

**GENEVA HOUSE, INC.**  
**PROJECT NO. 034-44815NP**  
**FINANCIAL REPORT**  
**DECEMBER 31, 2005**

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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, 2005 and 2004, 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, 2005 and 2004, 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 13, 2006, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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 through 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 & Ritten". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania  
January 13, 2006

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

**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2005 and 2004**

| <b>ASSETS</b>                       | <b>2005</b>       | <b>2004</b>       |
|-------------------------------------|-------------------|-------------------|
| <hr/>                               |                   |                   |
| Current Assets                      |                   |                   |
| Cash and cash equivalents           | \$ 7,513          | \$ 8,727          |
| Accounts receivable - tenants       | 2,980             | 4,126             |
| Prepaid expenses                    | 6,158             | 5,223             |
|                                     | <hr/>             |                   |
| <b>Total current assets</b>         | <b>16,651</b>     | <b>18,076</b>     |
|                                     | <hr/>             |                   |
| Noncurrent Assets                   |                   |                   |
| Restricted deposits                 |                   |                   |
| Replacement reserve                 | 80,193            | 82,223            |
| Escrow deposits                     | 23,687            | 36,125            |
| Tenant deposits held in trust       | 16,669            | 13,131            |
| <b>Total restricted deposits</b>    | <b>120,549</b>    | <b>131,479</b>    |
|                                     | <hr/>             |                   |
| Property and Equipment              |                   |                   |
| Land                                | 50,000            | 50,000            |
| Building and improvements           | 2,187,854         | 2,152,417         |
| Furniture and equipment             | 101,329           | 96,955            |
|                                     | <hr/>             |                   |
|                                     | 2,339,183         | 2,299,372         |
| Less accumulated depreciation       | (1,685,897)       | (1,597,931)       |
| <b>Property and equipment - net</b> | <b>653,286</b>    | <b>701,441</b>    |
|                                     | <hr/>             |                   |
| <b>Total assets</b>                 | <b>\$ 790,486</b> | <b>\$ 850,996</b> |
|                                     | <hr/>             |                   |

See Notes to Financial Statements.

| <b>LIABILITIES AND NET DEFICIT</b>         | <b>2005</b>       | <b>2004</b>       |
|--|-------------------|-------------------|
| <b>Current Liabilities</b>                 |                   |                   |
| Line-of-credit                             | \$ 104,614        | \$ 100,320        |
| Current maturities of long-term debt       | 83,785            | 78,136            |
| Accounts payable                           | 18,863            | 26,862            |
| Accrued expenses                           |                   |                   |
| Wages                                      | 1,747             | 1,618             |
| Payroll taxes and withholdings             | 3,341             | 2,201             |
| Management fee                             | 2,761             | 11,376            |
| Interest payable - note payable            | 563               | 421               |
| Parking deposits                           | 2,711             | 2,528             |
| Prepaid revenue                            | 1,275             | 728               |
| <b>Total current liabilities</b>           | <b>219,660</b>    | <b>224,190</b>    |
| <b>Noncurrent Liabilities</b>              |                   |                   |
| Tenant deposits held in trust              | 16,669            | 13,131            |
| Long-term debt - net of current maturities |                   |                   |
| Mortgage payable                           | 690,850           | 774,635           |
| Flexible subsidy loan                      |                   |                   |
| Loan payable                               | 117,250           | 117,250           |
| Accrued interest payable                   | 25,893            | 24,721            |
| <b>Total liabilities</b>                   | <b>1,070,322</b>  | <b>1,153,927</b>  |
| Unrestricted Net Deficit                   | <b>(279,836)</b>  | <b>(302,931)</b>  |
| <b>Total liabilities and net deficit</b>   | <b>\$ 790,486</b> | <b>\$ 850,996</b> |

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

**STATEMENTS OF ACTIVITIES**  
**Years Ended December 31, 2005 and 2004**

|                               | <b>2005</b>         | 2004                |
|-------------------------------|---------------------|---------------------|
| <b>Revenue</b>                |                     |                     |
| Rent                          | \$ 458,754          | \$ 453,205          |
| Financial                     | 506                 | 346                 |
| Other                         | 30,870              | 25,168              |
| <b>Total revenue</b>          | <b>490,130</b>      | 478,719             |
| <b>Expenses</b>               |                     |                     |
| Administrative                | 134,736             | 138,453             |
| Utilities                     | 88,261              | 78,488              |
| Operating and maintenance     | 48,880              | 39,700              |
| Taxes and insurance           | 95,824              | 86,709              |
| Financial                     | 11,368              | 10,190              |
| Depreciation                  | 87,966              | 83,047              |
| <b>Total expenses</b>         | <b>467,035</b>      | 436,587             |
| <b>Changes in net deficit</b> | <b>23,095</b>       | 42,132              |
| Net Deficit - Beginning       | (302,931)           | (345,063)           |
| Net Deficit - Ending          | <b>\$ (279,836)</b> | <b>\$ (302,931)</b> |

See Notes to Financial Statements.

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

**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2005 and 2004**

|  | 2005            | 2004            |
|--|-----------------|-----------------|
| <b>Cash Flows From Operating Activities</b>                  |                 |                 |
| Rental receipts  | \$ 460,630      | \$ 447,500      |
| Interest receipts  | 100             | 67              |
| Other operating receipts                                     | 4,152           | 3,300           |
| <b>Total receipts</b>  | <b>464,882</b>  | <b>450,867</b>  |
| Administrative   | 23,055          | 31,951          |
| Management fee   | 43,160          | 32,789          |
| Utilities  | 87,144          | 86,295          |
| Salaries and wages   | 87,902          | 89,196          |
| Operating and maintenance                                    | 48,780          | 23,037          |
| Real estate taxes  | 49,510          | 45,976          |
| Property insurance   | 14,994          | 14,506          |
| Miscellaneous taxes and insurance                            | 33,489          | 31,298          |
| Interest on notes payable                                    | 6,001           | 4,478           |
| <b>Total disbursements</b>                                   | <b>394,035</b>  | <b>359,526</b>  |
| <b>Net cash provided by operating activities</b>             | <b>70,847</b>   | <b>91,341</b>   |
| <b>Cash Flows From Investing Activities</b>                  |                 |                 |
| Net deposits into mortgage escrow account                    | 12,438          | 460             |
| Net (deposits) withdrawals into replacement reserve account  | 2,436           | (9,347)         |
| Purchase of property and equipment                           | (39,811)        | (40,379)        |
| <b>Net cash used in investing activities</b>                 | <b>(24,937)</b> | <b>(49,266)</b> |
| <b>Cash Flows From Financing Activities</b>                  |                 |                 |
| Mortgage principal payments - net of excess interest subsidy | (51,418)        | (51,001)        |
| Net borrowings under note payable                            | 4,294           | 8,320           |
| <b>Net cash used in financing activities</b>                 | <b>(47,124)</b> | <b>(42,681)</b> |
| <b>Net decrease in cash and cash equivalents</b>             | <b>(1,214)</b>  | <b>(606)</b>    |
| <b>Cash and Cash Equivalents:</b>                            |                 |                 |
| Beginning  | 8,727           | 9,333           |
| Ending   | <b>\$ 7,513</b> | <b>\$ 8,727</b> |

(Continued)



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

**STATEMENTS OF CASH FLOWS (Continued)**  
**Years Ended December 31, 2005 and 2004**

|  | <b>2005</b>      | 2004             |
|--|------------------|------------------|
| <b>Reconciliation of Changes in Net Deficit to Net</b>                                       |                  |                  |
| Cash Provided by Operating Activities  |                  |                  |
| Changes in net deficit   | \$ 23,095        | \$ 42,132        |
| Adjustments to reconcile changes in net deficit to net cash provided by operating activities |                  |                  |
| Depreciation   | 87,966           | 83,047           |
| Interest reduction subsidy - excess of interest expense                                      | (26,718)         | (21,868)         |
| Interest earned in replacement reserve account   | (406)            | (279)            |
| Changes in assets and liabilities:   |                  |                  |
| (Increase) decrease in:  |                  |                  |
| Accounts receivable - tenants  | 1,146            | (3,847)          |
| Prepaid expenses   | (935)            | (42)             |
| Tenant deposits held in trust  | (3,538)          | 498              |
| (Decrease) increase in:  |                  |                  |
| Accounts payable   | (7,999)          | (7,275)          |
| Accrued liabilities  | (6,174)          | 49               |
| Accrued interest payable   | 142              | 1,282            |
| Tenant deposits held in trust  | 3,538            | (498)            |
| Parking deposits   | 183              | 840              |
| Prepaid revenue  | 547              | (2,698)          |
| <b>Net cash provided by operating activities</b>   | <b>\$ 70,847</b> | <b>\$ 91,341</b> |

See Notes to Financial Statements.

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

**NOTES TO FINANCIAL STATEMENTS**

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**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**

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**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.

|  | 2005              | 2004              |
|--|-------------------|-------------------|
| Monthly payments - principal and interest  | \$ 135,355        | \$ 135,355        |
| Less FHA interest subsidy (S3100-120)      | (83,935)          | (84,354)          |
| Escrow for mortgage insurance premium      | 4,310             | 4,699             |
| Escrow for insurance and real estate taxes | 62,288            | 59,253            |
| Escrow for replacement cost                | 31,980            | 33,939            |
| Net monthly payments by Geneva House, Inc. | <u>\$ 149,998</u> | <u>\$ 148,892</u> |

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

|                     | 2005              | 2004              |
|---------------------|-------------------|-------------------|
| Balance - Beginning | \$ 852,771        | \$ 925,640        |
| Principal reduction | 78,136            | 72,869            |
| Balance - Ending    | <u>\$ 774,635</u> | <u>\$ 852,771</u> |

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

**NOTES TO FINANCIAL STATEMENTS**

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**Note 4. Mortgage Payable (Continued)**

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

| Account<br>Number | Year         | Amount            |
|-------------------|--------------|-------------------|
| S3100-060         | 2006         | \$ 83,785         |
| S3100-070         | 2007         | 89,841            |
| S3100-080         | 2008         | 96,336            |
| S3100-090         | 2009         | 103,301           |
| S3100-100         | 2010         | 110,768           |
| S3100-110         | Future years | 290,604           |
|                   |              | <u>\$ 774,635</u> |

**Note 5. Line-of-Credit**

The Organization increased its line-of-credit with Penn Security Bank from \$100,000 to \$150,000 during March 2004. The line expires on March 10, 2006. The line bears interest at the Bank's base rate, which equals the prime rate. At December 31, 2005 and 2004, the rate was 7.25% and 5.25%, 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.

**Note 7. Retirement Plan**

The Organization has established a SIMPLE IRA Plan for its eligible employees. The Organization contributes a matching contribution equal to a participant's salary reduction contribution; up to three percent of the participant's compensation. The Organization contributed approximately \$1,925 and \$1,775 to the plan for the year ended December 31, 2005 and 2004, respectively.

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

**NOTES TO FINANCIAL STATEMENTS**

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**Note 8. Rent Increases**

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

**Note 9. Functional Allocation of Expenses**

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

**Note 10. 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.

**SUPPLEMENTARY INFORMATION**

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

**STATEMENT OF FINANCIAL POSITION DATA**  
**December 31, 2005**

| Account<br>Number | <b>ASSETS</b>                      |    |                       |
|-------------------|------------------------------------|----|-----------------------|
|                   | Current Assets                     |    |                       |
| 1120              | Cash and cash equivalents          | \$ | 7,513                 |
| 1130              | Tenant accounts receivable         |    | 2,980                 |
| 1200              | Prepaid expenses                   |    | <u>6,158</u>          |
| <br>              |                                    |    |                       |
| 1100T             | <b>Total current assets</b>        |    | <u>16,651</u>         |
| <br>              |                                    |    |                       |
| 1191              | Tenant deposits held in trust      |    | 16,669                |
|                   | Restricted Deposits                |    |                       |
| 1310              | Escrow deposits                    |    | 23,687                |
| 1320              | Replacement reserve                |    | <u>80,193</u>         |
| 1300T             | <b>Total restricted deposits</b>   |    | <u>103,880</u>        |
|                   | Fixed Assets                       |    |                       |
| 1410              | Land                               |    | 50,000                |
| 1420              | Buildings                          |    | 2,187,854             |
| 1450              | Furniture for project - tenant use |    | 39,646                |
| 1460              | Furnishings                        |    | 46,374                |
| 1465              | Office furniture and equipment     |    | 3,603                 |
| 1470              | Maintenance equipment              |    | <u>11,706</u>         |
| 1400T             | <b>Total fixed assets</b>          |    | <u>2,339,183</u>      |
| <br>              |                                    |    |                       |
| 1495              | Less accumulated depreciation      |    | <u>(1,685,897)</u>    |
| 1400N             | <b>Fixed assets - net</b>          |    | <u>653,286</u>        |
| <br>              |                                    |    |                       |
| 1000T             | <b>Total assets</b>                | \$ | <u><u>790,486</u></u> |

| Account<br>Number | <b>LIABILITIES AND NET DEFICIT</b>        |    |                       |
|-------------------|---|----|-----------------------|
|                   | Current Liabilities                       |    |                       |
| 2110              | Accounts payable - operations             | \$ | 18,863                |
|                   | Accrued expenses                          |    |                       |
| 2120              | Wages                                     |    | 1,747                 |
| 2121              | Payroll taxes and withholdings            |    | 3,341                 |
| 2123              | Management fee                            |    | 2,761                 |
| 2134              | Interest payable - note payable           |    | 563                   |
| 2135              | Interest payable - flexible subsidy       |    | 25,893                |
| 2160              | Note payable                              |    | 104,614               |
| 2170              | Mortgage payable - current portion        |    | 83,785                |
| 2190              | Parking deposits                          |    | 2,711                 |
| 2210              | Prepaid revenue                           |    | 1,275                 |
| 2122T             | <b>Total current liabilities</b>          |    | <u>245,553</u>        |
| 2191              | Tenant deposits held in trust             |    | 16,669                |
|                   | Long-Term Debt                            |    |                       |
| 2320              | Mortgage payable - net of current portion |    | 690,850               |
| 2325              | Flexible subsidy loan payable             |    | 117,250               |
| 2300T             | <b>Total long-term debt</b>               |    | <u>808,100</u>        |
| 2000T             | <b>Total liabilities</b>                  |    | 1,070,322             |
| 3131              | Unrestricted Net Deficit                  |    | <u>(279,836)</u>      |
| 2033T             | <b>Total liabilities and net deficit</b>  | \$ | <u><u>790,486</u></u> |



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

**STATEMENT OF ACTIVITIES DATA**  
**Year Ended December 31, 2005**

| Account Number |  |    |                 |
|----------------|--|----|-----------------|
|                | <b>REVENUE</b>                                 |    |                 |
| 5120           | Rent - gross potential                         | \$ | 234,581         |
| 5121           | Tenant assistance payments                     |    | 184,534         |
| 5140           | Rent - commercial                              |    | 8,400           |
| 5170           | Parking spaces                                 |    | 53,651          |
| 5190           | Miscellaneous                                  |    | 3,967           |
| 5194           | Retained excess income                         |    | 2,774           |
| 5100T          | <b>Total potential rent revenue</b>            |    | <u>487,907</u>  |
|                | Vacancies                                      |    |                 |
| 5220           | Vacancies - apartments                         |    | (28,543)        |
| 5250           | Rental concessions                             |    | (445)           |
| 5270           | Parking spaces                                 |    | (165)           |
| 5200T          | <b>Total vacancies</b>                         |    | <u>(29,153)</u> |
| 5152N          | <b>Total rental revenue</b>                    |    | <u>458,754</u>  |
| 5440           | Revenue from investments - replacement reserve |    | 406             |
| 5490           | Revenue from investments - miscellaneous       |    | 100             |
| 5400T          | <b>Total financial revenue</b>                 |    | <u>506</u>      |
| 5910           | Laundry and vending revenue                    |    | 1,752           |
| 5920           | Tenant charges                                 |    | 2,400           |
| 5945           | Interest reduction payments                    |    | 26,718          |
| 5900T          | <b>Total other revenue</b>                     |    | <u>30,870</u>   |
| 5000T          | <b>Total revenue</b>                           |    | <u>490,130</u>  |
|                | <b>EXPENSES</b>                                |    |                 |
| 6210           | Advertising and marketing                      |    | 565             |
| 6250           | Other renting expenses                         |    | 775             |
| 6310           | Office salaries                                |    | 41,274          |
| 6311           | Office expenses                                |    | 10,252          |
| 6320           | Management fee                                 |    | 34,545          |
| 6330           | Superintendent salaries                        |    | 36,146          |
| 6340           | Legal expense                                  |    | 3,283           |
| 6350           | Audit expense                                  |    | 5,986           |
| 6370           | Bad debts                                      |    | 1,774           |
| 6390           | Miscellaneous administrative expense           |    | 136             |
| 6263T          | <b>Total administrative expenses</b>           |    | <u>134,736</u>  |
| 6450           | Electricity                                    |    | 73,947          |
| 6451           | Water  |    | 8,239           |
| 6453           | Sewer  |    | 6,075           |
| 6400T          | <b>Total utilities expense</b>                 |    | <u>88,261</u>   |

(Continued)

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

**STATEMENT OF ACTIVITIES DATA (Continued)**  
**Year Ended December 31, 2005**

| Account<br>Number |  |                     |
|-------------------|--|---------------------|
|                   | <b>EXPENSES (Continued)</b>  |                     |
| 6510              | Payroll  | 11,753              |
| 6515              | Supplies   | 8,380               |
| 6520              | Contracts  | 20,825              |
| 6525              | Garbage and trash removal  | 4,272               |
| 6530              | Security   | 300                 |
| 6548              | Snow removal   | 3,350               |
| 6500T             | <b>Total operating and maintenance expenses</b>  | <u>48,880</u>       |
| 6710              | Real estate taxes  | 49,510              |
| 6711              | Payroll taxes  | 10,569              |
| 6720              | Property and liability insurance   | 14,994              |
| 6722              | Workmen's compensation   | 6,154               |
| 6723              | Health insurance and other employee benefits   | 13,622              |
| 6790              | Miscellaneous taxes, licenses, permits and insurance   | 975                 |
| 6700T             | <b>Total taxes and insurance</b>   | <u>95,824</u>       |
| 6830              | Interest on notes payable - long-term  | 1,173               |
| 6840              | Interest on notes payable - short-term   | 6,143               |
| 6850              | Mortgage insurance premium   | 4,052               |
| 6800T             | <b>Total financial expenses</b>  | <u>11,368</u>       |
| 6000T             | <b>Total cost of operations before depreciation</b>  | <u>379,069</u>      |
| 5060T             | <b>Changes in net assets before depreciation</b>   | 111,061             |
| 6600              | Depreciation   | 87,966              |
| 3250              | <b>Changes in net deficit</b>  | <u>23,095</u>       |
| S1100-050         | Net Deficit - Beginning  | (302,931)           |
| 3130              | Net Deficit - Ending   | <u>\$ (279,836)</u> |
| S1000-010         | Total mortgage principal payments required during the year   | <u>\$ 78,136</u>    |
| S1000-020         | Total of 12 monthly deposits during the year into the replacement reserve account, as required by the regulatory agreement | <u>\$ 31,980</u>    |

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

**STATEMENT OF CASH FLOWS DATA**  
**Year Ended December 31, 2005**

| Account<br>Number |   |                 |
|-------------------|---|-----------------|
|                   | Cash Flows From Operating Activities                                |                 |
| S1200-010         | Rental receipts   | \$ 460,630      |
| S1200-020         | Interest receipts   | 100             |
| S1200-030         | Other operating receipts  | 4,152           |
| S1200-040         | <b>Total receipts</b>   | <u>464,882</u>  |
| S1200-050         | Administrative  | 23,055          |
| S1200-070         | Management fee  | 43,160          |
| S1200-090         | Utilities   | 87,144          |
| S1200-100         | Salaries and wages  | 87,902          |
| S1200-110         | Operating and maintenance   | 48,780          |
| S1200-120         | Real estate taxes   | 49,510          |
| S1200-140         | Property insurance  | 14,994          |
| S1200-150         | Miscellaneous taxes and insurance                                   | 29,567          |
| S1200-190         | Interest on notes payable   | 6,001           |
| S1200-210         | Mortgage insurance premium  | 3,922           |
| S1200-230         | <b>Total disbursements</b>  | <u>394,035</u>  |
| S1200-240         | <b>Net cash provided by operating activities</b>                    | <u>70,847</u>   |
|                   | Cash Flows From Investing Activities                                |                 |
| S1200-245         | Net deposits into mortgage escrow account                           | 12,438          |
| S1200-250         | Net deposits into replacement reserve account                       | 2,030           |
| S1200-330         | Purchase of property and equipment                                  | (39,811)        |
| S1200-340         | Other investing activities - interest earned on replacement reserve | 406             |
| S1200-350         | <b>Net cash used in investing activities</b>                        | <u>(24,937)</u> |
|                   | Cash Flows From Financing Activities                                |                 |
| S1200-360         | Mortgage principal payments   | (78,136)        |
| S1200-365         | Net borrowings under note payable                                   | 4,294           |
| S1200-450         | Other financing activities - interest reduction payments            | 26,718          |
| S1200-460         | <b>Net cash used in financing activities</b>                        | <u>(47,124)</u> |
| S1200-470         | <b>Net decrease in cash and cash equivalents</b>                    | (1,214)         |
|                   | Cash and Cash Equivalents:  |                 |
| S1200-480         | Beginning   | 8,727           |
| S1200T            | Ending  | <u>\$ 7,513</u> |

(Continued)

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

**STATEMENT OF CASH FLOWS DATA (Continued)**  
**Year Ended December 31, 2005**

| Account<br>Number |   |           |                      |
|-------------------|---|-----------|----------------------|
|                   | Reconciliation of Changes in Net Deficit to Net   |           |                      |
|                   | Cash Provided by Operating Activities   |           |                      |
| 3250              | Changes in net deficit  | \$        | 23,095               |
|                   | Adjustments to reconcile changes in net deficit to<br>net cash provided by operating activities |           |                      |
| 6600              | Depreciation  |           | 87,966               |
|                   | Changes in assets and liabilities:  |           |                      |
|                   | (Increase) decrease in:   |           |                      |
| S1200-490         | Accounts receivable - tenants   |           | 1,146                |
| S1200-520         | Prepaid expenses  |           | (935)                |
| S1200-530         | Tenant deposits held in trust   |           | (3,538)              |
|                   | (Decrease) increase in:   |           |                      |
| S1200-540         | Accounts payable  |           | (7,999)              |
| S1200-560         | Accrued liabilities   |           | (6,174)              |
| S1200-570         | Accrued interest payable  |           | 142                  |
| S1200-580         | Tenant deposits held in trust   |           | 3,538                |
| S1200-590         | Prepaid revenue   |           | 547                  |
| S1200-600         | Other adjustments - parking deposits, IRP subsidy and interest<br>on replacement reserve        |           | (26,941)             |
| S1200-610         | <b>Net cash provided by operating activities</b>  | <b>\$</b> | <b><u>70,847</u></b> |

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

**SCHEDULE OF RESERVE FOR REPLACEMENT**  
**Year Ended December 31, 2005**

| Account<br>Number |   |    |                      |
|-------------------|---|----|----------------------|
| 1320P             | Balance - January 1, 2005   | \$ | 82,223               |
| 1320DT            | Total Monthly Deposits (\$2,665 per month)                                  |    | 31,980               |
| 1320INT           | Interest earned   |    | 406                  |
|                   |   |    | <u>114,609</u>       |
| 1320WT            | Less: Replacement monies issued for the payment of<br>HUD approved projects |    | <u>34,416</u>        |
| 1320              | Reserve for Replacement at December 31, 2005                                | \$ | <u><u>80,193</u></u> |

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

**COMPUTATION OF SURPLUS CASH - ANNUAL**  
**Year Ended December 31, 2005**

| Account<br>Number |  |    |                        |
|-------------------|--|----|------------------------|
| S1300-010         | Cash   | \$ | 24,182                 |
|                   | Current Obligations                                |    |                        |
| S1300-075         | Accounts payable within 30 days and bank overdraft |    | 18,863                 |
| S1300-080         | Loans and notes payable due within 30 days         |    | 4,260                  |
| S1300-100         | Accrued expenses                                   |    | 8,412                  |
| 2191              | Tenant security deposits                           |    | 16,669                 |
| 2210              | Prepaid revenue                                    |    | 1,275                  |
| S1300-140         | <b>Total current obligations</b>                   |    | <u>49,479</u>          |
| S1300-150         | <b>Cash deficiency</b>                             | \$ | <u><u>(25,297)</u></u> |

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

**SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS**  
**Year Ended December 31, 2005**

| Account<br>Number |                                | Assets            |           |           | Balance<br>12-31-05 |
|-------------------|--------------------------------|-------------------|-----------|-----------|---------------------|
|                   |                                | Balance<br>1-1-05 | Additions | Deletions |                     |
| 1410              | Land                           | \$ 50,000         | \$ -      | \$ -      | \$ 50,000           |
| 1420              | Buildings                      | 2,152,417         | 35,437    | -         | 2,187,854           |
| 1450              | Furniture                      | 39,296            | 350       | -         | 39,646              |
| 1460              | Furnishings                    | 42,350            | 4,024     | -         | 46,374              |
| 1465              | Office furniture and equipment | 3,603             | -         | -         | 3,603               |
| 1470              | Maintenance equipment          | 11,706            | -         | -         | 11,706              |
| 1400T             | Total fixed assets             | \$ 2,299,372      | \$ 39,811 | \$ -      | 2,339,183           |
| 1495              | Accumulated depreciation       | \$ 1,597,931      | \$ 87,966 | \$ -      | 1,685,897           |
| 1400N             | <b>Total net book value</b>    |                   |           |           | <u>\$ 653,286</u>   |

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended December 31, 2005**

| Federal Grantor   | Federal<br>C.F.D.A.<br>Number | Federal<br>Expenditures    |
|---|-------------------------------|----------------------------|
| U.S. Department of Housing and Urban Development  |                               |                            |
| 1 Interest Reduction Payments Rental and Cooperative<br>Housing for Lower Income Families (236) |                               |                            |
| Outstanding mortgage balance - December 31, 2005  | 14.103                        | \$ 774,635                 |
| Interest Reduction Payments received  | 14.103                        | <u>83,935</u>              |
|   |                               | 858,570                    |
| 2 Operating Assistance for Troubled Multi-Family<br>Housing Projects (Flexible Subsidy Fund)    |                               |                            |
| Outstanding principal balance - December 31, 2005   | 14.164                        | 117,250                    |
| Accrued interest payable - December 31, 2005  | 14.164                        | <u>25,893</u>              |
|   |                               | 143,143                    |
| 3 Lower Income Housing Assistance Program - Section 8<br>Moderate Rehabilitation                | 14.856                        | 157,968                    |
| 4 Rent Supplements - Rental Housing for Lower Income<br>Families                                | 14.149                        | <u>26,566</u>              |
| <b>Total expenditures of federal awards</b>   |                               | <u><u>\$ 1,186,247</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, 2005**

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**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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**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***

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, 2005, and have issued our report thereon dated January 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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.

Compliance and Other Matters

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 or other matters that are required to be reported under *Government Auditing Standards*.

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 & Ritter*

Camp Hill, Pennsylvania  
January 13, 2006

**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, 2005. 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, 2005.

### 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 & Ritten". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania  
January 13, 2006



**GENEVA HOUSE, INC.**  
**PROJECT NO. 034-44815NP**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2005**

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

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**Section II -- Financial Statement Findings**

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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.

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**Section III -- Federal Award Findings and Questioned Costs**

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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, 2005**

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There were no prior audit findings for the year ended December 31, 2004.



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

**CERTIFICATION OF MORTGAGOR  
Year Ended December 31, 2005**

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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>        | 01/14/2005         |
| <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, 2005**

---

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 included within the OMB Circular A-133 reporting package. 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, 2005, and have issued our reports thereon dated January 13, 2006. 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 13, 2006, was expressed in relation to the basic financial statements of Geneva House, Inc., taken as a whole.

A copy of the financial statement package required by OMB Circular A-133,, 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 & Litter". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania  
January 13, 2006

**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   |