

**GENEVA HOUSE, INC.**  
**PROJECT NO. 034-44815NP**  
**FINANCIAL REPORT**  
**DECEMBER 31, 2008**

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## INDEPENDENT AUDITOR'S REPORT

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

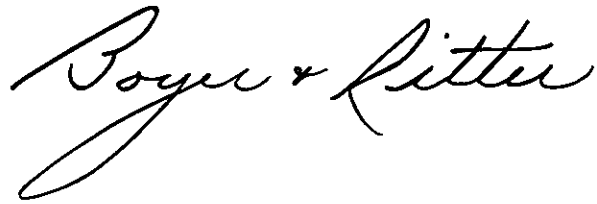
We have audited the accompanying statements of financial position of Geneva House, Inc., Project No. 034-44815NP, as of December 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's 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, 2008 and 2007, 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 6, 2009, 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 6, 2009

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

STATEMENTS OF FINANCIAL POSITION  
December 31, 2008 and 2007

ASSETS	2008	2007
<b>Current Assets</b>		
Cash and cash equivalents	\$ 28,923	\$ 15,497
Accounts receivable - tenants	1,184	333
Prepaid expenses	2,480	2,759
	<hr/>	<hr/>
<b>Total current assets</b>	<b>32,587</b>	<b>18,589</b>
<b>Noncurrent Assets</b>		
Restricted deposits		
Replacement reserve	107,233	108,960
Escrow deposits	17,590	15,163
Tenant deposits held in trust	18,788	20,283
<b>Total restricted deposits</b>	<b>143,611</b>	<b>144,406</b>
<b>Property and Equipment</b>		
Land	50,000	50,000
Building and improvements	2,271,735	2,255,374
Furniture and equipment	122,111	115,329
	<hr/>	<hr/>
	2,443,846	2,420,703
Less accumulated depreciation	(1,938,194)	(1,855,625)
<b>Property and equipment - net</b>	<b>505,652</b>	<b>565,078</b>
	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ 681,850</b>	<b>\$ 728,073</b>

See Notes to Financial Statements.

<b>LIABILITIES AND NET DEFICIT</b>	<b>2008</b>	<b>2007</b>
<b>Current Liabilities</b>		
Line-of-credit	\$ 131,373	\$ 131,776
Current maturities of long-term debt	103,301	96,336
Accounts payable	29,930	23,599
Accrued expenses		
Wages	1,066	2,020
Payroll taxes and withholdings	595	512
Management fee	3,234	3,166
Interest payable - note payable	660	799
Parking deposits	2,491	2,341
<b>Total current liabilities</b>	<b>272,650</b>	<b>260,549</b>
<b>Noncurrent Liabilities</b>		
Tenant deposits held in trust	18,788	20,283
Long-term debt - net of current maturities		
Mortgage payable	401,371	504,673
Flexible subsidy loan		
Loan payable	117,250	117,250
Accrued interest payable	29,411	28,238
<b>Total liabilities</b>	<b>839,470</b>	<b>930,993</b>
Unrestricted Net Deficit	(157,620)	(202,920)
<b>Total liabilities and net deficit</b>	<b>\$ 681,850</b>	<b>\$ 728,073</b>

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

**STATEMENTS OF ACTIVITIES**  
**Years Ended December 31, 2008 and 2007**

	2008	2007
<b>Revenue</b>		
Rent	\$ 504,281	\$ 496,663
Financial	828	1,024
Other	52,474	42,760
<b>Total revenue</b>	<u>557,583</u>	<u>540,447</u>
<b>Expenses</b>		
Administrative	147,536	140,114
Utilities	99,510	101,613
Operating and maintenance	65,751	46,044
Taxes and insurance	104,415	97,150
Financial	12,502	15,285
Depreciation	82,569	89,979
<b>Total expenses</b>	<u>512,283</u>	<u>490,185</u>
<b>Changes in net deficit</b>	45,300	50,262
Net Deficit - Beginning	(202,920)	(253,182)
Net Deficit - Ending	<u>\$ (157,620)</u>	<u>\$ (202,920)</u>

See Notes to Financial Statements.

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

STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2008 and 2007

	2008	2007
<b>Cash Flows From Operating Activities</b>		
Rental receipts	\$ 503,580	\$ 498,714
Interest receipts	154	240
Contribution receipts	100	50
Other operating receipts	8,870	5,200
<b>Total receipts</b>	<u>512,704</u>	<u>504,204</u>
Administrative	24,456	28,088
Management fee	37,811	37,766
Utilities	100,237	100,595
Salaries and wages	98,861	88,108
Operating and maintenance	45,904	39,831
Real estate taxes	55,328	54,417
Property insurance	10,838	11,466
Miscellaneous taxes and insurance	40,714	33,461
Interest on notes payable	8,724	11,008
<b>Total disbursements</b>	<u>422,873</u>	<u>404,740</u>
<b>Net cash provided by operating activities</b>	<u>89,831</u>	<u>99,464</u>
<b>Cash Flows From Investing Activities</b>		
Net withdrawals/deposits into mortgage escrow account	(2,427)	11,699
Net deposits into replacement reserve account	2,401	(10,758)
Purchase of property and equipment	(23,143)	(41,861)
<b>Net cash used in investing activities</b>	<u>(23,169)</u>	<u>(40,920)</u>
<b>Cash Flows From Financing Activities</b>		
Mortgage principal payments - net of excess interest subsidy	(52,833)	(52,331)
Net borrowings (repayments) under note payable	(403)	(861)
<b>Cash used in financing activities</b>	<u>(53,236)</u>	<u>(53,192)</u>
<b>Net increase in cash and cash equivalents</b>	13,426	5,352
<b>Cash and Cash Equivalents:</b>		
Beginning	15,497	10,145
Ending	<u>\$ 28,923</u>	<u>\$ 15,497</u>

(Continued)



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

**STATEMENTS OF CASH FLOWS (Continued)**  
**Years Ended December 31, 2008 and 2007**

	2008	2007
Reconciliation of Changes in Net Deficit to Net		
Cash Provided by Operating Activities		
Changes in net deficit	\$ 45,300	\$ 50,262
Adjustments to reconcile changes in net deficit to net cash provided by operating activities		
Depreciation	82,569	89,979
Interest reduction subsidy - excess of interest expense	(43,504)	(37,510)
Interest earned in replacement reserve account	(674)	(784)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable - tenants	(851)	1,257
Prepaid expenses	279	1,014
Tenant deposits held in trust	1,495	(1,231)
(Decrease) increase in:		
Accounts payable	6,331	(4,090)
Accrued liabilities	370	(1,348)
Accrued interest payable	(139)	(105)
Tenant deposits held in trust	(1,495)	1,231
Parking deposits	150	1,000
Prepaid revenue	-	(211)
<b>Net cash provided by operating activities</b>	<b>\$ 89,831</b>	<b>\$ 99,464</b>

See Notes to Financial Statements.

**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). The Organization evaluates any tax positions using the provisions of Financial Accounting Standards Board (FASB) Statement 5, Accounting for Contingencies and Statement 109, Accounting for Income Taxes. Management has deferred implementation of a new accounting standard involving disclosure and specific recognition of uncertain tax positions as permitted by the FASB.

Cash Equivalents: For purposes of the Statements of Cash Flows, the Organization considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Income Recognition: Rental revenue is recognized on the accrual method. Accordingly, revenue is recognized as earned, and expenses are recognized as incurred. A monthly housing assistance payment is received from the Department of Housing and Urban Development for leases to qualifying low-income tenants.

Advertising Costs: The Organization expenses all advertising costs as incurred.

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Nature of Business and Significant Accounting Policies (Continued)**

Accounts Receivable: Tenant receivables are carried at original rental amount less an estimate made for doubtful receivables based on management's review of all outstanding amounts on a regular basis. Management determines the allowance for doubtful accounts by regularly evaluating individual tenant receivables and considering a tenant's financial condition, credit history and current economic conditions. Management has not identified any tenant receivables at year-end that, based on the tenant's financial condition, credit history and current economic conditions, suggest a reserve would be appropriate. Tenant receivables are written off when deemed uncollectible. Recoveries of tenant receivables previously written off are recorded when received.

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

**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.

**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. Capmark is now the servicing agent.

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

**NOTES TO FINANCIAL STATEMENTS**

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

	2008	2007
Monthly payments - principal and interest	\$ 135,355	\$ 135,355
Less FHA interest subsidy (S3100-120)	(82,523)	(83,023)
Escrow for mortgage insurance premium	3,062	3,507
Escrow for insurance and real estate taxes	66,561	61,237
Escrow for replacement cost	31,980	31,980
Net monthly payments by Geneva House, Inc.	<u>\$ 154,435</u>	<u>\$ 149,056</u>

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

	2008	2007
Balance - Beginning	\$ 601,009	\$ 690,850
Principal reduction	96,337	89,841
Balance - Ending	<u>\$ 504,672</u>	<u>\$ 601,009</u>

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	2009	\$ 103,301
S3100-080	2010	110,768
S3100-090	2011	118,778
S3100-100	2012	127,362
S3100-110	2013	44,463
		<u>\$ 504,672</u>

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

The Organization has a \$200,000 line-of-credit with Penn Security Bank. The line expires on August 12, 2009. The line bears interest at the Bank's base rate, which equals the prime rate. At December 31, 2008 and 2007, the rate was 6.25% and 7.25%, respectively.

**NOTES TO FINANCIAL STATEMENTS**

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**Note 6. Unrestricted Net Assets (Deficit)**

None of the Project's net assets (deficit) 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 \$2,277 and \$2,191, to the Plan for the years ended December 31, 2008 and 2007, respectively.

**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, 2008

Account Number	ASSETS		
	Current Assets		
1120	Cash and cash equivalents	\$	28,923
1130	Tenant accounts receivable		1,184
1200	Prepaid expenses		<u>2,480</u>
1100T	<b>Total current assets</b>		<u>32,587</u>
1191	Tenant deposits held in trust		18,788
	Restricted Deposits		
1310	Escrow deposits		17,590
1320	Replacement reserve		<u>107,233</u>
1300T	<b>Total restricted deposits</b>		<u>124,823</u>
	Fixed Assets		
1410	Land		50,000
1420	Buildings		2,271,735
1450	Furniture for project - tenant use		35,669
1460	Furnishings		62,627
1465	Office furniture and equipment		10,119
1470	Maintenance equipment		<u>13,696</u>
1400T	<b>Total fixed assets</b>		<u>2,443,846</u>
1495	Less accumulated depreciation		(1,938,194)
1400N	<b>Fixed assets - net</b>		<u>505,652</u>
1000T	<b>Total assets</b>	\$	<u><u>681,850</u></u>

Account Number	<b>LIABILITIES AND NET DEFICIT</b>		
	Current Liabilities		
2110	Accounts payable - operations	\$	29,930
	Accrued expenses		
2120	Wages		1,066
2121	Payroll taxes and withholdings		595
2123	Management fee		3,234
2134	Interest payable - note payable		660
2135	Interest payable - flexible subsidy		29,411
2160	Note payable		131,373
2170	Mortgage payable - current portion		103,301
2190	Parking deposits		2,491
2122T	<b>Total current liabilities</b>		<u>302,061</u>
2191	Tenant deposits held in trust		18,788
	Long-Term Debt		
2320	Mortgage payable - net of current portion		401,371
2325	Flexible subsidy loan payable		117,250
2300T	<b>Total long-term debt</b>		<u>518,621</u>
2000T	<b>Total liabilities</b>		839,470
3131	Unrestricted Net Deficit		<u>(157,620)</u>
2033T	<b>Total liabilities and net deficit</b>	\$	<u><u>681,850</u></u>



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

STATEMENT OF ACTIVITIES DATA  
Year Ended December 31, 2008

Account Number			
	<b>REVENUE</b>		
5120	Rent - gross potential	\$	285,031
5121	Tenant assistance payments		168,883
5140	Rent - commercial		8,400
5170	Parking spaces		53,808
5190	Miscellaneous		1,843
5194	Retained excess income		4,189
5100T	<b>Total potential rent revenue</b>		<u>522,154</u>
	Vacancies		
5220	Vacancies - apartments		(7,329)
5250	Rental concessions		(10,544)
5200T	<b>Total vacancies</b>		<u>(17,873)</u>
5152N	<b>Total rental revenue</b>		<u>504,281</u>
5440	Revenue from investments - replacement reserve		674
5490	Revenue from investments - miscellaneous		154
5400T	<b>Total financial revenue</b>		<u>828</u>
5910	Laundry and vending revenue		2,210
5920	Tenant charges		3,086
5945	Interest reduction payments		43,504
5970	Gifts		100
5990	Miscellaneous revenue		3,574
5900T	<b>Total other revenue</b>		<u>52,474</u>
5000T	<b>Total revenue</b>		<u>557,583</u>
	<b>EXPENSES</b>		
6210	Advertising and marketing		2,332
6250	Other renting expenses		6,558
6310	Office salaries		38,193
6311	Office expenses		10,876
6320	Management fee		37,879
6330	Superintendent salaries		39,353
6340	Legal expense		613
6350	Audit expense		11,732
6263T	<b>Total administrative expenses</b>		<u>147,536</u>
6450	Electricity		80,668
6451	Water		9,734
6453	Sewer		9,108
6400T	<b>Total utilities expense</b>		<u>99,510</u>

(Continued)

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

STATEMENT OF ACTIVITIES DATA (Continued)  
Year Ended December 31, 2008

Account Number		
	<b>EXPENSES (Continued)</b>	
6510	Payroll	20,444
6515	Supplies	10,805
6520	Contracts	25,791
6525	Garbage and trash removal	6,503
6530	Security	255
6548	Snow removal	1,953
6500T	<b>Total operating and maintenance expenses</b>	<u>65,751</u>
6710	Real estate taxes	55,328
6711	Payroll taxes	9,086
6720	Property and liability insurance	10,838
6722	Workmen's compensation	4,152
6723	Health insurance and other employee benefits	24,036
6790	Miscellaneous taxes, licenses, permits and insurance	975
6700T	<b>Total taxes and insurance</b>	<u>104,415</u>
6830	Interest on notes payable - long-term	1,173
6840	Interest on notes payable - short-term	8,585
6850	Mortgage insurance premium	2,744
6800T	<b>Total financial expenses</b>	<u>12,502</u>
6000T	<b>Total cost of operations before depreciation</b>	<u>429,714</u>
5060T	<b>Changes in net assets before depreciation</b>	127,869
6600	Depreciation	<u>82,569</u>
3250	<b>Changes in net deficit</b>	45,300
S1100-050	Net Deficit - Beginning	<u>(202,920)</u>
3130	Net Deficit - Ending	<u>\$ (157,620)</u>
S1000-010	Total mortgage principal payments required during the year	<u>\$ 96,337</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, 2008**

Account Number		
	<b>Cash Flows From Operating Activities</b>	
S1200-010	Rental receipts	\$ 503,580
S1200-020	Interest receipts	154
S1200-025	Contribution receipts	100
S1200-030	Other operating receipts	8,870
S1200-040	<b>Total receipts</b>	<u>512,704</u>
S1200-050	Administrative	24,456
S1200-070	Management fee	37,811
S1200-090	Utilities	100,237
S1200-100	Salaries and wages	98,861
S1200-110	Operating and maintenance	45,904
S1200-120	Real estate taxes	55,328
S1200-140	Property insurance	10,838
S1200-150	Miscellaneous taxes and insurance	38,130
S1200-190	Interest on notes payable	8,724
S1200-210	Mortgage insurance premium	2,584
S1200-230	<b>Total disbursements</b>	<u>422,873</u>
S1200-240	<b>Net cash provided by operating activities</b>	<u>89,831</u>
	<b>Cash Flows From Investing Activities</b>	
S1200-245	Net withdrawals into mortgage escrow account	(2,427)
S1200-250	Net deposits into replacement reserve account	1,727
S1200-330	Purchase of property and equipment	(23,143)
S1200-340	Other investing activities - interest earned on replacement reserve	674
S1200-350	<b>Net cash used in investing activities</b>	<u>(23,169)</u>
	<b>Cash Flows From Financing Activities</b>	
S1200-360	Mortgage principal payments	(96,337)
S1200-370	Net repayments under note payable	(403)
S1200-450	Other financing activities - interest reduction payments	43,504
S1200-460	<b>Net cash used in financing activities</b>	<u>(53,236)</u>
S1200-470	<b>Net increase in cash and cash equivalents</b>	13,426
	<b>Cash and Cash Equivalents:</b>	
S1200-480	Beginning	15,497
S1200T	Ending	<u>\$ 28,923</u>

(Continued)

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

**STATEMENT OF CASH FLOWS DATA (Continued)**  
**Year Ended December 31, 2008**

Account Number			
	Reconciliation of Changes in Net Deficit to Net		
	Cash Provided by Operating Activities		
3250	Changes in net deficit	\$	45,300
	Adjustments to reconcile changes in net deficit to net cash provided by operating activities		
6600	Depreciation		82,569
	Changes in assets and liabilities:		
	(Increase) decrease in:		
S1200-490	Accounts receivable - tenants		(851)
S1200-520	Prepaid expenses		279
S1200-530	Tenant deposits held in trust		1,495
	(Decrease) increase in:		
S1200-540	Accounts payable		6,331
S1200-560	Accrued liabilities		370
S1200-570	Accrued interest payable		(139)
S1200-580	Tenant deposits held in trust		(1,495)
S1200-600	Other adjustments - parking deposits, IRP subsidy and interest on replacement reserve		(44,028)
S1200-610	<b>Net cash provided by operating activities</b>	<b>\$</b>	<b>89,831</b>

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

**SCHEDULE OF RESERVE FOR REPLACEMENT**  
**Year Ended December 31, 2008**

Account Number			
1320P	Balance - January 1, 2008	\$	108,960
1320DT	Total Monthly Deposits (\$2,665 per month)		31,980
1320INT	Interest earned		<u>674</u>
			141,614
1320WT	Less: Replacement monies issued for the payment of HUD approved projects		<u>34,381</u>
1320	Reserve for Replacement at December 31, 2008	\$	<u><u>107,233</u></u>

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

COMPUTATION OF SURPLUS CASH - ANNUAL  
Year Ended December 31, 2008

Account Number			
S1300-010	Cash		\$ 47,711
	Current Obligations		
S1300-075	Accounts payable within 30 days and bank overdraft		29,930
S1300-100	Accrued expenses		5,555
2191	Tenant security deposits		18,788
S1300-130	Parking deposits		2,491
S1300-140	<b>Total current obligations</b>		<u>56,764</u>
S1300-150	<b>Cash deficiency</b>		<u>\$ (9,053)</u>

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

**SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS**  
**Year Ended December 31, 2008**

Account Number		Assets			Balance 12-31-08
		Balance 1-1-08	Additions	Deletions	
1410	Land	\$ 50,000	\$ -	\$ -	\$ 50,000
1420	Buildings	2,255,374	16,361	-	2,271,735
1450	Furniture	35,067	602	-	35,669
1460	Furnishings	58,367	4,260	-	62,627
1465	Office furniture and equipment	8,669	1,450	-	10,119
1470	Maintenance equipment	13,226	470	-	13,696
1400T	Total fixed assets	\$ 2,420,703	\$ 23,143	\$ -	2,443,846
1495	Accumulated depreciation	\$ 1,855,625	\$ 82,569	\$ -	1,938,194
1400N	<b>Total net book value</b>				<u>\$ 505,652</u>

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended December 31, 2008**

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, 2008	14.103	\$ 504,672
Interest reduction payments received	14.103	<u>82,523</u>
		587,195
2 Operating Assistance for Troubled Multi-Family Housing Projects (Flexible Subsidy Fund)		
Outstanding principal balance - December 31, 2008	14.164	117,250
Accrued interest payable - December 31, 2008	14.164	<u>29,411</u>
		146,661
3 Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	144,063
4 Rent Supplements - Rental Housing for Lower Income Families	14.149	<u>24,820</u>
<b>Total expenditures of federal awards</b>		<u><u>\$ 902,739</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, 2008**

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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, 2008, and have issued our report thereon dated March 6, 2009. 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.

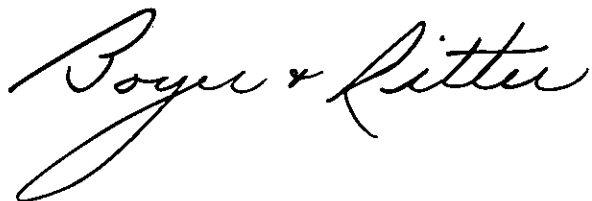
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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 6, 2009

**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, 2008. 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards, OMB Circular A-133 and the Guide, 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, 2008.

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 Department of Housing and Urban Development 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 6, 2009

GENEVA HOUSE, INC.  
PROJECT NO. 034-44815NP  
Schedule of Findings and Questioned Costs  
Year Ended December 31, 2008

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**Section I -- Summary of Auditor's Results**

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Account Number	
	<b>Financial Statements</b>
S3400-020	Type of auditor's report issued: Unqualified
	Internal control over financial reporting:
S3500-030	▪ Material weakness identified: <span style="float: right;">___ Yes <u>X</u> No</span>
S3500-020	▪ Significant deficiencies identified that are not considered to be material weakness(es)? <span style="float: right;">___ Yes <u>X</u> None Reported</span>
	Noncompliance material to financial statements noted? <span style="float: right;">___ Yes <u>X</u> No</span>
	<b>Federal Awards</b>
	Internal control over program:
S3600-030	▪ Material weakness identified: <span style="float: right;">___ Yes <u>X</u> No</span>
S3600-020	▪ Significant deficiencies(s) identified that are not considered to be material weakness(es)? <span style="float: right;">___ Yes <u>X</u> None Reported</span>
	Type of auditor's report issued on compliance for the major program: Unqualified
	▪ Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133? <span style="float: right;">___ Yes <u>X</u> No</span>

**GENEVA HOUSE, INC.**  
**PROJECT NO. 034-44815NP**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2008**

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. Significant Deficiencies 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. Significant Deficiencies 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, 2008**

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There were no prior audit findings for the year ended December 31, 2007.



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

**CERTIFICATION OF MORTGAGOR  
Year Ended December 31, 2008**

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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>	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>	717 502 8840
<u>Date of Certification</u>	03/06/2009
<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, 2008**

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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>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

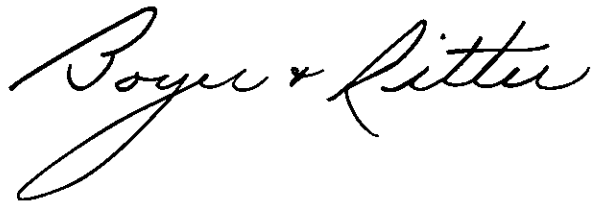
We have performed the procedure described in the second paragraph of this report, which was agreed to by Geneva House, Inc., and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), solely to assist them in determining whether the electronic submission of certain 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 and the standard applicable to attestation engagements contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. 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, 2008, and have issued our reports thereon dated March 6, 2009. 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 6, 2009, 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.

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Camp Hill, Pennsylvania  
March 6, 2009

**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