

**GENEVA HOUSE, INC.
PROJECT NO. 034-44815NP
FINANCIAL REPORT
WITH SUPPLEMENTARY INFORMATION
AND INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2010 AND 2009**

**GENEVA HOUSE, INC.
PROJECT NO. 034-44815NP
FINANCIAL REPORT
WITH SUPPLEMENTARY INFORMATION
AND INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2010 AND 2009**

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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, 2010 and 2009, and the related statements of activities and cash flows for the years 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 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 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Geneva House, Inc. as of December 31, 2010 and 2009, and the changes in its net deficit 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 March 16, 2011, 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 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 of Geneva House, Inc.. 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
March 16, 2011

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

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2010 AND 2009

ASSETS	2010	2009
Current Assets		
Cash and cash equivalents	\$ 18,444	\$ 12,170
Accounts receivable - tenants	856	1,137
Accounts receivable - HUD	10,385	12,179
Accounts receivable - other	2,047	2,047
Prepaid expenses	2,038	863
Total current assets	33,770	28,396
Noncurrent Assets		
Restricted Deposits		
Replacement reserves	117,830	121,604
Escrow deposits	22,888	28,652
Tenant deposits held in trust	27,923	25,903
Total restricted deposits	168,641	176,159
Fixed Assets		
Land	50,000	50,000
Building and improvements	2,368,944	2,351,004
Furniture and equipment	70,312	70,312
	2,489,256	2,471,316
Less accumulated depreciation	(2,081,648)	(2,012,971)
Fixed assets - net	407,608	458,345
Total assets	\$ 610,019	\$ 662,900

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

LIABILITIES AND NET DEFICIT	2010	2009
Current Liabilities		
Loan payable	\$ 15,000	\$ 30,000
Line-of-credit	139,213	139,213
Current maturities of long-term debt	118,778	110,768
Accounts payable	18,352	20,881
Accrued expenses		
Wages	2,117	1,655
Management fee	3,217	4,187
Audit	10,500	7,600
Other	7,873	7,873
Parking deposits	483	483
Prepaid rent	5,978	1,758
Total current liabilities	321,511	324,418
Noncurrent Liabilities		
Tenant deposits held in trust	27,686	26,181
Long-term debt - net of current maturities		
Mortgage payable	171,825	290,603
Flexible subsidy loan		
Loan payable	117,250	117,250
Accrued interest payable	31,756	30,583
Total liabilities	670,028	789,035
Unrestricted Net Deficit	(60,009)	(126,135)
Total liabilities and net deficit	\$ 610,019	\$ 662,900

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

STATEMENTS OF ACTIVITIES

DECEMBER 31, 2010 AND 2009

	2010	2009
Revenue		
Rent	\$ 537,153	\$ 505,784
Financial	315	677
Other	90,106	91,949
Total revenue	627,574	598,410
Expenses		
Administrative	132,762	159,478
Utilities	122,010	95,100
Operating and maintenance	104,906	89,554
Taxes and insurance	96,759	103,161
Interest	36,334	43,794
Supportive services	-	1,061
Depreciation	68,677	74,777
Total expenses	561,448	566,925
Change in net deficit	66,126	31,485
Net Deficit - Beginning	(126,135)	(157,620)
Net Deficit - Ending	\$ (60,009)	\$ (126,135)

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

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

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Cash Flows from Operating Activities		
Rental receipts	\$ 461,541	\$ 491,605
Interest receipts	43	263
Contribution receipts	-	470
Other operating receipts	90,106	9,243
Total receipts	551,690	501,581
Administrative	40,804	43,733
Management fees	39,028	38,333
Utilities	117,415	95,100
Salaries and wages	122,586	96,508
Operating and maintenance	68,183	63,870
Real estate taxes	57,704	56,730
Property and liability insurance	11,211	8,570
Miscellaneous taxes and insurance	1,047	38,314
Tenant security deposits	18	-
Interest on mortgage	33,180	41,212
Miscellaneous financial expenses	1,752	-
Total disbursements	492,928	482,370
Net cash provided by operating activities	58,762	19,211
Cash Flows from Investing Activities		
Net withdrawals from (deposits to) mortgage escrow account	5,764	(11,062)
Net withdrawals from (deposits to) reserve for replacement	4,046	(13,957)
Purchase of fixed assets	(17,940)	(27,470)
Net cash used in investing activities	(8,130)	(52,489)
Cash Flows from Financing Activities		
Mortgage principal payments	(110,768)	(103,301)
Net borrowings (payments) under loans payable	(15,000)	30,000
Net borrowings under line-of-credit	-	7,840
Other financing activities - interest reduction payments	81,410	81,986
Net cash provided by (used in) financing activities	(44,358)	16,525
Net (decrease) increase in cash and cash equivalents	6,274	(16,753)
Cash and Cash Equivalents:		
Beginning	12,170	28,923
Ending	\$ 18,444	\$ 12,170

(continued)

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

STATEMENTS OF CASH FLOWS (Cont'd)

YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Reconciliation of Change in Net Deficit to		
Net Cash Provided by Operating Activities		
Change in net deficit	\$ 66,126	\$ 31,485
Adjustments to reconcile change in net deficit to net cash provided by operating activities		
Depreciation	68,677	74,777
Interest reduction subsidy	(81,410)	(81,986)
Interest earned on replacement reserve account	(272)	(414)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable - tenants	281	47
Accounts receivable - HUD	1,794	(12,179)
Accounts receivable - other	-	(2,047)
Prepaid expenses	(1,175)	1,617
Tenant deposits held in trust	(2,020)	(7,115)
(Decrease) increase in:		
Accounts payable	(2,529)	11,626
Accrued liabilities	2,392	(4,915)
Accrued interest payable	1,173	1,172
Tenant deposits held in trust	1,505	7,393
Parking deposits	-	(2,008)
Prepaid rent	4,220	1,758
	\$ 58,762	\$ 19,211
Net cash provided by operating activities	\$ 58,762	\$ 19,211

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 or declining balance methods 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. The Organization adheres to the provisions of Financial Accounting Standards Board Codification 740, Income Taxes. ASC 740 prescribes a comprehensive model for financial statement recognition, measurement, classification and disclosure of uncertain tax positions. The Organization has concluded that it does not have any uncertain tax positions that require recognition or disclosure in the financial statements.

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.

(continued)

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

NOTES TO FINANCIAL STATEMENTS

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.

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.

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

Subsequent Events: Management evaluated subsequent events through March 16, 2011, the date the financial statements were available to be issued.

Reclassification: Certain items in the 2009 financial statements have been reclassified to conform with the presentation of the 2010 amounts.

Note 2. Management Fees

The Organization has a contract with Housing Development Corporation MidAtlantic (HDC) beginning June 1, 2009, wherein HDC, agrees to manage and supervise the operations of the Project. Management fees were calculated at 7.43% in 2010 and 7.5% in 2009 of allowable rental collections, capped at \$3,184 per month. Management fee expense was \$38,208 and \$38,333 in 2010 and 2009, respectively.

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 in September 2013 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 interest reduction payments received from HUD. Interest reduction payments totaling \$81,410 and \$81,986 were received in 2010 and 2009, respectively.

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

Year	Amount
2011	\$ 118,778
2012	127,362
2013	161,713
	<u>\$ 407,853</u>

Note 5. Loan payable

In 2009, the Organization borrowed \$30,000 from Presbyterian Senior Living, the parent organization. The outstanding loan balance at December 31, 2010 and 2009, was \$15,000 and \$30,000.

Note 6. Line-of-Credit

The Organization has a \$200,000 line-of-credit with Penn Security Bank. The line expires on August 12, 2011. The line bears interest at the Bank's base rate, which equals the prime rate. At December 31, 2010 and 2009, the rate was 6.25%. The outstanding balance on the line-of-credit was \$139,213 at December 31, 2010 and 2009.

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.

	2010	2009
Program services	\$ 522,061	\$ 510,654
Management and general	39,387	56,271
Total expenses	\$ 561,448	\$ 566,925

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, 2010

Account Number			
	Current Assets		
1120	Cash - operations	\$	18,444
1130	Accounts receivable - tenants		856
1135	Accounts receivable - HUD		10,385
1140	Accounts receivable - other		2,047
1200	Prepaid expenses		2,038
1100T	Total current assets		<u>33,770</u>
1191	Tenant deposits held in trust		<u>27,923</u>
	Restricted Deposits		
1310	Escrow deposits		22,888
1320	Replacement reserves		117,830
1300T	Total restricted deposits		<u>140,718</u>
	Fixed Assets		
1410	Land		50,000
1420	Building		2,368,944
1441	Furniture for project - tenant use		8,109
1460	Furnishings		48,507
1470	Maintenance equipment		13,696
1400T	Total fixed assets		<u>2,489,256</u>
1495	Less accumulated depreciation		<u>(2,081,648)</u>
1400N	Fixed assets - net		<u>407,608</u>
1000T	Total assets	\$	<u><u>610,019</u></u>

Account Number			
	Current Liabilities		
2110	Accounts payable	\$	18,352
2120	Accrued expenses		
2121	Wages		2,117
2134	Management fee		3,217
2135	Accrued audit		10,500
2160	Accrued other		7,873
2170	Note payable		139,213
2180	Loan payable		15,000
2190	Mortgage payable - current portion		118,778
2170	Parking deposits		483
2210	Prepaid rent		5,978
2122T	Total current liabilities		<u>321,511</u>
2191	Tenant deposits held in trust		<u>27,686</u>
	Long-term debt		
2320	Mortgage payable - net of current portion		171,825
2325	Flexible subsidy loan payable		117,250
2330	Accrued interest payable - flexible subsidy		31,756
2300T	Total long-term liabilities		<u>320,831</u>
2000T	Total liabilities		<u>670,028</u>
3131	Unrestricted Net Deficit		<u>(60,009)</u>
2033T	Total liabilities and net deficit	\$	<u><u>610,019</u></u>

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

STATEMENT OF ACTIVITIES DATA

DECEMBER 31, 2010

Account Number		
	REVENUE	
5120	Rent - gross potential	\$ 282,507
5121	Tenant assistance payments	197,581
5170	Parking spaces	57,805
5193	Special claims revenue	773
5100T	Total potential rent revenue	538,666
	Vacancies	
5220	Vacancies - apartments	(1,272)
5250	Rental Concessions	(241)
5200T	Total vacancies	(1,513)
5152N	Total rental revenue	537,153
5440	Revenue from investments - reserve for replacements	272
5490	Revenue from investments - security deposits	43
5400T	Total financial revenue	315
5910	Laundry and vending revenue	2,606
5920	Tenant charges	1,886
5920	Interest reduction payments	81,410
5990	Miscellaneous revenue	4,204
5900T	Total other revenue	90,106
5000T	Total revenue	627,574
	EXPENSES	
6210	Advertising and marketing	3,431
6310	Office salaries	15,372
6311	Office expenses	12,692
6320	Management fee	38,208
6330	Manager salaries	37,197
6350	Audit expense	14,500
6351	Bookkeeping fees/accounting services	4,608
6390	Miscellaneous administrative expenses	6,754
6263T	Total administrative expenses	132,762
6450	Electricity	102,853
6451	Water	10,667
6453	Sewer	8,490
6263T	Total utilities expenses	122,010

(continued)

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

STATEMENT OF ACTIVITIES DATA (Cont'd)

DECEMBER 31, 2010

Account Number		
	EXPENSES (Continued)	
6510	Payroll	34,705
6515	Supplies	460
6520	Contracts	53,611
6525	Garbage and trash removal	5,305
6530	Security contract	3,944
6546	Heating/cooling repairs and maintenance	1,281
6548	Snow removal	3,577
6570	Vehicle and maintenance equipment operations and repair	428
6590	Miscellaneous operating and maintenance expense	1,595
6550T	Total operating and maintenance expenses	104,906
6710	Real estate taxes	57,704
6711	Payroll taxes	7,275
6720	Property and liability insurance	8,891
6722	Workmen's compensation	2,865
6723	Health insurance and other employee benefits	18,977
6790	Miscellaneous taxes, licenses, permits and insurance	1,047
6700T	Total taxes and insurance	96,759
6820	Interest on mortgage payable	24,587
6825	Interest on line of credit	8,822
6830	Interest on notes - long-term	1,173
6850	Mortgage insurance premium	1,752
6800T	Total financial expenses	36,334
6000T	Total cost of operations before depreciation	492,771
5060T	Profit before depreciation	134,803
6600	Depreciation	68,677
5060N	Operating profit	66,126
3247	Change in unrestricted net assets from operations	66,126
3250	Change in total net assets from operations	\$ 66,126
S1000-010	Total mortgage principal payments required during the year	\$ 110,768
S1000-020	Total of 12 monthly deposits during the year into the replacement reserve account, as required by the regulatory agreement	\$ 32,364

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

STATEMENT OF CASH FLOWS DATA

DECEMBER 31, 2010

Account Number		
<hr/>		
	Cash Flows from Operating Activities	
S1200-010	Rental receipts	\$ 461,541
S1200-020	Interest receipts	43
S1200-030	Other operating receipts	90,106
S1200-040	Total receipts	<u>551,690</u>
S1200-050	Administrative	40,804
S1200-070	Management fees	39,028
S1200-090	Utilities	117,415
S1200-100	Salaries and wages	122,586
S1200-110	Operating and maintenance	68,183
S1200-120	Real estate taxes	57,704
S1200-140	Property and liability insurance	11,211
S1200-150	Miscellaneous taxes and insurance	1,047
S1200-160	Tenant security deposits	18
S1200-190	Interest on notes payable	33,180
S1200-220	Miscellaneous financial expenses	1,752
S1200-230	Total disbursements	<u>492,928</u>
S1200-240	Net cash provided by operating activities	<u>58,762</u>
	Cash Flows from Investing Activities	
S1200-245	Net deposits into mortgage escrow account	5,764
S1200-250	Net deposits into reserve for replacement	4,046
S1200-330	Purchase of fixed assets	<u>(17,940)</u>
S1200-350	Net cash used in investing activities	<u>(8,130)</u>
	Cash Flows from Financing Activities	
S1200-360	Mortgage principal payments	(110,768)
S1200-370	Net repayments under notes payable	(15,000)
S1200-450	Other financing activities - interest reduction payments	81,410
S1200-460	Net cash used in financing activities	<u>(44,358)</u>
S1200-470	Net increase in cash and cash equivalents	<u>6,274</u>
	Cash and Cash Equivalents:	
S1200-480	Beginning	<u>12,170</u>
S1200T	Ending	<u><u>\$ 18,444</u></u>

(continued)

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

STATEMENT OF CASH FLOWS DATA (Cont'd)

DECEMBER 31, 2010

Account Number			
	Reconciliation of Change in Net Deficit to		
	Net Cash Provided by Operating Activities		
3250	Change in net deficit	\$	66,126
	Adjustments to reconcile changes in net deficit to net cash provided by operating activities		
5440	Interest earned on replacement reserve escrow		(272)
6600	Depreciation		68,677
5920	Interest reduction subsidy		(81,410)
	Changes in assets and liabilities:		
	(Increase) decrease in:		
S1200-490	Accounts receivable		2,075
S1200-520	Prepaid expenses		(1,175)
S1200-530	Cash restricted for tenant deposits held in trust		(2,020)
	(Decrease) increase in:		
S1200-540	Accounts payable		(2,529)
S1200-560	Accrued expenses		2,392
S1200-570	Accrued interest		1,173
S1200-580	Tenant deposits held in trust		1,505
S1200-590	Prepaid rent		4,220
			<hr/>
S1200-610	Net cash provided by operating activities	\$	<u>58,762</u>

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

SCHEDULE OF REPLACEMENT RESERVES

DECEMBER 31, 2010

Account Number		
1320P	Balance - January 1, 2010	\$ 121,604
1320DT	Total monthly deposits (\$2,665 per month, January - August)	21,320
1320DT	Total monthly deposits (\$2,761 per month, September - December)	11,044
1320INT	Interest earned	272
		<u>154,240</u>
1320WT	Withdrawals approved by HUD	36,341
1320OWT	Other withdrawals - bank service fees	69
		<u>69</u>
1320	Balance - December 31, 2010	<u><u>\$ 117,830</u></u>

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

COMPUTATION OF SURPLUS CASH - ANNUAL

DECEMBER 31, 2010

Account Number			
S1300-010	Cash	\$	46,367
1135	Accounts receivable - HUD		10,385
			56,752
S1300-040	Total cash		56,752
	Current obligations		
S1300-075	Accounts payable due within 30 days		18,352
S1300-100	Accrued expenses		23,707
2191	Tenant security deposits		27,686
S1300-130	Parking deposits		483
2210	Prepaid revenue		5,978
			76,206
S1300-140	Total current obligations		76,206
S1300-150	Surplus cash (deficiency)	\$	(19,454)

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

SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS

DECEMBER 31, 2010

Account Number		Beginning Balance	Additions	Deletions	Ending Balance
1410	Land	\$ 50,000	\$ -	\$ -	\$ 50,000
1420	Buildings	2,351,004	17,940	-	2,368,944
1441	Building equipment	8,109	-	-	8,109
1460	Furnishings	48,507	-	-	48,507
1470	Maintenance equipment	13,696	-	-	13,696
1400T	Total fixed assets	2,471,316	17,940	-	2,489,256
1495	Accumulated depreciation	2,012,971	68,677	-	2,081,648
1400N	Total net book value				<u><u>\$ 407,608</u></u>

Schedule of Additions to Buildings

<u>Description</u>	<u>Amount</u>
Brick and mortar repair	\$ 1,750
Concrete repair	16,190
	<u><u>\$ 17,940</u></u>

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

DECEMBER 31, 2010

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, 2010	14.103	\$ 290,603
Interest reduction payments received	14.103	81,410
		372,013
2 Operating Assistance for Troubled Multi-Family Housing Projects (Flexible Subsidy Fund)		
Outstanding principal balance - December 31, 2010	14.164	117,250
Accrued interest payable - December 31, 2010	14.164	31,756
		149,006
3 Lower Income Housing Assistance Program Section 8 - Moderate Rehabilitation		
	14.856	182,416
4 Rent Supplements - Rental Housing for Lower Income Families		
	14.149	15,165
Total expenditures of federal awards		\$ 718,600

See Notes to Schedule of Expenditures of Federal Awards.

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2010

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, 2010, and have issued our report thereon dated March 16, 2011. 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 Organization'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
March 16, 2011

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
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 Geneva House, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Geneva House, Inc.'s major federal programs for the year ended December 31, 2010. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

(continued)

Internal Control Over Compliance

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 to determine the 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 U.S. 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
March 16, 2011

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2010

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 were identified during the audit of the financial statements.
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, 2010

There were no audit findings for the year ended December 31, 2009.

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

CERTIFICATE OF OFFICERS

YEAR ENDED DECEMBER 31, 2010

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, 2010

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
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