

**GENEVA HOUSE, INC.
PROJECT NO. 034-44815NP
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
AND INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2012 AND 2011**

CONTENTS

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	1-2
---	-----

FINANCIAL STATEMENTS	
Statements of Financial Position	3-4
Statements of Activities	5
Statements of Cash Flows	6-7
Notes to Financial Statements	8-12

SUPPLEMENTARY INFORMATION	
Supplementary Information Required by HUD	14-23
Schedule of Expenditures of Federal Awards	24
Notes to Schedule of Expenditures of Federal Awards	25
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 Governmental Auditing Standards	26-27
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	28-29
Schedule of Findings and Questioned Costs	30-31
Summary Schedule of Prior Year's Audit Findings	32
Certification of Officers	33
Management Agent's Certification	34



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Geneva House, Inc.
Scranton, Pennsylvania

We have audited the accompanying financial statements of Geneva House, Inc. (a nonprofit organization), HUD Project No. 034-44815NP, which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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, 2012 and 2011, 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.

Report Issued in Accordance with *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 28, 2013, 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, 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 the internal control over financial reporting or on compliance. Also, in accordance with *Government Auditing Standards* and the *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (A-133)*, issued by the Office of Management and Budget, we have also issued a report dated February 28, 2013, on Geneva House, Inc.'s internal control over compliance and an opinion on its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters that could have a direct and material effect on a major HUD-assisted program. Those reports are an integral part of a *Government Auditing Standards* and *A-133* audit in considering Geneva House, Inc.'s internal control over financial reporting and compliance.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information shown on pages 14 to 25 is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* 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 is presented for purposes of additional analysis as required by *A-133*, and is also 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.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
February 28, 2013

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

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2012 AND 2011

ASSETS	2012	2011
Current Assets		
Cash and cash equivalents	\$ 3,757	\$ 37,370
Accounts receivable - tenants	477	862
Accounts receivable - HUD	3,807	8,181
Accounts receivable - other	-	246
Prepaid expenses	187	572
Total current assets	8,228	47,231
Noncurrent Assets		
Restricted Deposits		
Replacement reserves	142,848	122,138
Escrow deposits	25,331	26,826
Tenant deposits held in trust	28,648	26,158
Total restricted deposits	196,827	175,122
Fixed Assets		
Land	50,000	50,000
Building and improvements	4,553,990	2,431,577
Furniture and equipment	115,298	114,682
Construction in progress	-	500,000
	4,719,288	3,096,259
Less accumulated depreciation	(2,263,401)	(2,161,462)
Fixed assets - net	2,455,887	934,797
Other Assets		
Deferred financing fees	27,179	-
Total other assets	27,179	-
Total assets	\$ 2,688,121	\$ 1,157,150

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

LIABILITIES AND NET ASSETS	2012	2011
Current Liabilities		
Accounts payable	\$ 12,875	\$ 519,550
Accounts payable - related party	1,127	109,044
Accrued expenses		
Wages	1,979	1,903
Management fee	3,393	3,310
Audit	10,800	8,600
Other	7,873	7,873
Accrued interest	11,429	25
Current maturities of long-term debt	728,768	127,362
Line-of-credit	-	7,013
Prepaid rent	854	2,176
Total current liabilities	779,098	786,856
Noncurrent Liabilities		
Tenant deposits held in trust	28,289	26,045
Long-term debt - net of current maturities		
Mortgage payable	-	44,465
Loan payable - related party	1,301,352	129,000
Flexible subsidy loan	-	117,250
Smart rehab loan	91,085	-
Accrued interest payable	69,850	32,928
Total noncurrent liabilities	1,490,576	349,688
Total liabilities	2,269,674	1,136,544
Unrestricted Net Assets	418,447	20,606
Total liabilities and net assets	\$ 2,688,121	\$ 1,157,150

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

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Revenue		
Rent	\$ 537,401	\$ 544,098
Financial	112	195
Grant revenue	399,671	-
Other	104,238	90,550
Total revenue	1,041,422	634,843
Expenses		
Administrative	135,163	126,832
Utilities	97,275	116,856
Operating and maintenance	150,205	115,557
Taxes and insurance	101,679	90,465
Interest	57,033	24,675
Supportive services	287	29
Depreciation	101,939	79,814
Total expenses	643,581	554,228
Change in net assets	397,841	80,615
Net Assets (Deficit) - Beginning	20,606	(60,009)
Net Assets - Ending	\$ 418,447	\$ 20,606

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

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

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Cash Flows from Operating Activities		
Rental receipts	\$ 460,372	\$ 461,786
Interest receipts	28	28
Other operating receipts	89,484	92,351
Total receipts	<u>549,884</u>	<u>554,165</u>
Administrative	38,938	33,674
Management fees	38,208	38,208
Utilities	101,361	116,809
Salaries and wages	121,777	116,750
Operating and maintenance	110,010	77,853
Real estate taxes	60,645	55,552
Property and liability insurance	8,026	8,341
Miscellaneous taxes and insurance	9,574	975
Tenant security deposits	161	(39)
Interest on notes payable	7,878	22,537
Supportive services	287	29
Miscellaneous financial expenses	566	1,179
Total disbursements	<u>497,431</u>	<u>471,868</u>
Net cash provided by operating activities	<u>52,453</u>	<u>82,297</u>
Cash Flows from Investing Activities		
Net withdrawals from (deposits to) mortgage escrow account	1,495	(3,938)
Net withdrawals from reserve for replacement	(20,626)	(4,141)
Cash paid for fixed assets	(2,215,923)	(14,109)
Net cash used in investing activities	<u>(2,235,054)</u>	<u>(22,188)</u>
Cash Flows from Financing Activities		
Mortgage principal payments	(127,362)	(118,776)
Net borrowings under loans payable	1,830,490	129,000
Net payments under line-of-credit	(7,013)	(132,200)
Payment of financing fees	(27,179)	-
Interest reduction payments	80,381	80,793
Grant revenue	399,671	-
Net cash provided by (used in) financing activities	<u>2,148,988</u>	<u>(41,183)</u>
Net (decrease) increase in cash and cash equivalents	<u>(33,613)</u>	<u>18,926</u>
Cash and Cash Equivalents:		
Beginning	<u>37,370</u>	<u>18,444</u>
Ending	<u>\$ 3,757</u>	<u>\$ 37,370</u>

(continued)

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

STATEMENTS OF CASH FLOWS (Cont'd)

YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Reconciliation of Change in Net Assets to		
Net Cash Provided by Operating Activities		
Change in net assets	\$ 397,841	\$ 80,615
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	101,939	79,814
Interest reduction subsidy	(80,381)	(80,793)
Interest earned on replacement reserve account	(84)	(167)
Forgiveness of debt	(15,000)	-
Grant revenue	(399,671)	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable - tenants	385	(6)
Accounts receivable - HUD	4,374	2,204
Accounts receivable - other	246	1,801
Prepaid expenses	385	1,466
Tenant deposits held in trust	(2,490)	1,765
(Decrease) increase in:		
Accounts payable	(6,698)	2,348
Accrued expenses	2,359	(2,021)
Accrued interest payable	48,326	714
Tenant deposits held in trust	2,244	(1,641)
Prepaid rent	(1,322)	(3,802)
Net cash provided by operating activities	\$ 52,453	\$ 82,297
Supplemental schedule of noncash investing activities		
Total purchase of fixed assets	\$ 1,623,029	\$ 607,003
Add: Amount in accounts payable in prior year	592,894	-
Less: Amount in accounts payable in current year	-	(592,894)
Total cash paid for fixed assets	\$ 2,215,923	\$ 14,109

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

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

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 for the elderly located in Scranton, Pennsylvania. The Project is operated under Section 236 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 New Construction and Rent Supplements Housing Assistance payment agreements with HUD. The Rent Supplement Housing Assistance payment agreement with HUD expired August 2012. The Project 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 Property entered into a new Rental Assistance Demonstration agreement. A significant portion of the Project's rental income is received under these agreements with HUD.

PHI, another nonprofit corporation, has approval rights for the Board of Trustee appointments.

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

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

Building	10 - 45 years
Building equipment	10 years
Furniture	5 - 10 years
Maintenance equipment	5 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.

Other Assets: Deferred financing fees consist of costs for refinancing the HUD-insured mortgage. Amortization will begin at final closing on the straight-line method over the term of the financing.

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.

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 2009.

(continued)

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

NOTES TO FINANCIAL STATEMENTS

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.

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

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

Accounts Receivable: Tenant receivables are carried at original rental amount less an estimate made for doubtful receivables based on management's review of all outstanding amounts on a regular basis. Management determines the allowance for doubtful accounts by regularly evaluating individual tenant's receivables and considering a tenant's financial condition, credit history and current economic conditions. Management has not identified any 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.

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 trust fund in the name of the Project.

Subsequent Events: Management evaluated subsequent events through February 28, 2013, the date the financial statements were available to be issued.

Note 2. Flexible Subsidy

A residual receipts note of \$117,250, with non-compounded interest of 1% per annum was issued on July 29, 1983, to secure a subsidy awarded from the Department of Housing and Urban Development under its Flexible Subsidy Program. The note and accrued interest thereon is due and payable; (a) when the FHA Insured Project Mortgage Note matures in September 2013 or is prepaid, or (b) upon the sale, foreclosure, refinancing, assignment or disposition of the Project.

Non-compounding interest has been accruing at 1% since the note's inception.

Note 3. Mortgage Payable

On March 29, 1973, final closing of the mortgage with Fannie Mae was executed in the amount of \$1,815,000. Amortization of the principal began May 1, 1973, and will fully mature in September 2013. Berkadia Commercial Mortgage is now the servicing agent. The remaining principal balance on the mortgage at December 31, 2012 and 2011, was \$44,465 and \$171,827, respectively.

(continued)

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

NOTES TO FINANCIAL STATEMENTS

The mortgage has an interest rate of 7%; however, the effective rate was less than 0% due to interest reduction payments received from HUD. Interest reduction payments totaling \$80,381 and \$80,793 were received in 2012 and 2011, respectively.

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

Year	Amount
2013	\$ 161,715
	<u>\$ 161,715</u>

Note 4. Promissory Note

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 note matures on the earliest of the date of the sale of the project, the date of the termination of the project, or 2042. The note 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 apartment complex is pledged as collateral for the note. The note is nonrecourse debt.

Note 5. Accounts and Loan payable – related party

The Organization receives cash advances from PHI for operating related expenses of the Project. As of December 31, 2012 and 2011, total advances due to PHI of \$1,127 and \$109,044 were included in accounts payable – related party on the statements of financial position.

The Organization entered into a loan agreement with PHI during the year ended December 31, 2011, in order to make a payment on the line-of-credit. Beginning on January 1, 2013, the loan will accrue interest at a rate of 4% per annum, until January 31, 2015, when the rate will be computed at a variable rate equal to LIBOR plus 2%. All outstanding amounts, including accrued interest, are due to PHI on January 31, 2035. The outstanding balance on the loan was \$129,000 at December 31, 2012 and 2011, and is included in loan payable –related party on the statements of financial position.

(continued)

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

NOTES TO FINANCIAL STATEMENTS

The Organization entered into several loan agreements with PHI during the year ended December 31, 2012, in order to fund energy efficient improvements made to the Project. The loans will accrue interest at a rate of 4% per annum, until January 31, 2015, when the rate will be computed at a variable rate equal to LIBOR plus 2%. All outstanding amounts, including accrued interest, are due to PHI on January 31, 2035. The total outstanding balance on the loans was \$1,172,352 and zero at December 31, 2012 and 2011, and is included in loan payable – related party on the statements of financial position. Accrued interest on these loans amounted to \$35,749 and zero at December 31, 2012 and 2011.

The Organization entered into several loan agreements with PHI during the year ended December 31, 2012, in order to fund energy efficient improvements made to the Project. The loans will accrue interest at a rate of 4% per annum, until January 31, 2015, when the rate will be computed at a variable rate equal to LIBOR plus 2%. All outstanding amounts, including accrued interest, are due to PHI within seven days following final closing of HUD financing. Final closing is anticipated to occur in 2013. The total outstanding balance on the loans was \$567,053 and zero at December 31, 2012 and 2011, and is included in current maturities of long-term debt on the statements of financial position. Accrued interest on these loans amounted to \$11,429 and zero at December 31, 2012 and 2011. and is included in accrued interest on the statements of financial position.

Current maturities of the loan payable – related party for the remaining years is as follows:

Year	Amount
2013	\$ 567,053
	<u>\$ 567,053</u>

Note 6. Line-of-Credit

The Organization had a \$200,000 line-of-credit with Penn Security Bank that expired on August 12, 2012. The outstanding balance on the line-of-credit was zero and \$7,013 at December 31, 2012 and 2011.

Note 7. Unrestricted Net Assets

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

Note 8. Rent Increases

Under the regulatory agreement, the Project may not increase rent charged to tenants without prior approval from HUD.

(continued)

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

NOTES TO FINANCIAL STATEMENTS

Note 9. Grant Income

During 2012, Pennsylvania Department of Community and Economic Development provided grant funds to the Partnership, through PHFA, in the amount of \$399,671 to provide weatherization upgrades through the Preservation Through Smart Rehab Program.

Note 10. Management Fees

The Organization has a contract with Housing Development Corporation MidAtlantic (HDC) effective June 1, 2009, wherein HDC agrees to manage and supervise the operations of the Project. Management fees were calculated at 7.43% in 2012 and 2011 of allowable rental collections, capped at \$3,184 per month. Management fee expense was \$38,208 in 2012 and 2011.

Note 11. Functional Allocation of Expenses

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

	2012	2011
Program services	\$ 605,841	\$ 520,016
Management and general	37,740	34,212
Total expenses	<u>\$ 643,581</u>	<u>\$ 554,228</u>

Note 12. Current Vulnerability due to Certain Concentrations

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

SUPPLEMENTARY INFORMATION

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

STATEMENT OF FINANCIAL POSITION DATA

DECEMBER 31, 2012

Account Number		
	Current Assets	
1120	Cash - operations	\$ 3,757
1130	Accounts receivable - tenants	477
1135	Accounts receivable - HUD	3,807
1200	Prepaid expenses	187
1100T	Total current assets	<u>8,228</u>
1191	Tenant deposits held in trust	<u>28,648</u>
	Restricted Deposits	
1310	Escrow deposits	25,331
1320	Replacement reserves	142,848
1300T	Total restricted deposits	<u>168,179</u>
	Fixed Assets	
1410	Land	50,000
1420	Building	4,553,990
1450	Furniture for project - tenant use	8,725
1460	Furnishings	92,877
1470	Maintenance equipment	13,696
1400T	Total fixed assets	<u>4,719,288</u>
1495	Less accumulated depreciation	<u>(2,263,401)</u>
1400N	Fixed assets - net	<u>2,455,887</u>
	Other Assets	
1520	Deferred financing fees	27,179
1500T	Total other assets	<u>27,179</u>
1000T	Total assets	<u><u>\$ 2,688,121</u></u>

Account Number			
	Current Liabilities		
2110	Accounts payable	\$	14,002
2120	Accrued wages		1,979
2123	Accrued management fee		3,393
2134	Accrued interest		11,429
2170	Mortgage payable - current portion		44,465
2174	Other loans and notes (short-term)		567,053
2175	Flexible subsidy loan payable (short-term)		117,250
2190	Accrued audit		10,800
2190	Accrued other		7,873
2210	Prepaid rent		854
2122T	Total current liabilities		<u>779,098</u>
2191	Tenant deposits held in trust		<u>28,289</u>
	Long-term debt		
2324	Loan payable - related party		1,301,352
2326	Smart rehab loan		91,085
2330	Accrued interest payable		69,850
2300T	Total long-term liabilities		<u>1,462,287</u>
2000T	Total liabilities		<u>2,269,674</u>
3131	Unrestricted Net Assets		418,447
2033T	Total liabilities and net assets	\$	<u><u>2,688,121</u></u>

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

STATEMENT OF ACTIVITIES DATA

YEAR ENDED DECEMBER 31, 2012

Account Number			
	REVENUE		
5120	Rent - gross potential	\$	286,258
5121	Tenant assistance payments		207,409
5170	Parking spaces		63,031
5193	Special claims revenue		2,940
5194	Retained excess income		2,446
5100T	Total potential rent revenue		<u>562,084</u>
	Vacancies		
5220	Vacancies - apartments		(24,583)
5250	Rental Concessions		(100)
5200T	Total vacancies		<u>(24,683)</u>
5152N	Total rental revenue		<u>537,401</u>
5440	Revenue from investments - reserve for replacements		84
5490	Revenue from investments - security deposits		28
5400T	Total financial revenue		<u>112</u>
5910	Laundry and vending revenue		4,929
5920	Tenant charges		2,929
5920	Interest reduction payments		80,381
5990	Miscellaneous revenue		415,670
5900T	Total other revenue		<u>503,909</u>
5000T	Total revenue		<u>1,041,422</u>
	EXPENSES		
6210	Advertising and marketing		3,274
6310	Office salaries		17,136
6311	Office expenses		10,225
6320	Management fee		38,208
6330	Manager salaries		39,930
6340	Legal expenses - project		838
6350	Audit expense		10,750
6351	Bookkeeping fees/accounting services		4,608
6370	Bad debts		6,535
6390	Miscellaneous administrative expenses		3,659
6263T	Total administrative expenses		<u>135,163</u>
6450	Electricity		76,684
6451	Water		11,142
6453	Sewer		9,449
6263T	Total utilities expenses		<u>97,275</u>

(continued)

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

STATEMENT OF ACTIVITIES DATA (Cont'd)

YEAR ENDED DECEMBER 31, 2012

Account Number		
	EXPENSES (Continued)	
6510	Payroll	39,505
6515	Supplies	1,124
6520	Contracts	98,749
6525	Garbage and trash removal	5,876
6530	Security contract	1,801
6548	Snow removal	2,146
6570	Vehicle and maintenance equipment operations and repair	828
6590	Miscellaneous operating and maintenance expense	176
6550T	Total operating and maintenance expenses	150,205
6710	Real estate taxes	60,645
6711	Payroll taxes	8,371
6720	Property and liability insurance	8,148
6722	Workmen's compensation	3,237
6723	Health insurance and other employee benefits	11,704
6790	Miscellaneous taxes, licenses, permits and insurance	9,574
6700T	Total taxes and insurance	101,679
6820	Interest on mortgage payable	7,993
6825	Interest on line of credit	123
6830	Interest on notes - long-term	38,281
6840	Interest on notes - short-term	10,070
6850	Mortgage insurance premium	566
6800T	Total financial expenses	57,033
6910	Payroll	187
6920	Supplies	100
6900T	Total supportive services	287
6000T	Total cost of operations before depreciation	541,642
5060T	Profit before depreciation	499,780
6600	Depreciation	101,939
5060N	Operating profit	397,841
3247	Change in unrestricted net assets from operations	397,841
3250	Change in total net assets from operations	\$ 397,841
S1000-010	Total mortgage principal payments required during the year	\$ 127,362
S1000-020	Total of 12 monthly deposits during the year into the replacement reserve account, as required by the regulatory agreement	\$ 34,328
S1000-030	Replacement or painting reserve releases which are included as expense items on this profit and loss statement.	\$ 12,100

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

STATEMENT OF CASH FLOWS DATA

YEAR ENDED DECEMBER 31, 2012

Account Number		
<hr/>		
	Cash Flows from Operating Activities	
S1200-010	Rental receipts	\$ 460,372
S1200-020	Interest receipts	28
S1200-030	Other operating receipts	89,484
S1200-040	Total receipts	<hr/> 549,884
S1200-050	Administrative	38,938
S1200-070	Management fees	38,208
S1200-090	Utilities	101,361
S1200-100	Salaries and wages	121,777
S1200-110	Operating and maintenance	110,010
S1200-120	Real estate taxes	60,645
S1200-140	Property and liability insurance	8,026
S1200-150	Miscellaneous taxes and insurance	9,574
S1200-160	Tenant security deposits	161
S1200-170	Supportive services	287
S1200-190	Interest on notes payable	7,878
S1200-220	Miscellaneous financial expenses	566
S1200-230	Total disbursements	<hr/> 497,431
S1200-240	Net cash provided by operating activities	<hr/> 52,453
	Cash Flows from Investing Activities	
S1200-245	Net withdrawals from mortgage escrow account	1,495
S1200-250	Net deposits into reserve for replacement	(20,626)
S1200-330	Cash paid for fixed assets	(2,215,923)
S1200-350	Net cash used in investing activities	<hr/> (2,235,054)
	Cash Flows from Financing Activities	
S1200-360	Mortgage principal payments	(127,362)
S1200-365	Net payments under line-of-credit	(7,013)
S1200-370	Net borrowings under notes payable	1,830,490
S1200-450	Other financing activities - payment of financing fees	(27,179)
S1200-450	Other financing activities - interest reduction payments	80,381
S1200-450	Other financing activities - grant revenue	399,671
S1200-460	Net cash provided by financing activities	<hr/> 2,148,988
S1200-470	Net decrease in cash and cash equivalents	<hr/> (33,613)
	Cash and Cash Equivalents:	
S1200-480	Beginning	<hr/> 37,370
S1200T	Ending	<hr/> <hr/> \$ 3,757

(continued)

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

STATEMENT OF CASH FLOWS DATA (Cont'd)

YEAR ENDED DECEMBER 31, 2012

Account Number			
	Reconciliation of Change in Net Assets to		
	Net Cash Provided by Operating Activities		
3250	Change in net assets	\$	397,841
	Adjustments to reconcile changes in net assets to net cash provided by operating activities		
5440	Interest earned on replacement reserve escrow		(84)
6600	Depreciation		101,939
5920	Interest reduction subsidy		(80,381)
5990	Forgiveness of debt		(15,000)
5990	Grant revenue		(399,671)
	Changes in assets and liabilities:		
	(Increase) decrease in:		
S1200-490	Accounts receivable		4,759
S1200-500	Accounts receivable - other		246
S1200-520	Prepaid expenses		385
S1200-530	Cash restricted for tenant deposits held in trust		(2,490)
	(Decrease) increase in:		
S1200-540	Accounts payable		(6,698)
S1200-560	Accrued expenses		2,359
S1200-570	Accrued interest		48,326
S1200-580	Tenant deposits held in trust		2,244
S1200-590	Prepaid rent		(1,322)
S1200-610	Net cash provided by operating activities	\$	<u>52,453</u>

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

SCHEDULE OF REPLACEMENT RESERVES

YEAR ENDED DECEMBER 31, 2012

Account Number		
1320P	Balance - January 1, 2012	\$ 122,138
1320DT	Total monthly deposits	34,328
1320INT	Interest earned	84
		<u>156,550</u>
1320WT	Withdrawals approved by HUD	13,681
1320OWT	Other withdrawals - bank service fees	21
		<u>21</u>
1320	Balance - December 31, 2012	<u><u>\$ 142,848</u></u>

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

COMPUTATION OF SURPLUS CASH - ANNUAL

YEAR ENDED DECEMBER 31, 2012

Account Number			
S1300-010	Cash	\$	32,405
1135	Accounts receivable - HUD		<u>3,807</u>
S1300-040	Total cash		<u>36,212</u>
	Current obligations		
S1300-075	Accounts payable due within 30 days		14,002
S1300-100	Accrued expenses		24,045
2191	Tenant security deposits		28,289
2210	Prepaid revenue		<u>854</u>
S1300-140	Total current obligations		<u>67,190</u>
S1300-150	Surplus cash (deficiency)	<u>\$</u>	<u>(30,978)</u>

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

SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS

YEAR ENDED DECEMBER 31, 2012

Account Number		Beginning Balance	Additions	Deletions	Ending Balance
1410	Land	\$ 50,000	\$ -	\$ -	\$ 50,000
1420	Buildings	2,431,577	2,122,413	-	4,553,990
1441	Building equipment	8,109	616	-	8,725
1460	Furnishings	92,877	-	-	92,877
1470	Maintenance equipment	13,696	-	-	13,696
1490	Construction in progress	500,000	-	500,000	-
1400T	Total fixed assets	3,096,259	2,123,029	500,000	4,719,288
1495	Accumulated depreciation	2,161,462	101,939	-	2,263,401
1400N	Total net book value				<u><u>\$ 2,455,887</u></u>

Schedule of Additions to Buildings

<u>Description</u>	<u>Amount</u>
Smart rehab improvements	<u><u>\$ 2,122,413</u></u>

Schedule of Deletions to Construction in Progress

<u>Description</u>	<u>Amount</u>
Smart rehab improvements	<u><u>\$ 500,000</u></u>

Schedule of Additions to Building Equipment

<u>Description</u>	<u>Amount</u>
Laptop for HVAC unit	<u><u>\$ 616</u></u>

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

SCHEDULE OF OTHER REVENUE AND EXPENSES

YEAR ENDED DECEMBER 31, 2012

Account Number 5990 - Miscellaneous Revenue

Miscellaneous revenue	
Miscellaneous revenue	\$ 999
Forgiveness of debt	15,000
Grant income	<u>399,671</u>
	<u>\$ 415,670</u>

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2012

Federal Grantor	Federal C.F.D.A. Number	Federal Expenditures
U.S. Department of Housing and Urban Development		
1 Interest Reduction Payments Rental and Cooperative Housing for Lower Income Families (Section 236)		
Outstanding mortgage balance	14.103	\$ 44,465
Interest reduction payments received	14.103	<u>80,381</u>
		124,846
2 Operating Assistance for Troubled Multi-Family Housing Projects (Flexible Subsidy Fund)		
Outstanding principal balance	14.164	117,250
Accrued interest payable	14.164	<u>34,101</u>
		151,351
3 Lower Income Housing Assistance Program Section 8 - Moderate Rehabilitation	14.856	196,762
4 Rent Supplements - Rental Housing for Lower Income Families	14.149	<u>10,647</u>
U.S. Department of Energy		
Passed through the Pennsylvania Housing Finance Agency		
5 ARRA - Weatherization Assistance for Low-Income Persons	81.042	<u>399,671</u>
Total expenditures of federal awards		<u><u>\$ 883,277</u></u>

See Notes to Schedule of Expenditures of Federal Awards.

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2012

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. 034-44815NP, under programs of the federal government for the year ended December 31, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



**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**

The Board of Directors
Geneva House, Inc.
Dillsburg, Pennsylvania

We have audited the financial statements of Geneva House, Inc. as of and for the year ended December 31, 2012, and have issued our report thereon dated February 28, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Geneva House, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Geneva House, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the partnership's financial statements will not be prevented, or detected and corrected on a timely basis.

(continued)

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, as described in the accompanying schedule of findings that we consider to be significant deficiencies in internal control over financial reporting. We consider deficiency 2012-1 on the accompanying schedule of findings to be a significant deficiency. A significant deficiency is a deficiency, or 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.

Compliance and Other Matters

Management's Responsibility for Compliance

Compliance with certain provisions of laws, regulations, contracts and grant agreements related to the Project is the responsibility of Geneva House, Inc.'s management.

Auditor's Responsibility

As part of obtaining reasonable assurance about whether Geneva House, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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*.

Geneva House, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit Geneva House, Inc.'s responses and, accordingly, we express no opinion on them.

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and on compliance and other matters, 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 and other matters. This 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 on compliance and other matters. Accordingly, this report is not suitable for any other purpose.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
February 28, 2013



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

The Board of Directors
Geneva House, Inc.
Dillsburg, Pennsylvania

Compliance

We have audited Geneva House, Inc.’s compliance with the 14 types of compliance requirements described in the *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations Compliance Supplement (OMB Circular A-133)* applicable to Geneva House, Inc.’s major federal program identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2012.

Management’s Responsibility for Compliance

Compliance with the requirements referred to above is the responsibility of Geneva House, Inc.’s management.

Auditor’s Responsibility

Our responsibility is to express an opinion on Geneva House, Inc.’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the major federal programs identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs 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. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Geneva House, Inc.’s compliance with those requirements.

(continued)

Opinion

In our opinion, Geneva House, Inc. complied, in all material respects, with the compliance requirements referred to above that are applicable to its major Federal program identified above for the year ended December 31, 2012.

Internal Control Over Compliance

Management of Geneva House, Inc. is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered Geneva House, Inc.'s internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, 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 does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance 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 compliance requirement will not be prevented, or detected and corrected, on a timely basis.

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

The purpose of this report is solely to describe the scope of our testing of compliance with the compliance requirements referred to above that are applicable to each of Geneva House, Inc.'s major federal programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on Geneva House, Inc.'s compliance but not to provide an opinion on the effectiveness of Geneva House, Inc.'s internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and *OMB Circular A-133* in considering Geneva House, Inc.'s compliance with the relevant 14 types of compliance requirements applicable to its major federal programs and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
February 28, 2013

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2012

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Geneva House, Inc.
2. A significant deficiency was identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Geneva House, Inc. were disclosed during the audit.
4. No material weaknesses were identified during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for Geneva House, Inc. expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133 are reported in this schedule.
7. The program tested as a major program was:

ARRA – Weatherization Assistance for Low-Income Persons (CFDA #81.042)
8. The threshold for distinguishing between Type A and Type B programs was \$300,000.
9. Geneva House, Inc. qualified as a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2012-1

Condition: During the audit it was determined that loan proceeds in the amount of \$91,085 received in 2012 from the Pennsylvania Housing Finance Agency (“PHFA”) through the Preservation Through Smart Rehab Program were improperly recorded in the general ledger as grant revenue rather than as a loan payable.

Criteria: Internal controls should be in place that provide reasonable assurance that funds received are properly recorded in the general ledger.

Cause: The loan documents were not provided to the management agent maintaining the general ledger and the loan proceeds were mistakenly recorded as part of a grant also received through PHFA.

Effect: Loans payable and grant revenue were misstated on the general ledger.

(continued)

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2012

Recommendation: Signed agreements and other applicable documentation should be provided to the management agent to support transactions recorded in the general ledger.

Views of Responsible Officials and Planned Corrective Actions: It is management's intent to distribute information and documentation to the appropriate parties as necessary to ensure that accurate entries are made to the financial statements in a timely manner.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

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

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2012

There were no audit findings for the year ended December 31, 2011.

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

CERTIFICATE OF OFFICERS

YEAR ENDED DECEMBER 31, 2012

We hereby certify that we have examined the accompanying financial statements and supplementary information of Geneva House, Inc. and, to the best of our knowledge and belief, the same is complete and accurate.

Corporate Officers

Date

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

MANAGEMENT AGENT'S CERTIFICATION

YEAR ENDED DECEMBER 31, 2012

We hereby certify that we have examined the accompanying financial statements and supplementary information of Geneva House, Inc. and, to the best of our knowledge and belief, the same is complete and accurate.


Presbyterian Senior Living

Date

BEST PLACES
to work in **PA**
8 Time Award Winner

BEST
ACCOUNTING
FIRMS
TO WORK FOR
3 Time Award Winner

Member of:

 **PrimeGlobal** | *An Association of
Independent Accounting Firms*

MEMBERS

AMERICAN AND PENNSYLVANIA
INSTITUTES OF CERTIFIED PUBLIC
ACCOUNTANTS

www.macpas.com