

**Palmyra Inter-faith Housing
Council and Affiliate**

Consolidated Financial Statements and
Supplementary Information

Years Ended September 30, 2018 and 2017
with Independent Auditor's Reports

MaherDuessel

Pursuing the profession while promoting the public good©
www.md-cpas.com

PALMYRA INTER-FAITH HOUSING COUNCIL AND AFFILIATE

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

TABLE OF CONTENTS

Independent Auditor's Report

Consolidated Financial Statements:

Consolidated Statements of Financial Position	1
Consolidated Statements of Activities	3
Consolidated Statements of Cash Flows	4
Notes to Consolidated Financial Statements	6

Supplementary Information:

Consolidating Statement of Financial Position – September 30, 2018	15
Consolidating Statement of Activities – Year Ended September 30, 2018	17
Supporting Data Required by HUD - September 30, 2018	18

Independent Auditor's Report in Accordance with *Government Auditing Standards*:

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 <i>Government Auditing Standards</i>	24
Schedule of Findings and Responses	26

Certifications:

Project Owner	27
Management Agent	28

Independent Auditor's Report

**Board of Directors
Palmyra Inter-faith Housing
Council and Affiliate**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Palmyra Inter-faith Housing Council (Council) and Affiliate (collectively, Organization), which comprise the consolidated statements of financial position as of September 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2018 and 2017, 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.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information shown on pages 15 to 17 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying supplementary information shown on pages 18 to 23 is presented for purposes of additional analysis as required by the *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is also not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018, on our consideration of the Organization'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 solely 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 effectiveness of the Organization's 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 the Organization's internal control over financial reporting and compliance.

Maher Duessel

Harrisburg, Pennsylvania
December 19, 2018

PALMYRA INTER-FAITH HOUSING COUNCIL

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Assets		
<hr/>		
Current assets:		
Cash and cash equivalents	\$ 344,596	\$ 186,797
Investments	291,419	291,889
Tenant accounts receivable	1,258	1,028
Accounts receivable - other	900	665
Prepaid expenses	115	115
Inventory	6,077	8,945
	<hr/>	<hr/>
Total current assets	644,365	489,439
	<hr/>	<hr/>
Noncurrent assets:		
Fixed assets:		
Land	125,000	125,000
Building	4,811,461	4,726,531
Furniture	28,751	28,751
Maintenance equipment	3,328	3,328
Motor vehicle	11,503	11,503
Building improvements	605,795	605,795
	<hr/>	<hr/>
	5,585,838	5,500,908
Less: accumulated depreciation	(4,506,202)	(4,401,891)
	<hr/>	<hr/>
Net fixed assets	1,079,636	1,099,017
Restricted cash - security deposits	43,792	40,686
Loan receivable	-	71,750
	<hr/>	<hr/>
Total noncurrent assets	1,123,428	1,211,453
	<hr/>	<hr/>
Total Assets	<u>\$ 1,767,793</u>	<u>\$ 1,700,892</u>

Liabilities and Net Assets	<u>2018</u>	<u>2017</u>
Liabilities:		
Current liabilities:		
Accounts payable	\$ 26,816	\$ 20,758
Accrued expenses	19	19
Current portion of mortgage payable	205,351	199,647
Rent deferred credits	<u>601</u>	<u>276</u>
Total current liabilities	<u>232,787</u>	<u>220,700</u>
Noncurrent liabilities:		
Tenant security deposits	43,792	40,686
Mortgage payable - net of current portion	<u>218,156</u>	<u>423,264</u>
Total noncurrent liabilities	<u>261,948</u>	<u>463,950</u>
Total Liabilities	494,735	684,650
Net Assets:		
Unrestricted	<u>1,273,058</u>	<u>1,016,242</u>
Total Liabilities and Net Assets	<u><u>\$ 1,767,793</u></u>	<u><u>\$ 1,700,892</u></u>

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

PALMYRA INTER-FAITH HOUSING COUNCIL

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Revenues:		
Rental income - dwelling	\$ 384,060	\$ 386,223
Tenant assistance payments	524,689	482,001
Financial revenue	4,218	1,600
Other revenue	15,161	17,461
	<u>928,128</u>	<u>887,285</u>
Expenses:		
Project services:		
Administrative expenses	221,864	210,331
Utilities expenses	117,017	115,527
Operating and maintenance expenses	152,237	145,404
Taxes and insurance expenses	60,675	59,273
Financial expenses	15,208	20,827
Depreciation expense	104,311	105,777
	<u>671,312</u>	<u>657,139</u>
Change in Net Assets	256,816	230,146
Net Assets:		
Beginning of year	<u>1,016,242</u>	<u>786,096</u>
End of year	<u>\$ 1,273,058</u>	<u>\$ 1,016,242</u>

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

PALMYRA INTER-FAITH HOUSING COUNCIL

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities:		
Receipts from tenants and suppliers	\$ 923,770	\$ 887,583
Interest and dividends received	4,688	5,155
Interest paid	(15,208)	(20,827)
Payments to suppliers and employees	(542,867)	(531,941)
Net cash provided by operating activities	370,383	339,970
Cash Flows From Investing Activities:		
Purchase of investments	-	(3,852)
Sale of investments	-	50,000
Purchase of fixed assets	(15,380)	(17,745)
Principal payments on loan receivable	2,200	6,600
Net cash provided by (used in) investing activities	(13,180)	35,003
Cash Flows From Financing Activities:		
Principal payments - first mortgage	(199,404)	(193,785)
Net cash used in financing activities	(199,404)	(193,785)
Net Increase in Cash and Cash Equivalents	157,799	181,188
Cash and Cash Equivalents:		
Beginning of year	186,797	5,609
End of year	\$ 344,596	\$ 186,797
Noncash Investing and Financing Activities:		
Property received as satisfaction for loan receivable	\$ 69,550	\$ -

(Continued)

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

PALMYRA INTER-FAITH HOUSING COUNCIL

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

(Continued)

	2018	2017
Reconciliation of Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Change in net assets	\$ 256,816	\$ 230,146
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	104,311	105,777
Net realized and unrealized loss on investments	470	3,555
Changes in:		
Inventory	2,868	472
Tenant accounts receivable	(230)	1,662
Accounts receivable - other	(235)	666
Security deposits	(3,106)	1,761
Accounts payable	6,058	(1,897)
Accrued expenses	-	19
Tenant security deposits	3,106	(1,761)
Rent deferred credits	325	(430)
Total adjustments	113,567	109,824
Net cash provided by operating activities	\$ 370,383	\$ 339,970

(Concluded)

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

PALMYRA INTER-FAITH HOUSING COUNCIL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

1. Organization and Presentation

Palmyra Inter-faith Housing Council (Council) is a nonprofit corporation that is the sole owner of a 101-unit low-income housing project, Palmyra Interfaith Manor (Project), in Palmyra, Pennsylvania. The Project was originally operated under Section 202 of the National Housing Act. However, in July 2004, the Council refinanced their U.S. Department of Housing and Urban Development (HUD) insured loan with conventional financing and is now operating as a rental property. The Project did maintain their contract with HUD to provide subsidized housing and as such is regulated by HUD as to rent charges and operating methods.

In May 2018, Palmyra Inter-faith Community Alliance (Alliance) was established to provide affordable housing and other opportunities in the Palmyra area. The Council is the sole member of the Alliance. As such, the Alliance is treated as an entity disregarded as separate from the Council for income tax purposes. Activities of the Alliance are included in the Council's Internal Revenue Service Form 990.

The accompanying consolidated financial statements (financial statements) include accounts of the Council and the Alliance (collectively, Organization). All significant inter-company account balances and transactions have been eliminated.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Organization is required to report information regarding the nature and amounts of its net assets. The Organization's net assets are classified as unrestricted.

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, with revenue recognized when earned and expenses recognized when incurred.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Organization considers all cash and cash equivalents with a maturity date of three months or less to be cash equivalents. The

PALMYRA INTER-FAITH HOUSING COUNCIL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

Organization maintains cash and cash equivalents at financial institutions, which are insured by the FDIC up to \$250,000. At certain times, deposits may exceed federally insured amounts. The Organization had uninsured cash balances of \$113,167 and \$0 for the years ended September 30, 2018 and 2017, respectively.

Security Deposits

HUD requires that the Council maintain a separate account for all security deposits collected from tenants, as well as interest earned on those deposits.

Fair Value Measurements

Investments are reported at fair value with gains and losses included in the statements of activities. Valuation techniques and inputs used to develop fair value measurements are based on a fair value hierarchy.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 — Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 — Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available, but traded less frequently, and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3 — Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

PALMYRA INTER-FAITH HOUSING COUNCIL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Council. The Council considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Council's perceived risk of that instrument.

Valuation of Investments

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities, certain U.S. government and sovereign obligations, certain money market securities, and certain fixed-income mutual funds.

Inventories

Inventories of maintenance supplies are valued at cost using the first-in, first-out (FIFO) method. If inventory falls below cost due to damage, deterioration, or obsolescence, the Council establishes an allowance for obsolete inventory. The Council relies upon its periodic (annual) inventory for financial reporting purposes. In accordance with the consumption method, inventory is expensed when items are actually placed in service.

Fixed Assets

Fixed assets are recorded at cost at the time of the purchase. Maintenance and repairs expenses are charged to operations when incurred. Effective January 1, 2012, betterments in excess of \$5,000 are capitalized. Prior to this effective date, betterments in excess of \$2,000 were capitalized. When buildings and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

PALMYRA INTER-FAITH HOUSING COUNCIL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

Depreciation is computed for financial statement purposes using the straight-line method over the estimated useful lives of the related assets as follows:

	<u>Estimated Useful Life</u>
Land	N/A
Construction in process	N/A
Building	10 - 30 years
Furniture	5 - 10 years
Maintenance equipment	7 years
Motor vehicle	5 years
Building improvements	3 - 25 years

Long-Lived Assets

The Organization is required under certain circumstances to review long-lived assets to determine if the carrying value exceeds the undiscounted cash flows expected to be derived from the asset. If the carrying value exceeds the cash flows, then recorded amounts of the assets will be reduced to their fair value. At September 30, 2018 and 2017, the Organization did not have any impairment of long-lived assets.

Federally Subsidized Rent Income

The Project is subject to Section 8 of the Housing Assistance Payments Contract with HUD. Under the agreement with HUD, the Project may not increase rent charged to tenants without HUD approval. During the years ended September 30, 2018 and 2017, rental revenue from HUD totaled \$524,689 and \$482,001, respectively, representing 56.5% and 54.3% of total revenue, respectively. The Project entered into a 20-year renewal contract with HUD effective October 24, 2011. The Project is economically dependent on receiving operating subsidy from HUD.

Expenses

For 2018 and 2017, expenses have been incurred by the Council solely to provide low-income housing.

PALMYRA INTER-FAITH HOUSING COUNCIL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

Tax-Exempt Status

The Council has been classified as a tax-exempt, non-profit organization, other than a private foundation, under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income tax is required. In addition, the Council qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation.

Further, the Council annually files a Form 990.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Pending Standards Update

Accounting Standards Update (ASU) 2014-09, *“Revenue from Contracts with Customers,”* is effective for the Organization’s financial statements for the year ending September 30, 2020 (as amended by ASU 2015-14). This amendment provides guidance for revenue recognition related to contracts with the transfer of promised goods or services to customers and related disclosures.

ASU 2016-02, *“Leases (Topic 842),”* is effective for the Organization’s financial statements for the year ending September 30, 2021. This amendment will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

ASU 2016-14, *“Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,”* is effective for the Organization’s financial statements for the year ending September 30, 2019. This amendment aims to improve how a nonprofit organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity. The ASU changes the net asset classification, how underwater donor-restricted endowment funds are treated, will increase

PALMYRA INTER-FAITH HOUSING COUNCIL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

the information available about liquidity and the availability of resources, requires financial statements for not-for-profits to provide expenses both by nature and function, as well as an analysis of those expenses by both nature and function, along with disclosure of the methods used to allocate those costs among the various functions, and standardizes how organizations present investment returns and what expenses should be netted against those returns. There are qualitative and quantitative requirements in a number of areas, including net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows.

ASU 2016-18, "*Statement of Cash Flows (Topic 230): Restricted Cash*," is effective for the financial statements for the year ending September 30, 2020. This amendment requires that the statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents.

ASU 2018-08, "*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*," is effective for the financial statements for the year ending September 30, 2020. This amendment provides guidance for characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions.

Management has not yet determined the impact of these amendments on the Organization's financial statements.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

3. Investments

The Council's investments consist of short-term, fixed-income mutual funds. The investments are presented in the financial statements at net asset value which approximates fair value using quoted prices (Level 1).

PALMYRA INTER-FAITH HOUSING COUNCIL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

4. Tenant Accounts Receivable

Tenant accounts receivable consists of \$1,258 and \$1,028 at September 30, 2018 and 2017, respectively. Management believes all receivables are collectible and, therefore, no allowance for doubtful accounts is necessary.

5. Loan Receivable

The Council entered into a loan agreement in April 2006 with the Palmyra Area Cooperating Churches (PACC). This loan was collateralized by property. The \$130,000 loan to PACC was a ten-year, non-interest bearing loan requiring monthly payments of \$500, beginning in May 2006 and continuing through May 2016. In November 2008, the Council loaned PACC an additional \$12,000, which required an additional monthly payment of \$50, beginning in January 2009 and continuing through May 2016. The remaining balance of the loan was due on May 17, 2016. In March 2012, the Council agreed to defer payments by PACC until an unknown date in the future. However, PACC made payments of \$2,200 and \$6,600 during the years ended September 30, 2018 and 2017, respectively. The balance of the loans of \$69,550 was forgiven in May 2018, in exchange for the property that was the collateral for the receivable.

6. Mortgage Payable

The Project has a mortgage payable to Fulton Bank. Monthly payments of \$17,884, including interest of 4.0%, began in July 2004. The interest rate remained fixed at 4% until June 10, 2011 (adjustment date) and was then adjusted to 65% of prime, 2.17% at September 30, 2013. On November 11, 2013, the Council refinanced the existing mortgage. The monthly principal and interest payment remained at \$17,884 with a fixed interest rate of 2.82% for the first five years followed by 67% of prime with a floor of 2.85% until maturity on October 15, 2020. There will be a 2% prepayment penalty in the first five years for any prepayment greater than 20% of the original loan. Thereafter, the Council may prepay with no penalty.

PALMYRA INTER-FAITH HOUSING COUNCIL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

The mortgage is secured by the Palmyra Interfaith Manor apartment complex with a net book value at September 30, 2018 and 2017 of \$882,543 and \$974,017, respectively.

Mortgage payable	\$ 423,507
Less: current portion	<u>(205,351)</u>
	<u><u>\$ 218,156</u></u>

The following schedule outlines principal amounts due on the mortgage payable at September 30:

2019	\$ 205,351
2020	211,217
2021	<u>6,939</u>
	<u><u>\$ 423,507</u></u>

The fair value of the mortgage payable is estimated based on the current rates offered to the Council for debt of the same remaining maturities. At September 30, 2018 and 2017, the fair value of the mortgage payable approximates the amounts recorded in the financial statements.

7. Rent Supplement

Currently, the Project's tenants contribute 30% of their average monthly income less allowances toward the monthly unit rental set by HUD. The balance of any rentals due to the Project is paid by HUD.

8. Management Fees

The management and financial record-keeping functions of the Council are provided by the Housing Authority of the County of Lebanon through June 2018 and by Brick Property Services, LLC starting July 2018 for a management fee of 10.07% of gross receipts excluding interest income and a record-keeping fee of \$600 a month. For the years ended September

PALMYRA INTER-FAITH HOUSING COUNCIL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

30, 2018 and 2017, the management fee expenses were \$92,579 and \$89,044, respectively, and record-keeping expenses were \$7,200 and \$7,200, respectively.

9. Functional Expenses

Expenses related to the Organization providing services for the years ended September 30 are as follows:

	<u>2018</u>	<u>2017</u>
Program services	\$ 452,195	\$ 476,803
General and administrative	<u>219,117</u>	<u>180,336</u>
	<u>\$ 671,312</u>	<u>\$ 657,139</u>

10. Current Vulnerability Due to Certain Concentrations

The Council owns a 101-unit housing project. 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 change may occur with little notice and may result in inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

11. Commitments and Contingencies

Under the terms of federal grants, periodic audits are required and certain expenditures may be questioned as not appropriate under the terms of the grants. Such audits could lead to reimbursement to the grantor agency.

SUPPLEMENTARY INFORMATION

PALMYRA INTER-FAITH HOUSING COUNCIL

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2018

	Palmyra Inter-faith Housing Council	Palmyra Inter-faith Community Alliance	Palmyra Interfaith Manor HUD Project No. 034-EH015	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 17,721	\$ 26,181	\$ 300,694	\$ -	\$ 344,596
Investments	291,419	-	-	-	291,419
Tenant accounts receivable	-	-	1,258	-	1,258
Accounts receivable - other	-	900	-	-	900
Prepaid expenses	-	-	115	-	115
Advance to Palmyra Inter-faith Community Alliance	500	-	-	(500)	-
Inventory	-	-	6,077	-	6,077
Total current assets	309,640	27,081	308,144	(500)	644,365
Noncurrent assets:					
Fixed assets:					
Land	-	-	125,000	-	125,000
Building	1,153,104	69,550	3,588,807	-	4,811,461
Furniture	-	-	28,751	-	28,751
Maintenance equipment	-	-	3,328	-	3,328
Motor vehicle	11,503	-	-	-	11,503
Building improvements	570,340	-	35,455	-	605,795
	1,734,947	69,550	3,781,341	-	5,585,838
Less: accumulated depreciation	(889,885)	-	(3,616,317)	-	(4,506,202)
Net fixed assets	845,062	69,550	165,024	-	1,079,636
Restricted cash - security deposits	-	600	43,192	-	43,792
Total noncurrent assets	845,062	70,150	208,216	-	1,123,428
Total Assets	\$ 1,154,702	\$ 97,231	\$ 516,360	\$ (500)	\$ 1,767,793

Liabilities and Net Assets	Palmyra Inter-faith Housing Council	Palmyra Inter-faith Community Alliance	Palmyra Interfaith Manor HUD Project No. 034-EH015	Eliminations	Total
Liabilities:					
Current liabilities:					
Accounts payable	\$ -	\$ -	\$ 26,816	\$ -	\$ 26,816
Accrued expenses	-	-	19	-	19
Current portion of mortgage payable	-	-	205,351	-	205,351
Rent deferred credits	-	-	601	-	601
Advance from Palmyra Inter-faith Housing Council	-	500	-	(500)	-
Total current liabilities	-	500	232,787	(500)	232,787
Noncurrent liabilities:					
Tenant security deposits	-	600	43,192	-	43,792
Mortgage payable - net of current portion	-	-	218,156	-	218,156
Total noncurrent liabilities	-	600	261,348	-	261,948
Total Liabilities	-	1,100	494,135	(500)	494,735
Net Assets:					
Unrestricted	1,154,702	96,131	22,225	-	1,273,058
Total Liabilities and Net Assets	\$ 1,154,702	\$ 97,231	\$ 516,360	\$ (500)	\$ 1,767,793

PALMYRA INTER-FAITH HOUSING COUNCIL

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2018

	Palmyra Inter-faith Housing Council	Palmyra Inter-faith Community Alliance	Palmyra Interfaith Manor HUD Project No. 034-EH015	Total
Revenues:				
Rental income - dwelling	\$ -	\$ 4,400	\$ 379,660	\$ 384,060
Tenant assistance payments	-	-	524,689	524,689
Financial revenue	3,928	290	-	4,218
Other revenue	-	-	15,161	15,161
Total revenues	<u>3,928</u>	<u>4,690</u>	<u>919,510</u>	<u>928,128</u>
Expenses:				
Project services:				
Administrative expenses	3,818	3,321	214,725	221,864
Utilities expenses	-	1,703	115,314	117,017
Operating and maintenance expenses	-	378	151,859	152,237
Taxes and insurance expenses	-	2,707	57,968	60,675
Financial expenses	-	-	15,208	15,208
Depreciation expense	100,959	-	3,352	104,311
Total expenses	<u>104,777</u>	<u>8,109</u>	<u>558,426</u>	<u>671,312</u>
Change in net assets before transfers	(100,849)	(3,419)	361,084	256,816
Transfer	6,183	99,550	(105,733)	-
Change in Net Assets	(94,666)	96,131	255,351	256,816
Net Assets (Deficit):				
Beginning of year	<u>1,249,368</u>	<u>-</u>	<u>(233,126)</u>	<u>1,016,242</u>
End of year	<u>\$ 1,154,702</u>	<u>\$ 96,131</u>	<u>\$ 22,225</u>	<u>\$ 1,273,058</u>

PALMYRA INTER-FAITH HOUSING COUNCIL

PALMYRA INTERFAITH MANOR

HUD PROJECT NO. 034-EH015

STATEMENT OF FINANCIAL POSITION DATA

SEPTEMBER 30, 2018

Account Number	Assets		
	Current assets:		
1120	Cash - operations	\$	300,694
1130	Tenant accounts receivable		1,258
1140	Accounts receivable - other		-
1180	Inventory		6,077
1200	Prepaid expenses		115
1100T	Total current assets		<u>308,144</u>
1191	Tenant deposits held in trust		<u>43,192</u>
	Fixed assets:		
1410	Land		125,000
1420	Building		3,588,807
1450	Furniture		28,751
1470	Maintenance equipment		3,328
1480	Motor vehicles		-
1490	Miscellaneous fixed assets		35,455
1400T	Total fixed assets		<u>3,781,341</u>
1495	Less: accumulated depreciation		<u>(3,616,317)</u>
1400N	Net fixed assets		<u>165,024</u>
1510	Investments		-
1000T	Total Assets	\$	<u><u>516,360</u></u>
	Liabilities and Net Assets		
	Liabilities:		
	Current liabilities:		
2110	Accounts payable - operations	\$	26,816
2121	Accrued expenses		19
2172	Other mortgages payable		205,351
2210	Prepaid revenue		601
2122T	Total current liabilities		<u>232,787</u>
2191	Tenant deposits held in trust		43,192
2322	Mortgage payable		<u>218,156</u>
2000T	Total Liabilities		494,135
3130	Net Assets		<u>22,225</u>
2033T	Total Liabilities and Net Assets	\$	<u><u>516,360</u></u>

PALMYRA INTER-FAITH HOUSING COUNCIL

PALMYRA INTERFAITH MANOR

HUD PROJECT NO. 034-EH015

STATEMENT OF ACTIVITIES DATA

YEAR ENDED SEPTEMBER 30, 2018

Account Number		
	Revenues:	
5120	Rent revenue - gross potential	\$ 379,660
5121	Tenant assistance payments	524,689
5100T	Total potential rent revenues	904,349
5220	Vacancies - apartments	-
5152N	Net rent revenues	904,349
5300	Nursing homes/assisted living	8,005
5410	Financial revenue - operations	-
5430	Revenue from investments - residual receipts	-
5400T	Total financial revenues	-
5910	Laundry and vending revenue	7,006
5990	Miscellaneous revenue	150
5900T	Total other revenues	7,156
5000T	Total revenues	919,510
	Expenses:	
	Administrative expenses:	
6204	Management consultants	25,115
6210	Advertising and marketing	150
6250	Other rental expenses	-
6311	Office expenses	14,386
6320	Management fees	92,579
6330	Manager salaries	57,777
6340	Legal expenses - project	4,270
6350	Audit expense	13,028
6351	Bookkeeping fees/accounting services	7,200
6370	Bad debts	-
6390	Miscellaneous administrative expenses	220
6263T	Total administrative expenses	214,725
	Utilities expenses:	
6420	Fuel oil/gas	6,345
6450	Electricity	68,019
6451	Water	24,402
6453	Sewer	16,548
6400T	Total utilities expenses	115,314

(Continued)

PALMYRA INTER-FAITH HOUSING COUNCIL

PALMYRA INTERFAITH MANOR

HUD PROJECT NO. 034-EH015

STATEMENT OF ACTIVITIES DATA

YEAR ENDED SEPTEMBER 30, 2018

(Continued)

Account Number	Expenses (continued):	
	Operating and maintenance expenses:	
6510	Payroll	-
6515	Supplies	35,353
6520	Contracts	79,751
6525	Garbage and trash removal	2,174
6530	Security payroll/contract	1,463
6546	Heating/cooling repairs and maintenance	21,975
6548	Snow removal	5,950
6570	Vehicle and maintenance equipment operation and repairs	4,015
6590	Miscellaneous operating and maintenance expenses	1,178
6500T	Total operating and maintenance expenses	151,859
	Taxes, licenses, and insurance:	
6710	Real estate taxes	25,000
6711	Payroll taxes	4,186
6720	Property and liability insurance	18,997
6721	Fidelity bond insurance	115
6722	Workmen's insurance	342
6723	Health insurance and other employee benefits	9,328
6790	Miscellaneous taxes, licenses, and insurance	-
6700T	Total taxes and insurance	57,968
	Financial expenses:	
6820	Interest on other mortgages	15,208
6800T	Total financial expenses	15,208
6000T	Total cost of operations before depreciation	555,074
5060T	Change in net assets (deficit) before depreciation	364,436
6600	Depreciation expense	3,352
5060N/3250	Change in Net Assets (Deficit)	\$ 361,084
	Net Assets (Deficit):	
S1100-060	Beginning of year	\$ (233,126)
3247	Change in unrestricted net deficit from operations	361,084
S1100-065	Other changes in unrestricted net assets	(105,733)
3131	End of year	\$ 22,225
S1100-050	Previous year total net deficit	\$ (233,126)
3250	Change in total net deficit from operations	361,084
S1100-055	Other changes in total net assets	(105,733)
3130	Total Net Assets	\$ 22,225

(Concluded)

PALMYRA INTER-FAITH HOUSING COUNCIL

PALMYRA INTERFAITH MANOR

HUD PROJECT NO. 034-EH015

STATEMENT OF CASH FLOWS DATA

YEAR ENDED SEPTEMBER 30, 2018

<u>Account Number</u>		
	Cash Flows From Operating Activities:	
	Receipts:	
S1200-010	Rental receipts	\$ 920,270
S1200-040	Total receipts	<u>920,270</u>
	Disbursements:	
S1200-050	Administrative	(64,369)
S1200-070	Management fees	(90,732)
S1200-090	Utilities	(115,314)
S1200-100	Salaries and wages	(57,777)
S1200-110	Operating and maintenance	(143,977)
S1200-120	Real estate taxes	(25,000)
S1200-140	Property insurance	(18,997)
S1200-150	Miscellaneous taxes and insurance	(13,971)
S1200-181	Interest on mortgages	<u>(15,208)</u>
S1200-230	Total disbursements	<u>(545,345)</u>
S1200-240	Net cash provided by operating activities	<u>374,925</u>
	Cash Flows From Investing Activities:	
S1200-330	Purchase of property and equipment	-
S1200-340	Payment from Palmyra Inter-faith Housing Council	<u>44,109</u>
S1200-350	Net cash provided by investing activities	<u>44,109</u>
	Cash Flows From Financing Activities:	
S1200-361	Principal payments - second mortgage	(199,404)
S1200-420	Distributions	<u>(105,733)</u>
S1200-460	Net cash used in financing activities	<u>(305,137)</u>
S1200-470	Net Increase in Cash	113,897
	Cash:	
S1200-480	Beginning of year	<u>186,797</u>
S1200T	End of year	<u>\$ 300,694</u>

(Continued)

PALMYRA INTER-FAITH HOUSING COUNCIL

PALMYRA INTERFAITH MANOR

HUD PROJECT NO. 034-EH015

STATEMENT OF CASH FLOWS DATA

YEAR ENDED SEPTEMBER 30, 2018

(Continued)

Account Number		
	Cash Flows From Operating Activities:	
3250	Change in net assets (deficit)	\$ 361,084
	Adjustments to reconcile change in net assets (deficit) to net cash provided by operating activities:	
6600	Depreciation expense	3,352
	Change in:	
S1200-490	Tenant accounts receivable	(230)
S1200-500	Accounts receivable - other	665
S1200-520	Prepaid expenses	-
S1200-540	Accounts payable	6,861
S1200-560	Accrued expenses	-
S1200-590	Prepaid revenue	325
S1200-600	Inventory	<u>2,868</u>
S1200-610	Net cash provided by operating activities	<u>\$ 374,925</u>

(Concluded)

PALMYRA INTER-FAITH HOUSING COUNCIL

PALMYRA INTERFAITH MANOR
HUD PROJECT NO. 034-EH015

SUPPORTING DATA REQUIRED BY HUD

YEAR ENDED SEPTEMBER 30, 2018

Computation of Surplus Cash, Distributions, and Residual Receipts (Annual)

S1300-010	Cash	\$ 343,886	
S1300-040	Total cash		\$ 343,886
S1300-075	Accounts payable (due within 30 days)	26,816	
S1300-100	Accrued expenses (not escrowed)	19	
2210	Prepaid revenue	601	
2191	Tenant security deposits liability	43,192	
S1300-140	Total current obligations		70,628
S1300-150	Cash surplus		\$ 273,258

Schedule of Changes in Fixed Asset Accounts

		<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
1410	Land	\$ 125,000	\$ -	\$ -	\$ -	\$ 125,000
1420	Building	3,588,807	-	-	-	3,588,807
1450	Furniture	28,751	-	-	-	28,751
1470	Maintenance equipment	3,328	-	-	-	3,328
1480	Motor vehicle	-	-	-	-	-
1490	Miscellaneous fixed assets	35,455	-	-	-	35,455
		<u>\$ 3,781,341</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,781,341</u>
	Accumulated depreciation	<u>\$ 3,612,965</u>	<u>\$ 3,352</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,616,317</u>
	Net book value	<u>\$ 168,376</u>				<u>\$ 165,024</u>

**Palmyra Inter-faith Housing
Council and Affiliate**

Independent Auditor's Report
in Accordance with
Government Auditing Standards

Year Ended September 30, 2018

**Independent Auditor’s Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

**Board of Directors
Palmyra Inter-faith Housing
Council and Affiliate**

We have audited, in accordance with the 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 consolidated financial statements of the Palmyra Inter-faith Housing Council and Affiliate (collectively, Organization), which comprise the consolidated statement of financial position as of September 30, 2018, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 19, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization’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 opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’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.

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 that might be material weaknesses or significant deficiencies. Given these limitations, during our 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 the Organization's consolidated 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maher Duessel

Harrisburg, Pennsylvania
December 19, 2018

PALMYRA INTER-FAITH HOUSING COUNCIL

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED SEPTEMBER 30, 2018

NONE NOTED

CERTIFICATIONS

PALMYRA INTER-FAITH HOUSING COUNCIL

CERTIFICATION OF PROJECT OWNER

We hereby certify that we have examined the accompanying financial statements and supplemental data of Palmyra Inter-faith Housing Council and, to the best of our knowledge and belief; the same are accurate and complete. We also certify that to the best of our knowledge and belief, the project complied with the U.S. Department of Housing and Urban Development Regulations.

PALMYRA INTER-FAITH HOUSING
COUNCIL

EIN: 23-2091551

By: _____
Name

Date: December 19, 2018

Title

By: _____
Name

Date: December 19, 2018

Title

Mailing Address:

c/o Palmyra Inter-faith Housing
Council
101 South Railroad Street
Palmyra, PA 17078
Phone: (717) 273-1639

Contact Name: Karl Bordner
Contact Title: President
Contact Name: Karen Raugh
Contact Fax Number: (717) 273-6950

PALMYRA INTER-FAITH HOUSING COUNCIL

CERTIFICATION OF MANAGEMENT AGENT

We hereby certify that we have examined the accompanying financial statements and supplemental data of Palmyra Inter-faith Housing Council and, to the best of our knowledge and belief; the same are accurate and complete.

BRICK PROPERTY SERVICES, LCC

EIN: 82-2344975

By: _____
Name

Date: December 19, 2018

Title

Mailing Address:

Brick Property Services, LLC
PO Box 420
Lebanon, PA 17042-0420
Phone: (717) 274-1402
Fax: (717) 273-6950