

**GENEVA HOUSE, INC.
PROJECT NO. 034-11177
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
AND INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2018 AND 2017**



McKONLY & ASBURY

**GENEVA HOUSE, INC.
PROJECT NO. 034-11177**

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3-4
Statements of Activities	5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8-9
Notes to Financial Statements	10-15
SUPPLEMENTARY INFORMATION	
Supplementary Information Required by HUD	17-24
Schedule of Expenditures of Federal Awards	25
Notes to Schedule of Expenditures of Federal Awards	26
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 <i>Government Auditing Standards</i>	27-28
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	29-30
Schedule of Findings and Questioned Costs	31
Summary Schedule of Prior Year Findings	32
Certification of Officers	33
Management Agent’s Certification	34

MEMBERS

AMERICAN AND PENNSYLVANIA
INSTITUTES OF CERTIFIED PUBLIC
ACCOUNTANTS

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, 2018 and 2017, and the related statements of activities, functional expenses 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 organization'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 organization'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.

MAILING ADDRESS

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, 2018 and 2017, 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 17 to 24 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 13, 2019, 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 13, 2019

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

ASSETS	2018	2017
Current Assets		
Cash	\$ 155,978	\$ 61,826
Accounts receivable - tenants (net of allowance of \$805 and \$1,549)	619	466
Accounts receivable - HUD	5,257	8,284
Accounts receivable - grants	14,400	13,349
Prepaid expenses	9,684	10,025
Total current assets	185,938	93,950
Noncurrent Assets		
Restricted deposits and funded reserves		
Replacement reserves	217,624	270,499
Escrow deposits	65,381	64,743
Tenant security deposits	31,560	31,048
Total restricted deposits and funded reserves	314,565	366,290
Fixed Assets		
Land	50,000	50,000
Building and improvements	4,821,601	4,821,601
Furniture and equipment	254,356	209,004
Construction in progress	-	6,226
	5,125,957	5,086,831
Less accumulated depreciation	(3,076,136)	(2,962,429)
Fixed assets - net	2,049,821	2,124,402
Total assets	\$ 2,550,324	\$ 2,584,642

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

LIABILITIES AND NET ASSETS	2018	2017
Current Liabilities		
Accounts payable	\$ 17,043	\$ 11,520
Accounts payable - related party	202,702	95,208
Accrued expenses		
Audit	8,975	6,800
Other	4,927	2,984
Accrued interest	7,551	7,688
Current maturities of mortgage payable	46,467	44,786
Prepaid rent	11,254	17,721
Total current liabilities	298,919	186,707
Noncurrent Liabilities		
Tenant security deposits	21,822	21,250
Mortgage payable - net of current maturities		
Mortgage payable	2,409,056	2,455,524
Smart rehab loan	91,085	91,085
Less debt issuance costs	(184,240)	(190,468)
Total noncurrent liabilities	2,337,723	2,377,391
Total liabilities	2,636,642	2,564,098
Net assets (deficit) without donor restrictions	(86,318)	20,544
Total liabilities and net assets	\$ 2,550,324	\$ 2,584,642

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Revenue		
Rent	\$ 742,305	\$ 739,518
Financial	181	224
Grant revenue	56,574	53,227
Other	12,167	9,125
Total revenue	<u>811,227</u>	<u>802,094</u>
Expenses		
Administrative	125,761	125,636
Utilities	106,753	97,792
Operating and maintenance	224,088	240,262
Taxes and insurance	189,780	168,002
Interest and miscellaneous financial expenses	102,411	99,405
Mortgage insurance premium	12,557	13,886
Supportive services	43,032	41,776
Depreciation	113,707	114,041
Total expenses	<u>918,089</u>	<u>900,800</u>
Change in net assets	(106,862)	(98,706)
Net assets without donor restrictions - beginning	20,544	119,250
Net assets (deficit) without donor restrictions - ending	<u>\$ (86,318)</u>	<u>\$ 20,544</u>

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

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Administrative	\$ 70,736	\$ 55,025	\$ 125,761
Utilities	106,753	-	106,753
Operating and maintenance	224,088	-	224,088
Taxes and insurance	189,780	-	189,780
Interest and miscellaneous financial expenses	102,411	-	102,411
Mortgage insurance premium	12,557	-	12,557
Supportive services	43,032	-	43,032
Depreciation	<u>113,707</u>	<u>-</u>	<u>113,707</u>
Total expenses	<u><u>\$ 863,064</u></u>	<u><u>\$ 55,025</u></u>	<u><u>\$ 918,089</u></u>

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

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Administrative	\$ 74,994	\$ 50,642	\$ 125,636
Utilities	97,792	-	97,792
Operating and maintenance	240,262	-	240,262
Taxes and insurance	168,002	-	168,002
Interest and miscellaneous financial expenses	99,405	-	99,405
Mortgage insurance premium	13,886	-	13,886
Supportive services	41,776	-	41,776
Depreciation	<u>114,041</u>	<u>-</u>	<u>114,041</u>
Total expenses	<u><u>\$ 850,158</u></u>	<u><u>\$ 50,642</u></u>	<u><u>\$ 900,800</u></u>

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, 2018 AND 2017

	2018	2017
Cash Flows from Operating Activities		
Rental receipts	\$ 737,661	\$ 740,886
Interest receipts	59	49
Grant revenue	56,574	52,002
Other operating receipts	12,167	9,125
Total receipts	806,461	802,062
Administrative	28,891	33,881
Management fees	35,139	31,385
Utilities	102,973	99,179
Salaries and wages	114,809	144,774
Operating and maintenance	130,888	172,077
Real estate taxes	92,398	91,215
Property and liability insurance	25,060	12,135
Miscellaneous taxes and insurance	4,812	3,543
Tenant security deposits	(60)	(472)
Interest on notes payable	91,509	93,129
Supportive services	54,337	41,776
Miscellaneous financial expenses	-	14,068
Total disbursements	680,756	736,690
Net cash provided by operating activities	125,705	65,372
Cash Flows from Investing Activities		
Net deposits to mortgage escrow account	(638)	(17,224)
Net withdrawals from replacement reserves	52,997	71,153
Cash paid for fixed assets	(39,126)	(65,888)
Net cash provided by (used in) investing activities	13,233	(11,959)
Cash Flows from Financing Activities		
Mortgage principal payments	(44,786)	(43,166)
Net cash used in financing activities	(44,786)	(43,166)
Net increase in cash	94,152	10,247
Cash		
Beginning	61,826	51,579
Ending	\$ 155,978	\$ 61,826

(continued)

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENTS OF CASH FLOWS (Cont'd)

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	\$ (106,862)	\$ (98,706)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	113,707	114,041
Amortization of debt issuance costs	6,228	6,227
Interest earned on replacement reserve account	(122)	(175)
Allowance for doubtful accounts	(744)	188
Decrease (increase) in		
Accounts receivable - tenants	591	(181)
Accounts receivable - HUD	3,027	(7,691)
Accounts receivable - grants	(1,051)	(1,225)
Prepaid expenses	341	(602)
Tenant security deposits	(512)	1,133
Increase (decrease) in		
Accounts payable	113,017	50,240
Accrued expenses	4,118	(6,135)
Accrued interest payable	(138)	(133)
Tenant security deposits	572	(661)
Prepaid rent	(6,467)	9,052
Net cash provided by operating activities	\$ 125,705	\$ 65,372

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

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

NOTES TO 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.

Financial Statement Presentation: The Organization follows the requirements of FASB Accounting Standards Codification (ASC) 958 *Not-for-profit Entities*, and the provisions of Accounting Standards Update 2016-14 *Not-For-profit Entities* (Topic 958): *Presentation of Financial Statements of Not-For-Profit Entities*. ASU 2016-14 requires the Organization to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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, 2018 and 2017.

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 \$805 and \$1,549 as of December 31, 2018 and 2017, 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.

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GENEVA HOUSE, INC.
PROJECT NO. 034-11177

NOTES TO FINANCIAL STATEMENTS

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: Fixed assets are stated at cost. 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.

Net Asset Classifications: Net assets, revenues, and gains, and losses are classified based on the existence or absence or grantor imposed restrictions. Accordingly net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available to use in general operations and not subject to donor (or certain grantor restrictions).

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions may be temporary in nature, such as those that will be met with the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when stipulated time has elapsed, when the stipulated purpose for which the resources was restricted has been fulfilled, or both. The Organization reported no net assets with donor restrictions at December 31, 2018 and 2017.

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 2015.

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GENEVA HOUSE, INC.
PROJECT NO. 034-11177

NOTES TO FINANCIAL STATEMENTS

Revenue 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.

Grant revenue is recognized to the extent that eligible costs are incurred.

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

Functional Allocation of Expenses: The costs of providing the program and supporting service activities have been directly charged. Management and general costs primarily consist of management fees, audit expense, and miscellaneous administrative expenses.

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.

Reclassification: Certain items in the 2017 financial statements have been reclassified to conform to the presentation of the 2018 financial statements. The Organization's 2017 expenses have been reclassified to be presented on the functional and natural classification basis on the statement of functional expenses for the year ended December 31, 2017.

Recently Adopted Accounting Standards: In August 2016, the FASB issued ASU No. 2016-14, *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 a number of additional disclosure requirements related to liquidity and availability of resources, expenses and investment return. This guidance was effective for the Organization on January 1, 2018, and was applied retrospectively. Total net assets did not change as a result of this new standard, however net assets are now reported as net assets without donor restrictions.

Recently Issued Accounting Pronouncements: In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The pronouncement, and the 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 No. 2016-08, *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 amount 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.

Subsequent Events: Management evaluated subsequent events through March 13, 2019, the date the financial statements were available to be issued.

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GENEVA HOUSE, INC.
PROJECT NO. 034-11177

NOTES TO FINANCIAL STATEMENTS

Note 2. Liquidity and Availability

The Organization has \$176,254 of financial assets available within one year of the December 31, 2018, statement of financial position date to meet cash needs for general expenditures consisting of cash of \$155,978 and accounts receivable of \$20,276. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. To help manage unanticipated liquidity needs, the Organization receives cash advances from PSL for operating expenses of the Project. See Note 5 for additional information.

Note 3. 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, 2018 and 2017, was \$2,455,523 and \$2,500,310.

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

Year	Amount
2019	\$ 46,467
2020	48,211
2021	50,021
2022	51,898
2023	53,846
Thereafter	2,205,080
	<u>\$ 2,455,523</u>

The Organization incurred interest costs of \$97,599 and \$99,224 in 2018 and 2017. The Organization paid interest costs of \$91,509 and \$93,129 in 2018 and 2017.

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

Note 4. 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.

(continued)

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

NOTES TO FINANCIAL STATEMENTS

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, 2018 and 2017, was \$91,085.

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

Note 5. Related Party Transactions

Some members of the Board of Directors of the Organization are also officers of PSL. The Organization receives cash advances from Presbyterian Homes (PH) and Presbyterian Senior Living Housing Management Corporation (PSLHMC), an affiliate of PSL, for operating and payroll expenses of the Project. As of December 31, 2018, total advances due to PH and PSLHMC of \$817 and \$181,110 were included in accounts payable – related party on the statements of financial position, respectively. 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.

The Organization entered into a contract with PSLHMC 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, 2018 and 2017, was \$41,772 and \$41,842, of which \$20,775 and \$14,142 was payable at year end, respectively.

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, 2018 and 2017, were \$56,574 and \$53,227, of which \$14,400 and \$13,349 was receivable at year end, respectively.

(continued)

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

NOTES TO FINANCIAL STATEMENTS

Note 8. 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
REQUIRED BY HUD**

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENT OF FINANCIAL POSITION DATA

DECEMBER 31, 2018

Account Number			
	Current Assets		
1120	Cash - operations	\$	155,978
1130	Accounts receivable - tenants (net of allowance of \$1,549)		619
1135	Accounts receivable - HUD		5,257
1140	Accounts receivable - grants		14,400
1200	Prepaid expenses		9,684
1100T	Total current assets		<u>185,938</u>
	Restricted deposits and funded reserves		
1191	Tenant deposits		31,560
1310	Escrow deposits		65,381
1320	Replacement reserves		217,624
1300T	Total restricted deposits and funded reserves		<u>314,565</u>
	Fixed Assets		
1410	Land		50,000
1420	Building		4,821,601
1450	Furniture for project - tenant use		67,006
1460	Furnishings		173,655
1470	Maintenance equipment		13,695
1490	Construction in progress		-
1400T	Total fixed assets		<u>5,125,957</u>
1495	Less accumulated depreciation		<u>(3,076,136)</u>
1400N	Fixed assets - net		<u>2,049,821</u>
1000T	Total assets	\$	<u><u>2,550,324</u></u>

<u>Account Number</u>		
	Current Liabilities	
2110	Accounts payable	\$ 219,745
2120	Accrued expenses	4,927
2131	Accrued interest	7,551
2170	Mortgage payable - current portion	46,467
2190	Accrued audit	8,975
2210	Prepaid rent	11,254
2122T	Total current liabilities	<u>298,919</u>
2191	Tenant security deposits	<u>21,822</u>
	Noncurrent Liabilities	
2320	Mortgage payable - net of current portion	2,409,056
2326	Smart rehab loan	91,085
2340	Debt issuance costs	(184,240)
2300T	Total noncurrent liabilities	<u>2,315,901</u>
2000T	Total liabilities	<u>2,636,642</u>
3131	Net assets (deficit) without donor restrictions	(86,318)
2033T	Total liabilities and net assets	<u><u>\$ 2,550,324</u></u>

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENT OF ACTIVITIES DATA

YEAR ENDED DECEMBER 31, 2018

Account Number		
	REVENUE	
5120	Rent - gross potential	\$ 255,916
5121	Tenant assistance payments	435,944
5170	Parking spaces	62,966
5100T	Total rent revenue	<u>754,826</u>
	Vacancies	
5220	Vacancies - apartments	(12,495)
5250	Rental Concessions	(26)
5200T	Total vacancies	<u>(12,521)</u>
5152N	Net rental revenue	<u>742,305</u>
5440	Revenue from investments - replacement reserve	122
5490	Revenue from investments - security deposits	59
5400T	Total financial revenue	<u>181</u>
5910	Laundry and vending revenue	5,665
5920	Tenant charges	835
5990	Grant revenue	56,574
5990	Miscellaneous revenue	5,667
5900T	Total other revenue	<u>68,741</u>
5000T	Total revenue	<u>811,227</u>
	EXPENSES	
6210	Advertising and marketing	375
6311	Office expenses	11,661
6320	Management fee	41,772
6330	Manager salaries	54,933
6340	Legal expenses - project	-
6350	Audit expense	8,975
6370	Bad debts	(599)
6390	Miscellaneous administrative expenses	8,644
6263T	Total administrative expenses	<u>125,761</u>
6450	Electricity	74,517
6451	Water	17,966
6452	Gas	-
6453	Sewer	14,270
6263T	Total utilities expenses	<u>106,753</u>

(continued)

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENT OF ACTIVITIES DATA (Cont'd)

YEAR ENDED DECEMBER 31, 2018

Account Number		
	EXPENSES (Continued)	
6510	Payroll	87,815
6515	Supplies	1,873
6520	Contracts	73,837
6525	Garbage and trash removal	9,264
6541	Repairs material	15,737
6546	Heating/cooling repairs and maintenance	24,179
6548	Snow removal	8,741
6560	Decorating	1,772
6590	Miscellaneous operating and maintenance expense	870
6550T	Total operating and maintenance expenses	<u>224,088</u>
6710	Real estate taxes	92,398
6711	Payroll taxes	13,944
6720	Property and liability insurance	12,503
6723	Health insurance and other employee benefits	61,721
6790	Miscellaneous taxes, licenses, permits and insurance	9,214
6700T	Total taxes and insurance	<u>189,780</u>
6820	Interest on mortgage payable	91,371
6825	Interest on other mortgages	6,228
6850	Mortgage insurance premium	12,557
6890	Miscellaneous financial expenses	4,812
6800T	Total financial expenses	<u>114,968</u>
6910	Payroll	39,529
6920	Supplies	3,503
6900T	Total supportive services	<u>43,032</u>
6000T	Total cost of operations before depreciation	<u>804,382</u>
5060T	Profit before depreciation	6,845
6600	Depreciation	113,707
5060N	Operating loss	<u>(106,862)</u>
3247	Change in net assets without donor restriction	(106,862)
3250	Change in total net assets without donor restriction	<u>\$ (106,862)</u>
S1000-010	Total mortgage principal payments required during the year	<u>\$ 44,786</u>
S1000-020	Total of 12 monthly deposits during the year into the replacement reserve account, as required by the regulatory agreement	<u>\$ 27,277</u>
S1000-030	Replacement or painting reserve releases which are included as expense items on this profit and loss statement.	<u>\$ 35,170</u>

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENT OF CASH FLOWS DATA

YEAR ENDED DECEMBER 31, 2018

Account Number		
	Cash Flows from Operating Activities	
S1200-010	Rental receipts	\$ 737,661
S1200-020	Interest receipts	59
S1200-030	Grant revenue	56,574
S1200-030	Other operating receipts	12,167
S1200-040	Total receipts	<u>806,461</u>
S1200-050	Administrative	(28,891)
S1200-070	Management fees	(35,139)
S1200-090	Utilities	(102,973)
S1200-100	Salaries and wages	(114,809)
S1200-110	Operating and maintenance	(130,888)
S1200-120	Real estate taxes	(92,398)
S1200-140	Property and liability insurance	(25,060)
S1200-150	Miscellaneous taxes and insurance	(4,812)
S1200-160	Tenant security deposits	60
S1200-170	Supportive services	(54,337)
S1200-190	Interest on notes payable	(91,509)
S1200-220	Miscellaneous financial expenses	-
S1200-230	Total disbursements	<u>(680,756)</u>
S1200-240	Net cash provided by operating activities	<u>125,705</u>
	Cash Flows from Investing Activities	
S1200-245	Net deposits to mortgage escrow account	(638)
S1200-250	Net withdrawals from replacement reserves	52,997
S1200-330	Cash paid for fixed assets	(39,126)
S1200-350	Net cash provided by investing activities	<u>13,233</u>
	Cash Flows from Financing Activities	
S1200-360	Mortgage principal payments	(44,786)
S1200-460	Net cash used in financing activities	<u>(44,786)</u>
S1200-470	Net increase in cash	<u>94,152</u>
	Cash	
S1200-480	Beginning	<u>61,826</u>
S1200T	Ending	<u><u>\$ 155,978</u></u>

(continued)

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENT OF CASH FLOWS DATA (Cont'd)

YEAR ENDED DECEMBER 31, 2018

Account Number		
	Reconciliation of Change in Net Assets to	
	Net Cash Provided by Operating Activities	
3250	Change in net assets	\$ (106,862)
	Adjustments to reconcile changes in net assets to net cash	
	provided by operating activities	
S1200-600	Change in allowance for doubtful accounts	(744)
S1200-600	Interest earned on replacement reserves	(122)
6600	Depreciation	113,707
S1200-486	Amortization of debt issuance costs	6,228
	Changes in assets and liabilities:	
	(Increase) decrease in:	
S1200-490	Accounts receivable	3,618
S1200-500	Accounts receivable - other	(1,051)
S1200-520	Prepaid expenses	341
S1200-530	Tenant security deposits	(512)
	(Decrease) increase in:	
S1200-540	Accounts payable	113,017
S1200-560	Accrued expenses	4,118
S1200-570	Accrued interest	(138)
S1200-580	Tenant security deposits	572
S1200-590	Prepaid rent	(6,467)
		<hr/>
S1200-610	Net cash provided by operating activities	\$ 125,705
		<hr/> <hr/>

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

SCHEDULE OF REPLACEMENT RESERVES

YEAR ENDED DECEMBER 31, 2018

Account Number			
1320P	Balance - January 1, 2018	\$	270,499
1320DT	Total monthly deposits		27,277
1320INT	Interest earned		122
			<u>27,399</u>
1320WT	Withdrawals approved by HUD		<u>80,274</u>
1320	Balance - December 31, 2018	\$	<u><u>217,624</u></u>

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS

YEAR ENDED DECEMBER 31, 2018

Account Number		Beginning Balance	Additions	Deletions	Ending Balance
1410	Land	\$ 50,000	\$ -	\$ -	\$ 50,000
1420	Buildings	4,821,601	-	-	4,821,601
1441	Building equipment	60,599	6,407	-	67,006
1460	Furnishings	134,710	38,945	-	173,655
1470	Maintenance equipment	13,695	-	-	13,695
1490	Construction in progress	6,226	-	6,226	-
1400T	Total fixed assets	5,086,831	45,352	6,226	5,125,957
1495	Accumulated depreciation	2,962,429	113,707	-	3,076,136
1400N	Total net book value				<u><u>\$ 2,049,821</u></u>

Schedule of Additions to Furnishings

Schedule of Additions to Building Equipment

<u>Description</u>	<u>Amount</u>	<u>Description</u>	<u>Amount</u>
Carpeting and flooring (7 units) \$	23,228	Evaporator coil	\$ 4,977
Vinyl flooring in trash rooms	3,600	Metal door	<u>1,430</u>
Carpeting (hallways)	6,901		
Refrigerators (12)	<u>5,216</u>		<u>\$ 6,407</u>
	<u>\$ 38,945</u>		

**GENEVA HOUSE, INC.
PROJECT NO. 034-11177**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2018

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	\$ 2,500,310	\$ -
Section 8 Project-Based Cluster				
Section 8 New Construction And Substantial Rehabilitation	14.182	Not available	395,900	-
Multifamily Housing Service Coordinators Program	14.191	Not available	56,574	-
Housing Voucher Cluster				
Section 8 Housing Choice Vouchers				
Passed-Through Scranton Housing Authority	14.3871	Not available	40,044	-
Total expenditures of federal awards			<u>\$ 2,992,828</u>	<u>\$ -</u>

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, 2018

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, 2018. 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, 2018, consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance at December 31, 2018</u>
14.155	Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects (Section 223f)	\$ 2,455,523

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.

Note 5. Federal Award Expenditures Passed through to Subrecipients

Geneva House, Inc. did not pass through any federal awards to subrecipients during the year ended December 31, 2018.

MEMBERS

AMERICAN AND PENNSYLVANIA
INSTITUTES OF CERTIFIED PUBLIC
ACCOUNTANTS

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, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 13, 2019.

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 organization'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.

(continued)

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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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
March 13, 2019

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, 2018. 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.

(continued)

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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, 2018.

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 13, 2019

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2018

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 Substantial 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, 2018

None.

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

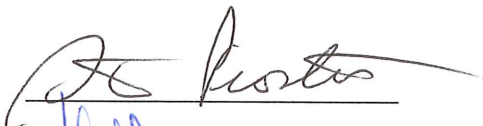
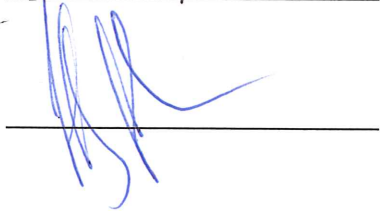
CERTIFICATE OF OFFICERS

YEAR ENDED DECEMBER 31, 2018

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 13, 2019


March 13, 2019

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

MANAGEMENT AGENT'S CERTIFICATION

YEAR ENDED DECEMBER 31, 2018

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 13, 2019

Date



Independent Member of:



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