

GENEVA HOUSE, INC.
PROJECT NO. 034-44815NP
FINANCIAL REPORT
DECEMBER 31, 2007

Board of Directors
Geneva House, Inc.
Scranton, Pennsylvania

This letter is intended to inform the Board of Directors of Geneva House, Inc., about significant matters related to the conduct of the annual audit so that it can appropriately discharge its oversight responsibility, and that we comply with our professional responsibilities to the Board of Directors.

The following summarizes various matters which must be communicated to you under auditing standards generally accepted in the United States of America; *Government Auditing Standards*; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

The Auditor's Responsibility under Auditing Standards Generally Accepted in the United States of America; *Government Auditing Standards*; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations

Our audit of the financial statements of Geneva House, Inc., for the year ended December 31, 2007, was conducted 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 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 the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. 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. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe our audit accomplished that objective.

In accordance with *Government Auditing Standards*, we have also performed tests of controls and compliance with laws and regulations that contribute to the evidence supporting our opinion on the financial statements. However, they do not provide a basis for opining on the Organization's internal control structure or compliance with laws and regulations.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us they used all relevant facts available to them at the time to make the best judgments about accounting estimates, and we considered this information in the scope of our audit.

Audit Adjustments

There were several audit adjustments made to the original trial balance presented to us to begin our audit. Of the adjustments that were recorded, none, in our judgment, either individually or in the aggregate, have a significant effect on the Organization's financial reporting process.

Uncorrected Misstatements

We did not accumulate any uncorrected misstatements which were not made to the financial statements.

Accounting Policies and Alternative Treatments

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Organization. The Organization did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period which should be brought to your attention for approval.

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Other Information in Documents Containing Audited Financial Statements

We are not aware of any other documents that contain the audited financial statements. If such documents were to be published, we would have a responsibility to determine that such financial information was not materially inconsistent with the audited statements of the Organization.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Major Issues Discussed with Management Prior to Retention

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

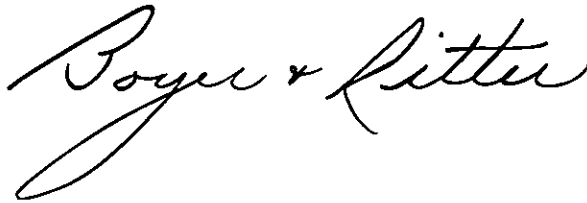
Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to Geneva House, Inc.

This report is intended solely for the information and use of the Board of Directors and management 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
March 25, 2008

CONTENTS

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	1 - 2
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FINANCIAL STATEMENTS	
Statements of Financial Position	3 - 4
Statements of Activities	5
Statements of Cash Flows	6 - 7
Notes to Financial Statements	8 - 11

SUPPLEMENTARY INFORMATION	
Supplementary Information Required by HUD	12 - 20
Schedule of Expenditures of Federal Awards	21
Note to Schedule of Expenditures of Federal Awards	22
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 <i>Government Auditing Standards</i>	23 - 24
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	25 - 26
Schedule of Findings and Questioned Costs	27 - 28
Summary Schedule of Prior Year's Audit Findings	29
Certification of Mortgagor	30
Management Agent's Certification	31
Independent Accountant's Report on Applying Agreed-Upon Procedure	32 - 34

INDEPENDENT AUDITOR'S REPORT

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

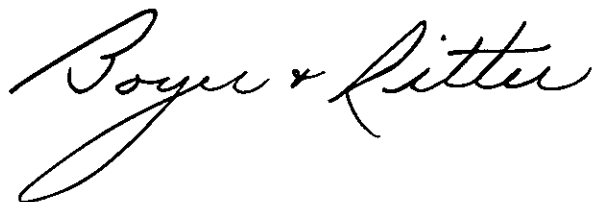
We have audited the accompanying statements of financial position of Geneva House, Inc., Project No. 034-44815NP, as of December 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's 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 our audits provide a reasonable basis for our opinions.

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, 2007 and 2006, 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 March 25, 2008, 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 opinions 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 & Ritter". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania
March 25, 2008

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

STATEMENTS OF FINANCIAL POSITION
December 31, 2007 and 2006

ASSETS	2007	2006
Current Assets		
Cash and cash equivalents	\$ 15,497	\$ 10,145
Accounts receivable - tenants	333	1,590
Prepaid expenses	2,759	3,773
	<hr/>	<hr/>
Total current assets	18,589	15,508
Noncurrent Assets		
Restricted deposits		
Replacement reserve	108,960	97,418
Escrow deposits	15,163	26,862
Tenant deposits held in trust	20,283	19,052
Total restricted deposits	144,406	143,332
Property and Equipment		
Land	50,000	50,000
Building and improvements	2,255,374	2,227,717
Furniture and equipment	115,329	112,141
	<hr/>	<hr/>
	2,420,703	2,389,858
Less accumulated depreciation	(1,855,625)	(1,776,662)
Property and equipment - net	565,078	613,196
	<hr/>	<hr/>
Total assets	\$ 728,073	\$ 772,036

See Notes to Financial Statements.

LIABILITIES AND NET DEFICIT	2007	2006
Current Liabilities		
Line-of-credit	\$ 131,776	\$ 132,637
Current maturities of long-term debt	96,336	89,841
Accounts payable	23,599	27,689
Accrued expenses		
Wages	2,020	1,590
Payroll taxes and withholdings	512	3,463
Management fee	3,166	3,165
Interest payable - note payable	799	904
Parking deposits	2,341	1,341
Prepaid revenue	-	211
Total current liabilities	260,549	260,841
Noncurrent Liabilities		
Tenant deposits held in trust	20,283	19,052
Long-term debt - net of current maturities		
Mortgage payable	504,673	601,009
Flexible subsidy loan		
Loan payable	117,250	117,250
Accrued interest payable	28,238	27,066
Total liabilities	930,993	1,025,218
Unrestricted Net Deficit	(202,920)	(253,182)
Total liabilities and net deficit	\$ 728,073	\$ 772,036

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

STATEMENTS OF ACTIVITIES
Years Ended December 31, 2007 and 2006

	2007	2006
Revenue		
Rent	\$ 496,663	\$ 474,746
Financial	1,024	721
Other	42,760	38,497
Total revenue	<u>540,447</u>	<u>513,964</u>
Expenses		
Administrative	140,114	134,422
Utilities	101,613	95,817
Operating and maintenance	46,044	60,531
Taxes and insurance	97,150	91,822
Financial	15,285	13,953
Depreciation	89,979	90,765
Total expenses	<u>490,185</u>	<u>487,310</u>
Changes in net deficit	50,262	26,654
Net Deficit - Beginning	(253,182)	(279,836)
Net Deficit - Ending	<u>\$ (202,920)</u>	<u>\$ (253,182)</u>

See Notes to Financial Statements.

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

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2007 and 2006

	2007	2006
Cash Flows From Operating Activities		
Rental receipts	\$ 498,714	\$ 473,704
Interest receipts	240	137
Contribution receipts	50	1,152
Other operating receipts	5,200	5,425
Total receipts	504,204	480,418
Administrative	28,088	22,941
Management fee	37,766	35,721
Utilities	100,595	89,957
Salaries and wages	88,108	84,718
Operating and maintenance	39,831	45,419
Real estate taxes	54,417	49,761
Property insurance	11,466	11,877
Miscellaneous taxes and insurance	33,461	34,265
Interest on notes payable	11,008	8,794
Total disbursements	404,740	383,453
Net cash provided by operating activities	99,464	96,965
Cash Flows From Investing Activities		
Net withdrawals/deposits into mortgage escrow account	11,699	(3,175)
Net deposits into replacement reserve account	(10,758)	(16,641)
Purchase of property and equipment	(41,861)	(50,675)
Net cash used in investing activities	(40,920)	(70,491)
Cash Flows From Financing Activities		
Mortgage principal payments - net of excess interest subsidy	(52,331)	(51,865)
Net borrowings (repayments) under note payable	(861)	28,023
Net cash used in financing activities	(53,192)	(23,842)
Net increase in cash and cash equivalents	5,352	2,632
Cash and Cash Equivalents:		
Beginning	10,145	7,513
Ending	\$ 15,497	\$ 10,145

(Continued)

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

STATEMENTS OF CASH FLOWS (Continued)
Years Ended December 31, 2007 and 2006

	2007	2006
Reconciliation of Changes in Net Deficit to Net		
Cash Provided by Operating Activities		
Changes in net deficit	\$ 50,262	\$ 26,654
Adjustments to reconcile changes in net deficit to net cash provided by operating activities		
Depreciation	89,979	90,765
Interest reduction subsidy - excess of interest expense	(37,510)	(31,920)
Interest earned in replacement reserve account	(784)	(584)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable - tenants	1,257	1,390
Prepaid expenses	1,014	2,385
Tenant deposits held in trust	(1,231)	(2,383)
(Decrease) increase in:		
Accounts payable	(4,090)	8,826
Accrued liabilities	(1,348)	1,542
Accrued interest payable	(105)	341
Tenant deposits held in trust	1,231	2,383
Parking deposits	1,000	(1,370)
Prepaid revenue	(211)	(1,064)
Net cash provided by operating activities	\$ 99,464	\$ 96,965

See Notes to Financial Statements.

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.

	2007	2006
Monthly payments - principal and interest	\$ 135,355	\$ 135,355
Less FHA interest subsidy (S3100-120)	(83,023)	(83,490)
Escrow for mortgage insurance premium	3,507	3,922
Escrow for insurance and real estate taxes	61,237	64,008
Escrow for replacement cost	31,980	31,980
Net monthly payments by Geneva House, Inc.	<u>\$ 149,056</u>	<u>\$ 151,775</u>

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

	2007	2006
Balance - Beginning	\$ 690,850	\$ 774,635
Principal reduction	89,841	83,785
Balance - Ending	<u>\$ 601,009</u>	<u>\$ 690,850</u>

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

NOTES TO FINANCIAL STATEMENTS

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 Number	Year	Amount
S3100-070	2008	\$ 96,336
S3100-080	2009	103,301
S3100-090	2010	110,768
S3100-100	2011	118,778
S3100-110	2012	127,362
S3100-120	Future years	44,464
		<u>\$ 601,009</u>

Note 5. Line-of-Credit

The Organization has a \$200,000 line-of-credit with Penn Security Bank. The line expires on April 12, 2008. The line bears interest at the Bank's base rate, which equals the prime rate. At December 31, 2007 and 2006, the rate was 7.25% and 8.25%, 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 \$2,191 and \$2,147 to the Plan for the years ended December 31, 2007 and 2006, respectively.

NOTES TO FINANCIAL STATEMENTS

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, 2007

Account Number	ASSETS	
	Current Assets	
1120	Cash and cash equivalents	\$ 15,497
1130	Tenant accounts receivable	333
1200	Prepaid expenses	<u>2,759</u>
1100T	Total current assets	<u>18,589</u>
1191	Tenant deposits held in trust	20,283
	Restricted Deposits	
1310	Escrow deposits	15,163
1320	Replacement reserve	<u>108,960</u>
1300T	Total restricted deposits	<u>124,123</u>
	Fixed Assets	
1410	Land	50,000
1420	Buildings	2,255,374
1450	Furniture for project - tenant use	35,067
1460	Furnishings	58,367
1465	Office furniture and equipment	8,669
1470	Maintenance equipment	<u>13,226</u>
1400T	Total fixed assets	<u>2,420,703</u>
1495	Less accumulated depreciation	<u>(1,855,625)</u>
1400N	Fixed assets - net	<u>565,078</u>
1000T	Total assets	<u><u>\$ 728,073</u></u>

Account Number	LIABILITIES AND NET DEFICIT		
	Current Liabilities		
2110	Accounts payable - operations	\$	23,599
	Accrued expenses		
2120	Wages		2,020
2121	Payroll taxes and withholdings		512
2123	Management fee		3,166
2134	Interest payable - note payable		799
2135	Interest payable - flexible subsidy		28,238
2160	Note payable		131,776
2170	Mortgage payable - current portion		96,336
2190	Parking deposits		2,341
2122T	Total current liabilities		<u>288,787</u>
2191	Tenant deposits held in trust		20,283
	Long-Term Debt		
2320	Mortgage payable - net of current portion		504,673
2325	Flexible subsidy loan payable		117,250
2300T	Total long-term debt		<u>621,923</u>
2000T	Total liabilities		930,993
3131	Unrestricted Net Deficit		<u>(202,920)</u>
2033T	Total liabilities and net deficit	\$	<u><u>728,073</u></u>

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

STATEMENT OF ACTIVITIES DATA
Year Ended December 31, 2007

Account Number			
	REVENUE		
5120	Rent - gross potential	\$	263,882
5121	Tenant assistance payments		177,997
5140	Rent - commercial		8,400
5170	Parking spaces		53,861
5190	Miscellaneous		792
5194	Retained excess income		4,144
5100T	Total potential rent revenue		<u>509,076</u>
	Vacancies		
5220	Vacancies - apartments		(6,171)
5250	Rental concessions		(6,132)
5270	Parking spaces		(110)
5200T	Total vacancies		<u>(12,413)</u>
5152N	Total rental revenue		<u>496,663</u>
5440	Revenue from investments - replacement reserve		784
5490	Revenue from investments - miscellaneous		240
5400T	Total financial revenue		<u>1,024</u>
5910	Laundry and vending revenue		2,012
5920	Tenant charges		2,848
5945	Interest reduction payments		37,510
5970	Gifts		50
5990	Miscellaneous revenue		340
5900T	Total other revenue		<u>42,760</u>
5000T	Total revenue		<u>540,447</u>
	EXPENSES		
6210	Advertising and marketing		2,182
6250	Other renting expenses		4,083
6310	Office salaries		37,342
6311	Office expenses		10,712
6320	Management fee		37,766
6330	Superintendent salaries		38,810
6340	Legal expense		(737)
6350	Audit expense		9,851
6370	Bad debts		105
6263T	Total administrative expenses		<u>140,114</u>
6450	Electricity		83,367
6451	Water		10,037
6453	Sewer		8,209
6400T	Total utilities expense		<u>101,613</u>

(Continued)

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

STATEMENT OF ACTIVITIES DATA (Continued)
Year Ended December 31, 2007

Account Number		
	EXPENSES (Continued)	
6510	Payroll	9,435
6515	Supplies	7,908
6520	Contracts	17,282
6525	Garbage and trash removal	5,277
6530	Security	993
6548	Snow removal	5,149
6500T	Total operating and maintenance expenses	<u>46,044</u>
6710	Real estate taxes	54,417
6711	Payroll taxes	7,677
6720	Property and liability insurance	11,466
6722	Workmen's compensation	5,105
6723	Health insurance and other employee benefits	17,506
6790	Miscellaneous taxes, licenses, permits and insurance	979
6700T	Total taxes and insurance	<u>97,150</u>
6830	Interest on notes payable - long-term	1,173
6840	Interest on notes payable - short-term	10,903
6850	Mortgage insurance premium	3,209
6800T	Total financial expenses	<u>15,285</u>
6000T	Total cost of operations before depreciation	<u>400,206</u>
5060T	Changes in net assets before depreciation	140,241
6600	Depreciation	89,979
3250	Changes in net deficit	<u>50,262</u>
S1100-050	Net Deficit - Beginning	(253,182)
3130	Net Deficit - Ending	<u>\$ (202,920)</u>
S1000-010	Total mortgage principal payments required during the year	<u>\$ 89,841</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, 2007

Account Number		
Cash Flows From Operating Activities		
S1200-010	Rental receipts	\$ 498,714
S1200-020	Interest receipts	240
S1200-025	Contribution receipts	50
S1200-030	Other operating receipts	5,200
S1200-040	Total receipts	<u>504,204</u>
S1200-050	Administrative	28,088
S1200-070	Management fee	37,766
S1200-090	Utilities	100,595
S1200-100	Salaries and wages	88,108
S1200-110	Operating and maintenance	39,831
S1200-120	Real estate taxes	54,417
S1200-140	Property insurance	11,466
S1200-150	Miscellaneous taxes and insurance	30,399
S1200-190	Interest on notes payable	11,008
S1200-210	Mortgage insurance premium	3,062
S1200-230	Total disbursements	<u>404,740</u>
S1200-240	Net cash provided by operating activities	<u>99,464</u>
Cash Flows From Investing Activities		
S1200-245	Net withdrawals into mortgage escrow account	11,699
S1200-250	Net deposits into replacement reserve account	(11,542)
S1200-330	Purchase of property and equipment	(41,861)
S1200-340	Other investing activities - interest earned on replacement reserve	784
S1200-350	Net cash used in investing activities	<u>(40,920)</u>
Cash Flows From Financing Activities		
S1200-360	Mortgage principal payments	(89,841)
S1200-370	Net repayments under note payable	(861)
S1200-450	Other financing activities - interest reduction payments	37,510
S1200-460	Net cash used in financing activities	<u>(53,192)</u>
S1200-470	Net increase in cash and cash equivalents	5,352
Cash and Cash Equivalents:		
S1200-480	Beginning	10,145
S1200T	Ending	<u>\$ 15,497</u>

(Continued)

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

STATEMENT OF CASH FLOWS DATA (Continued)
Year Ended December 31, 2007

Account Number			
	Reconciliation of Changes in Net Deficit to Net		
	Cash Provided by Operating Activities		
3250	Changes in net deficit	\$	50,262
	Adjustments to reconcile changes in net deficit to		
	net cash provided by operating activities		
6600	Depreciation		89,979
	Changes in assets and liabilities:		
	(Increase) decrease in:		
S1200-490	Accounts receivable - tenants		1,257
S1200-520	Prepaid expenses		1,014
S1200-530	Tenant deposits held in trust		(1,231)
	(Decrease) increase in:		
S1200-540	Accounts payable		(4,090)
S1200-560	Accrued liabilities		(1,348)
S1200-570	Accrued interest payable		(105)
S1200-580	Tenant deposits held in trust		1,231
S1200-590	Prepaid revenue		(211)
S1200-600	Other adjustments - parking deposits, IRP subsidy and interest on replacement reserve		(37,294)
S1200-610	Net cash provided by operating activities	\$	<u>99,464</u>

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

SCHEDULE OF RESERVE FOR REPLACEMENT
Year Ended December 31, 2007

Account Number		
1320P	Balance - January 1, 2007	\$ 97,418
1320DT	Total Monthly Deposits (\$2,665 per month)	31,980
1320INT	Interest earned	784
		<u>130,182</u>
1320WT	Less: Replacement monies issued for the payment of HUD approved projects	<u>21,222</u>
1320	Reserve for Replacement at December 31, 2007	<u><u>\$ 108,960</u></u>

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

COMPUTATION OF SURPLUS CASH - ANNUAL
Year Ended December 31, 2007

Account Number			
S1300-010	Cash		\$ 35,780
	Current Obligations		
S1300-075	Accounts payable within 30 days and bank overdraft		23,599
S1300-100	Accrued expenses		6,497
2191	Tenant security deposits		20,283
S1300-130	Parking deposits		2,341
S1300-140	Total current obligations		<u>52,720</u>
S1300-150	Cash deficiency		<u>\$ (16,940)</u>

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

SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS
Year Ended December 31, 2007

Account Number		Assets			Balance 12-31-07
		Balance 1-1-07	Additions	Deletions	
1410	Land	\$ 50,000	\$ -	\$ -	\$ 50,000
1420	Buildings	2,227,717	30,602	(2,945)	2,255,374
1450	Furniture	41,660	1,074	(7,667)	35,067
1460	Furnishings	53,687	5,084	(404)	58,367
1465	Office furniture and equipment	5,088	3,581	-	8,669
1470	Maintenance equipment	11,706	1,520	-	13,226
1400T	Total fixed assets	\$ 2,389,858	\$ 41,861	\$ (11,016)	2,420,703
1495	Accumulated depreciation	\$ 1,776,662	\$ 89,979	\$ (11,016)	1,855,625
1400N	Total net book value				\$ 565,078

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2007

Federal Grantor	Federal C.F.D.A. Number	Federal Expenditures
U.S. Department of Housing and Urban Development		
1 Interest Reduction Payments Rental and Cooperative Housing for Lower Income Families (236)		
Outstanding mortgage balance - December 31, 2007	14.103	\$ 601,009
Interest reduction payments received	14.103	<u>83,023</u>
		684,032
2 Operating Assistance for Troubled Multi-Family Housing Projects (Flexible Subsidy Fund)		
Outstanding principal balance - December 31, 2007	14.164	117,250
Accrued interest payable - December 31, 2007	14.164	<u>28,238</u>
		145,488
3 Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	153,076
4 Rent Supplements - Rental Housing for Lower Income Families	14.149	<u>24,921</u>
Total expenditures of federal awards		<u><u>\$ 1,007,517</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, 2007

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, 2007, and have issued our report thereon dated March 25, 2008. 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, but not for the purpose of expressing an opinion on the effectiveness of Geneva House, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Geneva House, Inc.'s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of an entity's financial statements which is more than inconsequential will not be prevented or detected by the entity's internal control.

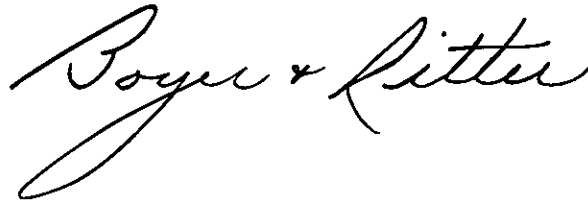
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

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.

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Camp Hill, Pennsylvania
March 25, 2008

**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, 2007. 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 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.

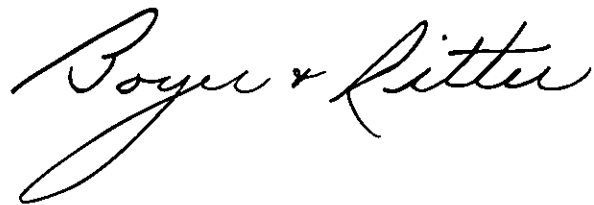
In our opinion, Geneva House, Inc., complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2007.

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 internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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.

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Camp Hill, Pennsylvania
March 25, 2008

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

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
Year Ended December 31, 2007

There were no prior audit findings for the year ended December 31, 2006.

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

CERTIFICATION OF MORTGAGOR
Year Ended December 31, 2007

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>	Steve Proctor
<u>Title of Certifying Official #1</u>	President & CEO
<u>Name of Signatory #2</u>	Jeff Davis
<u>Title of Certifying Official #2</u>	Senior Vice President & CFO
<u>Auditee Telephone Number</u>	717-737-9700
<u>Date of Certification</u>	03/25/2008
<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
<u>Auditee Contact email</u>	ldanzico@verizon.net

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

**MANAGEMENT AGENT'S CERTIFICATION
Year Ended December 31, 2007**

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

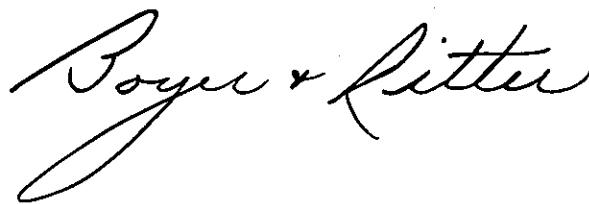
We have performed the procedure described in the second paragraph of this report, which was agreed to by Geneva House, Inc., and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), solely to assist them in determining whether the electronic submission of certain 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, 2007, and have issued our reports thereon dated March 25, 2008. 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 March 25, 2008, 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 & Ritter". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania
March 25, 2008

**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