GENEVA HOUSE, INC.
PROJECT NO. 034-11177
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
AND INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2013 AND 2012

McKONLY & ASBURY LLP

CERTIFIED PUBLIC ACCOUNTANTS

CONTENTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Geneva House, Inc.
Dillsburg, Pennsylvania

We have audited the accompanying financial statements of Geneva House, Inc. (a nonprofit organization), HUD Project No. 034-11177, which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

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 14 to 24 is presented for 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, as required by U.S. Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (A-133)*, is presented for purposes of additional analysis and is not a required part of the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 28, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Geneva House, Inc.'s internal control over financial reporting and compliance.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
February 28, 2014

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2013 AND 2012

ASSETS	2013	2012
Current Assets		
Cash and cash equivalents	$ 142,591	$ 3,757
Accounts receivable - tenants	1,322	477
Accounts receivable - HUD	-	3,807
Accounts receivable - grants	11,221	-
Prepaid expenses	-	187
Total current assets	155,134	8,228
Noncurrent Assets		
Restricted deposits and funded reserves		
Replacement reserves	439,535	142,848
Escrow deposits	17,578	25,331
Tenant security deposits	27,496	28,648
Total restricted deposits and funded reserves	484,609	196,827
Fixed Assets		
Land	50,000	50,000
Building and improvements	4,636,643	4,553,990
Furniture and equipment	119,226	115,298
	4,805,869	4,719,288
Less accumulated depreciation	(2,409,934)	(2,263,401)
Fixed assets - net	2,395,935	2,455,887
Other Assets		
Deferred financing fees	217,974	27,179
Less accumulated amortization	(2,595)	-
Total other assets	215,379	27,179
Total assets	$ 3,251,057	$ 2,688,121

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

LIABILITIES AND NET ASSETS	2013	2012
Current Liabilities		
Accounts payable	$ 23,688	$ 12,875
Accounts payable - related party	52,807	1,127
Accrued expenses		
Audit	13,200	10,800
Management fee	10,400	3,393
Other	3,393	9,852
Accrued interest	8,191	11,429
Current maturities of long-term debt	38,649	728,768
Prepaid rent	2,116	854
Total current liabilities	152,444	779,098
Noncurrent Liabilities		
Tenant security deposits	26,698	28,289
Long-term debt - net of current maturities		
Mortgage payable	2,625,181	-
Loan payable - related party	-	1,301,352
Smart rehab loan	91,085	91,085
Accrued interest payable	-	69,850
Total noncurrent liabilities	2,742,964	1,490,576
Total liabilities	2,895,408	2,269,674
Unrestricted Net Assets	355,649	418,447
Total liabilities and net assets	$ 3,251,057	$ 2,688,121

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Revenue		
Rent	$ 611,919	$ 537,401
Financial	219	112
Grant revenue	36,448	399,671
Other	37,821	104,238
Total revenue	686,407	1,041,422
Expenses		
Administrative	127,766	135,163
Utilities	100,374	97,275
Operating and maintenance	136,630	150,205
Taxes and insurance	120,129	101,679
Interest	93,576	57,033
Supportive services	21,602	287
Depreciation	146,533	101,939
Amortization	2,595	-
Total expenses	749,205	643,581
Change in net assets	(62,798)	397,841
Net Assets - Beginning	418,447	20,606
Net Assets - Ending	$ 355,649	$ 418,447

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

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Cash Flows from Operating Activities		
Rental receipts	$ 596,073	$ 460,372
Interest receipts	29	28
Grant revenue	25,227	399,671
Other operating receipts	34,321	89,484
Total receipts	655,650	949,555
Administrative	35,386	38,938
Management fees	31,865	38,208
Utilities	94,703	101,361
Salaries and wages	72,098	121,777
Operating and maintenance	99,065	110,010
Real estate taxes	65,445	60,645
Property and liability insurance	11,048	8,026
Miscellaneous taxes and insurance	9,867	9,574
Tenant security deposits	359	161
Interest on notes payable	33,512	8,141
Supportive services	21,602	287
Miscellaneous financial expenses	6,708	303
Total disbursements	481,658	497,431
Net cash provided by operating activities	173,992	452,124
Cash Flows from Investing Activities		
Net withdrawals from mortgage escrow account	38,478	1,495
Net withdrawals from (deposits to) replacement reserves	2,336	(20,626)
Cash paid for fixed assets	(9,671)	(2,215,923)
Net cash provided by (used in) investing activities	31,143	(2,235,054)
Cash Flows from Financing Activities		
Mortgage principal payments	(57,035)	(127,362)
Proceeds paid at closing	(14,453)	-
Net borrowings under loans payable	-	1,830,490
Net payments under line-of-credit	-	(7,013)
Payment of financing fees	(14,883)	(27,179)
Interest reduction payments	20,070	80,381
Net cash provided by (used in) financing activities	(66,301)	1,749,317
Net (decrease) increase in cash and cash equivalents	138,834	(33,613)
Cash and Cash Equivalents:		
Beginning	3,757	37,370
Ending	$ 142,591	$ 3,757

(continued)

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENTS OF CASH FLOWS (Cont'd)

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Reconciliation of Change in Net Assets to		
Net Cash Provided by Operating Activities		
Change in net assets	$ (62,798)	$ 397,841
Adjustments to reconcile change in net assets		
to net cash provided by operating activities		
Depreciation and amortization	149,128	101,939
Interest reduction subsidy	(20,070)	(80,381)
Interest earned on replacement reserve account	(190)	(84)
Forgiveness of debt	(3,500)	(15,000)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable - tenants	(845)	385
Accounts receivable - HUD	3,807	4,374
Accounts receivable - other	(11,221)	246
Prepaid expenses	187	385
Tenant deposits held in trust	1,152	(2,490)
(Decrease) increase in:		
Accounts payable	62,493	(6,698)
Accrued expenses	2,948	2,359
Accrued interest payable	53,230	48,326
Tenant deposits held in trust	(1,591)	2,244
Prepaid rent	1,262	(1,322)
Net cash provided by operating activities	$ 173,992	$ 452,124
Supplemental schedule of noncash investing and financing activities		
Total purchase of fixed assets	$ 86,581	$ 1,623,029
Add: Amount in accounts payable in prior year	-	592,894
Less: Amount paid at closing	(76,910)	-
Total cash paid for fixed assets	$ 9,671	$ 2,215,923

The Organization refinanced the HUD mortgage during the year ended December 31, 2013:

Proceeds available from new debt	$ 2,676,400
Less	
Payoff of HUD flexible subsidy debt and accrued interest	(152,017)
Payoff of PHI related party notes payable and accrued interest	(1,956,182)
Payment directly to repair escrow (included in replacement reserves)	(36,000)
Payment directly to replacement reserve	(262,833)
Financing and loan fees	(175,912)
Interest expense paid directly to mortgagor	(274)
Payment directly to MIP escrow	(4,546)
Payment directly to tax and insurance escrows	(26,179)
Fixed assets paid from mortgage proceeds	(76,910)
Proceeds paid at closing	$ (14,453)

The accompanying notes are an integral part of these 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 223(f) of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development (HUD).

The Project is also subject to Section 8 Housing Assistance Payments (HAP) and Rent Supplements Housing Assistance payment agreements with HUD. The Rent Supplements Housing Assistance payment agreement with HUD expired August 2012. The Project received approval from HUD to withdrawal funds from the Reserve for Replacement to fund tenant assistance payments for the remainder of the year. Effective January 1, 2013, the Property entered into a new Rental Assistance Demonstration agreement. The Section 8 HAP agreement was renewed along with the refinancing of the debt, and was effective July 31, 2013, for a period of 20 years. 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 and improvements	10 - 45 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.

Other Assets: Deferred financing fees consist of costs for refinancing the HUD-insured mortgage. Amortization began at final closing on July 31, 2013, using the straight-line method over the term of the financing.

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 2010.

(continued)

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.

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 account in the name of the Project.

Reclassification: Certain items in the 2012 financial statements have been reclassified to conform to the presentation of the 2013 financial statements.

Subsequent Events: Management evaluated subsequent events through February 28, 2014, the date the financial statements were available to be issued.

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.

The flexible subsidy note was paid off during the year ended December 31, 2013, as part of the refinancing of the HUD debt.

(continued)

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. Berkadia Commercial Mortgage was the servicing agent. The mortgage was paid off on April 1, 2013.

The mortgage had 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 $20,070 and $80,381 were received in 2013 and 2012, respectively.

The Organization refinanced its debt through a HUD-insured Section 223(f) mortgage on July 31, 2013, in the amount of $2,676,400. The mortgage bears interest at 3.69% annually and monthly payments in the amount of $11,358 are required. The servicing agent is Walker & Dunlop, LLC. The mortgage matures on August 1, 2048. The outstanding principal balance on the mortgage as of December 31, 2013, was $2,663,830.

Current maturities of the mortgage payable for the next five years are as follows:

Year		Amount
2014	$	38,649
2015		40,100
2016		41,605
2017		43,166
2018		44,786
Thereafter		2,455,524
	$	2,663,830

The Organization incurred interest costs of $86,742 and $56,467 in 2013 and 2012. The Organization paid interest costs of $33,512 and $8,141 in 2013 and 2012.

Note 4. Smart Rehab Loan

In 2012, the Pennsylvania Housing Finance Agency ("PHFA") issued a promissory note in the original amount of $91,085 through the Preservation Through Smart Rehab Program. This loan matures on the earliest of the date of the sale of the project, the date of the termination of the project, or 2042. The loan does not bear interest.

Principal payments are required to be made from any surplus of revenues over expenses generated by the Project after the payment of all project costs during any calendar year as determined by PHFA based upon a review of audited financial statements of the Organization. The outstanding balance as of December 31, 2013 and 2012, was $91,085.

The apartment complex is pledged as collateral for the loan. The loan is nonrecourse debt.

(continued)

Note 5. Accounts and Loan Payable – Related Party

The Organization receives cash advances from PHI for operating related expenses of the Project. As of December 31, 2013 and 2012, total advances due to PHI of $52,807 and $1,127 were included in accounts payable – related party on the statements of financial position.

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 loan and related accrued interest was paid off as part of the refinancing on July 31, 2013. The outstanding balance on the loan was zero and $129,000 at December 31, 2013 and 2012, and is included in loan payable –related party on the statements of financial position.

The Organization entered into several loan agreements with PHI during the year ended December 31, 2012, in order to fund energy efficient improvements made to the Project. The loans 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 loans and related accrued interest was paid off as part of the refinancing on July 31, 2013. The total outstanding balance on the loans was zero and $1,172,352 at December 31, 2013 and 2012, and is included in loan payable – related party on the statements of financial position. Accrued interest on these loans amounted to zero and $35,749 at December 31, 2013 and 2012.

The Organization entered into several loan agreements with PHI during the year ended December 31, 2012, in order to fund energy efficient improvements made to the Project. The loans 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 within seven days following final closing of HUD financing. The loans and related accrued interest were paid off as part of the refinancing on July 31, 2013. The total outstanding balance on the loans was zero and $567,053 at December 31, 2013 and 2012, and is included in current maturities of long-term debt on the statements of financial position. Accrued interest on these loans amounted to zero and $11,429 at December 31, 2013 and 2012, and is included in accrued interest on the statements of financial position.

Note 6. Unrestricted Net Assets

None of the Project's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as unrestricted net assets.

Note 7. Rent Increases

Under the Section 8 Housing Assistance Payments contracts, the Project may not increase rent charged to tenants without prior approval from HUD.

(continued)

Note 8. Grant Revenue

During 2012, Pennsylvania Department of Community and Economic Development provided grant funds to the Project, through PHFA, in the amount of $399,671 to provide weatherization upgrades through the Preservation Through Smart Rehab Program. No amounts related to the grant were received during the year ended December 31, 2013.

Beginning January 1, 2013, the Project received a grant from HUD through its Service Coordinator grant program. The grant reimburses expenses related to the hiring, training, and other costs related to having a service coordinator at the Project. Total revenue related to the grant during the year ended December 31, 2013, was $36,448, of which $11,221 was receivable at year end.

Note 9. Management Fees

The Organization had a contract with Housing Development Corporation MidAtlantic (HDC) effective June 1, 2009, wherein HDC agreed to manage and supervise the operations of the Project. Management fees were calculated at 7.43% in 2013 and 2012 of allowable rental collections, capped at $3,184 per month. As of June 1, 2013, the management agent was changed to Presbyterian Senior Living Housing Management Corporation (PSLHMC), an affiliate of PHI. The term of the management certification is 5 years and management fees were calculated at 7.49% of residential and commercial income, capped at $47 per unit per month. Management fee expense for the years ended December 31, 2013 and 2012, was $39,081 and $38,208.

Note 10. 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.

	2013	2012
Program services	$ 722,753	$ 605,841
Management and general	26,452	37,740
Total expenses	$ 749,205	$ 643,581

Note 11. Current Vulnerability due to Certain Concentrations

The Organization's primary asset is a 64-unit apartment complex. The Organization's operations are concentrated in the multi-family real estate market. In addition, the Organization operates in a heavily regulated environment. The operations of the Organization are subject to the administrative directives, rules, and regulations of Federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules, and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

SUPPLEMENTARY INFORMATION

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENT OF FINANCIAL POSITION DATA

DECEMBER 31, 2013

Account Number		
	Current Assets	
1120	Cash - operations	$ 142,591
1130	Accounts receivable - tenants	1,322
1140	Accounts receivable - grants	11,221
1100T	**Total current assets**	155,134
1191	Tenant deposits	27,496
	Restricted deposits and funded reserves	
1310	Escrow deposits	17,578
1320	Replacement reserves	439,535
1300T	**Total restricted deposits and funded reserves**	457,113
	Fixed Assets	
1410	Land	50,000
1420	Building	4,636,643
1450	Furniture for project - tenant use	8,725
1460	Furnishings	96,805
1470	Maintenance equipment	13,696
1400T	**Total fixed assets**	4,805,869
1495	Less accumulated depreciation	(2,409,934)
1400N	**Fixed assets - net**	2,395,935
	Other Assets	
1520	Deferred financing fees (net of accumulated amortization of $2,595)	215,379
1500T	**Total other assets**	215,379
1000T	**Total assets**	$ 3,251,057

Account Number		
	Current Liabilities	
2110	Accounts payable	$ 76,495
2120	Accrued expenses	13,793
2131	Accrued interest	8,191
2170	Mortgage payable - current portion	38,649
2190	Accrued audit	13,200
2210	Prepaid rent	2,116
2122T	**Total current liabilities**	152,444
2191	Tenant security deposits	26,698
	Long-term debt	
2320	Mortgage payable - net of current portion	2,625,181
2326	Smart rehab loan	91,085
2300T	**Total long-term liabilities**	2,716,266
2000T	**Total liabilities**	2,895,408
3131	Unrestricted Net Assets	355,649
2033T	**Total liabilities and net assets**	$ 3,251,057

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENT OF ACTIVITIES DATA

YEAR ENDED DECEMBER 31, 2013

Account Number			
	REVENUE		
5120	Rent - gross potential	$	277,883
5121	Tenant assistance payments		292,239
5170	Parking spaces		62,913
5100T	**Total potential rent revenue**		633,035
	Vacancies		
5220	Vacancies - apartments		(13,983)
5250	Rental Concessions		(7,133)
5200T	**Total vacancies**		(21,116)
5152N	**Total rental revenue**		611,919
5440	Revenue from investments - reserve for replacements		190
5490	Revenue from investments - security deposits		29
5400T	**Total financial revenue**		219
5910	Laundry and vending revenue		4,449
5920	Tenant charges		569
5920	Interest reduction payments		20,070
5920	Grant revenue		36,448
5990	Miscellaneous revenue		12,733
5900T	**Total other revenue**		74,269
5000T	**Total revenue**		686,407
	EXPENSES		
6210	Advertising and marketing		1,222
6310	Office salaries		8,240
6311	Office expenses		11,314
6320	Management fee		39,081
6330	Manager salaries		37,798
6340	Legal expenses - project		2,106
6350	Audit expense		13,200
6370	Bad debts		1,201
6390	Miscellaneous administrative expenses		13,604
6263T	**Total administrative expenses**		127,766
6450	Electricity		75,107
6451	Water		12,832
6453	Sewer		12,435
6263T	**Total utilities expenses**		100,374

(continued)

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENT OF ACTIVITIES DATA (Cont'd)

YEAR ENDED DECEMBER 31, 2013

Account Number			
	EXPENSES (Continued)		
6510	Payroll		39,517
6515	Supplies		14,873
6520	Contracts		50,737
6525	Garbage and trash removal		3,302
6546	Heating/cooling repairs and maintenance		3,076
6548	Snow removal		6,530
6560	Decorating		14,393
6590	Miscellaneous operating and maintenance expense		4,202
6550T	**Total operating and maintenance expenses**		136,630
6710	Real estate taxes		65,445
6711	Payroll taxes		7,959
6720	Property and liability insurance		11,109
6722	Workmen's compensation		2,360
6723	Health insurance and other employee benefits		23,389
6790	Miscellaneous taxes, licenses, permits and insurance		9,867
6700T	**Total taxes and insurance**		120,129
6820	Interest on mortgage payable		42,643
6830	Interest on notes - long-term		44,099
6850	Mortgage insurance premium		2,141
6890	Miscellaneous financial expenses		4,693
6800T	**Total financial expenses**		93,576
6910	Payroll		16,380
6920	Supplies		5,222
6900T	**Total supportive services**		21,602
6000T	**Total cost of operations before depreciation**		600,077
5060T	**Profit before depreciation**		86,330
6600	Depreciation		146,533
6610	Amortization		2,595
5060N	**Operating loss**		(62,798)
3247	Change in unrestricted net assets from operations		(62,798)
3250	Change in total net assets from operations	$	(62,798)
S1000-010	Total mortgage principal payments required during the year	$	57,035
S1000-020	Total of 12 monthly deposits during the year into the replacement reserve account, as required by the regulatory agreement	$	17,117
S1000-030	Replacement or painting reserve releases which are included as expense items on this profit and loss statement.	$	-

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENT OF CASH FLOWS DATA

YEAR ENDED DECEMBER 31, 2013

Account Number			
	Cash Flows from Operating Activities		
S1200-010	Rental receipts	$	596,073
S1200-020	Interest receipts		29
S1200-030	Grant revenue		25,227
S1200-030	Other operating receipts		34,321
S1200-040	**Total receipts**		655,650
S1200-050	Administrative		35,386
S1200-070	Management fees		31,865
S1200-090	Utilities		94,703
S1200-100	Salaries and wages		72,098
S1200-110	Operating and maintenance		99,065
S1200-120	Real estate taxes		65,445
S1200-140	Property and liability insurance		11,048
S1200-150	Miscellaneous taxes and insurance		9,867
S1200-160	Tenant security deposits		359
S1200-170	Supportive services		21,602
S1200-190	Interest on notes payable		33,512
S1200-220	Miscellaneous financial expenses		6,708
S1200-230	**Total disbursements**		481,658
S1200-240	**Net cash provided by operating activities**		173,992
	Cash Flows from Investing Activities		
S1200-245	Net withdrawals from mortgage escrow account		38,478
S1200-250	Net withdrawals from replacement reserves		2,336
S1200-330	Cash paid for fixed assets		(9,671)
S1200-350	**Net cash provided by investing activities**		31,143
	Cash Flows from Financing Activities		
S1200-360	Mortgage principal payments		(57,035)
S1200-365	Proceeds from debt refinancing		(14,453)
S1200-450	Other financing activities - payment of financing fees		(14,883)
S1200-450	Other financing activities - interest reduction payments		20,070
S1200-460	**Net cash used in financing activities**		(66,301)
S1200-470	**Net increase in cash and cash equivalents**		138,834
	Cash and Cash Equivalents:		
S1200-480	Beginning		3,757
S1200T	Ending	$	142,591

(continued)

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

STATEMENT OF CASH FLOWS DATA (Cont'd)

YEAR ENDED DECEMBER 31, 2013

Account Number			
	Reconciliation of Change in Net Assets to		
	Net Cash Provided by Operating Activities		
3250	Change in net assets	$	(62,798)
	Adjustments to reconcile changes in net assets to net cash provided by operating activities		
5440	Interest earned on replacement reserves		(190)
6600	Depreciation		149,128
5920	Interest reduction subsidy		(20,070)
5990	Forgiveness of debt		(3,500)
	Changes in assets and liabilities:		
	(Increase) decrease in:		
S1200-490	Accounts receivable		2,962
S1200-500	Accounts receivable - other		(11,221)
S1200-520	Prepaid expenses		187
S1200-530	Cash restricted for tenant deposits held in trust		1,152
	(Decrease) increase in:		
S1200-540	Accounts payable		62,493
S1200-560	Accrued expenses		2,948
S1200-570	Accrued interest		53,230
S1200-580	Tenant deposits held in trust		(1,591)
S1200-590	Prepaid rent		1,262
S1200-610	**Net cash provided by operating activities**	$	173,992

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

SCHEDULE OF REPLACEMENT RESERVES

YEAR ENDED DECEMBER 31, 2013

Account Number			
1320P	Balance - January 1, 2013	$	142,848
1320DT	Total monthly deposits		17,117
1320ODT	Other deposits		430,833
1320INT	Interest earned		190
			448,140
1320WT	Withdrawals approved by HUD		18,986
1320OWT	Other withdrawals		132,467
1320	Balance - December 31, 2013	$	439,535

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS

YEAR ENDED DECEMBER 31, 2013

Account Number		Beginning Balance	Additions	Deletions	Ending Balance
1410	Land	$ 50,000	$ -	$ -	$ 50,000
1420	Buildings	4,553,990	82,653	-	4,636,643
1441	Building equipment	8,725	-	-	8,725
1460	Furnishings	92,877	3,928	-	96,805
1470	Maintenance equipment	13,696	-	-	13,696
1400T	**Total fixed assets**	4,719,288	86,581	-	4,805,869
1495	Accumulated depreciation	2,263,401	146,533	-	2,409,934
1400N	**Total net book value**				$ 2,395,935

Schedule of Additions to Buildings

Description	Amount
Supportive services office	$ 7,850
Handrails	25,390
Pull cord system	49,413
	$ 82,653

Schedule of Additions to Furnishings

Description	Amount
Sign	$ 1,445
Furniture	2,483
	$ 3,928

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

SCHEDULE OF OTHER REVENUE AND EXPENSES

YEAR ENDED DECEMBER 31, 2013

Account Number 5990 - Miscellaneous Revenue

Miscellaneous revenue	$	8,698
Contributions		4,035
	$	12,733

Account Number 6390 - Miscellaneous Administrative Expenses

Meetings and travel	$	917
Bank charges and processing fees		2,273
Recruiting		299
Miscellaneous administrative expenses		10,115
	$	13,604

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2013

	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)		
	Interest reduction payments received	14.103	$ 20,070
2	Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects (Section 223f)		
	Outstanding principal balance	14.155	2,663,830
	Accrued interest payable	14.155	8,191
			2,672,021
3	Section 8 Project-Based Voucher Program		
	PBV Housing Assistance Payments Contract	14.182	292,239
4	Multifamily Housing Service Coordinators Program	14.191	36,448
	Total expenditures of federal awards		$ 3,020,778

See Notes to Schedule of Expenditures of Federal Awards.

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2013

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. 034-11177, under programs of the federal government for the year ended December 31, 2013. 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.

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

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

We have audited , 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, the financial statements of Geneva House, Inc., HUD Project No. 034-11177, which comprise the statement of financial position as of December 31, 2013, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 28, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Geneva House, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Geneva House, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Geneva House, Inc.'s internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

(continued)

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Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during out audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Geneva House, Inc.'s financial statements are free from 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.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Geneva House, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Geneva House, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
February 28, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Geneva House, Inc.'s, HUD Project No. 034-11177, compliance with the types of compliance requirements described in the *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations Compliance Supplement (OMB Circular A-133*) that could have a direct and material effect on each of Geneva House, Inc.'s major federal programs for the year ended December 31, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Geneva House, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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*. 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 the 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.

(continued)

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We believe that our audit provides a reasonable basis for our opinion on compliance with each major federal program. However, our audit does not provide a legal determination of Geneva House, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Geneva House, Inc. complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of Geneva House, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Geneva House, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 the 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. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of our testing based on the requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
February 28, 2014

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2013

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Geneva House, Inc.

2. No significant deficiencies relating to the audit of the financial statements are reported.

3. No instances of noncompliance material to the financial statements of Geneva House, Inc. were disclosed during the audit.

4. No significant deficiencies 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. Audit findings that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133 are reported in this schedule.

7. The program tested as a major program was:

   Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects (Section 223f) — CFDA #14.155

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. 034-11177

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

YEAR ENDED DECEMBER 31, 2013

None.

GENEVA HOUSE, INC.
PROJECT NO. 034-11177

CERTIFICATE OF OFFICERS

YEAR ENDED DECEMBER 31, 2013

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. 034-11177

MANAGEMENT AGENT'S CERTIFICATION

YEAR ENDED DECEMBER 31, 2013

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 Housing Management Corporation	Date