

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

DECEMBER 31, 2020 AND 2019
AND
INDEPENDENT AUDITOR'S REPORT



McKONLY & ASBURY

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

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MEMBERS

AMERICAN AND PENNSYLVANIA INSTITUTES
OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT MEMBER OF



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Geneva House, Inc.

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, 2020 and 2019, 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2020 and 2019, 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 18 to 25 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 shown on page 26 is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 a report dated March 10, 2021, 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 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 internal control over financial reporting and 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 10, 2021

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current assets		
Cash	\$ 30,906	\$ 54,841
Accounts receivable - tenants (net of allowance of \$3,644 and \$2,035)	2,769	2,111
Accounts receivable - HUD	-	5,715
Accounts receivable - grants	87,671	46,783
Prepaid expenses	<u>9,645</u>	<u>10,874</u>
Total current assets	<u>130,991</u>	<u>120,324</u>
Restricted deposits and funded reserves		
Replacement reserves	208,596	228,237
Escrow deposits	73,466	67,249
Tenant security deposits	<u>31,695</u>	<u>30,583</u>
Total restricted deposits and funded reserves	<u>313,757</u>	<u>326,069</u>
Fixed assets		
Land	50,000	50,000
Building and improvements	4,821,601	4,821,601
Furniture and equipment	<u>379,959</u>	<u>310,891</u>
Total fixed assets	5,251,560	5,182,492
Less accumulated depreciation	<u>(3,317,030)</u>	<u>(3,193,857)</u>
Fixed assets - net	<u>1,934,530</u>	<u>1,988,635</u>
Total assets	<u><u>\$ 2,379,278</u></u>	<u><u>\$ 2,435,028</u></u>

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

LIABILITIES AND NET ASSETS (DEFICIT)

	2020	2019
	<hr/>	<hr/>
Current liabilities		
Accounts payable	\$ 14,216	\$ 22,152
Accounts payable - related party	60,037	80,382
Accrued expenses		
Audit	9,175	8,975
Other	2,445	6,547
Accrued interest	-	7,408
Current maturities of mortgage payable	50,021	48,211
Current portion of capital lease obligation	1,464	-
Prepaid rent	8,125	11,061
	<hr/>	<hr/>
Total current liabilities	145,483	184,736
	<hr/>	<hr/>
Long-term liabilities		
Tenant security deposits	22,108	20,953
Capital lease obligation	2,710	-
Mortgage payable - net of current maturities		
Mortgage payable	2,310,824	2,360,845
Smart rehab loan	91,085	91,085
Less debt issuance costs	(171,784)	(178,012)
	<hr/>	<hr/>
Total long-term liabilities	2,254,943	2,294,871
	<hr/>	<hr/>
Total liabilities	2,400,426	2,479,607
	<hr/>	<hr/>
Net assets (deficit) without donor restrictions	(21,148)	(44,579)
	<hr/>	<hr/>
Total liabilities and net assets (deficit)	<u>\$ 2,379,278</u>	<u>\$ 2,435,028</u>

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Revenue		
Rent	\$ 818,529	\$ 831,927
Financial	116	204
Grant revenue	40,888	50,911
Other	<u>19,060</u>	<u>12,197</u>
Total revenue	<u>878,593</u>	<u>895,239</u>
Expenses		
Administrative	130,106	131,841
Utilities	75,542	80,877
Operating and maintenance	198,481	177,930
Taxes and insurance	184,226	191,345
Interest and miscellaneous financial expenses	87,619	96,566
Mortgage insurance premium	11,681	12,616
Supportive services	44,334	44,604
Depreciation	<u>123,173</u>	<u>117,721</u>
Total expenses	<u>855,162</u>	<u>853,500</u>
Change in net assets	23,431	41,739
Net deficit without donor restrictions - beginning	<u>(44,579)</u>	<u>(86,318)</u>
Net assets (deficit) without donor restrictions - ending	<u><u>\$ (21,148)</u></u>	<u><u>\$ (44,579)</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, 2020

	Program Services	Management General	Total
Administrative	\$ 79,459	\$ 50,647	\$ 130,106
Utilities	75,542	-	75,542
Operating and maintenance	198,481	-	198,481
Taxes and insurance	184,226	-	184,226
Interest and miscellaneous financial expenses	87,619	-	87,619
Mortgage insurance premium	11,681	-	11,681
Supportive services	44,334	-	44,334
Depreciation	123,173	-	123,173
Total expenses	<u>\$ 804,515</u>	<u>\$ 50,647</u>	<u>\$ 855,162</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, 2019

	Program Services	Management General	Total
Administrative	\$ 81,128	\$ 50,713	\$ 131,841
Utilities	80,877	-	80,877
Operating and maintenance	177,930	-	177,930
Taxes and insurance	191,345	-	191,345
Interest and miscellaneous financial expenses	96,566	-	96,566
Mortgage insurance premium	12,616	-	12,616
Supportive services	44,604	-	44,604
Depreciation	117,721	-	117,721
Total expenses	<u>\$ 802,787</u>	<u>\$ 50,713</u>	<u>\$ 853,500</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Receipts		
Rental receipts	\$ 820,650	\$ 797,401
Interest receipts	18	76
Grant revenue	-	50,911
Other operating receipts	<u>19,060</u>	<u>12,197</u>
Total receipts	<u>839,728</u>	<u>860,585</u>
Disbursements		
Administrative	32,159	36,769
Management fees	34,284	58,863
Utilities	77,675	82,830
Salaries and wages	208,608	322,781
Operating and maintenance	135,847	90,698
Real estate taxes	109,161	82,726
Property and liability insurance	27,761	28,874
Miscellaneous taxes and insurance	45	653
Tenant security deposits received (paid)	(1,155)	869
Interest on mortgage payable	88,084	89,828
Supportive services	<u>44,334</u>	<u>58,618</u>
Total disbursements	<u>756,803</u>	<u>853,509</u>
Net cash provided by operating activities	<u>82,925</u>	<u>7,076</u>
Cash flows from investing activities		
Deposits to mortgage escrow account	(115,195)	(106,225)
Withdrawals from mortgage escrow account	108,978	104,357
Deposits to replacement reserves	(27,562)	(27,680)
Withdrawals from replacement reserves	47,301	17,195
Cash paid for fixed assets	<u>(70,702)</u>	<u>(50,370)</u>
Net cash used in investing activities	<u>(57,180)</u>	<u>(62,723)</u>
Cash flows from financing activities		
Mortgage principal payments	(48,211)	(46,467)
Repayment of capital lease obligation	<u>(357)</u>	<u>-</u>
Net cash used in financing activities	<u>(48,568)</u>	<u>(46,467)</u>
Net decrease in cash and restricted cash	(22,823)	(102,114)
Cash and restricted cash - beginning	<u>85,424</u>	<u>187,538</u>
Cash and restricted cash - ending	<u><u>\$ 62,601</u></u>	<u><u>\$ 85,424</u></u>

(continued)

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENTS OF CASH FLOWS (Cont'd)

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	\$ 23,431	\$ 41,739
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	123,173	117,721
Amortization of debt issuance costs	6,228	6,228
Interest earned on replacement reserve account	(98)	(128)
Allowance for doubtful accounts	(1,230)	(1,230)
Decrease (increase) in		
Accounts receivable - tenants	572	(262)
Accounts receivable - HUD	5,715	(458)
Accounts receivable - grants	(40,888)	(32,383)
Prepaid expenses	1,229	(1,190)
Increase (decrease) in		
Accounts payable	(22,116)	(123,376)
Accrued expenses	(3,902)	1,620
Accrued interest payable	(7,408)	(143)
Tenant security deposits	1,155	(869)
Prepaid rent	(2,936)	(193)
Net cash provided by operating activities	<u>\$ 82,925</u>	<u>\$ 7,076</u>
Supplemental schedule of noncash investing and financing activities		
Total purchase of fixed assets	\$ 69,068	\$ 56,535
Less: property and equipment acquisition with a capital lease obligation	(4,531)	-
Less: Amount in accounts payable in current year	-	(6,165)
Add: Amount in accounts payable in prior year	<u>6,165</u>	<u>-</u>
Total cash paid for fixed assets	<u>\$ 70,702</u>	<u>\$ 50,370</u>

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

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

NOTES TO FINANCIAL STATEMENTS

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, 2020 and 2019.

For purposes of the statements of cash flows presentation, cash and restricted cash consist of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash	\$ 30,906	\$ 54,841
Tenant security deposits	<u>31,695</u>	<u>30,583</u>
Total cash and restricted cash	<u>\$ 62,601</u>	<u>\$ 85,424</u>

(continued)

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

NOTES TO FINANCIAL STATEMENTS

Accounts Receivable - Tenants

The Organization provides an allowance for doubtful accounts that is based on management's consideration of historical collections and specific tenant balances.

Tenant Security Deposits

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

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 statements 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 of 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).

(continued)

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

NOTES TO FINANCIAL STATEMENTS

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, 2020 and 2019.

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.

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.

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 2017.

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.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The changes associated with this ASU include the requirement for lessors to classify leases as operating, direct financing, or sales-type. The changes become effective for the Organization on January 1, 2022. Management has not determined the impact of these changes on the Organization's financial statements.

(continued)

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

NOTES TO FINANCIAL STATEMENTS

Subsequent Events

Management evaluated subsequent events through March 10, 2021, the date the financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY

The financial assets as of December 31, 2020 and 2019, which are available for general expenditures within one year of the statements of financial position dates comprise the following:

	<u>2020</u>	<u>2019</u>
Cash	\$ 30,906	\$ 54,841
Accounts receivable – tenants	2,769	2,111
Accounts receivable – HUD	-	5,715
Accounts receivable - grants	<u>87,671</u>	<u>46,783</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 121,346</u></u>	<u><u>\$ 109,450</u></u>

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 statements of financial position dates. 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.

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, 2020 and 2019, was \$2,360,845 and \$2,409,056.

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

<u>Year</u>	<u>Amount</u>
2021	\$ 50,021
2022	51,898
2023	53,846
2024	55,866
2025	57,963
Thereafter	<u>2,091,251</u>
	<u><u>\$ 2,360,845</u></u>

(continued)

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

NOTES TO FINANCIAL STATEMENTS

The Organization incurred interest costs of \$86,904 and \$95,913 in 2020 and 2019.

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

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.

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, 2020 and 2019, was \$91,085.

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

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, 2020, total advances due to PH and PSLHMC of \$575 and \$59,462 were included in accounts payable – related party on the statements of financial position, respectively. As of December 31, 2019, 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.

PSLHMC is the management agent. 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, 2020 and 2019, was \$41,434 and \$41,724, of which \$10,786 and \$3,636 was payable at year end, respectively.

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.

(continued)

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

NOTES TO FINANCIAL STATEMENTS

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, 2020 and 2019, were \$40,888 and \$50,911, of which \$87,671 and \$46,783 was receivable at year end, respectively.

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.

9. RISKS AND UNCERTAINTIES

The COVID-19 pandemic has caused disruption of many businesses which is resulting in significant economic uncertainties. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and its effect on the Organization's tenants, employees, and vendors. All of these factors are uncertain and cannot be predicted. At this time, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is unknown.

10. CAPITAL LEASES

Capital lease obligations consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Capital lease obligation for a copier; payable in monthly installments of \$134, including interest at 4.09%; through September 2023.	\$ 4,174	\$ -
Current portion	<u>(1,464)</u>	<u>-</u>
	<u>\$ 2,710</u>	<u>\$ -</u>

(continued)

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

NOTES TO FINANCIAL STATEMENTS

Future minimum lease payments under the capital lease consist of the following for the year ending December 31:

2021	\$ 1,608
2022	1,608
2023	<u>1,206</u>
	4,422
Amount representing interest	<u>(248)</u>
	<u><u>\$ 4,174</u></u>

Interest expense on capital leases amounted to \$45 and zero for the years ended December 31, 2020 and 2019.

SUPPLEMENTARY INFORMATION

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENT OF FINANCIAL POSITION DATA

DECEMBER 31, 2020

ASSETS

<u>Account Number</u>		
	Current assets	
1120	Cash - operations	\$ 30,906
1130	Accounts receivable - tenants	6,413
1131	Allowance for doubtful accounts	(3,644)
1140	Accounts receivable - grants	87,671
1200	Prepaid expenses	<u>9,645</u>
1100T	Total current assets	<u>130,991</u>
	Restricted deposits and funded reserves	
1191	Tenant deposits	31,695
1310	Escrow deposits	73,466
1320	Replacement reserves	<u>208,596</u>
1300T	Total restricted deposits and funded reserves	<u>313,757</u>
	Fixed assets	
1410	Land	50,000
1420	Building	4,821,601
1450	Furniture for project - tenant use	102,194
1460	Furnishings	264,070
1470	Maintenance equipment	<u>13,695</u>
1400T	Total fixed assets	5,251,560
1495	Less accumulated depreciation	<u>(3,317,030)</u>
1400N	Fixed assets - net	<u>1,934,530</u>
1000T	Total assets	<u><u>\$ 2,379,278</u></u>

LIABILITIES AND NET ASSETS

Account Number		
	Current liabilities	
2110	Accounts payable	\$ 74,253
2131	Accrued interest	-
2170	Mortgage payable - current portion	50,021
2190	Accrued audit	9,175
2190	Accrued expenses other	2,445
2190	Current portion of capital lease obligation	1,464
2210	Prepaid rent	<u>8,125</u>
2122T	Total current liabilities	<u>145,483</u>
2191	Tenant security deposits	<u>22,108</u>
	Long-term liabilities	
2320	Mortgage payable - net of current portion	2,310,824
2326	Smart rehab loan	91,085
2340	Debt issuance costs	(171,784)
2390	Capital lease obligation	<u>2,710</u>
2300T	Total long-term liabilities	<u>2,232,835</u>
2000T	Total liabilities	2,400,426
3131	Net assets without donor restrictions	(21,148)
2033T	Total liabilities and net assets	<u><u>\$ 2,379,278</u></u>

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENT OF ACTIVITIES DATA

YEAR ENDED DECEMBER 31, 2020

Account Number		
	Revenue	
5120	Rent - gross potential	\$ 296,067
5121	Tenant assistance payments	514,410
5170	Parking spaces	<u>58,449</u>
5100T	Total rent revenue	<u>868,926</u>
5220	Vacancies - apartments	(49,027)
5250	Rental concessions	<u>(1,370)</u>
5200T	Total vacancies	<u>(50,397)</u>
5152N	Net rental revenue	<u>818,529</u>
5440	Revenue from investments - replacement reserve	98
5490	Revenue from investments - security deposits	<u>18</u>
5400T	Total financial revenue	<u>116</u>
5910	Laundry and vending revenue	8,153
5920	Tenant charges	1,065
5990	Grant revenue	40,888
5990	Contribution income	1,259
5990	Miscellaneous revenue	<u>8,583</u>
5900T	Total other revenue	<u>59,948</u>
5000T	Total revenue	<u>878,593</u>
	Expenses	
6210	Advertising and marketing	288
6311	Office expenses	10,331
6320	Management fee	41,434
6330	Manager salaries	57,310
6340	Legal expenses - project	149
6350	Audit expense	9,175
6370	Bad debts	4,174
6390	Miscellaneous administrative expenses	40
6390	Data processing fees	6,182
6390	Meeting and travel	<u>1,023</u>
6263T	Total administrative expenses	<u>130,106</u>
6450	Electricity	49,942
6451	Water	13,106
6452	Gas	354
6453	Sewer	<u>12,140</u>
6400T	Total utilities expenses	<u>75,542</u>

(continued)

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENT OF ACTIVITIES DATA (Cont'd)

YEAR ENDED DECEMBER 31, 2020

Account Number		
	Expenses (continued)	
6510	Payroll	62,466
6515	Supplies	2,723
6520	Contracts	106,485
6525	Garbage and trash removal	8,884
6546	Heating/cooling repairs and maintenance	2,780
6548	Snow removal	4,576
6590	Repairs material	9,072
6590	Decorating	1,495
6550T	Total operating and maintenance expenses	<u>198,481</u>
6710	Real estate taxes	97,655
6711	Payroll taxes	12,416
6720	Property and liability insurance	16,080
6723	Health insurance and other employee benefits	41,092
6790	Miscellaneous fees and permits	<u>16,983</u>
6700T	Total taxes and insurance	<u>184,226</u>
6820	Interest on mortgage payable	80,676
6825	Interest on other mortgages	6,228
6850	Mortgage insurance premium	11,681
6890	Bank fees	670
6890	Interest expense on capital lease obligation	<u>45</u>
6800T	Total financial expenses	<u>99,300</u>
6900	Supportive services	<u>44,334</u>
6000T	Total cost of operations before depreciation	<u>731,989</u>
5060T	Profit before depreciation	146,604
6600	Depreciation	<u>123,173</u>
5060N	Operating profit	<u>23,431</u>
3247	Change in net assets without donor restriction	<u>23,431</u>
3250	Change in total net assets from operations	<u><u>\$ 23,431</u></u>
S1000-010	Total mortgage principal payments required during the year	<u>\$ 48,211</u>
S1000-020	Total of 12 monthly deposits during the year into the replacement reserve account, as required by the regulatory agreement	<u>\$ 27,562</u>
S1000-030	Replacement or painting reserve releases which are included as expense items on this profit and loss statement.	<u><u>\$ 42,789</u></u>

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENT OF CASH FLOWS DATA

YEAR ENDED DECEMBER 31, 2020

<u>Account Number</u>		
	Cash flows from operating activities	
S1200-010	Rental receipts	\$ 820,650
S1200-020	Interest receipts	18
S1200-030	Grant revenue	-
S1200-030	Other operating receipts	<u>19,060</u>
S1200-040	Total receipts	<u>839,728</u>
S1200-050	Administrative	(32,159)
S1200-070	Management fees	(34,284)
S1200-090	Utilities	(77,675)
S1200-100	Salaries and wages	(208,608)
S1200-110	Operating and maintenance	(135,847)
S1200-120	Real estate taxes	(109,161)
S1200-140	Property and liability insurance	(27,761)
S1200-150	Miscellaneous taxes and insurance	(45)
S1200-160	Tenant security deposits	43
S1200-170	Supportive services	(44,334)
S1200-190	Interest on notes payable	<u>(88,084)</u>
S1200-230	Total disbursements	<u>(757,915)</u>
S1200-240	Net cash provided by operating activities	<u>81,813</u>
	Cash flows from investing activities	
S1200-245	Net deposits to mortgage escrow account	(6,217)
S1200-250	Net deposits from replacement reserves	19,739
S1200-330	Cash paid for fixed assets	<u>(70,702)</u>
S1200-350	Net cash used in investing activities	<u>(57,180)</u>
	Cash flows from financing activities	
S1200-360	Mortgage principal payments	(48,211)
S1200-450	Other financing activities - repayment of capital lease obligation	<u>(357)</u>
S1200-460	Net cash used in financing activities	<u>(48,568)</u>
S1200-470	Net decrease in cash	(23,935)
	Cash	
S1200-480	Beginning	<u>54,841</u>
S1200T	Ending	<u><u>\$ 30,906</u></u>

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

SCHEDULE OF REPLACEMENT RESERVES

YEAR ENDED DECEMBER 31, 2020

<u>Account Number</u>			
1320P	Balance - January 1, 2020	\$	228,237
1320DT	Total monthly deposits		27,562
1320INT	Interest earned		98
1320WT	Withdrawals approved by HUD		<u>(47,301)</u>
1320	Balance - December 31, 2020	\$	<u><u>208,596</u></u>

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

COMPUTATION OF SURPLUS CASH - ANNUAL
YEAR ENDED DECEMBER 31, 2020

<u>Account Number</u>		
S1300-010	Cash	<u>\$ 62,601</u>
S1300-040	Total cash	62,601
	Current obligations	
S1300-075	Accounts payable due within 30 days	74,253
S1300-100	Accrued expenses	11,620
2191	Tenant security deposits	22,108
2210	Prepaid rent	<u>8,125</u>
S1300-140	Total current obligations	<u>116,106</u>
S1300-150	Surplus cash (deficiency)	<u><u>\$ (53,505)</u></u>
S1300-210	Deposit Due Residual Receipts	<u><u>\$ -</u></u>

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS

YEAR ENDED DECEMBER 31, 2020

<u>Account Number</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
1410 Land	\$ 50,000	\$ -	\$ -	\$ 50,000
1420 Buildings	4,821,601	-	-	4,821,601
1440 Building equipment	82,126	20,068	-	102,194
1460 Furnishings	215,070	49,000	-	264,070
1470 Maintenance equipment	<u>13,695</u>	<u>-</u>	<u>-</u>	<u>13,695</u>
1400T Total fixed assets	5,182,492	69,068	-	5,251,560
1495 Accumulated depreciation	<u>3,193,857</u>	<u>123,173</u>	<u>-</u>	<u>3,317,030</u>
1400N Total net book value				<u><u>\$ 1,934,530</u></u>

Schedule of Additions to Furnishings

<u>Description</u>	<u>Amount</u>
Copier	\$ 4,531
Flooring and paint (8 units)	<u>44,469</u>
	<u><u>\$ 49,000</u></u>

Schedule of Additions to Building Equipment

<u>Description</u>	<u>Amount</u>
Awning	\$ 2,163
Water heater	1,400
Window flashing	<u>16,505</u>
	<u><u>\$ 20,068</u></u>

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2020

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	\$ 2,409,056	\$ -
Multifamily Housing Service Coordinators	14.191	Not available	40,888	-
Section 8 Project-Based Cluster Section 8 New Construction And Substantial Rehabilitation	14.182	Not available	459,154	-
Housing Voucher Cluster Passed-through from Scranton Housing Authority Section 8 Housing Choice Vouchers	14.871	Not available	<u>55,256</u>	<u>-</u>
Total expenditures of federal awards			<u><u>\$ 2,964,354</u></u>	<u><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, 2020

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, 2020. 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.

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.

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, 2020, consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance at December 31, 2020</u>
14.155	Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects (Section 223f)	\$ 2,360,845

4. INDIRECT COST RATE

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

MEMBERS

AMERICAN AND PENNSYLVANIA INSTITUTES
OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT MEMBER OF



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*

Independent Auditor's Report

To the Board of Directors
Geneva House, Inc.

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, 2020, 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 10, 2021.

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 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Geneva House, Inc.'s internal control over financial reporting.

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 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.

(continued)

MAILING ADDRESS

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Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting 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 over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
March 10, 2021

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

Independent Auditor's Report

To the Board of Directors
Geneva House, Inc.

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, 2020. Geneva House, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings, questioned costs, and recommendations.

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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (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 Compliance 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, 2020.

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 10, 2021

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

SCHEDULE OF FINDINGS, QUESTIONED COSTS, AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2020

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

___ Yes X No

Significant deficiencies identified?

___ Yes X None reported

Noncompliance material to financial statements noted?

___ Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

___ Yes X No

Significant deficiencies identified?

___ Yes X None reported

Type of auditors’ report issued on compliance for major federal programs?

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?

___ Yes X No

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

14.155

Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects (Section 223f)

14.182

Section 8 Project-Based Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

X Yes ___ No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

GENEVA HOUSE, INC.
PROJECT NO. 034-44815NP

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2020

None.

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

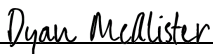
CERTIFICATION OF OFFICERS

YEAR ENDED DECEMBER 31, 2020

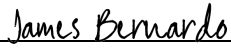
We hereby certify that we have read the foregoing financial statements and additional information of Geneva House, Inc. and, to the best of our knowledge and belief, they are complete and accurate.

Corporate Officers

Date

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March 10, 2021

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March 10, 2021

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

MANAGEMENT AGENT'S CERTIFICATION

YEAR ENDED DECEMBER 31, 2020

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.

DocuSigned by:

Dyan Mellister

Dyan Mellister
President, Presbyterian Senior Living Housing
Management Corporation

March 10, 2021

Date



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