

**GENEVA HOUSE, INC.
PROJECT NO. 034-11177
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
AND INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2015 AND 2014**



McKONLY & ASBURY

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Geneva House, Inc.
Dillsburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Geneva House, Inc. (a nonprofit organization), HUD Project No. 034-11177, which comprise the statements of financial position as of December 31, 2015 and 2014, 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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2016, 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 or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Geneva House, Inc.'s internal control over financial reporting and compliance.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
March 7, 2016

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2015 AND 2014

ASSETS	2015	2014
Current Assets		
Cash and cash equivalents	\$ 62,542	\$ 47,748
Accounts receivable - tenants (net of allowance of \$2,665 and \$210)	429	2,448
Accounts receivable - HUD	1,416	8,380
Accounts receivable - grants	12,005	5,100
Prepaid expenses	9,682	9,649
Total current assets	86,074	73,325
Noncurrent Assets		
Restricted deposits and funded reserves		
Replacement reserves	354,090	409,877
Escrow deposits	41,269	44,503
Tenant security deposits	30,456	24,866
Total restricted deposits and funded reserves	425,815	479,246
Fixed Assets		
Land	50,000	50,000
Building and improvements	4,789,552	4,774,517
Furniture and equipment	132,146	119,226
	4,971,698	4,943,743
Less accumulated depreciation	(2,700,972)	(2,554,386)
Fixed assets - net	2,270,726	2,389,357
Other Assets		
Deferred financing fees	217,974	217,974
Less accumulated amortization	(15,050)	(8,823)
Total other assets	202,924	209,151
Total assets	\$ 2,985,539	\$ 3,151,079

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

LIABILITIES AND NET ASSETS	2015	2014
Current Liabilities		
Accounts payable	\$ 15,737	\$ 18,028
Accounts payable - related party	28,347	51,357
Accrued expenses		
Audit	10,800	10,500
Management fee	3,514	3,535
Other	2,069	3,697
Accrued interest	7,949	8,072
Current maturities of mortgage payable	41,605	40,100
Prepaid rent	10,532	6,660
Total current liabilities	120,553	141,949
Noncurrent Liabilities		
Tenant security deposits	22,653	21,953
Mortgage payable - net of current maturities		
Mortgage payable	2,543,476	2,585,081
Smart rehab loan	91,085	91,085
Total noncurrent liabilities	2,657,214	2,698,119
Total liabilities	2,777,767	2,840,068
Unrestricted Net Assets	207,772	311,011
Total liabilities and net assets	\$ 2,985,539	\$ 3,151,079

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Revenue		
Rent	\$ 714,842	\$ 700,613
Financial	216	378
Grant revenue	49,205	48,911
Other	32,255	7,050
Total revenue	<u>796,518</u>	<u>756,952</u>
Expenses		
Administrative	123,708	110,111
Utilities	101,156	84,564
Operating and maintenance	226,741	177,263
Taxes and insurance	150,291	141,216
Interest	96,072	97,527
Mortgage insurance premium	11,594	3,925
Supportive services	37,382	36,304
Depreciation	146,586	144,452
Amortization	6,227	6,228
Total expenses	<u>899,757</u>	<u>801,590</u>
Change in net assets	(103,239)	(44,638)
Net Assets - Beginning	311,011	355,649
Net Assets - Ending	<u>\$ 207,772</u>	<u>\$ 311,011</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, 2015 AND 2014

	2015	2014
Cash Flows from Operating Activities		
Rental receipts	\$ 727,696	\$ 695,651
Interest receipts	36	16
Grant revenue	42,300	55,032
Other operating receipts	32,255	7,050
Total receipts	<u>802,287</u>	<u>757,749</u>
Administrative	39,475	34,603
Management fees	41,544	48,369
Utilities	100,353	89,602
Salaries and wages	127,465	167,873
Operating and maintenance	167,001	131,447
Real estate taxes	87,886	79,410
Property and liability insurance	11,631	18,695
Miscellaneous taxes and insurance	13,294	9,095
Tenant security deposits	4,819	2,195
Interest on notes payable	96,195	97,646
Supportive services	37,382	36,304
Miscellaneous financial expenses	11,594	3,925
Total disbursements	<u>738,639</u>	<u>719,164</u>
Net cash provided by operating activities	<u>63,648</u>	<u>38,585</u>
Cash Flows from Investing Activities		
Net withdrawals from (deposits to) mortgage escrow account	3,234	(26,925)
Net withdrawals from replacement reserves	55,967	30,020
Cash paid for fixed assets	(67,955)	(97,874)
Net cash used in investing activities	<u>(8,754)</u>	<u>(94,779)</u>
Cash Flows from Financing Activities		
Mortgage principal payments	(40,100)	(38,649)
Net cash used in financing activities	<u>(40,100)</u>	<u>(38,649)</u>
Net increase (decrease) in cash and cash equivalents	<u>14,794</u>	<u>(94,843)</u>
Cash and Cash Equivalents		
Beginning	<u>47,748</u>	<u>142,591</u>
Ending	<u>\$ 62,542</u>	<u>\$ 47,748</u>

(continued)

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENTS OF CASH FLOWS (Cont'd)

YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
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Reconciliation of Change in Net Assets to		
Net Cash Provided by Operating Activities		
Change in net assets	\$ (103,239)	\$ (44,638)
Adjustments to reconcile change in net assets		
to net cash provided by operating activities		
Depreciation and amortization	152,813	150,680
Interest earned on replacement reserve account	(180)	(362)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable - tenants	2,019	(1,126)
Accounts receivable - HUD	6,964	(8,380)
Accounts receivable - grants	(6,905)	6,121
Prepaid expenses	(33)	(9,649)
Tenant security deposits	(5,590)	2,630
(Decrease) increase in:		
Accounts payable	14,699	(47,110)
Accrued expenses	(1,349)	(9,261)
Accrued interest payable	(123)	(119)
Tenant security deposits	700	(4,745)
Prepaid rent	3,872	4,544
	<hr/>	<hr/>
Net cash provided by operating activities	\$ 63,648	\$ 38,585
	<hr/> <hr/>	<hr/> <hr/>
Supplemental schedule of noncash investing and financing activities		
Total purchase of fixed assets	\$ 27,955	\$ 137,874
Add: Amount in accounts payable in prior year	40,000	-
Less: Amount in accounts payable in current year	-	(40,000)
	<hr/>	<hr/>
Total cash paid for fixed assets	\$ 67,955	\$ 97,874
	<hr/> <hr/>	<hr/> <hr/>

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

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business and Significant Accounting Policies

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

The Project is also subject to Section 8 Housing Assistance Payments (HAP) and Rent Supplements Housing Assistance payment agreements with HUD. The Rent Supplements Housing Assistance payment agreement with HUD expired August 2012. The 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. 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, 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 and improvements	5 - 45 years
Furniture and equipment	5 - 10 years

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

Other Assets: Deferred financing fees consist of costs for refinancing the HUD-insured mortgage. Amortization began at final closing on July 31, 2013, using 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.

(continued)

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

NOTES TO FINANCIAL STATEMENTS

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 2012.

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. Tenant receivables include an allowance for doubtful accounts of \$2,665 and \$210 as of December 31, 2015 and 2014, respectively.

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

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

Subsequent Events: Management evaluated subsequent events through March 7, 2016, the date the financial statements were available to be issued.

Note 2. Mortgage Payable

The Organization refinanced its debt through a HUD-insured Section 223(f) mortgage on July 31, 2013, in the amount of \$2,676,400. The mortgage bears interest at 3.69% annually and monthly payments in the amount of \$11,358 are required. The servicing agent is Walker & Dunlop, LLC. The mortgage matures on August 1, 2048. The outstanding principal balance on the mortgage as of December 31, 2015 and 2014, was \$2,585,081 and \$2,625,181.

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GENEVA HOUSE, INC.
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NOTES TO FINANCIAL STATEMENTS

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

Year	Amount
2016	\$ 41,605
2017	43,166
2018	44,786
2019	46,467
2020	48,211
Thereafter	<u>2,360,846</u>
	<u>\$ 2,585,081</u>

The Organization incurred interest costs of \$96,072 and \$97,527 in 2015 and 2014. The Organization paid interest costs of \$96,195 and \$97,646 in 2015 and 2014.

Note 3. Smart Rehab Loan

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

Principal payments are required to be made from any surplus of revenues over expenses generated by the Project after the payment of all project costs during any calendar year as determined by PHFA based upon a review of audited financial statements of the Organization. The outstanding balance as of December 31, 2015 and 2014, was \$91,085.

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

Note 4. Accounts Payable – Related Party

The Organization receives cash advances from PHI, Presbyterian Homes (PH), and Presbyterian Senior Living Housing Management Corporation (PSLHMC) for operating and payroll expenses of the Project. As of December 31, 2015, total advances due to PH and PSLHMC of \$886 and \$27,461 were included in accounts payable – related party on the statements of financial position, respectively. As of December 31, 2014, total advances due to PHI of \$51,357 were included in accounts payable – related party on the statements of financial position.

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GENEVA HOUSE, INC.
PROJECT NO. 034-11177

NOTES TO FINANCIAL STATEMENTS

Note 5. Unrestricted Net Assets

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

Note 6. Rent Increases

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

Note 7. Grant Revenue

Beginning January 1, 2013, the Project received a grant from HUD through its Service Coordinator grant program. The grant reimburses expenses related to the hiring, training, and other costs related to having a service coordinator at the Project. Total revenue related to the grant during the years ended December 31, 2015 and 2014, were \$49,205 and \$48,911, of which \$12,005 and \$5,100 was receivable at year end, respectively.

Note 8. Management Fees

The Organization entered into a contract with PSLHMC, an affiliate of PHI, on June 1, 2013, to manage and supervise the operations of the Project. The term of the management contract is 5 years and management fees were calculated at 7.49% of residential and commercial income, capped at \$47 per unit per month. Management fee expense for the years ended December 31, 2015 and 2014, was \$41,523 and \$41,504, of which \$3,514 and \$3,535 was payable at year end, respectively.

Note 9. Functional Allocation of Expenses

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

	<u>2015</u>	<u>2014</u>
Program services	\$ 881,380	\$ 789,914
Management and general	<u>18,377</u>	<u>11,676</u>
Total expenses	<u>\$ 899,757</u>	<u>\$ 801,590</u>

(continued)

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

NOTES TO FINANCIAL STATEMENTS

Note 10. Current Vulnerability Due to Certain Concentrations

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

SUPPLEMENTARY INFORMATION

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENT OF FINANCIAL POSITION DATA

DECEMBER 31, 2015

Account Number		
	Current Assets	
1120	Cash - operations	\$ 62,542
1130	Accounts receivable - tenants (net of allowance of \$2,665)	429
1135	Accounts receivable - HUD	1,416
1140	Accounts receivable - grants	12,005
1200	Prepaid expenses	9,682
1100T	Total current assets	<u>86,074</u>
	Restricted deposits and funded reserves	
1191	Tenant deposits	30,456
1310	Escrow deposits	41,269
1320	Replacement reserves	354,090
1300T	Total restricted deposits and funded reserves	<u>425,815</u>
	Fixed Assets	
1410	Land	50,000
1420	Building	4,789,552
1450	Furniture for project - tenant use	21,646
1460	Furnishings	96,805
1470	Maintenance equipment	13,695
1400T	Total fixed assets	<u>4,971,698</u>
1495	Less accumulated depreciation	<u>(2,700,972)</u>
1400N	Fixed assets - net	<u>2,270,726</u>
	Other Assets	
1520	Deferred financing fees (net of accumulated amortization of \$15,050)	202,924
1500T	Total other assets	<u>202,924</u>
1000T	Total assets	<u>\$ 2,985,539</u>

Account Number			
	Current Liabilities		
2110	Accounts payable	\$	44,084
2120	Accrued expenses		5,583
2131	Accrued interest		7,949
2170	Mortgage payable - current portion		41,605
2190	Accrued audit		10,800
2210	Prepaid rent		10,532
2122T	Total current liabilities		<u>120,553</u>
2191	Tenant security deposits		<u>22,653</u>
	Noncurrent Liabilities		
2320	Mortgage payable - net of current portion		2,543,476
2326	Smart rehab loan		91,085
2300T	Total noncurrent liabilities		<u>2,634,561</u>
2000T	Total liabilities		<u>2,777,767</u>
3131	Unrestricted Net Assets		207,772
2033T	Total liabilities and net assets	\$	<u><u>2,985,539</u></u>

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENT OF ACTIVITIES DATA

YEAR ENDED DECEMBER 31, 2015

Account Number		
	REVENUE	
5120	Rent - gross potential	\$ 276,364
5121	Tenant assistance payments	388,924
5170	Parking spaces	59,641
5100T	Total potential rent revenue	724,929
	Vacancies	
5220	Vacancies - apartments	(10,087)
5200T	Total vacancies	(10,087)
5152N	Total rental revenue	714,842
5440	Revenue from investments - reserve for replacements	180
5490	Revenue from investments - security deposits	36
5400T	Total financial revenue	216
5910	Laundry and vending revenue	6,029
5920	Tenant charges	2,024
5920	Grant revenue	49,205
5990	Miscellaneous revenue	24,202
5900T	Total other revenue	81,460
5000T	Total revenue	796,518
	EXPENSES	
6210	Advertising and marketing	329
6311	Office expenses	9,740
6320	Management fee	41,523
6330	Manager salaries	44,165
6340	Legal expenses - project	4,386
6350	Audit expense	10,800
6370	Bad debts	2,732
6390	Miscellaneous administrative expenses	10,033
6263T	Total administrative expenses	123,708
6450	Electricity	74,545
6451	Water	13,974
6453	Sewer	12,637
6263T	Total utilities expenses	101,156

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GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENT OF ACTIVITIES DATA (Cont'd)

YEAR ENDED DECEMBER 31, 2015

Account Number		
	EXPENSES (Continued)	
6510	Payroll	64,724
6515	Supplies	42,244
6520	Contracts	63,708
6525	Garbage and trash removal	6,000
6546	Heating/cooling repairs and maintenance	14,001
6548	Snow removal	10,100
6560	Decorating	19,919
6590	Miscellaneous operating and maintenance expense	6,045
6550T	Total operating and maintenance expenses	226,741
6710	Real estate taxes	87,886
6711	Payroll taxes	10,967
6720	Property and liability insurance	11,753
6723	Health insurance and other employee benefits	27,086
6790	Miscellaneous taxes, licenses, permits and insurance	12,599
6700T	Total taxes and insurance	150,291
6820	Interest on mortgage payable	96,072
6850	Mortgage insurance premium	11,594
6800T	Total financial expenses	107,666
6910	Payroll	34,476
6920	Supplies	2,906
6900T	Total supportive services	37,382
6000T	Total cost of operations before depreciation	746,944
5060T	Profit before depreciation	49,574
6600	Depreciation	146,586
6610	Amortization	6,227
5060N	Operating loss	(103,239)
3247	Change in unrestricted net assets from operations	(103,239)
3250	Change in total net assets from operations	\$ (103,239)
S1000-01C	Total mortgage principal payments required during the year	\$ 40,100
S1000-02C	Total of 12 monthly deposits during the year into the replacement reserve account, as required by the regulatory agreement	\$ 25,881
S1000-03C	Replacement or painting reserve releases which are included as expense items on this profit and loss statement.	\$ 53,893

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENT OF CASH FLOWS DATA

YEAR ENDED DECEMBER 31, 2015

Account Number		
<hr/>		
Cash Flows from Operating Activities		
S1200-010	Rental receipts	\$ 727,696
S1200-020	Interest receipts	36
S1200-030	Grant revenue	42,300
S1200-030	Other operating receipts	32,255
S1200-040	Total receipts	<hr/> 802,287
S1200-050	Administrative	39,475
S1200-070	Management fees	41,544
S1200-090	Utilities	100,353
S1200-100	Salaries and wages	127,465
S1200-110	Operating and maintenance	167,001
S1200-120	Real estate taxes	87,886
S1200-140	Property and liability insurance	11,631
S1200-150	Miscellaneous taxes and insurance	13,294
S1200-160	Tenant security deposits	4,819
S1200-170	Supportive services	37,382
S1200-190	Interest on notes payable	96,195
S1200-220	Miscellaneous financial expenses	11,594
S1200-230	Total disbursements	<hr/> 738,639
S1200-240	Net cash provided by operating activities	<hr/> 63,648
Cash Flows from Investing Activities		
S1200-245	Net deposits to mortgage escrow account	3,234
S1200-250	Net withdrawals from replacement reserves	55,967
S1200-330	Cash paid for fixed assets	<hr/> (67,955)
S1200-350	Net cash used in investing activities	<hr/> (8,754)
Cash Flows from Financing Activities		
S1200-360	Mortgage principal payments	<hr/> (40,100)
S1200-460	Net cash used in financing activities	<hr/> (40,100)
S1200-470	Net increase in cash and cash equivalents	<hr/> 14,794
Cash and Cash Equivalents		
S1200-480	Beginning	<hr/> 47,748
S1200T	Ending	<hr/> <hr/> \$ 62,542

(continued)

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENT OF CASH FLOWS DATA (Cont'd)

YEAR ENDED DECEMBER 31, 2015

Account Number		
	Reconciliation of Change in Net Assets to	
	Net Cash Provided by Operating Activities	
3250	Change in net assets	\$ (103,239)
	Adjustments to reconcile changes in net assets to net cash provided by operating activities	
5440	Interest earned on replacement reserves	(180)
6600	Depreciation	146,586
6610	Amortization	6,227
	Changes in assets and liabilities:	
	(Increase) decrease in:	
S1200-490	Accounts receivable	8,983
S1200-500	Accounts receivable - other	(6,905)
S1200-520	Prepaid expenses	(33)
S1200-530	Tenant security deposits	(5,590)
	(Decrease) increase in:	
S1200-540	Accounts payable	14,699
S1200-560	Accrued expenses	(1,349)
S1200-570	Accrued interest	(123)
S1200-580	Tenant security deposits	700
S1200-590	Prepaid rent	3,872
		<hr/>
S1200-610	Net cash provided by operating activities	<u>\$ 63,648</u>

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

SCHEDULE OF REPLACEMENT RESERVES

YEAR ENDED DECEMBER 31, 2015

Account Number		
1320P	Balance - January 1, 2015	\$ 409,877
1320DT	Total monthly deposits	25,881
1320INT	Interest earned	180
		<u>26,061</u>
1320WT	Withdrawals approved by HUD	<u>81,848</u>
1320	Balance - December 31, 2015	<u><u>\$ 354,090</u></u>

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS

YEAR ENDED DECEMBER 31, 2015

Account Number		Beginning Balance	Additions	Deletions	Ending Balance
1410	Land	\$ 50,000	\$ -	\$ -	\$ 50,000
1420	Buildings	4,774,518	15,034	-	4,789,552
1441	Building equipment	8,725	12,921	-	21,646
1460	Furnishings	96,805	-	-	96,805
1470	Maintenance equipment	13,695	-	-	13,695
1400T	Total fixed assets	4,943,743	27,955	-	4,971,698
1495	Accumulated depreciation	2,554,386	146,586	-	2,700,972
1400N	Total net book value				<u><u>\$ 2,270,726</u></u>

Schedule of Additions to Buildings

Schedule of Additions to Building Equipment

Description

Amount

Description

Amount

Side walk replacement

\$ 15,034

Elevator generator

\$ 12,921

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2015

Federal Grantor	Federal C.F.D.A. Number	Federal Expenditures
U.S. Department of Housing and Urban Development		
1 Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects (Section 223f) Outstanding principal balance	14.155	\$ 2,625,181
2 Section 8 Project-Based Voucher Program PBV Housing Assistance Payments Contract	14.182	355,317
3 Multifamily Housing Service Coordinators Program	14.191	<u>49,205</u>
Total expenditures of federal awards		<u><u>\$ 3,029,703</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, 2015

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Geneva House, Inc., Project No. 034-11177, under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Geneva House, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Geneva House, Inc.

Note 2. Summary of Significant Accounting Policies

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

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

Geneva House, Inc. has received a U.S. Department of Housing and Urban Development direct loan. The loan balances outstanding at the beginning of the year is included in the federal expenditures presented in the Schedule. Geneva House, Inc. received no additional loans during the year. The balance of the loan outstanding at December 31, 2015 consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance at December 31, 2015</u>
14.155	Section 223f Direct Loan	\$ 2,585,081

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

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

We have audited , in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Geneva House, Inc., HUD Project No. 034-11177, which comprise the statement of financial position as of December 31, 2015, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 7, 2016.

Internal Control Over Financial Reporting

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

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

(continued)

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

Compliance and Other Matters

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

Purpose of this Report

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

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
March 7, 2016

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

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

Report on Compliance for Each Major Federal Program

We have audited Geneva House, Inc.'s, HUD Project No. 034-11177, 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.'s major federal programs for the year ended December 31, 2015. Geneva House, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

(continued)

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

Opinion on Each Major Federal Program

In our opinion, Geneva House, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

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 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 that 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 7, 2016

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2015

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Geneva House, Inc. were prepared in accordance with GAAP.
2. No material weaknesses were identified during the audit of the financial statements.
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 unmodified opinion.
6. There are no findings required to be reported in accordance with 2 CFR section 200.516 (a).
7. The programs tested as major programs were:

Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects (Section 223f)	CFDA #14.155
Section 8 Project-Based Voucher Program	CFDA #14.182
8. The threshold for distinguishing between Type A and Type B programs was \$750,000.
9. Geneva House, Inc. was determined to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

None.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

YEAR ENDED DECEMBER 31, 2015

None.

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

CERTIFICATION OF OFFICERS

YEAR ENDED DECEMBER 31, 2015

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

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

MANAGEMENT AGENT'S CERTIFICATION

YEAR ENDED DECEMBER 31, 2015

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

Presbyterian Senior Living Housing
Management Corporation

Date

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