

GENEVA HOUSE, INC.

PROJECT NO. 034-44815NP

FINANCIAL REPORT

DECEMBER 31, 2003

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Geneva House, Inc.
Project No. 034-44815NP
Scranton, Pennsylvania

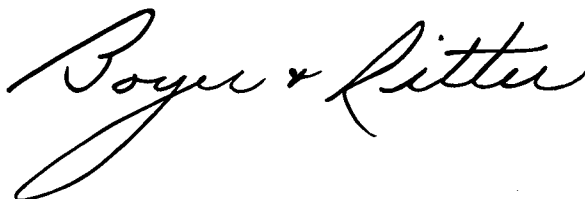
We have audited the accompanying statements of financial position of Geneva House, Inc., Project No. 034-44815NP, as of December 31, 2003 and 2002, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2004, on our consideration of Geneva House, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Geneva House, Inc., taken as a whole. The accompanying supplementary information on pages 12 to 20 is presented for purposes of additional analysis and is not a required part of the basic financial statements of Geneva House, Inc., Project No. 034-44815NP. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Boyer & Ritter". The signature is written in black ink and is positioned to the right of the main text block.

Carlisle, Pennsylvania
January 16, 2004

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

STATEMENTS OF FINANCIAL POSITION
December 31, 2003 and 2002

ASSETS	2003	2002
Current Assets		
Cash and cash equivalents	\$ 9,333	\$ 6,693
Accounts receivable - tenants	279	1,415
Prepaid expenses	5,181	1,959
	<hr/>	<hr/>
Total current assets	14,793	10,067
Noncurrent Assets		
Restricted deposits		
Replacement reserve	72,597	91,913
Escrow deposits	36,585	25,511
Tenant deposits held in trust	13,629	9,823
Total restricted deposits	122,811	127,247
Property and Equipment		
Land	50,000	50,000
Building and improvements	2,123,846	2,075,345
Furniture and equipment	106,874	95,752
	<hr/>	<hr/>
	2,280,720	2,221,097
Less accumulated depreciation	(1,536,611)	(1,459,898)
Property and equipment - net	744,109	761,199
	<hr/>	<hr/>
Total assets	\$ 881,713	\$ 898,513

See Notes to Financial Statements.

LIABILITIES AND NET DEFICIT	2003	2002
Current Liabilities		
Bank overdraft	\$ -	\$ 10,408
Accounts payable - operations	34,137	16,706
Accrued expenses		
Wages	4,106	2,966
Payroll taxes and withholdings	-	2,665
Management fee	11,040	2,618
Interest payable - note payable	312	-
Note payable	92,000	74,000
Current maturities of long-term debt	72,868	62,473
Parking deposits	1,688	1,590
Prepaid revenue	3,426	1,065
Total current liabilities	219,577	174,491
Noncurrent Liabilities		
Tenant deposits held in trust	13,629	9,823
Long-term debt - net of current maturities		
Mortgage payable	852,772	925,640
Flexible subsidy loan		
Loan payable	117,250	117,250
Accrued interest payable	23,548	22,376
Total liabilities	1,226,776	1,249,580
Unrestricted Net Deficit	(345,063)	(351,067)
Total liabilities and net deficit	\$ 881,713	\$ 898,513

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

**STATEMENTS OF ACTIVITIES
Years Ended December 31, 2003 and 2002**

	2003	2002
Revenue		
Rent	\$ 427,841	\$ 408,890
Financial	454	824
Other	22,816	17,813
Total revenue	<u>451,111</u>	<u>427,527</u>
Expenses		
Administrative	132,524	122,164
Utilities	85,134	80,748
Operating and maintenance	54,902	45,134
Taxes and insurance	86,369	79,388
Financial	9,465	9,503
Depreciation	76,713	70,781
Total expenses	<u>445,107</u>	<u>407,718</u>
Changes in net assets	6,004	19,809
Net Deficit - Beginning	<u>(351,067)</u>	<u>(370,876)</u>
Net Deficit - Ending	<u>\$ (345,063)</u>	<u>\$ (351,067)</u>

See Notes to Financial Statements.

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

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2003 and 2002

	2003	2002
Cash Flows From Operating Activities		
Cash received from rentals	\$ 431,436	\$ 408,047
Interest receipts	41	65
Other operating receipts	6,788	4,388
Total receipts	438,265	412,500
Administrative	19,157	22,033
Management fee	23,225	29,985
Utilities	84,814	80,222
Salaries and wages	87,631	81,927
Operating and maintenance	41,747	20,454
Real estate taxes	45,427	44,050
Property insurance	14,274	12,840
Miscellaneous taxes and insurance	36,739	27,534
Interest on notes payable	3,198	3,478
Total disbursements	356,212	322,523
Net cash provided by operating activities	82,053	89,977
Cash Flows From Investing Activities		
Net deposits into mortgage escrow account	(11,074)	(13,779)
Net (deposits) withdrawals into replacement reserve account	19,729	(17,535)
Purchase of property and equipment	(59,623)	(22,900)
Net cash used in investing activities	(50,968)	(54,214)
Cash Flows From Financing Activities		
Mortgage principal payments - net of excess interest subsidy	(46,445)	(54,491)
Net borrowings under note payable	18,000	10,500
Net cash used in financing activities	(28,445)	(43,991)
Net increase (decrease) in cash and cash equivalents	2,640	(8,228)
Cash and Cash Equivalents:		
Beginning	6,693	14,921
Ending	\$ 9,333	\$ 6,693

(Continued)

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

STATEMENTS OF CASH FLOWS (Continued)
Years Ended December 31, 2003 and 2002

	2003	2002
Reconciliation of Changes in Net Assets to Net		
Cash Provided by Operating Activities		
Changes in net assets	\$ 6,004	\$ 19,809
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	76,713	70,781
Interest reduction subsidy - excess of interest expense	(16,028)	(14,367)
Interest earned in replacement reserve account	(413)	(759)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable - tenants	1,136	(639)
Accounts receivable - other	-	942
Prepaid expenses	(3,222)	103
Tenant deposits held in trust	(3,806)	(1,040)
(Decrease) increase in:		
Accounts payable and bank overdraft	7,023	13,104
Accrued liabilities	6,897	295
Accrued interest payable	1,484	912
Tenant deposits held in trust	3,806	1,040
Parking deposits	98	707
Prepaid revenue	2,361	(911)
Net cash provided by operating activities	\$ 82,053	\$ 89,977

See Notes to 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., is a nonprofit corporation formed under the Non-Profit Corporation Laws of Pennsylvania. 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's major program is its Section 236 mortgage insurance and rate reduction loan.

The Project is also subject to Section 8 New Construction and Rent Supplements Housing Assistance payment agreements with HUD. A significant portion of the Project's rental income is received under these agreements with HUD.

PHI, another non-profit corporation has approval rights for the Board of Trustee appointments.

Restricted Deposits and Funded Reserves: Mortgage 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 Corporation provides for depreciation of fixed assets using the straight-line method as follows:

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

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).

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.

Note 2. Management Fees

The Organization has a contract with Management Enterprises, Inc., wherein Management Enterprises, Inc., agrees to manage and supervise the operations of the project. For this service, the Organization paid the management company 7.5% of allowable rental collections.

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

NOTES TO FINANCIAL STATEMENTS

Note 3. 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 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 4. 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 end September 2013. GMAC Commercial Credit is now the servicing agent.

	2003	2002
Monthly payments - principal and interest	\$ 124,076	\$ 146,635
Less FHA interest subsidy (S3100-120)	(77,631)	(92,143)
Escrow for mortgage insurance premium	4,591	5,739
Escrow for insurance and real estate taxes	72,453	63,769
Escrow for replacement cost	30,645	27,995
Net monthly payments by Geneva House, Inc.	<u>\$ 154,134</u>	<u>\$ 151,995</u>

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

NOTES TO FINANCIAL STATEMENTS

Note 4. Mortgage Payable (Continued)

The mortgage has an interest rate of 7%, however, the effective 2003 rate was slightly less than 0% due to FHA subsidy.

	2003	2002
Balance - Beginning	\$ 988,113	\$ 1,056,971
Principal reduction	62,473	68,858
Balance - Ending	<u>\$ 925,640</u>	<u>\$ 988,113</u>

Maturities of the mortgage note in each of the next five years and in the aggregate are as follows:

Account Number	Year	Amount
S3100-070	2004	\$ 72,868
S3100-080	2005	78,136
S3100-090	2006	83,785
S3100-100	2007	89,841
	2008	96,336
S3100-110	Future years	504,674
		<u>\$ 925,640</u>

Note 5. Note Payable - Bank

The Organization has a line-of-credit with Penn Security Bank for \$100,000. The line expires on June 30, 2004. The line bears interest at the Bank's base rate, which equals the prime rate. At December 31, 2003 and 2002, the rate was 4.00% and 4.25%, respectively.

Note 6. Unrestricted Net Assets (Deficit)

None of the Project's net assets are subject to donor-imposed restrictions. Accordingly, all net assets (deficit) are accounted for as unrestricted net assets (deficit) under SFAS No. 117.

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Rent Increases

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

Note 8. Functional Allocation of Expenses

Expenditures incurred in connection with project operations have been summarized on a functional basis in the Statements of Activities.

Note 9. Current Vulnerability due to Certain Concentrations

The Project's sole asset is a 64 unit apartment project. 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.

Note 10. Reclassifications

Certain amounts in the 2002 financial statements have been reclassified to conform to the 2003 presentation. These reclassifications had no effect on the Organization's financial position or changes therein for 2002.

SUPPLEMENTARY INFORMATION

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

STATEMENT OF FINANCIAL POSITION DATA
December 31, 2003

Account Number	ASSETS		
	Current Assets		
1120	Cash and cash equivalents	\$	9,333
1130	Tenant accounts receivable		279
1200	Prepaid expenses		<u>5,181</u>
1100T	Total current assets		<u>14,793</u>
1191	Tenant deposits held in trust		13,629
	Restricted Deposits		
1310	Escrow deposits		36,585
1320	Replacement reserve		<u>72,597</u>
1300T	Total restricted deposits		<u>109,182</u>
	Fixed Assets		
1410	Land		50,000
1420	Buildings		2,123,846
1450	Furniture for project - tenant use		39,296
1460	Furnishings		52,549
1465	Office furniture and equipment		3,323
1470	Maintenance equipment		<u>11,706</u>
1400T	Total fixed assets		<u>2,280,720</u>
1495	Less accumulated depreciation		<u>(1,536,611)</u>
1400N	Fixed assets - net		<u>744,109</u>
1000T	Total assets	\$	<u><u>881,713</u></u>

Account Number	LIABILITIES AND NET DEFICIT		
	Current Liabilities		
2110	Accounts payable - operations	\$	34,137
	Accrued expenses		
2120	Wages		4,106
2123	Management fee		11,040
2134	Interest payable - note payable		312
2135	Interest payable - flexible subsidy		23,548
2160	Note payable		92,000
2170	Mortgage payable - current portion		72,868
2190	Parking deposits		1,688
2210	Prepaid revenue		3,426
2122T	Total current liabilities		<u>243,125</u>
2191	Tenant deposits held in trust		13,629
	Long-Term Debt		
2320	Mortgage payable - net of current portion		852,772
2325	Flexible subsidy loan payable		117,250
2300T	Total long-term debt		<u>970,022</u>
2000T	Total liabilities		1,226,776
3131	Unrestricted Net Deficit		<u>(345,063)</u>
2033T	Total liabilities and net deficit	\$	<u><u>881,713</u></u>

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

STATEMENT OF ACTIVITIES DATA
Year Ended December 31, 2003

Account Number		
	REVENUE	
5120	Rent - gross potential	\$ 225,162
5121	Tenant assistance payments	173,686
5140	Rent - commercial	8,120
5170	Parking spaces	49,948
5190	Miscellaneous	1,299
5194	Retained excess income	4,740
5100T	Total potential rent revenue	<u>462,955</u>
5220	Vacancies - apartments	(35,114)
5152N	Total rental revenue	<u>427,841</u>
5440	Revenue from investments - replacement reserve	413
5490	Revenue from investments - miscellaneous	41
5400T	Total financial revenue	<u>454</u>
5910	Laundry and vending revenue	1,728
5920	Tenant charges	990
5945	Interest reduction payments	16,028
5970	Gifts	361
5990	Miscellaneous revenue	3,709
5900T	Total other revenue	<u>22,816</u>
5000T	Total revenue	<u>451,111</u>
	EXPENSES	
6210	Advertising and marketing	688
6250	Other renting expenses	695
6310	Office salaries	38,715
6311	Office expenses	12,569
6320	Management fee	31,647
6330	Superintendent salaries	34,281
6340	Legal expense	6,509
6350	Audit expense	5,975
6390	Miscellaneous administrative expense	1,445
6263T	Total administrative expenses	<u>132,524</u>
6450	Electricity	75,127
6451	Water	6,423
6453	Sewer	3,584
6400T	Total utilities expense	<u>85,134</u>

(Continued)

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

STATEMENT OF ACTIVITIES DATA (Continued)
Year Ended December 31, 2003

Account Number		
	EXPENSES (Continued)	
6510	Payroll	15,775
6515	Supplies	10,729
6520	Contracts	22,045
6525	Garbage and trash removal	4,148
6548	Snow removal	2,205
6500T	Total operating and maintenance expenses	<u>54,902</u>
6710	Real estate taxes	45,427
6711	Payroll taxes	10,589
6720	Property and liability insurance	14,264
6722	Workmen's compensation	3,935
6723	Health insurance and other employee benefits	11,175
6790	Miscellaneous taxes, licenses, permits and insurance	979
6700T	Total taxes and insurance	<u>86,369</u>
6830	Interest on notes payable - long-term	1,173
6840	Interest on notes payable - short-term	3,509
6850	Mortgage insurance premium	4,783
6800T	Total financial expenses	<u>9,465</u>
6000T	Total cost of operations before depreciation	<u>368,394</u>
5060T	Changes in net assets before depreciation	82,717
6600	Depreciation	76,713
3250	Changes in net assets	<u>6,004</u>
S1100-050	Net Deficit - Beginning	(351,067)
3130	Net Deficit - Ending	<u>\$ (345,063)</u>
S1000-010	Total mortgage principal payments required during the year	<u>\$ 62,473</u>
S1000-020	Total of 12 monthly deposits during the year into the replacement reserve account, as required by the regulatory agreement	<u>\$ 30,645</u>

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

STATEMENT OF CASH FLOWS DATA
Year Ended December 31, 2003

Account Number		
	Cash Flows From Operating Activities	
S1200-010	Cash received from rentals	\$ 431,436
S1200-020	Interest receipts	41
S1200-030	Other operating receipts	6,788
S1200-040	Total receipts	<u>438,265</u>
S1200-050	Administrative	19,157
S1200-070	Management fee	23,225
S1200-090	Utilities	84,814
S1200-100	Salaries and wages	87,631
S1200-110	Operating and maintenance	41,747
S1200-120	Real estate taxes	45,427
S1200-140	Property insurance	14,274
S1200-150	Miscellaneous taxes and insurance	32,068
S1200-190	Interest on notes payable	3,198
S1200-210	Mortgage insurance premium	4,671
S1200-230	Total disbursements	<u>356,212</u>
S1200-240	Net cash provided by operating activities	<u>82,053</u>
	Cash Flows From Investing Activities	
S1200-245	Net deposits into mortgage escrow account	(10,661)
S1200-250	Net deposits into replacement reserve account	19,316
S1200-330	Purchase of property and equipment	(59,623)
S1200-350	Cash used in investing activities	<u>(50,968)</u>
	Cash Flows From Financing Activities	
S1200-360	Mortgage principal payments - net of excess interest subsidy	(46,445)
S1200-365	Net borrowings under note payable	18,000
S1200-460	Net cash used in financing activities	<u>(28,445)</u>
S1200-470	Net increase in cash and cash equivalents	2,640
	Cash and Cash Equivalents:	
S1200-480	Beginning	6,693
S1200T	Ending	<u>\$ 9,333</u>

(Continued)

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

STATEMENT OF CASH FLOWS DATA (Continued)
Year Ended December 31, 2003

Account Number			
	Reconciliation of Changes in Net Assets to Net		
	Cash Provided by Operating Activities		
3250	Changes in net assets	\$	6,004
	Adjustments to reconcile changes in net assets to net cash provided by operating activities		
6600	Depreciation		76,713
	Changes in assets and liabilities:		
	(Increase) decrease in:		
S1200-490	Accounts receivable - tenants		1,136
S1200-520	Prepaid expenses		(3,222)
S1200-530	Tenant deposits held in trust		(3,806)
	(Decrease) increase in:		
S1200-540	Accounts payable and bank overdraft		7,023
S1200-560	Accrued liabilities		6,897
S1200-570	Accrued interest payable		1,484
S1200-580	Tenant deposits held in trust		3,806
S1200-580	Parking deposits		98
S1200-590	Prepaid revenue		2,361
S1200-600	Other adjustments		(16,441)
S1200-610	Net cash provided by operating activities	\$	82,053

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

SCHEDULE OF RESERVE FOR REPLACEMENT
Year Ended December 31, 2003

Account Number		
1320P	Balance - January 1, 2003	\$ 91,913
1320DT	Total Monthly Deposits (\$2,665 per month)	30,645
1320OT	Interest earned	<u>413</u>
		122,971
1320WT	Less: Replacement monies issued for the payment of HUD approved projects	<u>50,374</u>
1320	Reserve for Replacement at December 31, 2003	<u><u>\$ 72,597</u></u>

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

COMPUTATION OF SURPLUS CASH - ANNUAL
Year Ended December 31, 2003

Account Number			
S1300-010	Cash	\$	22,962
	Current Obligations		
S1300-075	Accounts payable within 30 days and bank overdraft		34,137
S1300-080	Loans and notes payable due within 30 days		4,230
S1300-100	Accrued expenses		15,458
2191	Tenant security deposits		13,629
2210	Prepaid revenue		3,426
S1300-140	Total current obligations		<u>70,880</u>
S1300-150	Cash deficiency	\$	<u>(47,918)</u>

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

SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS
Year Ended December 31, 2003

Account Number		Assets			Balance 12-31-03
		Balance 1-1-03	Additions	Deletions	
1410	Land	\$ 50,000	\$ -	\$ -	\$ 50,000
1420	Buildings	2,075,345	48,501	-	2,123,846
1450	Furniture	37,820	1,476	-	39,296
1460	Furnishings	46,226	6,323	-	52,549
1465	Office furniture and equipment	-	3,323	-	3,323
1470	Maintenance equipment	11,706	-	-	11,706
1400T	Total fixed assets	\$ 2,221,097	\$ 59,623	\$ -	2,280,720
1495	Accumulated depreciation	\$ 1,459,898	\$ 76,713	\$ -	1,536,611
1400N	Total net book value				<u>\$ 744,109</u>

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2003

Federal Grantor		Federal C.F.D.A. Number	Federal Expenditures
U.S. Department of Housing and Urban Development (S1300-030)			
A/C # S3300-020	A/C # S3300-040	A/C # S3300-050	A/C # S3300-080
1	Interest Reduction Payments Rental and Cooperative Housing for Lower Income Families (236)	14.103	\$ 1,003,271
2	Operating Assistance for Troubled Multi-Family Housing Projects (Flexible Subsidy Fund)	14.164	117,250
3	Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	156,838
4	Rent Supplements - Rental Housing for Lower Income Families	14.149	<u>16,848</u>
Total federal awards expended (S3300-550)			<u><u>\$ 1,294,207</u></u>

See Note to Schedule of Expenditures of Federal Awards.

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

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2003

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Geneva House, Inc., Project No. 034-44815NP, and is presented on the accrual basis of accounting. 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*.

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

Board of Directors
Geneva House, Inc.
Project No. 034-44815NP
Scranton, Pennsylvania

We have audited the financial statements of Geneva House, Inc., Project No. 034-44815NP as of and for the year ended December 31, 2003, and have issued our report thereon dated January 16, 2004. 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.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Geneva House, Inc.'s, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management and the federal awarding agency and is not intended to be and should not be used by anyone other than these specified parties.

Boyer & Litter

Carlisle, Pennsylvania
January 16, 2004

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO ITS MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Board of Directors
Geneva House, Inc.
Project No. 034-44815NP
Scranton, Pennsylvania

Compliance

We have audited the compliance of Geneva House, Inc., Project No. 034-44815NP with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, that are applicable to its major federal program for the year ended December 31, 2003. Geneva House, Inc.'s, major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Geneva House, Inc.'s management. 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 a major federal program 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 on Geneva House, Inc.'s compliance with those requirements.

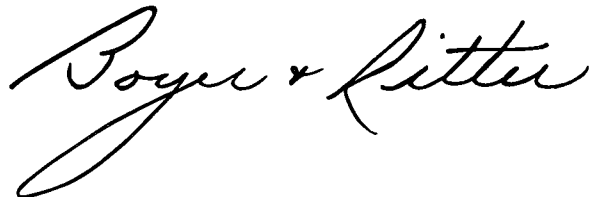
In our opinion, Geneva House, Inc., complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

Internal Control Over Compliance

The management of Geneva House, Inc., is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Geneva House, Inc.'s, internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management and the federal awarding agency and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Boyer & Ritter". The signature is written in dark ink and is positioned to the right of the date and location information.

Carlisle, Pennsylvania
January 16, 2004

GENEVA HOUSE, INC.
PROJECT NO. 034-44815NP
Schedule of Findings and Questioned Costs
Year Ended December 31, 2003

Identification of the major program:

C.F.D.A. Number	Name of Federal Program
14.103	Interest Reduction Payments Rental and Cooperative Housing for Lower Income Families (236)

Dollar threshold used to distinguish between type A and type B programs \$300,000

Auditee qualified as low-risk auditee? X Yes No

Section II -- Financial Statement Findings

A. Reportable Conditions in Internal Control

There were no findings relating to the financial statement audit required to be reported.

B. Compliance Findings

There were no compliance findings relating to the financial statement audit required to be reported.

Section III -- Federal Award Findings and Questioned Costs

A. Reportable Conditions in Internal Control

There were no findings relating to the Federal awards as required to be reported in accordance with Section .510(a) of OMB Circular A-133.

B. Compliance Findings

There were no compliance findings relating to the Federal awards as required to be reported in accordance with Section .510(a) of OMB Circular A-133.

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

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
Year Ended December 31, 2003

There were no prior audit findings for the year ended December 31, 2002.

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

**CERTIFICATION OF MORTGAGOR
Year Ended December 31, 2003**

We hereby certify that we have examined the accompanying financial statements and supplemental data of Geneva House, Inc., Project No. 034-44815NP and, to the best of our knowledge and belief, the same are accurate and complete.

<u>Name of Signatory #1</u>	Craig Smith
<u>Title of Certifying Official</u>	President
<u>Name of Signatory #2</u>	Joseph Young
<u>Auditee Telephone Number</u>	570-346-4649
<u>Date of Certification</u>	01/16/2004
<u>Auditee Name</u>	Geneva House, Inc.
<u>Auditee Address</u>	325 Adams Avenue
<u>Auditee City</u>	Scranton
<u>Auditee State</u>	PA
<u>Auditee Zip Code</u>	18503
<u>Auditee Contact Name</u>	Louis Danzico
<u>Auditee Contact Title</u>	Agent
<u>Auditee Contact Fax Number</u>	570-343-4080

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

**MANAGEMENT AGENT'S CERTIFICATION
Year Ended December 31, 2003**

We hereby certify that we have examined the accompanying financial statements and supplemental data of Geneva House, Inc., Project No. 034-44815NP and, to the best of our knowledge and belief, the same are accurate and complete.

<u>Management Agent's Name:</u>	Management Enterprises, Inc.
<u>Name of Management Agent's Representative:</u>	Louis Danzico
<u>Managing Agent Tax Identification Number:</u>	24-0840864
<u>Name of Individual (Property Manager):</u>	Louis Danzico

**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURE**

Board of Trustees
Geneva House, Inc.
Project No. 034-44815NP
Scranton, Pennsylvania

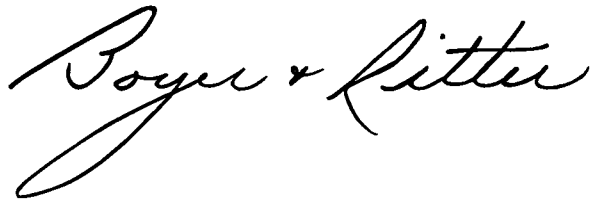
We have performed the procedure described in the second paragraph of this report, which was agreed to by Geneva House, Inc., and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents. Geneva House, Inc., is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedure engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

We were engaged to perform an audit of the financial statements of Geneva House, Inc., as of and for the year ended December 31, 2003, and have issued our reports thereon dated January 16, 2004. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product of that audit. Further, our opinion on the fair presentation of the supplemental financial data templates dated January 16, 2004, was expressed in relation to the basic financial statements of Geneva House, Inc., taken as a whole.

A copy of the financial statement package, which includes the auditor's reports, is available in its entirety from Geneva House, Inc. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

This report is intended solely for the information and use of Geneva House, Inc., and the U.S. Department of Housing and Urban Development, REAC, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Boyer & Ritter". The signature is written in black ink and is positioned to the right of the date and location text.

Carlisle, Pennsylvania
January 16, 2004

**ATTACHMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURE**

UFRS Rule Information	Hard Copy Document (s)	Findings
Balance Sheet, Revenue and Expense and Cash Flow Data (account numbers 1120 to 7100T and the S1200 series)	Supplemental Schedules with Financial Statement Data	Agrees
Surplus cash (S1300 series of accounts)	Computation of Surplus Cash, Distributions and Residual Receipts (Annual)	Agrees
Footnotes (S3100 series of accounts)	Notes to Financial Statements	Agrees
Type of Opinion on the Financial Statements and Auditor Reports (S3400, S3500 and S3600 series of accounts)	Auditor's Reports on the Financial Statements, Compliance and Internal Control	Agrees
Type of Opinion on Supplemental Data (account S3400-100)	Auditor's Report on Supplemental Data	Agrees
Audit Findings Narrative (S3800 series of accounts)	Schedule of Findings and Questioned Costs	Agrees
General Information (S3300, S3700 and S3800 series of accounts)	Schedule of Findings and Questioned Costs and OMB Data Collection Form	Agrees