GENEVA HOUSE, INC.
PROJECT NO. 034-11177
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
AND INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2017 AND 2016

McKONLY & ASBURY

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Geneva House, Inc.
Dillsburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Geneva House, Inc. (a nonprofit organization), HUD Project No. 034-11177, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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 audits 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Geneva House, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 14 to 21 is presented for purposes of additional analysis as required by the *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2018, on our consideration of Geneva House, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Geneva House, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Geneva House, Inc.'s internal control over financial reporting and compliance.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
March 5, 2018

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

ASSETS	2017	2016
Current Assets		
Cash and cash equivalents	$ 61,826	$ 51,579
Accounts receivable - tenants (net of allowance of $1,549 and $1,361)	466	473
Accounts receivable - HUD	8,284	593
Accounts receivable - grants	13,349	12,124
Prepaid expenses	10,025	9,423
Total current assets	93,950	74,192
Noncurrent Assets		
Restricted deposits and funded reserves		
Replacement reserves	270,499	341,477
Escrow deposits	64,743	47,519
Tenant security deposits	31,048	32,181
Total restricted deposits and funded reserves	366,290	421,177
Fixed Assets		
Land	50,000	50,000
Building and improvements	4,821,602	4,813,251
Furniture and equipment	209,003	157,692
Construction in progress	6,226	-
	5,086,831	5,020,943
Less accumulated depreciation	(2,962,429)	(2,848,388)
Fixed assets - net	2,124,402	2,172,555
Total assets	$ 2,584,642	$ 2,667,924

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS	2017	2016
Current Liabilities		
Accounts payable	$ 11,520	$ 18,759
Accounts payable - related party	81,066	34,044
Accrued expenses		
Audit	6,800	8,600
Management fee	14,142	3,685
Other	2,984	7,319
Accrued interest	7,688	7,821
Current maturities of mortgage payable	44,786	43,166
Prepaid rent	16,035	6,983
Total current liabilities	185,021	130,377
Noncurrent Liabilities		
Tenant security deposits	22,936	23,597
Mortgage payable - net of current maturities		
Mortgage payable	2,455,524	2,500,310
Smart rehab loan	91,085	91,085
Less debt issuance costs	(190,468)	(196,695)
Total noncurrent liabilities	2,379,077	2,418,297
Total liabilities	2,564,098	2,548,674
Unrestricted Net Assets	20,544	119,250
Total liabilities and net assets	$ 2,584,642	$ 2,667,924

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Revenue		
Rent	$ 739,518	$ 731,495
Financial	224	210
Grant revenue	53,227	49,650
Other	9,125	9,052
Total revenue	802,094	790,407
Expenses		
Administrative	125,636	109,738
Utilities	97,792	92,752
Operating and maintenance	240,262	198,984
Taxes and insurance	168,002	176,094
Interest	99,405	101,143
Mortgage insurance premium	13,886	13,000
Supportive services	41,776	39,802
Depreciation	114,041	147,416
Total expenses	900,800	878,929
Change in net assets	(98,706)	(88,522)
Net Assets - Beginning	119,250	207,772
Net Assets - Ending	$ 20,544	$ 119,250

The accompanying notes are an integral
part of these financial statements.

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash Flows from Operating Activities		
Rental receipts	$ 740,886	$ 728,726
Interest receipts	49	41
Grant revenue	52,002	49,531
Other operating receipts	9,125	9,052
Total receipts	802,062	787,350
Administrative	33,881	16,132
Management fees	31,385	41,543
Utilities	99,179	91,918
Salaries and wages	144,774	173,843
Operating and maintenance	172,077	124,789
Real estate taxes	91,215	91,215
Property and liability insurance	12,135	11,200
Miscellaneous taxes and insurance	3,543	14,659
Tenant security deposits	(472)	852
Interest on notes payable	93,129	94,691
Supportive services	41,776	39,802
Miscellaneous financial expenses	14,068	13,351
Total disbursements	736,690	713,995
Net cash provided by operating activities	65,372	73,355
Cash Flows from Investing Activities		
Net deposits to mortgage escrow account	(17,224)	(6,250)
Net withdrawals from replacement reserves	71,153	12,782
Cash paid for fixed assets	(65,888)	(49,245)
Net cash used in investing activities	(11,959)	(42,713)
Cash Flows from Financing Activities		
Mortgage principal payments	(43,166)	(41,605)
Net cash used in financing activities	(43,166)	(41,605)
Net increase (decrease) in cash and cash equivalents	10,247	(10,963)
Cash		
Beginning	51,579	62,542
Ending	$ 61,826	$ 51,579

(continued)

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENTS OF CASH FLOWS (Cont'd)

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Reconciliation of Change in Net Assets to		
Net Cash Provided by Operating Activities		
Change in net assets	$ (98,706)	$ (88,522)
Adjustments to reconcile change in net assets		
to net cash provided by operating activities		
Depreciation	114,041	147,416
Other interest expense	6,227	6,229
Interest earned on replacement reserve account	(175)	(169)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable - tenants	7	(44)
Accounts receivable - HUD	(7,691)	823
Accounts receivable - grants	(1,225)	(119)
Prepaid expenses	(602)	259
Tenant security deposits	1,133	(1,725)
(Decrease) increase in:		
Accounts payable	39,783	8,719
Accrued expenses	4,322	3,221
Accrued interest payable	(133)	(128)
Tenant security deposits	(661)	944
Prepaid rent	9,052	(3,549)
Net cash provided by operating activities	$ 65,372	$ 73,355

The accompanying notes are an integral
part of these financial statements.

Note 1. Nature of Business and Significant Accounting Policies

Nature of Organization: Geneva House, Inc. (the "Organization"), is a nonprofit corporation formed under the Non-Profit Corporation Laws of Pennsylvania. Geneva House Apartments (the "Project") is a 64-unit apartment complex for the elderly located in Scranton, Pennsylvania. The Project is operated under Section 223(f) of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development (HUD).

The Project is also subject to Section 8 Housing Assistance Payments (HAP) and Rent Supplements Housing Assistance payment agreements with HUD. The Rent Supplements Housing Assistance payment agreement with HUD expired August 2012. The Organization received approval from HUD to withdrawal funds from the Reserve for Replacement to fund tenant assistance payments for the remainder of the year. Effective January 1, 2013, the Organization entered into a new Rental Assistance Demonstration agreement. The Section 8 HAP agreement was renewed along with the refinancing of the debt, and was effective July 31, 2013, for a period of 20 years. A significant portion of the Project's rental income is received under these agreements with HUD.

PHI, d/b/a, Presbyterian Senior Living ("PSL"), has approval rights for the Board of Trustee appointments. PSL is a provider of senior care services, including housing, nursing, personal care, and day care in Pennsylvania, Maryland, Ohio and Delaware.

Restricted Deposits and Funded Reserves: Escrow deposits represent funds to be used to pay taxes and insurance. The reserve for replacements represents funds held, invested, or transferred to the mortgagee. Disbursements from these reserves require HUD approval.

Fixed Assets: The Organization provides for depreciation of fixed assets using the straight-line or declining balance methods as follows:

Building and improvements	5 - 45 years
Furniture and equipment	5 - 10 years

Impairment: The Organization reviews its long-lived assets for impairment on an exception basis whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through future cash flows. If it is determined that an impairment loss has occurred, based on the expected cash flows, a loss is recognized in the statement of activities.

Debt Issuance Costs: Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs are amortized over the life of the debt and are reported as a component of interest expense.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates based on management's knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

(continued)

Income Taxes: The Organization is exempt from federal income tax under Internal Revenue Code Section 501(c)3. The Organization adheres to the provisions of Financial Accounting Standards Board Codification 740, Income Taxes. ASC 740 prescribes a comprehensive model for financial statement recognition, measurement, classification, and disclosure of uncertain tax positions. The Organization has concluded that it does not have any uncertain tax positions that require recognition or disclosure in the financial statements. Management believes it is no longer subject to income tax examinations for years prior to 2014.

Cash Equivalents: For purposes of the statements of cash flows, the Organization considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents as of December 31, 2017 and 2016.

Income Recognition: Rental revenue is recognized on the accrual method. Accordingly, revenue is recognized as earned, and expenses are recognized as incurred. A monthly housing assistance payment is received from HUD for leases to qualifying low-income tenants.

Advertising Costs: The Organization expenses all advertising costs as incurred.

Accounts Receivable: Tenant receivables are carried at original rental amount less an estimate made for doubtful receivables based on management's review of all outstanding amounts on a regular basis. Management determines the allowance for doubtful accounts by regularly evaluating individual tenant's receivables and considering a tenant's financial condition, credit history and current economic conditions. Management has identified tenant receivables at year-end that, based on the tenant's financial condition, credit history and current economic conditions, suggest a reserve would be appropriate. Tenant receivables are written off when deemed uncollectible. Recoveries of tenant receivables previously written off are recorded when received. Tenant receivables include an allowance for doubtful accounts of $1,549 and $1,361 as of December 31, 2017 and 2016, respectively.

A tenant receivable is considered to be past due based on how payments are received compared to the tenant's payment history. Interest is generally not charged on receivables.

Tenant Security Deposits: Tenant security deposits are held in a bank account in the name of the Organization.

Subsequent Events: Management evaluated subsequent events through March 5, 2018, the date the financial statements were available to be issued.

Recently Issued Accounting Pronouncements: In August 2016, the FASB issued Accounting Standard Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The amendments in this ASU include two classes of net asset classifications, options for presenting cash flow from operations, and many additional disclosure requirements. The changes are effective for the Organization on January 1, 2018. Management has not determined the impact of these changes on the Organization's financial statements.

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In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The pronouncement, and related subsequent pronouncements, requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The changes become effective for the Organization on January 1, 2019. Management has not determined the impact of these changes on the Organization’s financial statements.

In November 2016, the FASB issued ASU 2016-18, *Restricted Cash (Topic 230)*. The changes associated with this ASU include the requirement for amounts generally described as restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The changes become effective for the Organization on January 1, 2019. Management has not determined the impact of these changes on the Organization’s financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The changes associated with this ASU include the requirement for lessees to recognize the underlying assets and liabilities associated with all operating leases with terms greater than 12 months. The changes become effective for the Organization on January 1, 2020. Management has not determined the impact of these changes on the Organization’s financial statements.

Note 2. Mortgage Payable

The Organization refinanced its debt through a HUD-insured Section 223(f) mortgage on July 31, 2013, in the amount of $2,676,400. The mortgage bears interest at 3.69% annually and monthly payments in the amount of $11,358 are required. The servicing agent is Walker & Dunlop, LLC. The mortgage matures on August 1, 2048. The outstanding principal balance on the mortgage as of December 31, 2017 and 2016, was $2,500,310 and $2,543,476.

Current maturities of the mortgage payable for the remaining years are as follows:

Year	Amount
2018	$ 44,786
2019	46,467
2020	48,211
2021	50,021
2022	51,898
Thereafter	2,258,927
	$ 2,500,310

The Organization incurred interest costs of $99,405 and $101,143 in 2017 and 2016. The Organization paid interest costs of $99,357 and $100,920 in 2017 and 2016.

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Note 3. Smart Rehab Loan

In 2012, the Pennsylvania Housing Finance Agency ("PHFA") issued a promissory note in the original amount of $91,085 through the Preservation Through Smart Rehab Program. This loan matures on the earliest of the date of the sale of the project, the date of the termination of the project, or 2042. The loan does not bear interest.

Principal payments are required to be made from any surplus of revenues over expenses generated by the Project after the payment of all project costs during any calendar year as determined by PHFA based upon a review of audited financial statements of the Organization. The outstanding balance as of December 31, 2017 and 2016, was $91,085.

The apartment complex is pledged as collateral for the loan. The loan is nonrecourse debt.

Note 4. Accounts Payable – Related Party

The Organization receives cash advances from Presbyterian Homes (PH) and Presbyterian Senior Living Housing Management Corporation (PSLHMC) for operating and payroll expenses of the Project. As of December 31, 2017, total advances due to PH and PSLHMC of $1,304 and $79,762 were included in accounts payable – related party on the statements of financial position, respectively. As of December 31, 2016, total advances due to PH and PSLHMC of $7,020 and $27,024 were included in accounts payable – related party on the statements of financial position, respectively.

Note 5. Unrestricted Net Assets

None of the Organization's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as unrestricted net assets.

Note 6. Rent Increases

Under the Section 8 Housing Assistance Payments contracts, the Project may not increase rent charged to tenants without prior approval from HUD.

Note 7. Grant Revenue

Beginning January 1, 2013, the Project received a grant from HUD through its Service Coordinator grant program. The grant reimburses expenses related to the hiring, training, and other costs related to having a service coordinator at the Project. Total revenue related to the grant during the years ended December 31, 2017 and 2016, were $53,227 and $49,650, of which $13,349 and $12,124 was receivable at year end, respectively.

(continued)

Note 8. Management Fees

The Organization entered into a contract with PSLHMC, an affiliate of PSL, on June 1, 2013, to manage and supervise the operations of the Project. The term of the management contract is 5 years and management fees were calculated at 7.49% of residential and commercial income, capped at $47 per unit per month. Management fee expense for the years ended December 31, 2017 and 2016, was $41,842 and $41,714, of which $14,142 and $3,685 was payable at year end, respectively.

Note 9. Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis below. Accordingly, certain costs have been allocated among programs and management and general.

	2017	2016
Program services	$ 887,151	$ 865,310
Management and general	13,649	13,619
Total expenses	$ 900,800	$ 878,929

Note 10. Current Vulnerability Due to Certain Concentrations

The Organization’s primary asset is a 64-unit apartment complex. The Organization’s operations are concentrated in the multi-family real estate market. In addition, the Organization operates in a heavily regulated environment. The operations of the Organization are subject to the administrative directives, rules, and regulations of Federal, state and local regulatory agencies, including, but not limited to, HUD and PHFA. Such administrative directives, rules, and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

SUPPLEMENTARY INFORMATION

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENT OF FINANCIAL POSITION DATA

DECEMBER 31, 2017

Account Number			
	Current Assets		
1120	Cash - operations	$	61,826
1130	Accounts receivable - tenants (net of allowance of $1,549)		466
1135	Accounts receivable - HUD		8,284
1140	Accounts receivable - grants		13,349
1200	Prepaid expenses		10,025
1100T	**Total current assets**		93,950
	Restricted deposits and funded reserves		
1191	Tenant deposits		31,048
1310	Escrow deposits		64,743
1320	Replacement reserves		270,499
1300T	**Total restricted deposits and funded reserves**		366,290
	Fixed Assets		
1410	Land		50,000
1420	Building		4,821,602
1450	Furniture for project - tenant use		60,599
1460	Furnishings		134,709
1470	Maintenance equipment		13,695
1490	Construction in progress		6,226
1400T	**Total fixed assets**		5,086,831
1495	Less accumulated depreciation		(2,962,429)
1400N	**Fixed assets - net**		2,124,402
1000T	**Total assets**	$	2,584,642

Account Number		
	Current Liabilities	
2110	Accounts payable	$ 92,586
2120	Accrued expenses	17,126
2131	Accrued interest	7,688
2170	Mortgage payable - current portion	44,786
2190	Accrued audit	6,800
2210	Prepaid rent	16,035
2122T	**Total current liabilities**	185,021
2191	Tenant security deposits	22,936
	Noncurrent Liabilities	
2320	Mortgage payable - net of current portion	2,455,524
2326	Smart rehab loan	91,085
2340	Debt issuance costs	(190,468)
2300T	**Total noncurrent liabilities**	2,356,141
2000T	**Total liabilities**	2,564,098
3131	Unrestricted Net Assets	20,544
2033T	**Total liabilities and net assets**	$ 2,584,642

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENT OF ACTIVITIES DATA

YEAR ENDED DECEMBER 31, 2017

Account Number			
	REVENUE		
5120	Rent - gross potential	$	260,476
5121	Tenant assistance payments		426,056
5170	Parking spaces		63,894
5100T	**Total rent revenue**		750,426
	Vacancies		
5220	Vacancies - apartments		(10,775)
5250	Rental Concessions		(133)
5200T	**Total vacancies**		(10,908)
5152N	**Net rental revenue**		739,518
5440	Revenue from investments - replacement reserve		175
5490	Revenue from investments - security deposits		49
5400T	**Total financial revenue**		224
5910	Laundry and vending revenue		5,479
5920	Tenant charges		391
5920	Grant revenue		53,227
5990	Miscellaneous revenue		3,255
5900T	**Total other revenue**		62,352
5000T	**Total revenue**		802,094
	EXPENSES		
6210	Advertising and marketing		939
6311	Office expenses		8,135
6320	Management fee		41,842
6330	Manager salaries		56,803
6350	Audit expense		8,800
6370	Bad debts		381
6390	Miscellaneous administrative expenses		8,736
6263T	**Total administrative expenses**		125,636
6450	Electricity		70,172
6451	Water		14,270
6452	Gas		1,085
6453	Sewer		12,265
6263T	**Total utilities expenses**		97,792

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GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENT OF ACTIVITIES DATA (Cont'd)

YEAR ENDED DECEMBER 31, 2017

Account Number			
	EXPENSES (Continued)		
6510	Payroll		76,723
6515	Supplies		1,499
6520	Contracts		56,942
6525	Garbage and trash removal		9,136
6541	Repairs material		22,451
6546	Heating/cooling repairs and maintenance		59,704
6548	Snow removal		10,492
6560	Decorating		3,315
6550T	**Total operating and maintenance expenses**		240,262
6710	Real estate taxes		91,215
6711	Payroll taxes		12,564
6720	Property and liability insurance		12,203
6723	Health insurance and other employee benefits		48,477
6790	Miscellaneous taxes, licenses, permits and insurance		3,543
6700T	**Total taxes and insurance**		168,002
6820	Interest on mortgage payable		92,996
6825	Interest on other mortgages		6,227
6850	Mortgage insurance premium		13,886
6890	Miscellaneous financial expenses		182
6800T	**Total financial expenses**		113,291
6910	Payroll		38,949
6920	Supplies		2,827
6900T	**Total supportive services**		41,776
6000T	**Total cost of operations before depreciation**		786,759
5060T	**Profit before depreciation**		15,335
6600	Depreciation		114,041
5060N	**Operating loss**		(98,706)
3247	Change in unrestricted net assets from operations		(98,706)
3250	Change in total net assets from operations	$	(98,706)
S1000-010	Total mortgage principal payments required during the year	$	43,166
S1000-020	Total of 12 monthly deposits during the year into the replacement reserve account, as required by the regulatory agreement	$	27,027
S1000-030	Replacement or painting reserve releases which are included as expense items on this profit and loss statement.	$	77,784

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENT OF CASH FLOWS DATA

YEAR ENDED DECEMBER 31, 2017

Account Number		
	Cash Flows from Operating Activities	
S1200-010	Rental receipts	$ 740,886
S1200-020	Interest receipts	49
S1200-030	Grant revenue	52,002
S1200-030	Other operating receipts	9,125
S1200-040	**Total receipts**	802,062
S1200-050	Administrative	33,881
S1200-070	Management fees	31,385
S1200-090	Utilities	99,179
S1200-100	Salaries and wages	144,774
S1200-110	Operating and maintenance	172,077
S1200-120	Real estate taxes	91,215
S1200-140	Property and liability insurance	12,135
S1200-150	Miscellaneous taxes and insurance	3,543
S1200-160	Tenant security deposits	(472)
S1200-170	Supportive services	41,776
S1200-190	Interest on notes payable	93,129
S1200-220	Miscellaneous financial expenses	14,068
S1200-230	**Total disbursements**	736,690
S1200-240	**Net cash provided by operating activities**	65,372
	Cash Flows from Investing Activities	
S1200-245	Net deposits to mortgage escrow account	(17,224)
S1200-250	Net withdrawals from replacement reserves	71,153
S1200-330	Cash paid for fixed assets	(65,888)
S1200-350	**Net cash used in investing activities**	(11,959)
	Cash Flows from Financing Activities	
S1200-360	Mortgage principal payments	(43,166)
S1200-460	**Net cash used in financing activities**	(43,166)
S1200-470	**Net increase in cash and cash equivalents**	10,247
	Cash and Cash Equivalents	
S1200-480	Beginning	51,579
S1200T	Ending	$ 61,826

(continued)

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENT OF CASH FLOWS DATA (Cont'd)

YEAR ENDED DECEMBER 31, 2017

Account Number			
	Reconciliation of Change in Net Assets to		
	Net Cash Provided by Operating Activities		
3250	Change in net assets	$	(98,706)
	Adjustments to reconcile changes in net assets to net cash provided by operating activities		
5440	Interest earned on replacement reserves		(175)
6600	Depreciation		114,041
S1200-486	Amortization of debt issuance costs		6,227
	Changes in assets and liabilities:		
	(Increase) decrease in:		
S1200-490	Accounts receivable		(7,684)
S1200-500	Accounts receivable - other		(1,225)
S1200-520	Prepaid expenses		(602)
S1200-530	Tenant security deposits		1,133
	(Decrease) increase in:		
S1200-540	Accounts payable		39,783
S1200-560	Accrued expenses		4,322
S1200-570	Accrued interest		(133)
S1200-580	Tenant security deposits		(661)
S1200-590	Prepaid rent		9,052
S1200-610	**Net cash provided by operating activities**	$	65,372

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

SCHEDULE OF REPLACEMENT RESERVES

YEAR ENDED DECEMBER 31, 2017

Account Number		
1320P	Balance - January 1, 2017	$ 341,477
1320DT	Total monthly deposits	27,027
1320INT	Interest earned	175
		27,202
1320WT	Withdrawals approved by HUD	98,180
1320	Balance - December 31, 2017	$ 270,499

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS

YEAR ENDED DECEMBER 31, 2017

Account Number		Beginning Balance	Additions	Deletions	Ending Balance
1410	Land	$ 50,000	$ -	$ -	$ 50,000
1420	Buildings	4,813,252	8,350	-	4,821,602
1441	Building equipment	40,203	20,396	-	60,599
1460	Furnishings	103,793	30,916	-	134,709
1470	Maintenance equipment	13,695	-	-	13,695
1490	Construction in progress	-	6,226	-	6,226
1400T	**Total fixed assets**	5,020,943	65,888	-	5,086,831
1495	Accumulated depreciation	2,848,388	114,041	-	2,962,429
1400N	**Total net book value**				$ 2,124,402

Schedule of Additions to Buildings

Description	Amount
Sign/fountain project	$ 6,856
Refrigerator compressor	1,494
	$ 8,350

Schedule of Additions to Building Equipment

Description	Amount
Security system	$ 3,424
SARA system upgrade	11,200
HVAC compressor	5,772
	$ 20,396

Schedule of Additions to Furnishings

Description	Amount
Flooring and paint (7 units)	$ 17,355
Paint community room	1,650
Paint and wallpaper (4th and 6th floors)	7,940
Portable air conditioners	2,514
Kitchen cabinets (unit 802)	1,457
	$ 30,916

Schedule of Additions to Construction in Progress

Description	Amount
Carpet for hallway	$ 6,226
	$ 6,226

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2017

Federal Grantor	Federal CFDA Number	Pass Through Grantor Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development				
Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects (Section 223f)	14.155	Not available	$ 2,543,476	$ -
Section 8 Project-Based Cluster				
Section 8 New Construction And Substantial Rehabilitation	14.182	Not available	386,860	-
Multifamily Housing Service Coordinators Program	14.191	Not available	53,227	-
Total expenditures of federal awards			$ 2,983,563	$ -

See Notes to Schedule of Expenditures of Federal Awards.

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2017

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Geneva House, Inc., Project No. 034-11177, under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Geneva House, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Geneva House, Inc.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. U.S. Department of Housing and Urban Development Loan Program

Geneva House, Inc. has received a U.S. Department of Housing and Urban Development direct loan. The loan balances outstanding at the beginning of the year is included in the federal expenditures presented in the Schedule. Geneva House, Inc. received no additional loans during the year. The balance of the loan outstanding at December 31, 2017, consists of:

CFDA Number	Program Name	Outstanding Balance at December 31, 2017
14.155	Section 223f Direct Loan	$ 2,500,310

Note 4. Indirect Cost Rate

Geneva House, Inc. has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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

To the Board of Directors
Geneva House, Inc.
Dillsburg, Pennsylvania

We have audited , in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing* Standards issued by the Comptroller General of the United States, the financial statements of Geneva House, Inc., HUD Project No. 034-11177, which comprise the statement of financial position as of December 31, 2017, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 5, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Geneva House, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Geneva House, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Geneva House, Inc.'s internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
March 5, 2018

MEMBERS
AMERICAN AND PENNSYLVANIA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Geneva House, Inc.
Dillsburg, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Geneva House, Inc.'s, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Geneva House, Inc. major federal programs for the year ended December 31, 2017. Geneva House, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Geneva House, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the major federal programs occurred. An audit includes examining, on a test basis, evidence about Geneva House, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Geneva House, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Geneva House, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of Geneva House, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Geneva House, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Geneva House, Inc.'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of our testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
March 5, 2018

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2017

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Geneva House, Inc. were prepared in accordance with GAAP.

2. No material weaknesses were identified during the audit of the financial statements and reported in the 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.*

3. No instances of noncompliance material to the financial statements of Geneva House, Inc., which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.

4. No material weaknesses were identified during the audit of the major federal award programs and reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.

5. The auditor's report on compliance for the major federal award programs for Geneva House, Inc. expresses an unmodified opinion on all major programs.

6. There are no findings required to be reported in accordance with 2 CFR section 200.516 (a).

7. The programs tested as major programs were:

Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects (Section 223f)	CFDA #14.155
Section 8 Project Based Cluster Section 8 New Construction And Substanial Rehabilitation	CFDA #14.182

8. The threshold for distinguishing between Type A and Type B programs was $750,000.

9. Geneva House, Inc. was determined to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

None.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

YEAR ENDED DECEMBER 31, 2017

None.

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

CERTIFICATION OF OFFICERS

YEAR ENDED DECEMBER 31, 2017

We hereby certify that we have read the foregoing financial statements and additional information of Geneva House, Inc. and, to the best of our knowledge and belief, they are complete and accurate.

Corporate Officers	Date
______________________	March 5, 2018
______________________	March 5, 2018

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

MANAGEMENT AGENT'S CERTIFICATION

YEAR ENDED DECEMBER 31, 2017

We hereby certify that we have read the foregoing accompanying financial statements and additional information of Geneva House, Inc. and, to the best of our knowledge and belief, they are complete and accurate.

Presbyterian Senior Living Housing
Management Corporation

March 5, 2018
Date