

**Palmyra Housing Limited
Partnership**

D/B/A Cherry Place
PHFA No. O-323

Financial Statements and
Supplementary Information

Years Ended December 31, 2019 and 2018
with Independent Auditor's Reports

MaherDuessel
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**PALMYRA HOUSING LIMITED PARTNERSHIP
D/B/A CHERRY PLACE**

PHFA NO. O-323

YEARS ENDED DECEMBER 31, 2019 AND 2018

TABLE OF CONTENTS

Independent Auditor's Report

Financial Statements:

Balance Sheets	1
Statements of Profit and Loss	3
Statements of Changes in Partners' Equity	5
Statements of Cash Flows	6
Notes to Financial Statements	8

Supplementary Data Required by PHFA:

Accounts and Notes Receivable	18
Delinquent Tenant Accounts Receivable	18
Analysis of Required Reserve Funds and Escrows	19
Changes in Property and Equipment Accounts	20
Schedule of Additions	20
Itemization of Operating Payables	21
PHFA's Computation of Deficit Cash and Return on Equity	22

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
Prior Year Schedule of Findings and Responses	26
Schedule of Findings and Responses	27

**PALMYRA HOUSING LIMITED PARTNERSHIP
D/B/A CHERRY PLACE**

PHFA NO. O-323

YEARS ENDED DECEMBER 31, 2019 AND 2018

TABLE OF CONTENTS

(Continued)

Additional Information:

Name and Address of Lead Auditor 28

Certifications:

Certification of Project Owner 29

Management Agent's Signed Representation Letter 30

Independent Auditor's Report

**To the Partners
Palmyra Housing
Limited Partnership**

Report on the Financial Statements

We have audited the accompanying financial statements of the Palmyra Housing Limited Partnership, d/b/a Cherry Place, PHFA No. O-323 (Partnership), which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of profit and loss, changes in partners' equity, 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 entity'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 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 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 the Partnership as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, the Partnership adopted Accounting Standards Update (ASU) 2016-18, "*Statement of Cash Flows (Topic 230): Restricted Cash*," which requires that the statement of cash flows explain the change during the period in total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Our opinion is not modified with respect to these matters.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 18 to 23 is presented for purposes of additional analysis as required by the Pennsylvania Housing Finance Agency (PHFA) and is not a required part of the financial statements.

The accompanying supplementary information shown on pages 18 to 23 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. Such 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 accompanying supplementary information shown on pages 18 to 23 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 our report dated March 18, 2020 on our consideration of the Partnership'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 Partnership'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 Partnership's internal control over financial reporting and compliance.

Maher Duessel

Harrisburg, Pennsylvania
March 18, 2020

**PALMYRA HOUSING LIMITED PARTNERSHIP
D/B/A CHERRY PLACE**

PHFA NO. O-323

BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

Assets	2019	2018
Current assets:		
Cash and cash equivalents	\$ 41,566	\$ 29,195
Accounts receivable - tenant	-	147
Accounts receivable - other	441	-
Inventory	4,325	2,930
Total current assets	46,332	32,272
Deposits held in trust:		
Tenant security deposits	25,138	24,951
Total deposits held in trust	25,138	24,951
Restricted deposits and funded reserves:		
Reserve for replacement	243,103	217,700
Insurance escrow	12,014	11,502
Real estate tax escrow	14,913	15,053
Cash and cash equivalents - other reserves	10,179	10,010
Total restricted deposits and funded reserves	280,209	254,265
Property and equipment:		
Land	63,000	63,000
Land improvements	205,231	205,231
Building	3,507,026	3,507,026
Site improvements	21,741	21,741
Furniture	7,598	7,598
	3,804,596	3,804,596
Less: accumulated depreciation	2,179,941	2,070,622
Net property and equipment	1,624,655	1,733,974
Total Assets	\$ 1,976,334	\$ 2,045,462

(Continued)

Liabilities and Partners' Equity	<u>2019</u>	<u>2018</u>
Current liabilities:		
Accounts payable	\$ 82,674	\$ 71,620
Notes payable, current portion	39,912	27,828
Advance	<u>234</u>	<u>10,000</u>
Total current liabilities	<u>122,820</u>	<u>109,448</u>
Deposit and prepayment liabilities:		
Tenant security deposits	25,138	24,951
Deferred rent credits	<u>592</u>	<u>2,836</u>
Total deposit and prepayment liabilities	<u>25,730</u>	<u>27,787</u>
Long-term debt:		
Notes payable, net of current portion	<u>1,605,000</u>	<u>1,642,670</u>
Total Liabilities	1,753,550	1,779,905
Partners' Equity:	<u>222,784</u>	<u>265,557</u>
Total Liabilities and Partners' Equity	<u><u>\$ 1,976,334</u></u>	<u><u>\$ 2,045,462</u></u>

(Concluded)

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

PALMYRA HOUSING LIMITED PARTNERSHIP

D/B/A CHERRY PLACE

PHFA NO. O-323

STATEMENTS OF PROFIT AND LOSS

YEARS ENDED DECEMBER 31, 2019 AND 2018

Part 1	Description of Account	Account #	2019	2018
Rental Income	Rental Income	5120	\$ 280,440	\$ 273,552
	Tenant Assistance Payments	5121	-	-
	Stores and Commercial Rent	5140	-	-
	Other Rental Income	5190	-	15
	Rent Concessions	5250	-	-
	Total Rental Income			280,440
Vacancies	Vacancies - Apartments	5220	6,797	13,824
	Vacancies - Commercial	5240	-	-
	Total Vacancy Loss		6,797	13,824
Net Rental Income			273,643	259,743
Interest Income	Interest Income - Operations	5410	598	301
	Interest Income - Residual Receipts	5430	-	-
	Interest Income - Reserve for Replacement	5440	5,062	2,505
	Interest Income - Painting and Decorating	5450	-	-
	Total Interest Income		5,660	2,806
Other Income	Supportive Services Income	5300	-	-
	Grant Income	5510	-	-
	Service Income	5910	5,101	3,901
	NSF and Late Fees	5920	-	-
	Miscellaneous Income	5990	-	664
	Total Other Income		5,101	4,565
Total Property Income			284,404	267,114
Administrative Expenses	Advertising and Renting Expense	6210	-	382
	Office and Telephone Expense	6311	4,120	3,805
	Model Apartment Expense	6312	-	-
	Management Fee (9.9%)	6320	28,129	26,410
	Legal Expense	6340	503	500
	Audit Expense	6350	6,100	6,080
	Administrative Fee (Section 8 only)	6351	-	-
	Bad Debts	6370	-	-
	Miscellaneous Administrative Expenses	6390	1,600	900
	Total Administrative Expenses		40,452	38,077
Utility Expenses	Fuel	6420	-	-
	Electricity	6450	26,023	29,414
	Water	6451	10,107	10,905
	Gas	6452	-	-
	Sewer	6453	6,816	7,113
	Total Utility Expenses		42,946	47,432
Operating and Maintenance Expenses	Janitor/Maintenance Supplies	6515	3,360	3,970
	Operating/Maintenance Contracts	6520	-	-
	Rubbish Removal	6525	959	1,009
	Security Payroll/Contract	6530	5,947	3,246
	Repairs/Payroll	6540	-	-
	Repairs Materials	6541	16,663	15,880
	Elevator Maintenance	6545	9,365	8,906
	Heating and Air Conditioning Maintenance	6546	-	2,446
	Grounds Maintenance/Snow Removal	6548	7,897	6,169
	Painting and Decorating	6560	1,070	5,724
	Vehicle Operation and Repairs	6570	29	-
	Miscellaneous Operating and Maintenance Expense	6590	682	11,626
Total Operating and Maintenance Expenses		45,972	58,976	

(Continued)

PALMYRA HOUSING LIMITED PARTNERSHIP

D/B/A CHERRY PLACE

PHFA NO. O-323

STATEMENTS OF PROFIT AND LOSS

YEARS ENDED DECEMBER 31, 2019 AND 2018

(Continued)

Part 1 (Continued)	Description of Account	Account #	2019	2018
Payroll Expenses	Office Salaries	6310	-	-
	Manager Salaries	6330	12,419	10,789
	Administrative Rent Free Unit	6331	-	-
	Janitor/Maintenance Payroll	6510	15,557	19,169
	Payroll Taxes	6711	1,186	1,270
	Workmen's Compensation	6722	429	459
	Health Insurance and Employee Benefits	6723	1,581	2,898
		Total Payroll Expenses		31,172
Taxes and Insurance	Real Estate Taxes	6710	34,140	32,786
	Property and Liability Insurance	6720	16,228	15,502
	Fidelity Bond Insurance	6721	-	-
	Miscellaneous Taxes and Insurance, Licenses/Permits	6729	-	-
	Total Taxes and Insurance Expenses		50,368	48,288
Financial Expenses	Mortgage Interest	6820	5,814	7,899
	PHFA Late Fees	6821	-	-
	Other Interest Payments	6830	-	-
	HUD Mortgage Insurance Premiums	6850	-	-
	PHFA Services Fees	6851	1,168	1,168
	PHFA Self Insurance Fees	6855	135	196
	Other Service Fee	6860	-	-
	Investor Service Fee	6870	-	-
	Miscellaneous Financial Expense	6890	-	-
	Total Financial Expenses		7,117	9,263
Supportive Service Expenses	Supportive Service Payroll	6910	-	-
	Supportive Service Supplies	6920	-	-
		Total Supportive Service Expenses		-
	Total Cost of Operations Before Depreciation		218,027	236,621
	Profit (Loss) Before Depreciation		66,377	30,493
	Depreciation (Total) - 6600 Specify	6600	109,319	111,094
	Amortization	6610	-	-
		Operating Profit (Loss)		(42,942)
Entity Expenses	Interest Income - (Entity)	7100	169	165
	Legal Expenses - (Entity)	7120	-	-
	Taxes (Federal-State-Entity)	7130	-	-
	Other Expenses (Entity)	7190	-	-
		Total Entity Expenses		169
	Net Profit (Loss)		\$ (42,773)	\$ (80,436)
Part 2				
1. Total principal payments required under the mortgage, even if payments under a Workout Agreement are less or more than those required under the mortgage.			\$ 25,586	\$ 23,501
2. Replacement Reserve deposits required by the Regulatory Agreement or Amendments thereto, even if payments may be temporarily suspended or waived.			\$ 21,024	\$ 20,412

(Concluded)

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

**PALMYRA HOUSING LIMITED PARTNERSHIP
D/B/A CHERRY PLACE**

PHFA NO. O-323

STATEMENTS OF CHANGES IN PARTNERS' EQUITY

YEARS ENDED DECEMBER 31, 2019 AND 2018

	General Partner - PHDC	Limited Partner - NHDC	Syndication Fees	Total
Percentage Interest:	0.01%	99.99%		100.00%
Balance (Deficit), December 31, 2017	\$ 22,118	\$ 356,175	\$ (32,300)	\$ 345,993
Deduct:				
Net loss	(8)	(80,428)	-	(80,436)
Balance (Deficit), December 31, 2018	22,110	275,747	(32,300)	265,557
Deduct:				
Net Loss	(4)	(42,769)	-	(42,773)
Balance (Deficit), December 31, 2019	\$ 22,106	\$ 232,978	\$ (32,300)	\$ 222,784

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

**PALMYRA HOUSING LIMITED PARTNERSHIP
D/B/A CHERRY PLACE**

PHFA NO. O-323

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash Flows From Operating Activities:		
Rental receipts	\$ 271,733	\$ 265,009
Interest receipts	5,829	2,971
Other receipts	4,660	4,580
Administrative expenses paid	(20,402)	(1,479)
Administrative salaries paid	(16,029)	(14,146)
Management fees paid	(23,568)	(26,410)
Utilities paid	(42,070)	(44,668)
Operating and maintenance expenses paid	(46,207)	(62,180)
Operating and maintenance payroll paid	(11,187)	(19,169)
Real estate taxes paid	(34,140)	(32,786)
Payroll taxes paid	(1,186)	(1,270)
Property insurance paid	(16,228)	(15,502)
Interest on mortgage note paid	(5,814)	(7,899)
Mortgage service fee paid	(1,303)	(1,364)
	64,088	45,687
Cash Flows From Financing Activities:		
Mortgage principal payments	(25,586)	(23,501)
	(25,586)	(23,501)
Net Increase (Decrease) in Cash, Cash Equivalents, Tenant Security Deposits, and Restricted Deposits and Funded Reserves	38,502	22,186
Cash, Cash Equivalents, Tenant Security Deposits, and Restricted Deposits and Funded Reserves:		
Beginning of year, as restated	308,411	286,225
End of year	\$ 346,913	\$ 308,411

(Continued)

**PALMYRA HOUSING LIMITED PARTNERSHIP
D/B/A CHERRY PLACE**

PHFA NO. O-323

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

(Continued)

	2019	2018
Reconciliation of Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Net income (loss)	\$ (42,773)	\$ (80,436)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	109,319	111,094
Change in assets:		
Accounts receivable - tenant	147	(147)
Accounts receivable - other	(441)	-
Inventory	(1,395)	(2)
Change in liabilities:		
Accounts payable	11,054	(250)
Advance	(9,766)	10,000
Tenant security deposits	187	2,592
Deferred rent credits	(2,244)	2,836
Net cash provided by (used in) operating activities	<u>\$ 64,088</u>	<u>\$ 45,687</u>
		(Concluded)

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

PALMYRA HOUSING LIMITED PARTNERSHIP D/B/A CHERRY PLACE

PHFA NO. O-323

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

1. Partnership Operations and Summary of Significant Accounting Policies

Partnership Operations

Palmyra Housing Limited Partnership (Partnership) was formed for the purpose of acquiring, owning, constructing, and operating a forty-one (41) unit low-income housing complex in compliance with Section 42 of the Code. The Partnership Agreement was entered into on November 15, 1994, and the complex was under construction from January 1, 1995 to May 8, 1996. Rental operations commenced on May 9, 1996.

The limited partnership agreement stipulates the method to be used to distribute the Partnership's net income or loss and distributions to the respective partners. It also contains certain restrictions on the transfer or disposition of the general and limited partnership interest. The term of the Partnership shall continue until December 31, 2043 unless sooner dissolved by an act or event specified in the Partnership agreement or by law. Financial and operational methods used are regulated by the Pennsylvania Housing Finance Agency (PHFA).

The general partner is Palmyra Housing Development Corporation of Lebanon County, Inc., a Pennsylvania nonprofit corporation (PHDC). The general partner contributed \$10 in cash for 1% interest of the Partnership's income or loss.

Through December 31, 2014, the limited partner was Fulton Financial (FF) (formerly Lebanon Valley Farmers Bank). The limited partner contributed \$1,408,405 in cash for a 99% interest of the Partnership's income or loss.

On December 31, 2014, FF and the Non-Profit Housing Development Corporation (NHDC) entered into an Assignment and Assumption Agreement of the Limited Partnership Interest whereby FF assigned and transferred, without recourse, its 99% limited partner interest in the Partnership, to NHDC, a "substituted limited partner."

On December 31, 2014, the Partnership Agreement was amended under the First Amendment to the Agreement of Limited Partnership of Palmyra Housing Limited Partnership. The purpose of the amendment was to reflect the withdrawal of FF as a limited partner and to reflect the substitution of the Substitute Limited Partner, NHDC. In addition, the First Amendment amended the percentage interest of the general partner and the limited partner in the Partnership. Under the amendment, the general partner, PHDC, has a .01%

**PALMYRA HOUSING LIMITED PARTNERSHIP
D/B/A CHERRY PLACE**

PHFA NO. O-323

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

interest in the Partnership and the limited partner, NHDC, has a 99.99% interest in the Partnership.

The losses and tax credits are allocated 99.99% to the limited partner and 0.01% to the general partner.

Pursuant to PHFA regulations, cash distributions are limited by the Regulatory Agreement to the extent of "surplus cash," as defined by PHFA and further restricted by the Support Mortgage Note. Undistributable amounts are cumulative and may be distributed in subsequent years if future operations provide "surplus cash."

Basis of Accounting

The accounting policies of the Partnership conform to accounting principles generally accepted in the United States of America. The financial statements are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Cash and Cash Equivalents, Tenant Security Deposits, and Restricted Deposits and Funded Reserves

For the purposes of the statements of cash flows, the Partnership considers all unrestricted cash investments and restricted deposits and funded reserves with a maturity date of three months or less to be cash equivalents. Certain cash equivalents are stated at cost, which approximates fair value. Restricted deposits and funded reserves are stated at fair value. At times, cash and cash equivalents may be in excess of the FDIC insurance limits.

The following table provides a reconciliation of cash, cash equivalents, and restricted deposits reported in the statements of financial position and the statements of cash flows as of December 31:

PALMYRA HOUSING LIMITED PARTNERSHIP
D/B/A CHERRY PLACE

PHFA NO. O-323

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 41,566	\$ 29,195
Tenant security deposits	25,138	24,951
Reserve for replacement	243,103	217,700
Insurance escrow	12,014	11,502
Real estate tax escrow	14,913	15,053
Cash and cash equivalents - other reserves	<u>10,179</u>	<u>10,010</u>
Total cash, cash equivalents, tenant security deposits, and restricted deposits and funded reserves	<u>\$ 346,913</u>	<u>\$ 308,411</u>

Accounts Receivable - Tenant

The Partnership records the total amount of tenant rent billed or accrued in accounts receivable. Uncollectible accounts receivable are expensed when, in the opinion of management, collection is unlikely. Recoveries of accounts previously written off are offset against bad debt expense in the year recovered. Tenant accounts receivable were \$0 and \$147 at December 31, 2019 and 2018, respectively.

Inventories

Inventories are valued at cost using the first-in, first-out (FIFO) method.

Tenant Security Deposits

Tenant security deposits are held in separate savings accounts in the name of the Partnership. Interest is credited to the tenants and increases the security deposit liability. Interest on these deposits is not income to the Partnership.

Restricted Deposits and Funded Reserves

Under the terms of the Regulatory Agreement, the Partnership is required to set aside specified amounts for the replacement of property and other project expenditures. Mortgage escrow deposit accounts are held by PHFA for payment of real estate taxes and insurance. The reserve for replacement represents funds required to be set aside for the repairs and

PALMYRA HOUSING LIMITED PARTNERSHIP
D/B/A CHERRY PLACE

PHFA NO. O-323

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

improvement of the facilities. Monthly required deposits were made in accordance with the PHFA Regulatory Agreement.

Fair Value Measurements of Restricted Deposits and Funded Reserves

Restricted deposits and funded reserves are reported at fair value with interest income included in the statements of profit and loss. 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. For Level 2 measurement, pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable, 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.

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 Partnership. The Partnership 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 Partnership's perceived risk of that instrument.

Valuation of Restricted Deposits and Funded Reserves

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations, or alternative pricing sources supported by observable inputs are classified within Level 2. These include certain U.S. government and sovereign obligations, most government agency securities, investment-grade corporate bonds, certain mortgage products, certain bank loans, and bridge loans, less liquid listed

**PALMYRA HOUSING LIMITED PARTNERSHIP
D/B/A CHERRY PLACE**

PHFA NO. O-323

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

equities, state, municipal, and provincial obligations, most physical commodities, certain loan commitments, and negotiable certificates of deposit. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Property and Equipment

Property and equipment are recorded at cost at the time of the purchase. Donated property and equipment are recorded at estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets ranging from 7- 40 years. Expenditures for repairs and maintenance and minor renewals are charged against income and expenses. Major renewals and betterments in excess of \$5,000 are capitalized. When property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of operations.

All forty-one (41) of the dwelling's units are being leased to persons satisfying the income restrictions under Section 42(c) (1) of the Internal Revenue Code.

The Partnership evaluates the carrying value of property and equipment. When indications of an impairment are present, the recoverability of the carrying value of the assets in question are assessed based on the future undiscounted cash flows expected to result from their use. If the carrying value cannot be recovered, impairment losses would be recognized to the extent the carrying value exceeds fair value. The Partnership does not have any indications of impairment at December 31, 2019 or 2018.

Non-Interest Bearing Loans

Non-interest bearing loans are measured by the cash proceeds exchanged when no other right or privilege is given. As such, no interest is imputed on the Partnership loans.

Rental Income

Rental income is recognized as rentals become due. Rental payments received in advance are reported as deferred rent credits until earned. All leases between the Partnership and the tenants of the property are operating leases.

**PALMYRA HOUSING LIMITED PARTNERSHIP
D/B/A CHERRY PLACE**

PHFA NO. O-323

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

Syndication Fees

Syndication fees relating to the sale of Partnership interests have been deducted from the book capital accounts. This treatment is consistent with accounting principles generally accepted in the United States of America, which require that syndication fees incurred for an offering of a limited partnership should be accounted for in a manner similar to costs associated with the issuance of stock. Costs of issuing stock are deducted from the proceeds of the issue and are not recorded as an asset. Similarly, syndication fees are recorded as a reduction of capital contributed by the partners.

Income Taxes

As a Partnership, the entity is not directly liable for income taxes. Items of income and expense are passed through to the partners, who are liable for the taxes.

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 at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

Adoption of Accounting Pronouncements

The requirements of the following Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) was adopted during the year ended December 31, 2019:

ASU 2016-18, "*Statement of Cash Flows (Topic 230): Restricted Cash*," which requires that the statement of cash flows explain the change during the period in total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result of the adoption of ASU 2016-18, beginning of year cash and cash equivalents on the statement of cash flows was restated to include restricted deposits.

ASU 2014-09, "*Revenue from Contracts with Customers (Topic 606)*," which provides guidance for revenue recognition related to contracts with the transfer of promised goods or services to customers and related disclosures. There were no changes as a result of the implementation of this ASU.

PALMYRA HOUSING LIMITED PARTNERSHIP D/B/A CHERRY PLACE

PHFA NO. O-323

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

Pending Accounting Pronouncement

ASU 2018-13, “*Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820)*,” is effective for the financial statements for the year beginning after December 15, 2019. This amendment removes and modifies certain fair value hierarchy leveling disclosures.

Management has not yet determined the impact of this amendment on the Partnership’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.

2. Concentration of Credit Risk

Financial instruments that potentially subject the Partnership to concentrations of credit risk consist principally of temporary cash investments and restricted deposits and funded reserves. The Partnership places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one financial institution. The restricted deposits and funded reserves are held by the mortgage company in a pooled fund to attain the maximum yield, and the interest is allocated back to each project based on its percentage of the whole. The pooled funds are invested in bank deposits fully collateralized in accordance with Act 72, direct U.S. Government, U.S. Government Agency securities, and AAA rated money market funds. Certain funds are held in a commingled federally insured account, at times, whereby the account balance exceeds the federal insurance limits.

3. Restricted Deposits and Funded Reserves

Under the terms of the Regulatory Agreement, the Partnership is required to set aside specified amounts for the replacement of property and other project expenses. As of December 31, 2019 and 2018, restricted deposits and funded reserves amounted to \$270,030 and \$244,255, respectively, and are held in separate accounts in trust and generally are not available for operating purposes. Restricted deposits in the amount of \$10,179 and \$10,010

PALMYRA HOUSING LIMITED PARTNERSHIP
D/B/A CHERRY PLACE

PHFA NO. O-323

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

at December 31, 2019 and 2018, respectively, are held in the Partnership's checking account and are covered by the federal depository insurance.

Fair Value of Financial Instruments

As of December 31, 2019 and 2018, all of the Partnership's restricted deposits and funded reserves, exclusive of other reserves, are classified as Level 2 instruments.

4. Advance

During the year ending December 31, 2018, the Partnership received an advance in the amount of \$10,000 from PHDC to be used for emergency sinkhole repairs. There are no documented repayment terms for this advance. During the year ended December 31, 2019, the Partnership made a payment to the PHDC in the amount of \$9,766. The balance remaining on the advance at December 31, 2019 is \$234.

5. Notes Payable

The notes payable at December 31 are as follows:

	<u>2019</u>	<u>2018</u>
CDBG Loan	\$ 540,000	\$ 540,000
DCA Loan	98,000	98,000
RACL Loan	29,000	29,000
PHDC Loan	200,000	200,000
RACL Loan	86,000	86,000
PHFA Support Loan	652,000	652,000
PHFA Loan	<u>39,912</u>	<u>65,498</u>
	1,644,912	1,670,498
Less: Current portion	<u>(39,912)</u>	<u>(27,828)</u>
	<u>\$ 1,605,000</u>	<u>\$ 1,642,670</u>

**PALMYRA HOUSING LIMITED PARTNERSHIP
D/B/A CHERRY PLACE**

PHFA NO. O-323

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

Based on the repayment terms disclosed below, maturity dates can only be estimated for the PHFA Loan.

Interest expense amounted to \$5,814 and \$7,899 for the years ended December 31, 2019 and 2018, respectively.

The CDBG, DCA, and RACL loans were made by the Redevelopment Authority of the County of Lebanon. The payment of all principal on these non-interest bearing loans was deferred until May 9, 2011, the anniversary date representing 15 full years of occupancy of the premises secured by these loans. Thereafter, principal will be due in annual installments due on March 31 of each year to the extent that net operating revenues for the preceding year exceed net operating expenses plus debt service on any loans by PHFA to the Partnership paid during the preceding year by the Partnership. All unpaid principal is due and payable as a balloon payment thirty years from the date of the loans.

The PHDC Loan was made by PHDC, the general partner. This loan is unsecured, interest free and was deferred until May 9, 2011, the anniversary date representing 15 full years of occupancy of the premises secured by this loan. Thereafter, principal will be due in annual installments due on March 31 of each year to the extent that net operating revenues for the preceding year exceed net operating expenses plus debt service on any loans by PHFA to the Partnership paid during the preceding year by the Partnership. All unpaid principal is due and payable as a balloon payment thirty years from the date of this loan.

The PHFA Support Loan was made by PHFA. Principal payments on this non-interest bearing note shall only be made from surplus of revenues over expenses generated by the project during any calendar year prior to any repayments of project financing or distributions to the Partnership. In the event there is surplus cash, fifty percent (50%) of the excess shall repay the Support Loan and the remaining fifty percent (50%) shall be paid as return on equity. All unpaid principal is due and payable upon the event of a default under the Support Loan agreement, upon the sale of the project, upon refinancing of the project, or termination of the project, whichever occurs earlier.

The PHFA Loan was made by PHFA. This loan bears interest of 8.875% per annum. Principal and interest payments are due in monthly installments of \$2,617 to PHFA and the loan matures in November 2020.

The loans are collateralized by the property, plant, and equipment of the Partnership.

PALMYRA HOUSING LIMITED PARTNERSHIP
D/B/A CHERRY PLACE

PHFA NO. O-323

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

6. Transactions with Management Agent

The Housing Authority of the County of Lebanon (Housing Authority) through June 30, 2018, and Brick Property Services, LLC, effective July 1, 2018, provide property management services for a fee of 10% of the rent and ancillary income collected. Management fees for the years ended December 31, 2019 and 2018 amounted to \$28,129 and \$26,410, respectively, and are included in administrative expenses.

The Partnership shares both administrative and maintenance employees with the general partner, the limited partner, the Housing Authority, and Brick Property Services, LLC. These salaries are allocated to the Partnership by percentage on an individual employee basis. Amounts due to the Housing Authority at December 31, 2019 and 2018 amounted to \$60,416. Amounts due to Brick Property Services, LLC at December 31, 2019 and 2018 amounted to \$8,841 and \$0, respectively.

7. Current Vulnerability Due to Certain Concentrations

The Partnership's major asset is a 41-unit housing project. The Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, the Internal Revenue Service and PHFA. Such administrative directives, rules, and regulations are subject to change by an Act of Congress or an administrative change mandated by a regulatory agency. 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 DATA
REQUIRED BY PHFA**

**PALMYRA HOUSING LIMITED PARTERSHIP
D/B/A CHERRY PLACE**

PHFA NO. O-323

SUPPORTING DATA REQUIRED BY PHFA

YEAR ENDED DECEMBER 31, 2019

Accounts and Notes Receivable

<u>Description</u>	<u>Amount</u>
Laundry income	\$441

Delinquent Tenant Accounts Receivable

	<u>Number of Tenants</u>	<u>Amount Past Due</u>
Delinquent 30 days	-	\$ -
Delinquent 31-60 days	-	-
Delinquent 61-90 days	-	-
Delinquent over 90 days	-	-
Totals	<u>-</u>	<u>\$ -</u>

PALMYRA HOUSING LIMITED PARTNERSHIP
D/B/A CHERRY PLACE

PHFA NO. O-323

SUPPORTING DATA REQUIRED BY PHFA

YEAR ENDED DECEMBER 31, 2019

(Continued)

Analysis of Required Reserve Funds and Escrows:

Schedule of Reserve for Replacement

Balance at beginning of year	\$ 217,700
Total monthly deposits	21,024
Other deposits - interest income	5,062
Approved withdrawals	<u>(683)</u>
Balance at end of year	<u><u>\$ 243,103</u></u>

Schedule of Insurance Escrow

Balance at beginning of year	\$ 11,502
Total monthly deposits	16,740
Approved withdrawals	<u>(16,228)</u>
Balance at end of year	<u><u>\$ 12,014</u></u>

Schedule of Real Estate Tax Escrow

Balance at beginning of year	\$ 15,053
Total monthly deposits	34,000
Approved withdrawals	<u>(34,140)</u>
Balance at end of year	<u><u>\$ 14,913</u></u>

Schedule of Other Reserves

Balance at beginning of year	\$ 10,010
Other deposits - interest income	<u>169</u>
Balance at end of year	<u><u>\$ 10,179</u></u>

**PALMYRA HOUSING LIMITED PARTNERSHIP
D/B/A CHERRY PLACE**

PHFA NO. O-323

SUPPORTING DATA REQUIRED BY PHFA

YEAR ENDED DECEMBER 31, 2019

(Continued)

Changes in Property and Equipment Accounts:

	Assets			Balance December 31, 2019
	Balance January 1, 2019	Additions	Deletions	
Land	\$ 63,000	\$ -	\$ -	\$ 63,000
Land improvements	205,231	-	-	205,231
Building	3,507,026	-	-	3,507,026
Site improvements	21,741	-	-	21,741
Furniture	7,598	-	-	7,598
Totals	\$ 3,804,596	\$ -	\$ -	\$ 3,804,596

	Accumulated Depreciation			Balance December 31, 2019
	Balance January 1, 2019	Additions	Deletions	
Land improvements	\$ 81,632	\$ 13,682	\$ -	\$ 95,314
Building	1,960,800	94,488	-	2,055,288
Site improvements	20,592	1,149	-	21,741
Furniture	7,598	-	-	7,598
Totals	\$ 2,070,622	\$ 109,319	\$ -	\$ 2,179,941

Schedule of Additions:

None

PALMYRA HOUSING LIMITED PARTNERSHIP
D/B/A CHERRY PLACE

PHFA NO. O-323

SUPPORTING DATA REQUIRED BY PHFA

YEAR ENDED DECEMBER 31, 2019

(Continued)

Itemization of Operating Payables:

<u>Name</u>	<u>Purpose</u>	<u>Amount</u>
Lebanon County Housing Authority	Payroll expenses	\$ 57,091
Lebanon County Housing Authority	Administrative expenses	3,325
Maher Duessel, CPAs	Administrative expenses	6,100
Citibank	Operating and maintenance expenses	49
Met Ed	Utility expenses	4,101
Borough of Palmyra	Utility expenses	1,783
Brick Property Services, LLC	Administrative expenses	8,841
PDQ Supply	Operating and maintenance expenses	71
Comcast	Administrative expenses	108
H&M Diversified	Operating and maintenance expenses	705
Long Brightbill	Administrative expenses	500
Total		<u>\$ 82,674</u>

**PALMYRA HOUSING LIMITED PARTNERSHIP
D/B/A CHERRY PLACE**

PHFA NO. O-323

SUPPORTING DATA REQUIRED BY PHFA

YEAR ENDED DECEMBER 31, 2019

(Continued)

PHFA's Computation of Deficit Cash and Return on Equity:

Deficit Cash Computation:

Add:	
Operating cash	\$ 41,566
Accounts receivable - tenant	-
Accounts receivable - other	441
Tenant security deposits	<u>25,138</u>
Total cash	<u>67,145</u>
Less:	
Accounts payable	82,674
Advance	234
Deferred rent credits	592
Tenant security deposits	<u>25,138</u>
Total current obligations	<u>108,638</u>
Deficit cash, end of year	<u><u>\$ (41,493)</u></u>

Return on Equity Calculation:

a. Distributions unpaid as of the end of the prior fiscal period	\$ 5,720,747
b. Annual distribution earned during the fiscal period	308,768
c. Less: Distributions paid during the fiscal period	-
d. Less: Unauthorized payments	<u>-</u>
e. Cumulative unpaid distributions as of the balance sheet date	<u><u>\$ 6,029,515</u></u>

**PALMYRA HOUSING LIMITED PARTNERSHIP
D/B/A CHERRY PLACE**

PHFA NO. O-323

SUPPORTING DATA REQUIRED BY PHFA

YEAR ENDED DECEMBER 31, 2019

(Continued)

Calculation of Return on Equity:

Initial equity	\$ 2,018,094
Multiply - Consumer Price Index (102.0%)	1.020
Multiply - defined return on equity (15.0%)	<u>0.150</u>
Return on equity	<u><u>\$ 308,768</u></u>

**Palmyra Housing Limited
Partnership**

D/B/A Cherry Place

PHFA No. O-323

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

Year Ended December 31, 2019

**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***

**To the Partners
Palmyra Housing
Limited Partnership**

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 Palmyra Housing Limited Partnership, d/b/a Cherry Place, PHFA No. O-323 (Partnership), which comprise the balance sheet as of December 31, 2019, and the related statements of profit and loss, changes in partners’ equity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 18, 2020.

Internal Control over Financial Reporting

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

To the Partners
Palmyra Housing Limited Partnership
Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Partnership's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, PHFA 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mahe Duessel

Harrisburg, Pennsylvania
March 18, 2020

**PALMYRA HOUSING LIMITED PARTNERSHIP
D/B/A CHERRY PLACE**

PHFA NO. O-323

PRIOR YEAR SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED DECEMBER 31, 2019

NONE

**PALMYRA HOUSING LIMITED PARTNERSHIP
D/B/A CHERRY PLACE**

PHFA NO. O-323

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED DECEMBER 31, 2019

NONE

ADDITIONAL INFORMATION

**PALMYRA HOUSING LIMITED PARTNERSHIP
D/B/A CHERRY PLACE**

PHFA NO. 0-323

NAME AND ADDRESS OF LEAD AUDITOR

Brian McCall
Partner
Maher Duessel, CPAs
3003 North Front Street
Suite 101
Harrisburg, PA 1710
717-232-1230
bmccall@md-cpas.com

CERTIFICATIONS

**PALMYRA HOUSING LIMITED PARTNERSHIP
D/B/A CHERRY PLACE**

PHFA NO. 0-323

CERTIFICATION OF PROJECT OWNER

We hereby certify that we have examined the accompanying financial statements and supplementary information of Palmyra Housing Limited Partnership, d/b/a Cherry Place, PHFA No. 0-323, and, to the best of our knowledge and belief, the same are accurate and complete.

Palmyra Housing Development Corporation of Lebanon County, Inc.
EIN Number: 25-1704924
General Partner

By: _____

Date: _____

**PALMYRA HOUSING LIMITED PARTNERSHIP
D/B/A CHERRY PLACE**

PHFA NO. 0-323

MANAGEMENT AGENT'S SIGNED REPRESENTATION LETTER

We hereby certify that we have examined the accompanying financial statements and supplementary information of Palmyra Housing Limited Partnership, d/b/a Cherry Place, PHFA No. 0-323, and, to the best of our knowledge and belief, the same are accurate and complete.

Brick Property Services, LLC
EIN Number: 82-2344975

By: _____
Bryan Hoffman
Chief Executive Officer

Date: _____