

**GENEVA HOUSE, INC.  
PROJECT NO. 034-44815NP  
FINANCIAL REPORT  
WITH SUPPLEMENTARY INFORMATION  
AND INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2011 AND 2010**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Geneva House, Inc.  
Scranton, Pennsylvania

We have audited the accompanying statements of financial position of Geneva House, Inc. (a nonprofit Organization), HUD Project No. 034-44815NP, as of December 31, 2011 and 2010, 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 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, 2011 and 2010, and the changes in its net assets (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 12, 2012, 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 financial statements as a whole. The accompanying supplementary information shown on pages 13 through 21 is presented for the purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*McKonly & Asbury, LLP*

Camp Hill, Pennsylvania  
March 12, 2012

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

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2011 AND 2010

<b>ASSETS</b>	2011	2010
<b>Current Assets</b>		
Cash and cash equivalents	\$ 37,370	\$ 18,444
Accounts receivable - tenants	862	856
Accounts receivable - HUD	8,181	10,385
Accounts receivable - other	246	2,047
Prepaid expenses	572	2,038
<b>Total current assets</b>	<b>47,231</b>	<b>33,770</b>
<b>Noncurrent Assets</b>		
Restricted Deposits		
Replacement reserves	122,138	117,830
Escrow deposits	26,826	22,888
Tenant deposits held in trust	26,158	27,923
<b>Total restricted deposits</b>	<b>175,122</b>	<b>168,641</b>
<b>Fixed Assets</b>		
Land	50,000	50,000
Building and improvements	2,431,577	2,368,944
Furniture and equipment	114,682	70,312
Construction in progress	500,000	-
	3,096,259	2,489,256
Less accumulated depreciation	(2,161,462)	(2,081,648)
<b>Fixed assets - net</b>	<b>934,797</b>	<b>407,608</b>
<b>Total assets</b>	<b>\$ 1,157,150</b>	<b>\$ 610,019</b>

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

<b>LIABILITIES AND NET ASSETS</b>	2011	2010
<b>Current Liabilities</b>		
Accounts payable	\$ 519,550	\$ 18,352
Accounts payable - related party	109,044	15,000
Accrued expenses		
Wages	1,903	2,117
Management fee	3,310	3,217
Audit	8,600	10,500
Other	7,873	7,873
Accrued interest	25	483
Current maturities of long-term debt	127,362	118,778
Line-of-credit	7,013	139,213
Prepaid rent	2,176	5,978
<b>Total current liabilities</b>	<b>786,856</b>	<b>321,511</b>
<b>Noncurrent Liabilities</b>		
Tenant deposits held in trust	26,045	27,686
Long-term debt - net of current maturities		
Mortgage payable	44,465	171,825
Loan payable - related party	129,000	-
Flexible subsidy loan	117,250	117,250
Accrued interest payable	32,928	31,756
<b>Total liabilities</b>	<b>1,136,544</b>	<b>670,028</b>
Unrestricted Net Assets (Deficit)	20,606	(60,009)
<b>Total liabilities and net assets</b>	<b>\$ 1,157,150</b>	<b>\$ 610,019</b>

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

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
<b>Revenue</b>		
Rent	\$ 544,098	\$ 537,153
Financial	195	315
Other	90,550	90,106
<b>Total revenue</b>	634,843	627,574
<b>Expenses</b>		
Administrative	126,832	132,762
Utilities	116,856	122,010
Operating and maintenance	115,557	104,906
Taxes and insurance	90,465	96,759
Interest	24,675	36,334
Supportive services	29	-
Depreciation	79,814	68,677
<b>Total expenses</b>	554,228	561,448
 <b>Change in net assets</b>	 80,615	 66,126
 Net Assets (Deficit) - Beginning	 (60,009)	 (126,135)
Net Assets (Deficit) - Ending	\$ 20,606	\$ (60,009)

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, 2011 AND 2010

	2011	2010
<b>Cash Flows from Operating Activities</b>		
Rental receipts	\$ 461,786	\$ 461,541
Interest receipts	28	43
Other operating receipts	92,351	90,106
<b>Total receipts</b>	<b>554,165</b>	<b>551,690</b>
Administrative	33,674	40,804
Management fees	38,208	39,028
Utilities	116,809	117,415
Salaries and wages	116,750	122,586
Operating and maintenance	77,853	68,183
Real estate taxes	55,552	57,704
Property and liability insurance	8,341	11,211
Miscellaneous taxes and insurance	975	1,047
Tenant security deposits	(39)	18
Interest on mortgage	22,537	33,180
Supportive services	29	-
Miscellaneous financial expenses	1,179	1,752
<b>Total disbursements</b>	<b>471,868</b>	<b>492,928</b>
<b>Net cash provided by operating activities</b>	<b>82,297</b>	<b>58,762</b>
<b>Cash Flows from Investing Activities</b>		
Net withdrawals from (deposits to) mortgage escrow account	(3,938)	5,764
Net withdrawals from (deposits to) reserve for replacement	(4,141)	4,046
Purchase of fixed assets	(14,109)	(17,940)
<b>Net cash used in investing activities</b>	<b>(22,188)</b>	<b>(8,130)</b>
<b>Cash Flows from Financing Activities</b>		
Mortgage principal payments	(118,776)	(110,768)
Net borrowings (payments) under loans payable	129,000	(15,000)
Net payments under line-of-credit	(132,200)	-
Other financing activities - interest reduction payments	80,793	81,410
<b>Net cash used in financing activities</b>	<b>(41,183)</b>	<b>(44,358)</b>
<b>Net increase in cash and cash equivalents</b>	<b>18,926</b>	<b>6,274</b>
<b>Cash and Cash Equivalents:</b>		
Beginning	18,444	12,170
Ending	(continued) \$ 37,370	\$ 18,444



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

STATEMENTS OF CASH FLOWS (Cont'd)

YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
<hr/>		
Reconciliation of Change in Net Assets (Deficit) to		
Net Cash Provided by Operating Activities		
Change in net assets (deficit)	\$ 80,615	\$ 66,126
Adjustments to reconcile change in net assets (deficit)		
to net cash provided by operating activities		
Depreciation	79,814	68,677
Interest reduction subsidy	(80,793)	(81,410)
Interest earned on replacement reserve account	(167)	(272)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable - tenants	(6)	281
Accounts receivable - HUD	2,204	1,794
Accounts receivable - other	1,801	-
Prepaid expenses	1,466	(1,175)
Tenant deposits held in trust	1,765	(2,020)
(Decrease) increase in:		
Accounts payable	2,348	(2,529)
Accrued expenses	(2,021)	2,392
Accrued interest payable	714	1,173
Tenant deposits held in trust	(1,641)	1,505
Prepaid rent	(3,802)	4,220
	<hr/>	<hr/>
<b>Net cash provided by operating activities</b>	<b>\$ 82,297</b>	<b>\$ 58,762</b>
	<hr/> <hr/>	<hr/> <hr/>
Supplemental schedule of noncash investing activities		
Total purchase of fixed assets	\$ 607,003	
Increase in accounts payable	(592,894)	
	<hr/>	
Total cash paid for fixed assets	<b>\$ 14,109</b>	
	<hr/> <hr/>	

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. Management believes it is no longer subject to income tax examinations for years prior to 2008.

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 12, 2012, the date the financial statements were available to be issued.

Reclassification: Certain items in the 2010 financial statements have been reclassified to conform with the presentation of the 2011 amounts.

**Note 2. 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.

**Note 3. 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 remaining principal balance on the mortgage at December 31, 2011 and 2010, was \$171,827 and \$290,603, respectively.

(continued)

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

NOTES TO FINANCIAL STATEMENTS

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 \$80,793 and \$81,410 were received in 2011 and 2010, respectively.

Current maturities of the flexible subsidy and mortgage payable for each of the remaining two years are as follows:

Year	Amount
2012	\$ 127,362
2013	161,715
	<hr/>
	\$ 289,077

**Note 4. Accounts and Loan payable – related party**

The Organization receives cash advances from PHI for operating related expenses of the Project. As of December 31, 2011 and 2010, total advances due to PHI of \$109,044 and \$15,000 were included in accounts payable – related party.

The Organization entered into a loan agreement with PHI during the year ended December 31, 2011, in order to make a payment on the line-of-credit. Beginning on January 1, 2013, the loan will accrue interest at a rate of 4% per annum, until January 31, 2015, when the rate will be computed at a variable rate equal to LIBOR plus 2%. All outstanding amounts, including accrued interest, are due to PHI on January 31, 2035. The outstanding balance on the loan was \$129,000 and zero at December 31, 2011 and 2010.

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

The Organization has a \$200,000 line-of-credit with Penn Security Bank. The line expires on August 12, 2012. The line bears interest at the Bank's base rate, which equals the prime rate. At December 31, 2011 and 2010, the rate was 6.25%. The outstanding balance on the line-of-credit was \$7,013 and \$139,213 at December 31, 2011 and 2010.

**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).

(continued)

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

NOTES TO FINANCIAL STATEMENTS

**Note 7. Rent Increases**

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

**Note 8. Management Fees**

The Organization has a contract with Housing Development Corporation MidAtlantic (HDC) which began June 1, 2009, wherein HDC agrees to manage and supervise the operations of the Project. Management fees were calculated at 7.43% in 2011 and 2010 of allowable rental collections, capped at \$3,184 per month. Management fee expense was \$38,208 in 2011 and 2010.

**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.

	2011	2010
Program services	\$ 520,016	\$ 522,061
Management and general	34,212	39,387
Total expenses	<u>\$ 554,228</u>	<u>\$ 561,448</u>

**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.

**Note 11. Subsequent Events**

The Organization began the process of completing a smart rehabilitation of the Project during the year ended December 31, 2011. Funding for the rehabilitation is being provided by PHI in the form of loan agreements. Subsequent to year end, the Organization entered into a loan agreement with PHI in the amount of \$500,000 in order to pay an outstanding contractor invoice for services performed through December 31, 2011. This amount was included in construction in progress and accounts payable at December 31, 2011. Additional amounts are expected to be received from PHI related to the smart rehabilitation project.

## **SUPPLEMENTARY INFORMATION**

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

STATEMENT OF FINANCIAL POSITION DATA

DECEMBER 31, 2011

Account Number			
	<b>Current Assets</b>		
1120	Cash - operations	\$	37,370
1130	Accounts receivable - tenants		862
1135	Accounts receivable - HUD		8,181
1140	Accounts receivable - other		246
1200	Prepaid expenses		572
1100T	<b>Total current assets</b>		<u>47,231</u>
1191	Tenant deposits held in trust		<u>26,158</u>
	<b>Restricted Deposits</b>		
1310	Escrow deposits		26,826
1320	Replacement reserves		122,138
1300T	<b>Total restricted deposits</b>		<u>148,964</u>
	<b>Fixed Assets</b>		
1410	Land		50,000
1420	Building		2,431,577
1450	Furniture for project - tenant use		8,109
1460	Furnishings		92,877
1470	Maintenance equipment		13,696
1490	Construction in progress		500,000
1400T	<b>Total fixed assets</b>		<u>3,096,259</u>
1495	Less accumulated depreciation		(2,161,462)
1400N	<b>Fixed assets - net</b>		<u>934,797</u>
1000T	<b>Total assets</b>	\$	<u><u>1,157,150</u></u>

Account Number			
	<b>Current Liabilities</b>		
2110	Accounts payable	\$	519,550
2110	Accounts payable - related party		109,044
2120	Accrued wages		1,903
2123	Accrued management fee		3,310
2134	Accrued interest		25
2170	Mortgage payable - current portion		127,362
2174	Line of credit		7,013
2190	Accrued audit		8,600
2190	Accrued other		7,873
2210	Prepaid rent		2,176
2122T	<b>Total current liabilities</b>		<u>786,856</u>
2191	Tenant deposits held in trust		<u>26,045</u>
	<b>Long-term debt</b>		
2320	Mortgage payable - net of current portion		44,465
2324	Loan payable - related party		129,000
2325	Flexible subsidy loan payable		117,250
2330	Accrued interest payable - flexible subsidy		32,928
2300T	<b>Total long-term liabilities</b>		<u>323,643</u>
2000T	<b>Total liabilities</b>		<u>1,136,544</u>
3131	Unrestricted Net Deficit		20,606
2033T	<b>Total liabilities and net deficit</b>	\$	<u><u>1,157,150</u></u>



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

STATEMENT OF ACTIVITIES DATA

YEAR ENDED DECEMBER 31, 2011

Account Number		
	<b>REVENUE</b>	
5120	Rent - gross potential	\$ 288,438
5121	Tenant assistance payments	199,352
5170	Parking spaces	61,223
5193	Special claims revenue	748
5100T	<b>Total potential rent revenue</b>	549,761
	Vacancies	
5220	Vacancies - apartments	(5,563)
5250	Rental Concessions	(100)
5200T	<b>Total vacancies</b>	(5,663)
5152N	<b>Total rental revenue</b>	544,098
5440	Revenue from investments - reserve for replacements	167
5490	Revenue from investments - security deposits	28
5400T	<b>Total financial revenue</b>	195
5910	Laundry and vending revenue	3,412
5920	Tenant charges	1,771
5920	Interest reduction payments	80,793
5990	Miscellaneous revenue	4,574
5900T	<b>Total other revenue</b>	90,550
5000T	<b>Total revenue</b>	634,843
	<b>EXPENSES</b>	
6210	Advertising and marketing	2,884
6310	Office salaries	14,837
6311	Office expenses	10,235
6320	Management fee	38,208
6330	Manager salaries	38,594
6340	Legal expenses - project	132
6350	Audit expense	10,600
6351	Bookkeeping fees/accounting services	4,608
6370	Bad debts	2,568
6390	Miscellaneous administrative expenses	4,166
6263T	<b>Total administrative expenses</b>	126,832
6450	Electricity	97,251
6451	Water	11,118
6453	Sewer	8,487
6263T	<b>Total utilities expenses</b>	116,856

(continued)

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

STATEMENT OF ACTIVITIES DATA (Cont'd)

YEAR ENDED DECEMBER 31, 2011

Account Number		
	<b>EXPENSES (Continued)</b>	
6510	Payroll	37,986
6515	Supplies	1,026
6520	Contracts	62,378
6525	Garbage and trash removal	5,469
6530	Security contract	1,764
6546	Heating/cooling repairs and maintenance	509
6548	Snow removal	4,612
6552	Plumbing Expense	363
6570	Vehicle and maintenance equipment operations and repair	1,024
6590	Miscellaneous operating and maintenance expense	426
6550T	<b>Total operating and maintenance expenses</b>	115,557
6710	Real estate taxes	55,552
6711	Payroll taxes	7,719
6720	Property and liability insurance	8,587
6722	Workmen's compensation	2,464
6723	Health insurance and other employee benefits	15,168
6790	Miscellaneous taxes, licenses, permits and insurance	975
6700T	<b>Total taxes and insurance</b>	90,465
6820	Interest on mortgage payable	16,579
6825	Interest on line of credit	5,744
6830	Interest on notes - long-term	1,173
6850	Mortgage insurance premium	1,179
6800T	<b>Total financial expenses</b>	24,675
6910	Payroll	29
6900T	<b>Total supportive services</b>	29
6000T	<b>Total cost of operations before depreciation</b>	474,414
5060T	<b>Profit before depreciation</b>	160,429
6600	Depreciation	79,814
5060N	<b>Operating profit</b>	80,615
3247	Change in unrestricted net assets from operations	80,615
3250	Change in total net assets from operations	\$ 80,615
S1000-010	Total mortgage principal payments required during the year	\$ 118,776
S1000-020	Total of 12 monthly deposits during the year into the replacement reserve account, as required by the regulatory agreement	\$ 33,131
S1000-030	Replacement or painting reserve releases which are included as expense items on this profit and loss statement.	\$ 21,673

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

STATEMENT OF CASH FLOWS DATA

YEAR ENDED DECEMBER 31, 2011

Account Number		
<hr/>		
	Cash Flows from Operating Activities	
S1200-010	Rental receipts	\$ 461,786
S1200-020	Interest receipts	28
S1200-030	Other operating receipts	92,351
S1200-040	<b>Total receipts</b>	<hr/> 554,165
S1200-050	Administrative	33,674
S1200-070	Management fees	38,208
S1200-090	Utilities	116,809
S1200-100	Salaries and wages	116,750
S1200-110	Operating and maintenance	77,853
S1200-120	Real estate taxes	55,552
S1200-140	Property and liability insurance	8,341
S1200-150	Miscellaneous taxes and insurance	975
S1200-160	Tenant security deposits	(39)
S1200-170	Supportive services	29
S1200-190	Interest on notes payable	22,537
S1200-220	Miscellaneous financial expenses	1,179
S1200-230	<b>Total disbursements</b>	<hr/> 471,868
S1200-240	<b>Net cash provided by operating activities</b>	<hr/> 82,297
	Cash Flows from Investing Activities	
S1200-245	Net deposits into mortgage escrow account	(3,938)
S1200-250	Net deposits into reserve for replacement	(4,141)
S1200-330	Purchase of fixed assets	(14,109)
S1200-350	<b>Net cash used in investing activities</b>	<hr/> (22,188)
	Cash Flows from Financing Activities	
S1200-360	Mortgage principal payments	(118,776)
S1200-365	Net payments under line-of-credit	(132,200)
S1200-370	Net borrowings under notes payable	129,000
S1200-450	Other financing activities - interest reduction payments	80,793
S1200-460	<b>Net cash provided by financing activities</b>	<hr/> (41,183)
S1200-470	<b>Net increase in cash and cash equivalents</b>	<hr/> 18,926
	Cash and Cash Equivalents:	
S1200-480	Beginning	<hr/> 18,444
S1200T	Ending	<hr/> <hr/> \$ 37,370

(continued)

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

STATEMENT OF CASH FLOWS DATA (Cont'd)

YEAR ENDED DECEMBER 31, 2011

Account Number			
	Reconciliation of Change in Net Assets (Deficit) to		
	Net Cash Provided by Operating Activities		
3250	Change in net assets (deficit)	\$	80,615
	Adjustments to reconcile changes in net assets (deficit) to net cash provided by operating activities		
5440	Interest earned on replacement reserve escrow		(167)
6600	Depreciation		79,814
5920	Interest reduction subsidy		(80,793)
	Changes in assets and liabilities:		
	(Increase) decrease in:		
S1200-490	Accounts receivable		2,198
S1200-500	Accounts receivable - other		1,801
S1200-520	Prepaid expenses		1,466
S1200-530	Cash restricted for tenant deposits held in trust		1,765
	(Decrease) increase in:		
S1200-540	Accounts payable		2,348
S1200-560	Accrued expenses		(2,021)
S1200-570	Accrued interest		714
S1200-580	Tenant deposits held in trust		(1,641)
S1200-590	Prepaid rent		(3,802)
			<hr/>
S1200-610	<b>Net cash provided by operating activities</b>	<b>\$</b>	<b><u><u>82,297</u></u></b>

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

SCHEDULE OF REPLACEMENT RESERVES

YEAR ENDED DECEMBER 31, 2011

Account Number		
1320P	Balance - January 1, 2011	\$ 117,830
1320DT	Total monthly deposits	33,131
1320INT	Interest earned	167
		<u>151,128</u>
1320WT	Withdrawals approved by HUD	28,948
1320OWT	Other withdrawals - bank service fees	42
		<u>42</u>
1320	Balance - December 31, 2011	<u><u>\$ 122,138</u></u>

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

COMPUTATION OF SURPLUS CASH - ANNUAL

YEAR ENDED DECEMBER 31, 2011

Account Number		
S1300-010	Cash	\$ 63,528
1135	Accounts receivable - HUD	8,181
		8,181
S1300-040	<b>Total cash</b>	71,709
	Current obligations	
S1300-070	Delinquent deposits to reserve for replacements	199
S1300-075	Accounts payable due within 30 days	128,594
S1300-100	Accrued expenses	21,686
2191	Tenant security deposits	26,045
S1300-110	Parking deposits	25
2210	Prepaid revenue	2,176
		2,176
S1300-140	<b>Total current obligations</b>	178,725
S1300-150	<b>Surplus cash (deficiency)</b>	\$ (107,016)

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

SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS

YEAR ENDED DECEMBER 31, 2011

Account Number		Beginning Balance	Additions	Deletions	Ending Balance
1410	Land	\$ 50,000	\$ -	\$ -	\$ 50,000
1420	Buildings	2,368,944	62,633	-	2,431,577
1441	Building equipment	8,109	-	-	8,109
1460	Furnishings	48,507	44,370	-	92,877
1470	Maintenance equipment	13,696	-	-	13,696
1490	Construction in progress	-	500,000	-	500,000
1400T	<b>Total fixed assets</b>	2,489,256	607,003	-	3,096,259
1495	Accumulated depreciation	2,081,648	79,814	-	2,161,462
1400N	<b>Total net book value</b>				<u><u>\$ 934,797</u></u>

*Schedule of Additions to Buildings*

<u>Description</u>	<u>Amount</u>
Doors	\$ 2,825
Repaint masonry	4,450
PTAC units	3,325
Flooring	7,684
Interior renovation	44,349
	<u><u>\$ 62,633</u></u>

*Schedule of Additions to Construction in Progress*

<u>Description</u>	<u>Amount</u>
Smart rehab work	<u><u>\$ 500,000</u></u>

*Schedule of Additions to Furnishings*

<u>Description</u>	<u>Amount</u>
Copier	\$ 3,510
Furniture	40,860
	<u><u>\$ 44,370</u></u>

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2011

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 (Section 236)		
Outstanding mortgage balance	14.103	\$ 171,827
Interest reduction payments received	14.103	<u>80,793</u>
		252,620
2 Operating Assistance for Troubled Multi-Family Housing Projects (Flexible Subsidy Fund)		
Outstanding principal balance	14.164	117,250
Accrued interest payable	14.164	<u>32,928</u>
		150,178
3 Lower Income Housing Assistance Program Section 8 - Moderate Rehabilitation	14.856	186,571
4 Rent Supplements - Rental Housing for Lower Income Families	14.149	<u>12,781</u>
<b>Total expenditures of federal awards</b>		<b><u>\$ 602,150</u></b>

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, 2011

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Geneva House, Inc., Project No. 034-44815NP, under programs of the federal government for the year ended December 31, 2011. 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*. Because the Schedule presents only a selected portion of the operations of Geneva House, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Geneva House, Inc.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**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

We have audited the financial statements of Geneva House, Inc., HUD Project No. 034-44815NP as of and for the year ended December 31, 2011, and have issued our report thereon dated March 12, 2012. 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*

Management of Geneva House, Inc. is responsible for establishing and maintaining effective 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  
March 12, 2012

**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

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, 2011. 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, 2011.

(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 Circular 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 12, 2012

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2011

**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 programs tested as a major programs were:
  - Section 236 Interest Reduction Payments, Rental and Cooperative Housing for Low Income Families – CFDA #14.103
  - Operating Assistance for Troubled Multi-Family Housing Projects, Flexible Subsidy Fund – CFDA #14.164
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, 2011

There were no audit findings for the year ended December 31, 2010.

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

CERTIFICATE OF OFFICERS

YEAR ENDED DECEMBER 31, 2011

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, 2011

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

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