

**GENEVA HOUSE, INC.
PROJECT NO. 034-44815NP
FINANCIAL REPORT
WITH SUPPLEMENTARY INFORMATION
AND INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2009 AND 2008**

**GENEVA HOUSE, INC.
PROJECT NO. 034-44815NP
FINANCIAL REPORT
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DECEMBER 31, 2009 AND 2008**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Geneva House, Inc.
Scranton, Pennsylvania

HUD Field Officer Director
Philadelphia, Pennsylvania

We have audited the accompanying statements of financial position of Geneva House, Inc. (a nonprofit Corporation), HUD Project No. 034-44815NP, as of December 31, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Geneva House, Inc. as of December 31, 2008, were audited by other auditors whose report dated March 6, 2009, expressed an unqualified opinion on those financial statements.

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. Those standards require that we plan and perform the audit 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 audit provides 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, 2009, and the changes in its net assets and its cash flows for the year 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 April 6, 2010, on our consideration of Geneva House, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 considered in assessing the results of our audit.

Our audit was conducted 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 13 through 21 is presented for the purposes of additional analysis as required by the U.S. Department of Housing and Urban Development and is not a required part of the basic financial statements. 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 also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit 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.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
April 6, 2010

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

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2009 AND 2008

ASSETS	2009	2008
Current Assets		
Cash and cash equivalents	\$ 12,170	\$ 28,923
Accounts receivable - tenants	1,137	1,184
Accounts receivable - other	14,226	-
Prepaid expenses	863	2,480
	28,396	32,587
Noncurrent Assets		
Restricted Deposits		
Replacement reserves	121,604	107,233
Escrow deposits	28,652	17,590
Tenant deposits held in trust	25,903	18,788
	176,159	143,611
Fixed Assets		
Land	50,000	50,000
Building and improvements	2,351,004	2,271,735
Furniture and equipment	70,312	122,111
	2,471,316	2,443,846
Less accumulated depreciation	(2,012,971)	(1,938,194)
	458,345	505,652
	662,900	681,850
	\$ 662,900	\$ 681,850

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

LIABILITIES AND NET DEFICIT	2009	2008
Current Liabilities		
Line-of-credit	\$ 139,213	\$ 131,373
Loan payable	30,000	-
Current maturities of long-term debt	110,768	103,301
Accounts payable	20,881	9,255
Accrued expenses		
Wages	1,655	1,066
Payroll taxes and withholdings	-	595
Management fee	4,187	3,234
Interest payable - note payable	-	660
Audit	7,600	11,675
Other	7,873	9,000
Parking deposits	483	2,491
Prepaid rent	1,758	-
Total current liabilities	324,418	272,650
Noncurrent Liabilities		
Tenant deposits held in trust	26,181	18,788
Long-term debt - net of current maturities		
Mortgage payable	290,603	401,371
Flexible subsidy loan		
Loan payable	117,250	117,250
Accrued interest payable	30,583	29,411
Total liabilities	789,035	839,470
Unrestricted Net Deficit	(126,135)	(157,620)
Total liabilities and net deficit	\$ 662,900	\$ 681,850

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

STATEMENTS OF ACTIVITIES

DECEMBER 31, 2009 AND 2008

	2009	2008
Revenue		
Rent	\$ 505,784	\$ 504,281
Financial	677	828
Other	91,949	52,474
Total revenue	<u>598,410</u>	<u>557,583</u>
Expenses		
Administrative	159,478	147,536
Utilities	95,100	99,510
Operating and maintenance	89,554	65,751
Taxes and insurance	103,161	104,415
Interest	43,794	12,502
Supportive services	1,061	-
Depreciation	74,777	82,569
Total expenses	<u>566,925</u>	<u>512,283</u>
Change in net deficit	31,485	45,300
Net Deficit - Beginning	(157,620)	(202,920)
Net Deficit - Ending	<u>\$ (126,135)</u>	<u>\$ (157,620)</u>

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

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

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
Cash Flows from Operating Activities		
Rental receipts	\$ 491,605	\$ 503,580
Interest receipts	263	154
Contribution receipts	470	100
Other operating receipts	9,243	8,870
	501,581	512,704
Administrative	43,733	24,456
Management fees	38,333	37,811
Utilities	95,100	100,237
Salaries and wages	96,508	98,861
Operating and maintenance	63,870	45,904
Real estate taxes	56,730	55,328
Property and liability insurance	8,570	10,838
Miscellaneous taxes and insurance	38,314	40,714
Interest on mortgage	41,212	47,743
	482,370	461,892
Net cash provided by operating activities	19,211	50,812
Cash Flows from Investing Activities		
Net deposits to mortgage escrow account	(11,062)	(2,427)
Net withdrawals from (deposits to) reserve for replacement	(13,957)	2,401
Purchase of fixed assets	(27,470)	(23,143)
	(52,489)	(23,169)
Cash Flows from Financing Activities		
Mortgage principal payments	(103,301)	(96,337)
Net borrowings under loans payable	30,000	-
Net borrowings (repayments) under line-of-credit	7,840	(403)
Other financing activities - interest reduction payments	81,986	82,523
	16,525	(14,217)
Net (decrease) increase in cash and cash equivalents	(16,753)	13,426
Cash and Cash Equivalents:		
Beginning	28,923	15,497
Ending	\$ 12,170	\$ 28,923

(continued)

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

STATEMENTS OF CASH FLOWS (Cont'd)

YEARRS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
Reconciliation of Change in Net Deficit to		
Net Cash Provided by Operating Activities		
Change in net deficit	\$ 31,485	\$ 45,300
Adjustments to reconcile changes on net deficit to net cash provided by operating activities		
Depreciation	74,777	82,569
Interest reduction subsidy	(81,986)	(82,523)
Interest earned on replacement reserve account	(414)	(674)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(14,179)	(851)
Prepaid expenses	1,617	279
Tenant deposits held in trust	(7,115)	1,495
(Decrease) increase in:		
Accounts payable	11,626	6,331
Accrued liabilities	(4,915)	370
Accrued interest payable	1,172	(139)
Tenant deposits held in trust	7,393	(1,495)
Parking deposits	(2,008)	150
Prepaid revenue	1,758	-
	\$ 19,211	\$ 50,812
Net cash provided by operating activities	\$ 19,211	\$ 50,812

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

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business and Significant Accounting Policies

Nature of Organization: Geneva House, Inc. (the “Organization”), is a nonprofit corporation formed under the Non-Profit Corporation Laws of Pennsylvania. Geneva House Apartments (the “Project”) is a 64-unit apartment 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 nonprofit corporation, has approval rights for the Board of Trustee appointments.

Restricted Deposits and Funded Reserves: Escrow deposits represent funds to be used to pay taxes and insurance. The reserve for replacements represents funds held, invested, or transferred to the mortgagee. Disbursements from these reserves require HUD approval.

Fixed Assets: The Organization provides for depreciation of fixed assets using the straight-line method as follows:

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

Impairment: The Organization reviews its long-lived assets for impairment on an exception basis whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through future cash flows. If it is determined that an impairment loss has occurred based on the expected cash flows, a loss is recognized in the statement of activities.

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.

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.

(continued)

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

NOTES TO FINANCIAL STATEMENTS

Accounts Receivable: Tenant receivables are carried at original rental amount less an estimate made for doubtful receivables based on management's review of all outstanding amounts on a regular basis. Management determines the allowance for doubtful accounts by regularly evaluating individual tenant's receivables and considering a tenant's financial condition, credit history and current economic conditions. Management has 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 generally not charged on receivables.

Subsequent Events: Management evaluated subsequent events through April 6, 2010, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2009, but prior to April 6, 2010, that provided additional evidence about conditions that existed at December 31, 2009, have been recognized in the financial statements for the year ended December 31, 2009. Events or transactions that provided evidence about conditions that did not exist at December 31, 2009, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended December 31, 2009.

Tenant Security Deposits: Tenant security deposits are held in a bank trust fund in the name of the Project.

Reclassification: Certain items in the 2008 financial statements have been reclassified to conform with the presentation of the 2009 amounts.

Note 2. Management Fees

The Organization has a contract with Housing Development Corporation of Lancaster County (HDC) beginning June 1, 2009, wherein HDC, agrees to manage and supervise the operations of the Project. For this service, the Organization paid HDC and the previous management company prior to June 1, 2009, 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.

(continued)

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

NOTES TO FINANCIAL STATEMENTS

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. Berkadia Commercial Mortgage is now the servicing agent.

The mortgage has an interest rate of 7%; however, the effective rate was less than 0% due to HUD. Interest reduction payments totaling \$81,986 and \$82,523 were received in 2009 and 2008, respectively.

Remaining maturities of the mortgage note for each of the next four years are as follows:

Year	Amount
2010	110,768
2011	118,778
2012	127,362
2013	44,463
	<u>\$ 401,371</u>

Note 5. Loan payable

In 2009, the Organization borrowed \$30,000 from Presbyterian Senior Living, the parent organization. The loan was paid back subsequent to the year end December 31, 2009.

Note 6. Line-of-Credit

The Organization has a \$200,000 line-of-credit with Penn Security Bank. The line expires on August 12, 2010. The line bears interest at the Bank's base rate, which equals the prime rate. At December 31, 2009 and 2008, the rate was 6.25%.

Note 7. 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).

Note 8. Rent Increases

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

(continued)

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

NOTES TO FINANCIAL STATEMENTS

Note 9. Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis below. Accordingly, certain costs have been allocated among programs and management and general.

	2009	2008
Program services	\$ 510,654	\$ 459,600
Management and general	56,271	52,683
Total expenses	\$ 566,925	\$ 512,283

Note 10. Current Vulnerability due to Certain Concentrations

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

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SUPPLEMENTARY INFORMATION

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

STATEMENT OF FINANCIAL POSITION DATA

DECEMBER 31, 2009

Account Number		
	Current Assets	
1120	Cash - operations	\$ 12,170
1130	Accounts receivable - tenants	1,137
1135	Accounts receivable - other	14,226
1200	Prepaid expenses	863
1100T	Total current assets	<u>28,396</u>
1191	Tenant deposits held in trust	<u>25,903</u>
	Restricted Deposits	
1310	Escrow deposits	28,652
1320	Replacement reserves	121,604
1300T	Total restricted deposits	<u>150,256</u>
	Fixed Assets	
1410	Land	50,000
1420	Building	2,351,004
1441	Furniture for project - tenant use	8,109
1460	Furnishings	48,507
1470	Maintenance equipment	13,696
1400T	Total fixed assets	<u>2,471,316</u>
1495	Less accumulated depreciation	(2,012,971)
1400N	Fixed assets - net	<u>458,345</u>
1000T	Total assets	<u><u>\$ 662,900</u></u>

Account Number			
	Current Liabilities		
2110	Accounts payable	\$	20,881
2120	Accrued expenses		
2121	Wages		1,655
2134	Management fee		4,187
2135	Accrued audit		7,600
2160	Accrued other		7,873
2170	Note payable		139,213
2180	Loan payable		30,000
2190	Mortgage payable - current portion		110,768
2170	Parking deposits		483
2210	Prepaid rent		1,758
2122T	Total current liabilities		<u>324,418</u>
2191	Tenant deposits held in trust		<u>26,181</u>
	Long-term debt		
2320	Mortgage payable - net of current portion		290,603
2325	Flexible subsidy loan payable		117,250
2330	Accrued interest payable - flexible subsidy		30,583
2330T	Total long-term liabilities		<u>438,436</u>
2000T	Total liabilities		<u>789,035</u>
3130	Unrestricted Net Deficit		<u>(126,135)</u>
2033T	Total liabilities and net deficit	\$	<u><u>662,900</u></u>

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

STATEMENT OF ACTIVITIES DATA

YEAR ENDED DECEMBER 31, 2009

Account Number		
	REVENUE	
5120	Rent - gross potential	\$ 288,182
5121	Tenant assistance payments	173,842
5140	Rent - commercial	3,500
5170	Parking spaces	55,877
5194	Retained excess income	2,331
5100T	Total potential rent revenue	523,732
	Vacancies	
5220	Vacancies - apartments	(12,965)
5250	Rental Concessions	(4,983)
5200T	Total vacancies	(17,948)
5152N	Total rental revenue	505,784
5410	Revenue from investments - operations	156
5440	Revenue from investments - reserve for replacements	414
5490	Revenue from investments - security deposits	107
5400T	Total financial revenue	677
5910	Laundry and vending revenue	3,958
5920	Tenant charges	3,277
5920	Interest reduction payments	81,986
5920	Gifts	470
5990	Miscellaneous revenue	2,258
5900T	Total other revenue	91,949
5000T	Total revenue	598,410
	EXPENSES	
6210	Advertising and marketing	2,936
6310	Office salaries	34,087
6311	Office expenses	17,518
6320	Management fee	38,333
6330	Superintendent salaries	36,488
6340	Legal expenses - project	247
6350	Audit expense	9,500
6370	Bad debts	522
6390	Miscellaneous administrative expenses	19,847
6263T	Total administrative expenses	159,478
6450	Electricity	79,043
6451	Water	8,278
6453	Sewer	7,779
6263T	Total utilities expenses	95,100

(continued)

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

STATEMENT OF ACTIVITIES DATA (Cont'd)

YEAR ENDED DECEMBER 31, 2009

Account Number		
	EXPENSES (Continued)	
6510	Payroll	25,684
6515	Supplies	17,528
6520	Contracts	31,259
6525	Garbage and trash removal	5,884
6530	Security contract	2,474
6550	Electrical expense	307
6548	Snow removal	5,156
6570	Vehicle and maintenance equipment operations and repair	729
6590	Miscellaneous operating and maintenance expense	533
6550T	Total operating and maintenance expenses	89,554
6710	Real estate taxes	56,730
6711	Payroll taxes	14,235
6720	Property and liability insurance	10,187
6722	Workmen's compensation	4,175
6723	Health insurance and other employee benefits	17,704
6790	Miscellaneous taxes, licenses, permits and insurance	130
6700T	Total taxes and insurance	103,161
6820	Interest on mortgage payable	32,055
6825	Interest on line of credit	8,496
6830	Interest on notes - long-term	1,173
6850	Mortgage insurance premium	2,070
6800T	Total financial expenses	43,794
6910	Payroll	249
6920	Supplies	655
6925	Training/meals/travel/mileage	157
6900T	Total supportive services	1,061
6000T	Total cost of operations before depreciation	492,148
5060T	Change in net assets before depreciation	106,262
6600	Depreciation	74,777
3250	Change in net deficit	31,485
S1100-050	Net Deficit - Beginning	(157,620)
3130	Net Deficit - Ending	\$ (126,135)
S1000-010	Total mortgage principal payments required during the year	\$ 103,301
S1000-020	Total of 12 monthly deposits during the year into the replacement reserve account, as required by the regulatory agreement	\$ 31,980

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

STATEMENT OF CASH FLOWS DATA

YEAR ENDED DECEMBER 31, 2009

Account Number		
<hr/>		
	Cash Flows from Operating Activities	
S1200-010	Rental receipts	\$ 491,605
S1200-020	Interest receipts	263
S1200-025	Contribution receipts	470
S1200-030	Other operating receipts	9,243
S1200-040	Total receipts	<hr/> 501,581
S1200-050	Administrative	43,733
S1200-070	Management fees	38,333
S1200-090	Utilities	95,100
S1200-100	Salaries and wages	96,508
S1200-110	Operating and maintenance	63,870
S1200-120	Real estate taxes	56,730
S1200-140	Property and liability insurance	8,570
S1200-150	Miscellaneous taxes and insurance	36,244
S1200-190	Interest on notes payable	41,212
S1200-210	Mortgage insurance premium	2,070
S1200-230	Total disbursements	<hr/> 482,370
S1200-240	Net cash provided by operating activities	<hr/> 19,211
	Cash Flows from Investing Activities	
S1200-245	Net deposits into mortgage escrow account	(11,062)
S1200-250	Net deposits into reserve for replacement	(13,957)
S1200-330	Purchase of fixed assets	(27,470)
S1200-350	Net cash used in investing activities	<hr/> (52,489)
	Cash Flows from Financing Activities	
S1200-360	Mortgage principal payments	(103,301)
S1200-370	Net repayments under notes payable	7,840
S1200-380	Borrowings under loan payable	30,000
S1200-450	Other financing activities - interest reduction payments	81,986
S1200-460	Net cash provided by financing activities	<hr/> 16,525
S1200-470	Net decrease in cash and cash equivalents	<hr/> (16,753)
	Cash and Cash Equivalents:	
S1200-480	Beginning	<hr/> 28,923
S1200T	Ending	<hr/> <hr/> \$ 12,170

(continued)

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

STATEMENT OF CASH FLOWS DATA (Cont'd)

YEAR ENDED DECEMBER 31, 2009

Account Number			
	Reconciliation of Change in Net Deficit to		
	Net Cash Provided by Operating Activities		
3250	Change in net deficit	\$	31,485
	Adjustments to reconcile changes in net deficit to net cash provided by operating activities		
	Interest earned on replacement reserve escrow		(414)
6600	Depreciation		74,777
5920	Interest reduction subsidy		(81,986)
	Changes in assets and liabilities:		
	(Increase) decrease in:		
S1200-490	Accounts receivable		(14,179)
S1200-520	Prepaid expenses		1,617
S1200-530	Cash restricted for tenant deposits held in trust		(7,115)
	(Decrease) increase in:		
S1200-540	Accounts payable		11,626
S1200-560	Accrued expenses		(4,915)
S1200-570	Accrued interest		1,172
S1200-580	Tenant deposits held in trust		5,385
S1200-590	Prepaid revenue		1,758
			<hr/>
S1200-610	Net cash provided by operating activities	\$	<u>19,211</u>

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

SCHEDULE OF REPLACEMENT RESERVES

YEAR ENDED DECEMBER 31, 2009

Account Number		
1320P	Balance - January 1, 2009	\$ 107,233
1320DT	Total monthly deposits (\$2,665 per month)	31,980
1320INT	Interest earned	414
1320 OD-020	Other replacement reserve deposits	56
		<u>139,683</u>
1320WT	Withdrawals approved by HUD	<u>18,079</u>
1320	Balance - December 31, 2009	<u><u>\$ 121,604</u></u>

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

COMPUTATION OF SURPLUS CASH - ANNUAL

YEAR ENDED DECEMBER 31, 2009

Account Number		\$	
S1300-010	Cash		38,073
1135	Accounts receivable - HUD		14,226
			52,299
S1300-040	Total cash		52,299
	Current obligations		
S1300-075	Accounts payable due within 30 days		20,881
S1300-100	Accrued expenses		21,315
2191	Tenant security deposits		26,181
S1300-130	Parking deposits		483
2210	Prepaid revenue		1,758
			70,618
S1300-140	Total current obligations		70,618
S1300-150	Surplus cash (deficiency)	\$	(18,319)

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

SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS

YEAR ENDED DECEMBER 31, 2009

Account Number		Beginning Balance	Additions	Deletions	Ending Balance
1410	Land	\$ 50,000	\$ -	\$ -	\$ 50,000
1420	Buildings	2,334,362	16,642	-	2,351,004
1441	Building equipment	-	8,109	-	8,109
1460	Furnishings	45,788	2,719	-	48,507
1470	Maintenance equipment	13,696	-	-	13,696
1400T	Total fixed assets	2,443,846	27,470	-	2,471,316
1495	Accumulated depreciation	1,938,194	74,777	-	2,012,971
1400N	Total net book value				<u><u>\$ 458,345</u></u>

Schedule of Additions to Buildings

<u>Description</u>	<u>Amount</u>
Carpet and flooring	\$ 12,988
Appliances	1,593
Access door panel	2,061
	<u>16,642</u>
	<u><u>\$ 16,642</u></u>

Schedule of Additions to Building Equipment

<u>Description</u>	<u>Amount</u>
Laundry room equipment	\$ 8,109
	<u>8,109</u>

Schedule of Additions to Furnishings

<u>Description</u>	<u>Amount</u>
Computer	\$ 561
TV Stand	1,488
Bookcase	670
	<u>2,719</u>
	<u><u>\$ 2,719</u></u>

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2009

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, 2009	14.103	\$ 401,371
Interest reduction payments received	14.103	81,986
		483,357
2 Operating Assistance for Troubled Multi-Family Housing Projects (Flexible Subsidy Fund)		
Outstanding principal balance - December 31, 2009	14.164	117,250
Accrued interest payable - December 31, 2009	14.164	30,583
		147,833
3 Lower Income Housing Assistance Program Section 8 - Moderate Rehabilitation		
	14.856	156,407
4 Rent Supplements - Rental Housing for Lower Income Families		
	14.149	17,435
Total expenditures of federal awards		\$ 805,032

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, 2009

NOTE 1. GENERAL

The accompanying schedule of expenditures of federal awards reflects the activity of all federal awards programs of Geneva House, Inc., Project No. 034-44815NP.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes 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.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Board of Directors
Geneva House, Inc.
Scranton, Pennsylvania

HUD Field Office Director
Philadelphia, Pennsylvania

We have audited the financial statements of Geneva House, Inc., HUD Project No. 034-44815NP as of and for the year ended December 31, 2009, and have issued our report thereon dated April 6, 2010. 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 as a basis for designing 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 the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

(continued)

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, others within the organization, 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.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
April 6, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Directors
Geneva House, Inc.
Scranton, Pennsylvania

HUD Field Office Director
Philadelphia, Pennsylvania

Compliance

We have audited the compliance of Geneva House, Inc., HUD 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 each of its major federal programs for the year ended December 31, 2009. Geneva House, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs 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 each of its major federal programs for the year ended December 31, 2009.

(continued)

Internal Control Over Compliance

The management of Geneva House, Inc. is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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 A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Geneva House, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, 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.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
April 6, 2010

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2009

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Geneva House, Inc.
2. No material weaknesses relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Geneva House, Inc. were disclosed during the audit.
4. No material weaknesses were identified during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for Geneva House, Inc. expresses an unqualified opinion.
6. There were no audit findings that were required to be reported in accordance with Section 510 (a) of OMB Circular A-133.
7. The program tested as a major program was:

Section 236 Interest Reduction Payments – Rental and Cooperative Housing for Low Income Families (CFDA # 14.103)
8. The threshold for distinguishing between Type A and Type B programs was \$300,000.
9. Geneva House, Inc. qualified as a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

None.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

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

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2009

There were no audit findings for the year ended December 31, 2008.

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

CERTIFICATE OF OFFICERS

YEAR ENDED DECEMBER 31, 2009

We hereby certify that we have examined the accompanying financial statements and supplementary information of Geneva House, Inc. and, to the best of our knowledge and belief, the same is complete and accurate.

Corporate Officers

Date

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

MANAGEMENT AGENT'S CERTIFICATION

YEAR ENDED DECEMBER 31, 2009

We hereby certify that we have examined the accompanying financial statements and supplementary information of Geneva House, Inc. and, to the best of our knowledge and belief, the same is complete and accurate.

Presbyterian Senior Living

Date

BEST PLACES **PA**
to work in
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