
2015	604,571	-	604,571
2016	632,776	-	632,776
2017	1,553,565	-	1,553,565
Thereafter	9,280,075	-	9,280,075
	\$ 13,198,288	\$ 1,305,120	\$ 14,503,408

**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, 2012 was \$9,872 (\$8,946 in 2011).

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

**6. Restrictions and Limitations on Net Assets**

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

	2012	2011
Grants for acquisition of land, building and equipment	\$ 5,527,378	\$ 4,254,149
Unearned developer fees	55,230	118,351
Homeless prevention	5,605	68,388
Credit support	49,238	49,238
	\$ 5,637,451	\$ 4,490,126

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:

	2012	2011
Acquisition of assets	\$ 83,771	\$ 172,627
Earned developer fees	63,121	-
Homeless prevention	77,783	23,059
Credit support	-	753
	\$ 224,675	\$ 196,439

**7. Property Tax Exemption**

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

**8. Reclassifications**

Certain amounts have been reclassified in the 2011 financial statements to conform to the 2012 reporting format. There was no effect on net assets or change in net assets as a result of the reclassifications.

# Selden Fox, LTD.

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

630-954-1400  
630-954-1327 FAX

email@seldenfox.com  
www.seldenfox.com

## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY FINANCIAL INFORMATION

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

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended September 30, 2012 on pages 23 and 24 is presented for purposes of additional analysis, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The supplementary information on pages 32 through 43 is also presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Selden Fox, Ltd.*

January 11, 2013

**Community Housing Advocacy and Development and Subsidiaries**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2012**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development:			
Neighborhood Stabilization Program	14.218	B-08-UN-17-003 NSP08-03	\$ 20,579 <u>327,889</u>
<b>Subtotal Neighborhood Stabilization Program</b>			<b><u>348,468</u></b>
Home Investment Partnership Program	14.239	HM10-01 R11-327 R11-329	673,948 480,900 <u>159,900</u>
<b>Subtotal Home Investment Partnership Program</b>			<b><u>1,314,748</u></b>
<b>Total federal assistance</b>			<b><u>\$ 1,663,216</u></b>

See accompanying independent auditor's report on supplementary financial information and notes to the schedule.

**Community Housing Advocacy and Development and Subsidiaries**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2012**

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**1. Basis of Presentation**

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

**2. Subrecipients**

Community Housing Advocacy and Development provided no federal awards to subrecipients during the fiscal year ended September 30, 2012.

**3. Nonmonetary Assistance**

Community Housing Advocacy and Development neither received nor disbursed federal awards in the form of nonmonetary assistance during the fiscal year ended September 30, 2012.

**4. Insurance and Loans or Loan Guarantees**

During the year ended September 30, 2012, Community Housing Advocacy and Development received no insurance, loans, loan guarantees or other federal assistance for the purpose of administering federal programs.



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619 Enterprise Drive  
Oak Brook, Illinois 60523-8835

630-954-1400  
630-954-1327 FAX

email@seldenfox.com  
www.seldenfox.com

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the **Community Housing Advocacy and Development and Subsidiaries** as of and for the year ended September 30, 2012, and have issued our report thereon dated January 11, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Community Housing Advocacy and Development and Subsidiaries' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Housing Advocacy and Development and Subsidiaries' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Community Housing Advocacy and Development and Subsidiaries' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (Finding 2012-1).

Community Housing Advocacy and Development and Subsidiaries' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Community Housing Advocacy and Development and Subsidiaries' responses and, accordingly, we express no opinion on the responses.

### **Compliance and Other Matters**

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

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Selden Fox, Ltd.*

January 11, 2013

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Oak Brook, Illinois 60523-8835

630-954-1400  
630-954-1327 FAX

email@seldenfox.com  
www.seldenfox.com

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

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

### **Compliance**

We have audited the compliance of the **Community Housing Advocacy and Development and Subsidiaries** with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. Community Housing Advocacy and Development and Subsidiaries' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Community Housing Advocacy and Development and Subsidiaries' management. Our responsibility is to express an opinion on Community Housing Advocacy and Development and Subsidiaries' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community Housing Advocacy and Development and Subsidiaries' compliance with those requirements, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Community Housing Advocacy and Development and Subsidiaries' compliance with those requirements.

In our opinion, Community Housing Advocacy and Development and Subsidiaries complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

## Internal Control Over Compliance

Management of Community Housing Advocacy and Development and Subsidiaries is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Community Housing Advocacy and Development and Subsidiaries' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Community Housing Advocacy and Development and Subsidiaries' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

Community Housing Advocacy and Development and Subsidiaries' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Community Housing Advocacy and Development and Subsidiaries' responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, Board of Directors, and applicable federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Selden Fox, Ltd.*

January 11, 2013

**Community Housing Advocacy and Development and Subsidiaries  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2012**

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**I. Summary of Audit Results**

**Financial Statements**

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

**Federal Awards**

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

Federal Program Name	CFDA Number
Neighborhood Stabilization Program	14.218
Home Investment Partnership Program	14.239

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

**Community Housing Advocacy and Development and Subsidiaries**  
**Schedule of Findings and Questioned Costs (cont'd)**  
**For the Year Ended September 30, 2012**

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

**Finding 2012-1 Year End Financial Reporting Process**

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

Among others, lack of controls over the period end financial reporting process is considered a deficiency in internal control. The standard emphasizes that the external auditor cannot be part of an entity's internal control process over financial reporting. Accordingly, we require evidence and documentation from management to support our evaluation about the effectiveness of internal controls over financial reporting.

Selden Fox, Ltd. in conjunction with management has prepared the drafts of the Corporation's financial statements, including note disclosures, as part of the audit process for the year ended September 30, 2012. In addition, we have performed the required evaluation under the guidelines of this audit standard as to whether management, other employees, or those charged with corporate governance have the qualifications and training to apply generally accepted accounting principles (GAAP) in preparing the Corporation's financial statements, **and specifically all required note disclosures**. Our evaluation has determined the Corporation does not have anyone with this expertise.

**Recommendation**

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

**Corporation Response**

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

**III. Findings and Questioned Costs for Major Federal Award Programs**

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

**Community Housing Advocacy and Development and Subsidiaries**  
**Schedule of Findings and Questioned Costs (cont'd)**  
**For the Year Ended September 30, 2012**

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**IV. Summary Schedule of Prior Audit Findings**

**Finding 2011-1 Year End Financial Reporting Process**

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

**Current Status:** Comment repeated

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

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

(cont'd)



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

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

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

**Community Housing Advocacy and Development and Subsidiaries**  
**Consolidating Statement of Financial Position**  
**September 30, 2011**

<b>Assets</b>	Community Housing Advocacy and Development	CHAD Homes, Inc.	CHAD Property Management, Inc.	Eliminations	Total
Current assets:					
Cash	\$ 18,125	\$ 888	\$ 12,467	\$ -	\$ 31,480
Rent receivable, net of allowance of \$13,000	115,240	-	-	-	115,240
Grant receivables	1,554,648	-	-	-	1,554,648
Other receivables	161,893	-	2,830	-	164,723
Home inventory	234,202	-	-	-	234,202
Prepaid expenses	25,226	-	-	-	25,226
<b>Total current assets</b>	<b>2,109,334</b>	<b>888</b>	<b>15,297</b>	<b>-</b>	<b>2,125,519</b>
Property and equipment:					
Land	5,440,483	1,248,310	-	-	6,688,793
Buildings	23,783,638	-	-	-	23,783,638
Maintenance vehicles	61,868	-	-	-	61,868
Building improvements and appliances	6,450,649	-	-	-	6,450,649
Construction in progress	651,818	578,823	-	-	1,230,641
	36,388,456	1,827,133	-	-	38,215,589
Less accumulated depreciation	9,009,089	-	-	-	9,009,089
<b>Net property and equipment</b>	<b>27,379,367</b>	<b>1,827,133</b>	<b>-</b>	<b>-</b>	<b>29,206,500</b>
Other assets:					
Restricted cash	642,088	-	-	-	642,088
Deposits	162,159	-	-	-	162,159
Investment in Just Homes	2,548,108	-	-	-	2,548,108
Investment in subsidiaries	(10,865)	-	-	10,865	-
Bond issuance costs, net of accumulated amortization of \$62,333	85,509	-	-	-	85,509
<b>Total other assets</b>	<b>3,426,999</b>	<b>-</b>	<b>-</b>	<b>10,865</b>	<b>3,437,864</b>
	<b>\$ 32,915,700</b>	<b>\$ 1,828,021</b>	<b>\$ 15,297</b>	<b>\$ 10,865</b>	<b>\$ 34,769,883</b>

(cont'd)

**Community Housing Advocacy and Development and Subsidiaries**  
**Consolidating Statement of Financial Position (cont'd)**  
**September 30, 2011**

<b>Liabilities and Net Assets</b>	<u>Community Housing Advocacy and Development</u>	<u>CHAD Homes, Inc.</u>	<u>CHAD Property Management, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
Current liabilities:					
Line of credit	\$ 650,687	\$ -	\$ -	\$ -	\$ 650,687
Bonds payable, current	342,000	-	-	-	342,000
Mortgage and other loans payable, current	166,150	1,763,249	-	-	1,929,399
Accounts payable	351,084	274,004	51,000	(300,349)	375,739
Accrued expenses:					
Interest	97,958	-	-	-	97,958
Real estate taxes	653,881	18,716	-	-	672,597
Other	65,673	-	47,563	-	113,236
Funds held for others	44,053	-	-	-	44,053
Security deposits	283,762	-	-	-	283,762
<b>Total current liabilities</b>	<u>2,655,248</u>	<u>2,055,969</u>	<u>98,563</u>	<u>(300,349)</u>	<u>4,509,431</u>
Long-term liabilities:					
Line of credit	150,938	-	-	-	150,938
Bonds payable, noncurrent	7,311,000	-	-	-	7,311,000
Mortgage and other loans payable, noncurrent	5,864,731	-	-	-	5,864,731
<b>Total long-term liabilities</b>	<u>13,326,669</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,326,669</u>
<b>Total liabilities</b>	<u>15,981,917</u>	<u>2,055,969</u>	<u>98,563</u>	<u>(300,349)</u>	<u>17,836,100</u>
Common stock	-	25,000	-	(25,000)	-
Net assets:					
Unrestricted	12,443,657	(252,948)	(83,266)	336,214	12,443,657
Temporarily restricted	4,490,126	-	-	-	4,490,126
<b>Total net assets</b>	<u>16,933,783</u>	<u>(252,948)</u>	<u>(83,266)</u>	<u>336,214</u>	<u>16,933,783</u>
	<u>\$ 32,915,700</u>	<u>\$ 1,828,021</u>	<u>\$ 15,297</u>	<u>\$ 10,865</u>	<u>\$ 34,769,883</u>

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

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

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

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

**Community Housing Advocacy and Development and Subsidiaries**  
**Consolidating Statement of Activities**  
**For the Year Ended September 30, 2011**

	Community Housing Advocacy and Development	CHAD Homes, Inc.	CHAD Property Management, Inc.	Eliminations	Total
<b>Revenues:</b>					
Housing assistance payments	\$ 865,815	\$ -	\$ -	\$ -	\$ 865,815
Rent income	3,557,171	-	-	-	3,557,171
Discount provided to tenants	(728,916)	-	-	-	(728,916)
Property management	-	-	252,281	(181,943)	70,338
Grant income	1,587,231	-	-	-	1,587,231
Late fees and laundry room income	62,928	-	-	-	62,928
Interest income	1,681	-	-	-	1,681
Donations	205,295	-	-	-	205,295
Loss on investment in subsidiaries	(163,902)	-	-	163,902	-
Loss on sale of assets	(4,931)	-	-	-	(4,931)
Property tax exemption refund	161,893	-	-	-	161,893
Miscellaneous income	314,468	-	-	-	314,468
<b>Total revenues</b>	<b>5,858,733</b>	<b>-</b>	<b>252,281</b>	<b>(18,041)</b>	<b>6,092,973</b>
<b>Functional expenses:</b>					
Program services	4,198,018	73,318	335,547	(181,943)	4,424,940
Management and general	305,372	7,318	-	-	312,690
Fund-raising	83,342	-	-	-	83,342
<b>Total functional expenses</b>	<b>4,586,732</b>	<b>80,636</b>	<b>335,547</b>	<b>(181,943)</b>	<b>4,820,972</b>
<b>Change in net assets</b>	<b>1,272,001</b>	<b>(80,636)</b>	<b>(83,266)</b>	<b>163,902</b>	<b>1,272,001</b>
Net assets, beginning of the year	15,661,782	(172,312)	-	172,312	15,661,782
Net assets, end of the year	<b>\$ 16,933,783</b>	<b>\$ (252,948)</b>	<b>\$ (83,266)</b>	<b>\$ 336,214</b>	<b>\$ 16,933,783</b>

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