

**GENEVA HOUSE, INC.  
PROJECT NO. 034-11177  
FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
AND INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2016 AND 2015**



**McKONLY & ASBURY**

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

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**MEMBERS**

AMERICAN AND PENNSYLVANIA  
INSTITUTES OF CERTIFIED PUBLIC  
ACCOUNTANTS

## 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, 2016 and 2015, 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.

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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, 2016 and 2015, 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 February 28, 2017, 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  
February 28, 2017

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

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

<b>ASSETS</b>	2016	2015
Current Assets		
Cash and cash equivalents	\$ 51,579	\$ 62,542
Accounts receivable - tenants (net of allowance of \$1,361 and \$2,665)	473	429
Accounts receivable - HUD	593	1,416
Accounts receivable - grants	12,124	12,005
Prepaid expenses	9,423	9,682
<b>Total current assets</b>	<b>74,192</b>	<b>86,074</b>
Noncurrent Assets		
Restricted deposits and funded reserves		
Replacement reserves	341,477	354,090
Escrow deposits	47,519	41,269
Tenant security deposits	32,181	30,456
<b>Total restricted deposits and funded reserves</b>	<b>421,177</b>	<b>425,815</b>
Fixed Assets		
Land	50,000	50,000
Building and improvements	4,813,252	4,789,551
Furniture and equipment	157,691	132,147
	5,020,943	4,971,698
Less accumulated depreciation	(2,848,388)	(2,700,972)
<b>Fixed assets - net</b>	<b>2,172,555</b>	<b>2,270,726</b>
<b>Total assets</b>	<b>\$ 2,667,924</b>	<b>\$ 2,782,615</b>

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

<b>LIABILITIES AND NET ASSETS</b>	2016	2015
Current Liabilities		
Accounts payable	\$ 18,759	\$ 15,737
Accounts payable - related party	34,044	28,347
Accrued expenses		
Audit	8,600	10,800
Management fee	3,685	3,514
Other	7,319	2,069
Accrued interest	7,821	7,949
Current maturities of mortgage payable	43,166	41,605
Prepaid rent	6,983	10,532
<b>Total current liabilities</b>	<b>130,377</b>	<b>120,553</b>
Noncurrent Liabilities		
Tenant security deposits	23,597	22,653
Mortgage payable - net of current maturities		
Mortgage payable	2,500,310	2,543,476
Smart rehab loan	91,085	91,085
Less debt issuance costs	(196,695)	(202,924)
<b>Total noncurrent liabilities</b>	<b>2,418,297</b>	<b>2,454,290</b>
<b>Total liabilities</b>	<b>2,548,674</b>	<b>2,574,843</b>
Unrestricted Net Assets	119,250	207,772
<b>Total liabilities and net assets</b>	<b>\$ 2,667,924</b>	<b>\$ 2,782,615</b>

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

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
<b>Revenue</b>		
Rent	\$ 731,495	\$ 714,842
Financial	210	216
Grant revenue	49,650	49,205
Other	9,052	32,255
<b>Total revenue</b>	<u>790,407</u>	<u>796,518</u>
<b>Expenses</b>		
Administrative	109,738	126,130
Utilities	92,752	101,156
Operating and maintenance	198,984	223,762
Taxes and insurance	176,094	150,291
Interest	101,143	102,299
Mortgage insurance premium	13,000	11,594
Supportive services	39,802	37,939
Depreciation	147,416	146,586
<b>Total expenses</b>	<u>878,929</u>	<u>899,757</u>
<b>Change in net assets</b>	(88,522)	(103,239)
Net Assets - Beginning	207,772	311,011
Net Assets - Ending	<u>\$ 119,250</u>	<u>\$ 207,772</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, 2016 AND 2015

	2016	2015
<b>Cash Flows from Operating Activities</b>		
Rental receipts	\$ 728,726	\$ 727,696
Interest receipts	41	36
Grant revenue	49,531	42,300
Other operating receipts	9,052	32,255
<b>Total receipts</b>	<u>787,350</u>	<u>802,287</u>
Administrative	16,132	39,475
Management fees	41,543	41,544
Utilities	91,918	100,353
Salaries and wages	173,843	127,465
Operating and maintenance	124,789	167,001
Real estate taxes	91,215	87,886
Property and liability insurance	11,200	11,631
Miscellaneous taxes and insurance	14,659	13,294
Tenant security deposits	852	4,819
Interest on notes payable	94,691	96,195
Supportive services	39,802	37,382
Miscellaneous financial expenses	13,351	11,594
<b>Total disbursements</b>	<u>713,995</u>	<u>738,639</u>
<b>Net cash provided by operating activities</b>	<u>73,355</u>	<u>63,648</u>
<b>Cash Flows from Investing Activities</b>		
Net withdrawals from (deposits to) mortgage escrow account	(6,250)	3,234
Net withdrawals from replacement reserves	12,782	55,967
Cash paid for fixed assets	(49,245)	(67,955)
<b>Net cash used in investing activities</b>	<u>(42,713)</u>	<u>(8,754)</u>
<b>Cash Flows from Financing Activities</b>		
Mortgage principal payments	(41,605)	(40,100)
<b>Net cash used in financing activities</b>	<u>(41,605)</u>	<u>(40,100)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(10,963)</u>	<u>14,794</u>
<b>Cash and Cash Equivalents</b>		
Beginning	62,542	47,748
Ending	<u>\$ 51,579</u>	<u>\$ 62,542</u>

(continued)



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

STATEMENTS OF CASH FLOWS (Cont'd)

YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
<hr/>		
Reconciliation of Change in Net Assets to		
Net Cash Provided by Operating Activities		
Change in net assets	\$ (88,522)	\$ (103,239)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	147,416	146,586
Other interest expense	6,229	6,227
Interest earned on replacement reserve account	(169)	(180)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable - tenants	(44)	2,019
Accounts receivable - HUD	823	6,964
Accounts receivable - grants	(119)	(6,905)
Prepaid expenses	259	(33)
Tenant security deposits	(1,725)	(5,590)
(Decrease) increase in:		
Accounts payable	8,719	14,699
Accrued expenses	3,221	(1,349)
Accrued interest payable	(128)	(123)
Tenant security deposits	944	700
Prepaid rent	(3,549)	3,872
	<hr/>	<hr/>
<b>Net cash provided by operating activities</b>	<b>\$ 73,355</b>	<b>\$ 63,648</b>
	<hr/> <hr/>	<hr/> <hr/>
Supplemental schedule of noncash investing and financing activities		
Total purchase of fixed assets	\$ 49,245	\$ 27,955
Add: Amount in accounts payable in prior year	-	40,000
	<hr/>	<hr/>
Total cash paid for fixed assets	\$ 49,245	\$ 67,955
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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.

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

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

(continued)

**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 2013.

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 identified tenant receivables at year-end that, based on the tenant's financial condition, credit history and current economic conditions, suggest a reserve would be appropriate. Tenant receivables are written off when deemed uncollectible. Recoveries of tenant receivables previously written off are recorded when received. Tenant receivables include an allowance for doubtful accounts of \$1,361 and \$2,665 as of December 31, 2016 and 2015, 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.

Change in Accounting Principle: During 2016, the Organization adopted the provisions of Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. Under this new accounting policy, the Organization has retrospectively presented all debt issuance costs as a direct deduction from the carrying amount of the related obligation in the statement of financial position. Amortization of the debt issuance costs is included as a component of interest expense. The effects of the retrospective application of the accounting change on the year ended December 31, 2015, is to decrease total assets and noncurrent liabilities by \$202,924 on the statement of financial position and reclassify \$6,227 of amortization to interest expense on the statement of activities.

Reclassification: Certain amounts in the 2015 financial statements have been reclassified to conform to the presentation of the 2016 financial statements.

Subsequent Events: Management evaluated subsequent events through February 28, 2017, the date the financial statements were available to be issued.

(continued)

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

NOTES TO FINANCIAL STATEMENTS

**Note 2. Mortgage Payable**

The Organization refinanced its debt through a HUD-insured Section 223(f) mortgage on July 31, 2013, in the amount of \$2,676,400. The mortgage bears interest at 3.69% annually and monthly payments in the amount of \$11,358 are required. The servicing agent is Walker & Dunlop, LLC. The mortgage matures on August 1, 2048. The outstanding principal balance on the mortgage as of December 31, 2016 and 2015, was \$2,543,476 and \$2,585,081.

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

Year	Amount
2017	\$ 43,166
2018	44,786
2019	46,467
2020	48,211
2021	50,021
Thereafter	<u>2,310,825</u>
	<u>\$ 2,543,476</u>

The Organization incurred interest costs of \$101,143 and \$102,299 in 2016 and 2015. The Organization paid interest costs of \$100,920 and \$102,422 in 2016 and 2015.

**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, 2016 and 2015, was \$91,085.

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

(continued)

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

NOTES TO FINANCIAL STATEMENTS

**Note 4. Accounts Payable – Related Party**

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

**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, 2016 and 2015, were \$49,650 and \$49,205, of which \$12,124 and \$12,005 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, 2016 and 2015, was \$41,714 and \$41,523, of which \$3,685 and \$3,514 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.

(continued)

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

NOTES TO FINANCIAL STATEMENTS

	<u>2016</u>	<u>2015</u>
Program services	\$ 865,310	\$ 881,380
Management and general	<u>13,619</u>	<u>18,377</u>
Total expenses	<u>\$ 878,929</u>	<u>\$ 899,757</u>

**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, 2016

Account Number		
	<b>Current Assets</b>	
1120	Cash - operations	\$ 51,579
1130	Accounts receivable - tenants (net of allowance of \$1,361)	473
1135	Accounts receivable - HUD	593
1140	Accounts receivable - grants	12,124
1200	Prepaid expenses	9,423
1100T	<b>Total current assets</b>	<u>74,192</u>
	<b>Restricted deposits and funded reserves</b>	
1191	Tenant deposits	32,181
1310	Escrow deposits	47,519
1320	Replacement reserves	341,477
1300T	<b>Total restricted deposits and funded reserves</b>	<u>421,177</u>
	<b>Fixed Assets</b>	
1410	Land	50,000
1420	Building	4,813,252
1450	Furniture for project - tenant use	40,203
1460	Furnishings	103,793
1470	Maintenance equipment	13,695
1400T	<b>Total fixed assets</b>	<u>5,020,943</u>
1495	Less accumulated depreciation	<u>(2,848,388)</u>
1400N	<b>Fixed assets - net</b>	<u>2,172,555</u>
1000T	<b>Total assets</b>	<u>\$ 2,667,924</u>



Account Number			
	<b>Current Liabilities</b>		
2110	Accounts payable	\$	52,803
2120	Accrued expenses		11,004
2131	Accrued interest		7,821
2170	Mortgage payable - current portion		43,166
2190	Accrued audit		8,600
2210	Prepaid rent		6,983
2122T	<b>Total current liabilities</b>		<u>130,377</u>
2191	Tenant security deposits		<u>23,597</u>
	<b>Noncurrent Liabilities</b>		
2320	Mortgage payable - net of current portion		2,500,310
2326	Smart rehab loan		91,085
2340	Debt issuance costs		(196,695)
2300T	<b>Total noncurrent liabilities</b>		<u>2,394,700</u>
2000T	<b>Total liabilities</b>		<u>2,548,674</u>
3131	Unrestricted Net Assets		119,250
2033T	<b>Total liabilities and net assets</b>	\$	<u><u>2,667,924</u></u>

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

STATEMENT OF ACTIVITIES DATA

YEAR ENDED DECEMBER 31, 2016

Account Number		
	<b>REVENUE</b>	
5120	Rent - gross potential	\$ 271,414
5121	Tenant assistance payments	404,320
5170	Parking spaces	62,186
5100T	<b>Total rent revenue</b>	737,920
	Vacancies	
5220	Vacancies - apartments	(6,327)
5250	Rental Concessions	(98)
5200T	<b>Total vacancies</b>	(6,425)
5152N	<b>Net rental revenue</b>	731,495
5440	Revenue from investments - replacement reserve	169
5490	Revenue from investments - security deposits	41
5400T	<b>Total financial revenue</b>	210
5910	Laundry and vending revenue	5,511
5920	Tenant charges	343
5920	Grant revenue	49,650
5990	Miscellaneous revenue	3,198
5900T	<b>Total other revenue</b>	58,702
5000T	<b>Total revenue</b>	790,407
	<b>EXPENSES</b>	
6210	Advertising and marketing	286
6311	Office expenses	9,434
6320	Management fee	41,714
6330	Manager salaries	43,144
6350	Audit expense	8,600
6370	Bad debts	(893)
6390	Miscellaneous administrative expenses	7,453
6263T	<b>Total administrative expenses</b>	109,738
6450	Electricity	64,811
6451	Water	14,399
6452	Gas	351
6453	Sewer	13,191
6263T	<b>Total utilities expenses</b>	92,752

(continued)

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

STATEMENT OF ACTIVITIES DATA (Cont'd)

YEAR ENDED DECEMBER 31, 2016

Account Number		
	<b>EXPENSES (Continued)</b>	
6510	Payroll	68,278
6515	Supplies	2,211
6520	Contracts	52,750
6525	Garbage and trash removal	8,091
6541	Repairs material	31,419
6546	Heating/cooling repairs and maintenance	16,843
6548	Snow removal	6,165
6560	Decorating	13,227
6550T	<b>Total operating and maintenance expenses</b>	198,984
6710	Real estate taxes	91,215
6711	Payroll taxes	11,437
6720	Property and liability insurance	11,388
6723	Health insurance and other employee benefits	49,805
6790	Miscellaneous taxes, licenses, permits and insurance	12,249
6700T	<b>Total taxes and insurance</b>	176,094
6820	Interest on mortgage payable	94,563
6825	Interest on other mortgages	6,229
6850	Mortgage insurance premium	13,000
6890	Miscellaneous financial expenses	351
6800T	<b>Total financial expenses</b>	114,143
6910	Payroll	38,077
6920	Supplies	1,725
6900T	<b>Total supportive services</b>	39,802
6000T	<b>Total cost of operations before depreciation</b>	731,513
5060T	<b>Profit before depreciation</b>	58,894
6600	Depreciation	147,416
5060N	<b>Operating loss</b>	(88,522)
3247	Change in unrestricted net assets from operations	(88,522)
3250	Change in total net assets from operations	\$ (88,522)
S1000-01C	Total mortgage principal payments required during the year	\$ 41,605
S1000-02C	Total of 12 monthly deposits during the year into the replacement reserve account, as required by the regulatory agreement	\$ 26,698
S1000-03C	Replacement or painting reserve releases which are included as expense items on this profit and loss statement.	\$ 20,924

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

STATEMENT OF CASH FLOWS DATA

YEAR ENDED DECEMBER 31, 2016

Account Number		
<hr/>		
	Cash Flows from Operating Activities	
S1200-010	Rental receipts	\$ 728,726
S1200-020	Interest receipts	41
S1200-030	Grant revenue	49,531
S1200-030	Other operating receipts	9,052
S1200-040	<b>Total receipts</b>	<hr/> 787,350
S1200-050	Administrative	16,132
S1200-070	Management fees	41,543
S1200-090	Utilities	91,918
S1200-100	Salaries and wages	173,843
S1200-110	Operating and maintenance	124,789
S1200-120	Real estate taxes	91,215
S1200-140	Property and liability insurance	11,200
S1200-150	Miscellaneous taxes and insurance	14,659
S1200-160	Tenant security deposits	852
S1200-170	Supportive services	39,802
S1200-190	Interest on notes payable	94,691
S1200-220	Miscellaneous financial expenses	13,351
S1200-230	<b>Total disbursements</b>	<hr/> 713,995
S1200-240	<b>Net cash provided by operating activities</b>	<hr/> 73,355
	Cash Flows from Investing Activities	
S1200-245	Net deposits to mortgage escrow account	(6,250)
S1200-250	Net withdrawals from replacement reserves	12,782
S1200-330	Cash paid for fixed assets	(49,245)
S1200-350	<b>Net cash used in investing activities</b>	<hr/> (42,713)
	Cash Flows from Financing Activities	
S1200-360	Mortgage principal payments	(41,605)
S1200-460	<b>Net cash used in financing activities</b>	<hr/> (41,605)
S1200-470	<b>Net decrease in cash and cash equivalents</b>	<hr/> (10,963)
	Cash and Cash Equivalents	
S1200-480	Beginning	<hr/> 62,542
S1200T	Ending	<hr/> <hr/> \$ 51,579

(continued)

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

STATEMENT OF CASH FLOWS DATA (Cont'd)

YEAR ENDED DECEMBER 31, 2016

Account Number			
	Reconciliation of Change in Net Assets to		
	Net Cash Provided by Operating Activities		
3250	Change in net assets	\$	(88,522)
	Adjustments to reconcile changes in net assets to net cash provided by operating activities		
5440	Interest earned on replacement reserves		(169)
6600	Depreciation		147,416
S1200-486	Amortization of debt issuance costs		6,229
	Changes in assets and liabilities:		
	(Increase) decrease in:		
S1200-490	Accounts receivable		779
S1200-500	Accounts receivable - other		(119)
S1200-520	Prepaid expenses		259
S1200-530	Tenant security deposits		(1,725)
	(Decrease) increase in:		
S1200-540	Accounts payable		8,719
S1200-560	Accrued expenses		3,221
S1200-570	Accrued interest		(128)
S1200-580	Tenant security deposits		944
S1200-590	Prepaid rent		(3,549)
			(3,549)
S1200-610	<b>Net cash provided by operating activities</b>	<b>\$</b>	<b><u>73,355</u></b>

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

SCHEDULE OF REPLACEMENT RESERVES

YEAR ENDED DECEMBER 31, 2016

Account Number		
1320P	Balance - January 1, 2016	\$ 354,090
1320DT	Total monthly deposits	26,698
1320INT	Interest earned	169
		<u>26,867</u>
1320WT	Withdrawals approved by HUD	<u>39,480</u>
1320	Balance - December 31, 2016	<u><u>\$ 341,477</u></u>

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

SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS

YEAR ENDED DECEMBER 31, 2016

Account Number		Beginning Balance	Additions	Deletions	Ending Balance
1410	Land	\$ 50,000	\$ -	\$ -	\$ 50,000
1420	Buildings	4,789,552	23,700	-	4,813,252
1441	Building equipment	21,646	18,557	-	40,203
1460	Furnishings	96,805	6,988	-	103,793
1470	Maintenance equipment	13,695	-	-	13,695
1400T	<b>Total fixed assets</b>	4,971,698	49,245	-	5,020,943
1495	Accumulated depreciation	2,700,972	147,416	-	2,848,388
1400N	<b>Total net book value</b>				<u><u>\$ 2,172,555</u></u>

*Schedule of Additions to Buildings*

<u>Description</u>	<u>Amount</u>
Hallway painting	\$ 6,700
Asphalt excavate and grading	<u>17,000</u>
	<u><u>\$ 23,700</u></u>

*Schedule of Additions to Building Equipment*

<u>Description</u>	<u>Amount</u>
Automatic door access system	<u><u>\$ 18,557</u></u>

*Schedule of Additions to Furnishings*

<u>Description</u>	<u>Amount</u>
Hallway carpet	<u><u>\$ 6,988</u></u>

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2016

Federal Grantor	Federal CFDA Number	Pass Through Grantor Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development				
1 Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects (Section 223f)	14.155	N/A	\$ 2,585,081	\$ -
2 Section 8 Project-Based Voucher Program PBV Housing Assistance Payments Contract	14.182	N/A	369,533	-
3 Multifamily Housing Service Coordinators Program	14.191	N/A	49,650	-
<b>Total expenditures of federal awards</b>			<b>\$ 3,004,264</b>	<b>\$ -</b>

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, 2016

**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, 2016. 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, 2016, consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance at December 31, 2016</u>
14.155	Section 223f Direct Loan	\$ 2,543,476

**Note 4. Indirect Cost Rate**

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

## 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, 2016, 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 February 28, 2017.

### 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 the Entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*McKonly & Asbury, LLP*

Camp Hill, Pennsylvania  
February 28, 2017

## 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, 2016. 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, 2016.

### **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  
February 28, 2017

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2016

**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Geneva House, Inc. were prepared in accordance with GAAP.
2. No material weaknesses were identified during the audit of the financial statements and reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Geneva House, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses were identified during the audit of the major federal award programs and reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Geneva House, Inc. expresses an unmodified opinion on all major programs.
6. There are no findings required to be reported in accordance with 2 CFR section 200.516 (a).
7. The programs tested as major programs were:

Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects (Section 223f)	CFDA #14.155
Section 8 Project Based Voucher Program PBV Housing Assistance Payments Contract	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, 2016

None.

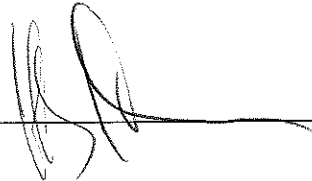
**GENEVA HOUSE, INC.  
PROJECT NO. 034-11177**

**CERTIFICATION OF OFFICERS  
YEAR ENDED DECEMBER 31, 2016**

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

  
\_\_\_\_\_  
  
\_\_\_\_\_

2/28/17

  
\_\_\_\_\_  
  
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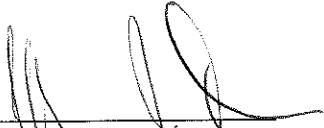


**GENEVA HOUSE, INC.  
PROJECT NO. 034-11177**

**MANAGEMENT AGENT'S CERTIFICATION**

**YEAR ENDED DECEMBER 31, 2016**

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.

2/28/17

\_\_\_\_\_  
Date

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