

**Palmyra Housing Development
Corporation of Lebanon County, Inc.**

Financial Statements and
Supplementary Information

Years Ended December 31, 2018 and 2017 with
Independent Auditor's Report

PALMYRA HOUSING DEVELOPMENT CORPORATION OF LEBANON COUNTY, INC.

YEARS ENDED DECEMBER 31, 2018 AND 2017

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Independent Auditor's Report

**Board of Directors
Palmyra Housing
Development Corporation
of Lebanon County, Inc.**

We have audited the accompanying financial statements of Palmyra Housing Development Corporation of Lebanon County, Inc. (PHDC) (a nonprofit organization), a component unit of the Housing Authority of the County of Lebanon, as of and for the years ended December 31, 2018 and 2017, and the related notes to the

financial statements, which collectively comprise PHDC's basic financial statements as listed in the table of contents.

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. 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 PHDC as of December 31, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise PHDC's basic financial statements. The combining schedules of net position, revenues, expenses, and changes in net position, and cash flows (combining schedules) on pages 22 through 26 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maher Duessel

Harrisburg, Pennsylvania
April 24, 2019

**PALMYRA HOUSING DEVELOPMENT
CORPORATION OF LEBANON COUNTY, INC.**

STATEMENTS OF NET POSITION

DECEMBER 31, 2018 AND 2017

	2018	2017
Assets		
<hr/>		
Current assets:		
Cash and cash equivalents	\$ 162,232	\$ 142,986
Accounts receivable - tenant	2,791	-
Prepaid expenses	5,129	4,934
Inventory	5,788	3,014
	175,940	150,934
Deposits held in trust:		
Tenant security deposits	35,193	32,953
	35,193	32,953
Restricted deposits and funded reserves:		
Insurance escrow	1,938	1,994
Real estate tax escrow	22,172	26,228
Reserve for replacement	396,714	358,177
Rent subsidy escrow	7,957	7,820
	428,781	394,219
Capital assets:		
Land	303,627	303,627
Building	3,804,683	3,804,683
Equipment	44,098	44,098
Site improvements	69,996	69,996
Furniture	167,429	167,429
	4,389,833	4,389,833
Less accumulated depreciation	3,358,312	3,219,066
	1,031,521	1,170,767
Other assets:		
Investment in limited partnership	22,110	22,118
Due from related party	210,000	200,000
Financing costs, net of accumulated amortization of \$10,352 and \$10,255	1,348	1,445
	233,458	223,563
Total Assets	\$ 1,904,893	\$ 1,972,436

Liabilities and Net Position	<u>2018</u>	<u>2017</u>
Current liabilities:		
Accounts payable	\$ 27,232	\$ 23,504
Advance	2,000	2,000
Total current liabilities	<u>29,232</u>	<u>25,504</u>
Deposit and prepayment liabilities:		
Tenant security deposits	35,193	32,953
Unearned rent credits	601	-
Total deposit and prepayment liabilities	<u>35,794</u>	<u>32,953</u>
Long-term debt:		
Long-term debt - other	1,468,600	1,485,850
Long-term debt - GP loan	66,000	66,000
Accrued interest - GP loan	13,973	13,178
Total long-term debt	<u>1,548,573</u>	<u>1,565,028</u>
Total Liabilities	<u>1,613,599</u>	<u>1,623,485</u>
Net position:		
Net investment in capital assets	(517,052)	(394,261)
Restricted	428,781	394,219
Unrestricted	379,565	348,993
Total Net Position	<u>291,294</u>	<u>348,951</u>
Total Liabilities and Net Position	<u><u>\$ 1,904,893</u></u>	<u><u>\$ 1,972,436</u></u>

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

**PALMYRA HOUSING DEVELOPMENT
CORPORATION OF LEBANON COUNTY, INC.**

STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Operating Revenues:		
Interest income	\$ 6,982	\$ 3,138
Net rental income	386,492	379,560
Other income	5,589	4,638
Loss on limited partnership	(8)	(9)
Equity distributions	(117)	(68)
	398,938	387,259
Operating Expenses:		
Administrative expenses	64,469	61,219
Program expenses:		
Utility expenses	69,688	65,966
Operating and maintenance expenses	61,625	68,809
Payroll expenses	61,436	63,104
Taxes and insurance	59,239	59,925
Financial expenses	795	788
Depreciation and amortization	139,343	139,347
	456,595	459,158
Change in Net Position	(57,657)	(71,899)
Net Position:		
Beginning of year	348,951	420,850
End of year	\$ 291,294	\$ 348,951

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

**PALMYRA HOUSING DEVELOPMENT
CORPORATION OF LEBANON COUNTY, INC.**

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities:		
Interest received	\$ 6,982	\$ 3,138
Rental income received	382,047	376,591
Other income received	5,603	4,638
Cash paid to employees	(59,558)	(63,195)
Cash paid to suppliers	(253,899)	(258,578)
Equity distributions	(117)	(68)
Net cash provided by operating activities	81,058	62,526
Cash Flows From Investing Activities:		
Deposits into restricted reserve accounts	(93,996)	(99,719)
Withdrawals from restricted reserve accounts	59,434	65,237
Loans granted, net	(10,000)	-
Net cash used in investing activities	(44,562)	(34,482)
Cash Flows From Capital and Related Financing Activities:		
Mortgage principal payments	(17,250)	(6,800)
Net cash used in capital and related financing activities	(17,250)	(6,800)
Net Increase in Cash and Cash Equivalents	19,246	21,244
Cash and Cash Equivalents:		
Beginning of year	142,986	121,742
End of year	\$ 162,232	\$ 142,986
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:		
Operating loss	\$ (57,657)	\$ (71,899)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	139,343	139,347
Investment in limited partnership	8	9
Change in assets:		
Accounts receivable - tenant	(2,791)	1,320
Prepaid expenses	(195)	(4,624)
Inventory	(2,774)	(39)
Tenant security deposits	(2,240)	(654)
Change in liabilities:		
Accounts payable	3,728	1,259
Tenant security deposits	2,240	654
Accrued interest	795	788
Unearned rent credits	601	(3,635)
Net cash provided by operating activities	\$ 81,058	\$ 62,526

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

PALMYRA HOUSING DEVELOPMENT CORPORATION OF LEBANON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

1. Summary of Significant Accounting Policies

Nature of Organization and Operations

The Palmyra Housing Development Corporation of Lebanon County, Inc. (PHDC) was originally formed for the purpose of developing and operating a low-income housing project through Palmyra Housing Limited Partnership (Palmyra Partnership). As a general partner, PHDC contributed \$10 in cash for a 1% interest of the Palmyra Partnership's income or loss.

On December 31, 2014, the Partnership Agreement of the Palmyra Partnership was amended under the First Amendment to the Agreement of Limited Partnership. Under the First Amendment, the percentage interest of the general partner and limited partner in the Palmyra Partnership were amended to PHDC having a .01% interest in the Palmyra Partnership as the general partner, and Nonprofit Housing Development Corporation of Lebanon County, Inc. (NHDC) having a 99.99% interest in the Palmyra Partnership as the limited partner. For the years ended December 31, 2018 and 2017, the losses and tax credits were allocated 99.99% to the limited partner and 0.01% to the general partner.

As required by accounting principles generally accepted in the United States of America (GAAP), the basic financial statements of the reporting entity include those of PHDC and any component units. Component units are legally separate organizations for which PHDC is financially accountable. PHDC is financially accountable for an organization if PHDC appoints a voting majority of the organization's governing board and (1) PHDC is able to significantly influence the programs or services performed or provided by the organization, or (2) PHDC is legally entitled to or can otherwise access the organization's resources; PHDC is legally obligated or has otherwise assumed responsibility to finance the deficits of, or provide financial support to, the organization; or PHDC is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent on PHDC in that PHDC approves the budget, the issuance of debt, or the levying of taxes. Based upon the application of these criteria, the financial statements for the years ended December 31, 2018 and 2017 include the accounts of Sixth and Willow Streets Limited Partnership (Sixth and Willow Partnership) and Annville Housing Limited Partnership (Annville Partnership), both blended component units. Separately published audit reports for the component units are available at the Housing Authority of the County of Lebanon's (Authority) administrative offices.

PALMYRA HOUSING DEVELOPMENT CORPORATION OF LEBANON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

The Sixth and Willow Partnership was formed for the purpose of acquiring, owning, constructing, and operating a 40-unit low-income housing complex in compliance with Section 42 of the Code. The Partnership Agreement was entered into on December 8, 1989, and the complex was under construction from December 9, 1989 to January 9, 1991. Rental operations commenced on January 10, 1991.

On December 31, 2010, NHDC became the sole general partner and has a 1% interest of the Sixth and Willow Partnership's income or loss, and PHDC became the sole limited partner and has a 99% interest of the Partnership's income or loss.

The Annville Partnership was formed on July 20, 1998 as a limited partnership under the laws of the Commonwealth of Pennsylvania for the purpose of acquiring, owning, maintaining, improving, and operating a 22-unit low-income housing complex located in Lebanon County, Pennsylvania. Rental operations commenced on November 1, 1999.

On January 1, 2015, Wells Fargo and PHDC entered into an Assignment and Assumption Agreement whereby Wells Fargo assigned and transferred, without recourse, its 99.99% limited partner interest in the Annville Partnership, for the sum of \$100, to PHDC, a Substituted Limited Partner.

On January 1, 2015, the Annville Partnership agreement was amended under the First Amendment to Agreement of Limited Partnership of Annville Housing Limited Partnership. The purpose of the amendment was to reflect the withdrawal of Wells Fargo as a limited partner and to reflect the substitution of the Substituted Limited Partner.

For financial statement purposes, PHDC is a component unit (single enterprise fund) of the Authority and is thus included in the Authority's financial statements.

Basis of Presentation

Assets, liabilities, revenues, and expenses are accounted for on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Operating revenues and expenses consist of those revenues and expenses that result from ongoing principal operations of PHDC. Operating revenues consist of interest income, other income, and net rental income from the Sixth and Willow Partnership and the Annville Partnership.

PALMYRA HOUSING DEVELOPMENT CORPORATION OF LEBANON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

When both restricted and unrestricted resources are available for use, it is PHDC's policy to use restricted resources first, then unrestricted resources as needed.

Income Taxes

PHDC is exempt from federal income taxes under Section 509(a)(3) of the Internal Revenue Code, and is exempt from state income taxes under the provisions of the Pennsylvania Nonprofit Corporation Law.

As Partnerships, the Sixth and Willow Partnership and the Annville Partnership are not directly liable for income taxes. Items of income and expenses are passed through to the partners, who are liable for the taxes.

Cash and Cash Equivalents

For purposes of the statements of cash flows, PHDC, the Sixth and Willow Partnership, and the Annville Partnership consider all unrestricted cash and investments with a maturity date of three months or less to be cash equivalents.

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 names of the Sixth and Willow Partnership and the Annville Partnership. Interest is credited to the tenants and increases the security deposit liability. Interest on these deposits is not income to the Sixth and Willow Partnership or the Annville Partnership.

Restricted Deposits and Funded Reserves

Under the terms of the Regulatory Agreement, the Sixth and Willow Partnership and the Annville Partnership are required to set aside specified amounts for the replacement of property and other project expenses. Mortgage escrow deposit accounts are held by Pennsylvania Housing Finance Agency (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 DEVELOPMENT CORPORATION OF LEBANON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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 revenues, expenses, and changes in net position. 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 Sixth and Willow Partnership and the Annville Partnership. The Sixth and Willow Partnership and the Annville Partnership consider 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 Sixth and Willow Partnership's or the Annville 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

PALMYRA HOUSING DEVELOPMENT CORPORATION OF LEBANON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

sovereign obligations, most government agency securities, investment-grade corporate bonds, certain mortgage products, certain bank loans, and bridge loans, less liquid listed 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.

Capital Assets

Capital assets are recorded at cost at the time of the purchase. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets ranging from 5-30 years. Expenses 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 capital assets 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 (40) of the Sixth and Willow Partnership's dwelling units are being leased to persons satisfying the income restrictions under Section 42(c)(1) of the Internal Revenue Code.

All twenty-two (22) of the Annville Partnership's dwelling units are being leased to persons satisfying the income restrictions under Section 42(c)(1) of the Internal Revenue Code.

Long-Lived Assets

The Sixth and Willow Partnership and the Annville Partnership evaluate the carrying value of long-lived assets. 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 Sixth and Willow Partnership and the Annville Partnership do not have any indications of impairment at December 31, 2018 and 2017.

PALMYRA HOUSING DEVELOPMENT CORPORATION OF LEBANON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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 Sixth and Willow Partnership or the Annville Partnership loans.

Rental Income

Rental income is recognized as rentals become due. Rental payments received in advance, if any, are reported as unearned rent credits until earned. All leases between the Sixth and Willow Partnership and the Annville Partnership and the tenants of the properties are operating leases.

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 in the financial statements. Actual results could differ from those estimates.

Classification of Net Position

Net position is classified in the following categories:

Net investment in capital assets – This category consists of capital assets of the Sixth and Willow Partnership and the Annville Partnership, net of accumulated depreciation, reduced by the outstanding balances of debt that is attributable to the acquisition, constructions, or improvement of those assets.

Restricted net position – This category represents external restrictions imposed by the Regulatory Agreements of the Sixth and Willow Partnership and the Annville Partnership, both with PHFA. Funds are required to be set aside for replacement of property and payment of real estate taxes and insurance.

Unrestricted net position – This category represents the net position of PHDC, the Sixth and Willow Partnership, and the Annville Partnership, which is not restricted for any project or other purpose.

PALMYRA HOUSING DEVELOPMENT CORPORATION OF LEBANON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

2. Deposits

PHDC, the Sixth and Willow Partnership, and the Annville Partnership have not formally adopted a policy that limits allowable deposits.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, PHDC, the Sixth and Willow Partnership, and the Annville Partnership's deposits may not be returned to them. PHDC, the Sixth and Willow Partnership, and the Annville Partnership do not have formal deposit policies for custodial credit risk.

As of December 31, 2018, PHDC, the Sixth and Willow Partnership, and the Annville Partnership's book and bank balances were \$197,425 and \$195,116, respectively. The bank balances at December 31, 2018 were fully insured by the Federal Deposit Insurance Corporation. As of December 31, 2017, PHDC, the Sixth and Willow Partnership, and the Annville Partnership's book and bank balances were \$175,939 and \$177,727, respectively. The bank balances at December 31, 2017 were fully insured by the Federal Deposit Insurance Corporation.

Concentration of Credit Risk

Financial instruments that potentially subject the Sixth and Willow Partnership and the Annville Partnership to concentrations of credit risk consist principally of temporary cash investments and escrow accounts. The Sixth and Willow Partnership and the Annville Partnership place their temporary cash investments with financial institutions and limit the amount of credit exposure to any one financial institution. The escrow accounts are held by the mortgage company and are invested in direct U.S. Government and U.S. Government Agency securities and AAA rated money market funds.

3. Restricted Deposits and Funded Reserves

Under the terms of the Regulatory Agreement, the Sixth and Willow Partnership and the Annville Partnership are required to set aside specified amounts for the replacement of property and other project expenses. The restricted deposits are invested in direct U.S. Government and U.S. Government Agency securities and AAA rated money market funds.

PALMYRA HOUSING DEVELOPMENT CORPORATION OF LEBANON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

The monies for all projects are invested as a pool to attain the maximum yield, and the interest is allocated back to each project based on its percentage of the whole. Funds are held in a commingled federally insured account, at times, whereby the account balance exceeds the federal insurance limits. As of December 31, 2018 and 2017, restricted deposits and funded reserves amounted to \$428,781 and \$394,219, respectively for the Sixth and Willow and the Annville Partnerships. The deposits and reserves are held in separate accounts in trust and generally are not available for operating purposes.

Real estate tax and insurance escrow accounts are held by PHFA for future payments of real estate taxes and insurance. The reserve for replacement account is held by PHFA and funded monthly in an amount determined by PHFA. During the years ended December 31, 2018 and 2017, there were withdrawals of \$0 and \$1,729, respectively, from the reserve for replacement account for the Sixth and Willow Partnership. During the years ended December 31, 2018 and 2017, there were withdrawals of \$0 and \$1,226, respectively, from the reserve for replacement account for the Annville Partnership. All withdrawals were for repairs and maintenance.

Fair Value of Financial Instruments

As of December 31, 2018 and 2017, all of the Sixth and Willow Partnership's and the Annville Partnership's restricted deposits and funded reserves are classified as Level 2 instruments.

**PALMYRA HOUSING DEVELOPMENT
CORPORATION OF LEBANON COUNTY, INC.**

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

4. Capital Assets and Accumulated Depreciation

A summary of capital asset activity for the year ended December 31, 2018 is as follows:

	January 1, 2018	Additions	Deletions	December 31, 2018
Capital assets, not being depreciated:				
Land	\$ 303,627	\$ -	\$ -	\$ 303,627
Capital assets, being depreciated				
Building	3,804,683	-	-	3,804,683
Equipment	44,098	-	-	44,098
Site improvements	69,996	-	-	69,996
Furniture	167,429	-	-	167,429
Total capital assets, being depreciated	4,086,206	-	-	4,086,206
Less accumulated depreciation for:				
Building	(2,943,766)	(137,784)	-	(3,081,550)
Equipment	(43,422)	(68)	-	(43,490)
Site improvements	(64,449)	(1,394)	-	(65,843)
Furniture	(167,429)	-	-	(167,429)
Total accumulated depreciation	(3,219,066)	(139,246)	-	(3,358,312)
Total capital assets, being depreciated, net	867,140	(139,246)	-	727,894
Total capital assets	<u>\$ 1,170,767</u>	<u>\$ (139,246)</u>	<u>\$ -</u>	<u>\$ 1,031,521</u>

PALMYRA HOUSING DEVELOPMENT CORPORATION OF LEBANON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

A summary of capital asset activity for the year ended December 31, 2017 is as follows:

	January 1, 2017	Additions	Deletions	December 31, 2017
Capital assets, not being depreciated:				
Land	\$ 303,627	\$ -	\$ -	\$ 303,627
Capital assets, being depreciated				
Building	3,804,683	-	-	3,804,683
Equipment	44,098	-	-	44,098
Site improvements	69,996	-	-	69,996
Furniture	167,429	-	-	167,429
Total capital assets, being depreciated	4,086,206	-	-	4,086,206
Less accumulated depreciation for:				
Building	(2,805,976)	(137,790)	-	(2,943,766)
Equipment	(43,355)	(67)	-	(43,422)
Site improvements	(63,056)	(1,393)	-	(64,449)
Furniture	(167,429)	-	-	(167,429)
Total accumulated depreciation	(3,079,816)	(139,250)	-	(3,219,066)
Total capital assets, being depreciated, net	1,006,390	(139,250)	-	867,140
Total capital assets	\$ 1,310,017	\$ (139,250)	\$ -	\$ 1,170,767

5. Related Party Transactions

PHDC has a loan receivable from the Palmyra Partnership. The loan is unsecured, interest-free, and due on 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 Palmyra Partnership paid during the year by the Palmyra Partnership. All unpaid principal is due and payable as a balloon payment November 15, 2024, thirty years from the initial date of this loan. As of December 31, 2018 and 2017, the loan receivable amounted to \$200,000.

PALMYRA HOUSING DEVELOPMENT CORPORATION OF LEBANON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

During the year ending December 31, 2018, the Palmyra Partnership received an advance in the amount of \$10,000 from PHDC. There are no documented repayment terms for this advance.

6. Investment in Limited Partnership

PHDC has an investment in the Palmyra Partnership. As general partner, PHDC uses the equity method of accounting for the investment and, as such, does not recognize losses in excess of the equity. The investment is increased by contributions and income from the Palmyra Partnership and decreased by distributions and losses incurred by the Palmyra Partnership. As of December 31, 2018 and 2017, PHDC's equity in the limited partnership was \$22,110 and \$22,118, respectively.

7. Notes Payable

The notes payable activity for the years ended December 31, 2018 and 2017 is as follows:

	Balance January 1, 2018	Additions	Retirements	Balance December 31, 2018	Due Within One Year
PHFA Loan - Home and Support Note	\$ 836,652	\$ -	\$ (11,600)	\$ 825,052	\$ -
Penn HOMES Loan	446,698	-	(5,650)	441,048	-
CDBG Loan	2,500	-	-	2,500	-
Act 137 Loan	200,000	-	-	200,000	-
GP loan	79,178	795	-	79,973	-
	<u>\$ 1,565,028</u>	<u>\$ 795</u>	<u>\$ (17,250)</u>	<u>\$ 1,548,573</u>	<u>\$ -</u>

PALMYRA HOUSING DEVELOPMENT CORPORATION OF LEBANON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	Balance January 1, 2017	Additions	Retirements	Balance December 31, 2017	Due Within One Year
PHFA Loan - Home and Support Note	\$ 843,452	\$ -	\$ (6,800)	\$ 836,652	\$ -
Penn HOMES Loan	446,698	-	-	446,698	-
CDBG Loan	2,500	-	-	2,500	-
Act 137 Loan	200,000	-	-	200,000	-
GP loan	78,390	788	-	79,178	-
	<u>\$ 1,571,040</u>	<u>\$ 788</u>	<u>\$ (6,800)</u>	<u>\$ 1,565,028</u>	<u>\$ -</u>

Based on the repayment terms disclosed below, maturity dates cannot be estimated.

PHFA loaned the Sixth and Willow Partnership \$791,644 in 1990 under the Home Program. In 2005, the primary note of \$198,777 was refinanced into the Support Note. Under the terms of the new Support Note, there is no interest due or payable. Payment of principal shall be made from surplus revenues over expenses generated by the Sixth and Willow Partnership during any calendar year as may be provided for in the PHFA regulatory agreement prior to repayment of subordinate project financing and prior to any distribution to the Sixth and Willow Partnership as return on equity. As long as the Support Note remains outstanding, in the event there is a surplus of revenues over expenses in any calendar year, 50% of excess revenue shall repay the Support Note and the other 50% shall be paid to the Sixth and Willow Partnership as return on equity. Any unpaid balance will be due at the earlier of any default under the loan agreement, sale of the project, refinancing of the project, or termination of the project.

During review of the December 31, 2017 financial statements of the Sixth and Willow Partnership, PHFA authorized a principal payment on the Support Note of \$11,600 and a return on equity distribution of \$11,600. During the year ended December 31, 2018, the Sixth and Willow Partnership made the \$11,600 principal payment and a \$11,600 return on equity distribution to its partners.

During review of the December 31, 2016 financial statements of the Sixth and Willow Partnership, PHFA authorized a principal payment on the Support Note of \$6,800 and a return on equity distribution of \$6,800. During the year ended December 31, 2017, the Sixth and Willow Partnership made the \$6,800 principal payment and a \$6,800 return on equity distribution to its partners.

PALMYRA HOUSING DEVELOPMENT CORPORATION OF LEBANON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

The PHFA loan is collateralized by the capital assets of the Sixth and Willow Partnership.

PHFA has issued a Penn HOMES Loan commitment to the Annville Partnership in the approximate amount of \$534,534 (the Penn HOMES Loan) to be utilized as a permanent first mortgage. 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, applying 50% of such excess to the principal of the Penn HOMES Loan and 50% to distributions to the Partners. Any unpaid balance will be due at the end of the thirty (30) year term. As of December 31, 2018 and 2017, the balance of the Penn HOMES Loan was \$441,048 and \$446,698, respectively.

During review of the December 31, 2017 financial statements of the Annville Partnership, PHFA authorized a principal payment on the Penn HOMES Loan of \$5,650 and a return on equity distribution of \$5,650. During the year ended December 31, 2018, the Annville Partnership made the \$5,650 principal payment and a \$5,650 return on equity distribution to the partners.

During the year ended December 31, 2017, there were no principal payments or equity distribution payments made.

A second mortgage in a no-interest loan of \$2,500 from the Redevelopment Authority of the County of Lebanon (RACL) using proceeds from Community Development Block Grant (CDBG) funds (the CDBG Loan). No payment on the CDBG Loan is due until the Penn HOMES Loan has been repaid in full. Thereafter, principal shall be due in annual installments on March 31 of each year to the extent that net operating revenues for the preceding year exceed net operating expenses plus any debt service on the Penn HOMES Loan paid during the preceding year. Any unpaid balance is due at the end of the thirty-two (32) year term.

A third mortgage loan in the amount of \$200,000 has been obtained from RACL using County of Lebanon Act 137 funds. The RACL Act 137 Loan bears no interest and has terms identical to the RACL CDBG Loan.

The fourth mortgage is a loan in the amount of \$66,000 from the general partner (GP) (NHDC), using proceeds received as a donation from Wachovia (the GP Loan). The GP Loan will accrue interest, compounded annually, at a 1% rate for thirty (30) years beginning October 1999. As of December 31, 2018 and 2017, the GP Loan balance was \$79,973 and \$79,178, respectively, and included \$13,973 and \$13,178 of accrued and compounded

PALMYRA HOUSING DEVELOPMENT CORPORATION OF LEBANON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

interest, respectively. Principal payment due on the loan will be paid out at the end of the 30-year term.

The mortgage loans are collateralized by the capital assets of the Annville Partnership. The Annville Partnership incurred interest costs of \$795 and \$788 during the years ended December 31, 2018 and 2017, respectively. There was no interest paid during the years ended December 31, 2018 and 2017.

8. Transactions with Management Agent

The Authority, through June 30, 2018, and Brick Property Services, LLC (Brick Property Services), effective July 1, 2018, provide property management services for a fee of 9.9% of the rent and ancillary income collected by the Sixth and Willow Partnership. Management fees for the years ended December 31, 2018 and 2017 amounted to \$25,178 and \$24,089, respectively, and are included in administrative expenses.

The Authority, through June 30, 2018, and Brick Property Services, effective July 1, 2018, provide property management services for a fee of 10.0% of the rent and ancillary income collected by the Annville Partnership. Management fees for the years ended December 31, 2018 and 2017 amounted to \$14,271 and \$14,120, respectively, and are included in administrative expenses.

The Sixth and Willow Partnership and the Annville Partnership share both administrative and maintenance employees with the NHDC, the Authority, and Brick Property Services. These salaries are allocated to the Sixth and Willow Partnership and the Annville Partnership by percentage on an individual employee basis. The Sixth and Willow Partnership and the Annville Partnership had amounts due to the Authority for administrative and maintenance employees at December 31, 2018 and 2017 of \$2,022, and \$0, respectively. The Sixth and Willow Partnership and the Annville Partnership had amounts due to Brick for administrative and maintenance employees at December 31, 2018 and 2017 of \$1,089 and \$0, respectively. The Sixth and Willow Partnership and the Annville Partnership had no amounts due to or due from NHDC at December 31, 2018 and 2017.

PALMYRA HOUSING DEVELOPMENT CORPORATION OF LEBANON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

9. Current Vulnerability Due to Certain Concentrations

The Sixth and Willow Partnership's and the Annville Partnership's major assets are a 40-unit housing project and a 22-unit housing project, respectively. The Sixth and Willow Partnership and the Annville Partnership operate in a heavily regulated environment. The operations of the Sixth and Willow Partnership and the Annville 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.

10. Risk Management

PHDC is exposed to various risks of loss due to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. PHDC maintains commercial insurance covering each of these risks to loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to PHDC. Settled claims have not exceeded coverage in any of the last three years and there have been no significant reductions in coverage compared to the prior year.

PALMYRA HOUSING DEVELOPMENT CORPORATION OF LEBANON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2018 AND 2017

11. Combining Information

PHDC is combined with its blended component units, the Sixth and Willow Partnership and the Annville Partnership. Condensed combining information as of and for the year ended December 31, 2018 is as follows:

CONDENSED STATEMENT OF NET POSITION	Palmyra Housing Development Corporation of Lebanon County, Inc.	Sixth and Willow Streets Limited Partnership	Annville Housing Limited Partnership	Subtotal	Eliminations	Total
Assets:						
Current assets	\$ 88,700	\$ 56,226	\$ 31,014	\$ 175,940	\$ -	\$ 175,940
Deposits held in trust	-	23,385	11,808	35,193	-	35,193
Restricted deposits and funded reserves	-	302,339	126,442	428,781	-	428,781
Net capital assets	-	441,013	590,508	1,031,521	-	1,031,521
Other assets	232,110	-	1,348	233,458	-	233,458
Total Assets	\$ 320,810	\$ 822,963	\$ 761,120	\$ 1,904,893	\$ -	\$ 1,904,893
Liabilities:						
Current liabilities	\$ 4,100	\$ 11,148	\$ 13,984	\$ 29,232	\$ -	\$ 29,232
Deposit and prepayment liabilities	-	23,942	11,852	35,794	-	35,794
Long-term debt	-	825,052	723,521	1,548,573	-	1,548,573
Total Liabilities	4,100	860,142	749,357	1,613,599	-	1,613,599
Net Position:						
Net investment in capital assets	-	(384,039)	(133,013)	(517,052)	-	(517,052)
Restricted	-	302,339	126,442	428,781	-	428,781
Unrestricted	316,710	44,521	18,334	379,565	-	379,565
Total Net Position	316,710	(37,179)	11,763	291,294	-	291,294
Total Liabilities and Net Position	\$ 320,810	\$ 822,963	\$ 761,120	\$ 1,904,893	\$ -	\$ 1,904,893
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION						
Operating Revenues:	\$ 17,210	\$ 243,107	\$ 137,191	\$ 397,508	\$ 1,430	\$ 398,938
Operating Expenses:						
Administrative expenses	4,100	36,996	23,373	64,469	-	64,469
Program expenses	-	234,996	157,130	392,126	-	392,126
Total operating expenses	4,100	271,992	180,503	456,595	-	456,595
Change in Net Position	13,110	(28,885)	(43,312)	(59,087)	1,430	(57,657)
Net Position:						
Beginning of year	303,600	(8,294)	55,075	350,381	(1,430)	348,951
End of year	\$ 316,710	\$ (37,179)	\$ 11,763	\$ 291,294	\$ -	\$ 291,294
CONDENSED STATEMENT OF CASH FLOWS						
Net cash provided by (used in):						
Operating activities	\$ (2,505)	\$ 43,483	\$ 22,947	\$ 63,925	\$ 17,133	\$ 81,058
Investing activities	7,133	(23,925)	(10,637)	(27,429)	(17,133)	(44,562)
Capital and related financing activities	-	(11,600)	(5,650)	(17,250)	-	(17,250)
Increase in cash and cash equivalents	4,628	7,958	6,660	19,246	-	19,246
Cash and Cash Equivalents:						
Beginning of year	84,072	38,864	20,050	142,986	-	142,986
End of year	\$ 88,700	\$ 46,822	\$ 26,710	\$ 162,232	\$ -	\$ 162,232

PALMYRA HOUSING DEVELOPMENT CORPORATION OF LEBANON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2018 AND 2017

Condensed combining information as of and for the year ended December 31, 2017 is as follows:

	Palmyra Housing Development Corporation of Lebanon County, Inc.	Sixth and Willow Streets Limited Partnership	Annville Housing Limited Partnership	Subtotal	Eliminations	Total
CONDENSED STATEMENT OF NET POSITION						
Assets:						
Current assets	\$ 84,072	\$ 46,014	\$ 20,848	\$ 150,934	\$ -	\$ 150,934
Deposits held in trust	-	21,638	11,315	32,953	-	32,953
Restricted deposits and funded reserves	-	278,414	115,805	394,219	-	394,219
Net capital assets	-	516,234	654,533	1,170,767	-	1,170,767
Other assets	223,548	-	1,445	224,993	(1,430)	223,563
Total Assets	\$ 307,620	\$ 862,300	\$ 803,946	\$ 1,973,866	\$ (1,430)	\$ 1,972,436
Liabilities:						
Current liabilities	\$ 4,020	\$ 12,304	\$ 9,180	\$ 25,504	\$ -	\$ 25,504
Deposit and prepayment liabilities	-	21,638	11,315	32,953	-	32,953
Long-term debt	-	836,652	728,376	1,565,028	-	1,565,028
Total Liabilities	4,020	870,594	748,871	1,623,485	-	1,623,485
Net Position:						
Net investment in capital assets	-	(320,418)	(73,843)	(394,261)	-	(394,261)
Restricted	-	278,414	115,805	394,219	-	394,219
Unrestricted	303,600	33,710	13,113	350,423	(1,430)	348,993
Total Net Position	303,600	(8,294)	55,075	350,381	(1,430)	348,951
Total Liabilities and Net Position	\$ 307,620	\$ 862,300	\$ 803,946	\$ 1,973,866	\$ (1,430)	\$ 1,972,436
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION						
Operating Revenues:	\$ (58,520)	\$ 237,774	\$ 141,961	\$ 321,215	\$ 66,044	\$ 387,259
Operating Expenses:						
Administrative expenses	4,020	34,619	22,580	61,219	-	61,219
Program expenses	2,500	231,323	164,116	397,939	-	397,939
Total operating expenses	6,520	265,942	186,696	459,158	-	459,158
Change in Net Position	(65,040)	(28,168)	(44,735)	(137,943)	66,044	(71,899)
Net Position:						
Beginning of year	368,640	19,874	99,810	488,324	(67,474)	420,850
End of year	\$ 303,600	\$ (8,294)	\$ 55,075	\$ 350,381	\$ (1,430)	\$ 348,951
CONDENSED STATEMENT OF CASH FLOWS						
Net cash provided by (used in):						
Operating activities	\$ (5,639)	\$ 41,314	\$ 20,119	\$ 55,794	\$ 6,732	\$ 62,526
Investing activities	6,732	(24,281)	(10,201)	(27,750)	(6,732)	(34,482)
Capital and related financing activities	-	(6,800)	-	(6,800)	-	(6,800)
Increase in cash and cash equivalents	1,093	10,233	9,918	21,244	-	21,244
Cash and Cash Equivalents:						
Beginning of year	82,979	28,631	10,132	121,742	-	121,742
End of year	\$ 84,072	\$ 38,864	\$ 20,050	\$ 142,986	\$ -	\$ 142,986

SUPPLEMENTARY INFORMATION

PALMYRA HOUSING DEVELOPMENT CORPORATION OF LEBANON COUNTY, INC.

COMBINING SCHEDULE OF NET POSITION

DECEMBER 31, 2018

	Palmyra Housing Development Corporation of Lebanon County, Inc.	Sixth and Willow Streets Limited Partnership	Annville Housing Limited Partnership	Subtotal	Eliminations	Total
Assets						
Current assets:						
Cash and cash equivalents	\$ 88,700	\$ 46,822	\$ 26,710	\$ 162,232	\$ -	\$ 162,232
Accounts receivable - tenant	-	1,213	1,578	2,791	-	2,791
Prepaid expenses	-	5,129	-	5,129	-	5,129
Inventory	-	3,062	2,726	5,788	-	5,788
Total current assets	88,700	56,226	31,014	175,940	-	175,940
Deposits held in trust:						
Tenant security deposits	-	23,385	11,808	35,193	-	35,193
Total deposits held in trust	-	23,385	11,808	35,193	-	35,193
Restricted deposits and funded reserves:						
Insurance escrow	-	239	1,699	1,938	-	1,938
Real estate tax escrow	-	17,443	4,729	22,172	-	22,172
Reserve for replacement	-	284,657	112,057	396,714	-	396,714
Rent subsidy escrow	-	-	7,957	7,957	-	7,957
Total restricted deposits and funded reserves	-	302,339	126,442	428,781	-	428,781
Capital assets:						
Land	-	232,420	71,207	303,627	-	303,627
Building	-	2,098,254	1,706,429	3,804,683	-	3,804,683
Equipment	-	26,093	18,005	44,098	-	44,098
Site improvements	-	-	69,996	69,996	-	69,996
Furniture	-	154,092	13,337	167,429	-	167,429
	-	2,510,859	1,878,974	4,389,833	-	4,389,833
Less accumulated depreciation	-	2,069,846	1,288,466	3,358,312	-	3,358,312
Net capital assets	-	441,013	590,508	1,031,521	-	1,031,521
Other assets:						
Investment in limited partnership	22,110	-	-	22,110	-	22,110
Due from related party	210,000	-	-	210,000	-	210,000
Financing costs, net of accumulated amortization of \$10,352	-	-	1,348	1,348	-	1,348
Total other assets	232,110	-	1,348	233,458	-	233,458
Total Assets	\$ 320,810	\$ 822,963	\$ 761,120	\$ 1,904,893	\$ -	\$ 1,904,893

	Palmyra Housing Development Corporation of Lebanon County, Inc.	Sixth and Willow Streets Limited Partnership	Annville Housing Limited Partnership	Subtotal	Eliminations	Total
Liabilities and Net Position						
Current liabilities:						
Accounts payable	\$ 4,100	\$ 11,148	\$ 11,984	\$ 27,232	\$ -	\$ 27,232
Advance	-	-	2,000	2,000	-	2,000
Total current liabilities	4,100	11,148	13,984	29,232	-	29,232
Deposit and prepayment liabilities:						
Tenant security deposits	-	23,385	11,808	35,193	-	35,193
Unearned rent credits	-	557	44	601	-	601
Total deposit and prepayment liabilities	-	23,942	11,852	35,794	-	35,794
Long-term debt:						
Long-term debt - other	-	825,052	643,548	1,468,600	-	1,468,600
Long-term debt - GP loan	-	-	66,000	66,000	-	66,000
Accrued interest - GP loan	-	-	13,973	13,973	-	13,973
Total long-term debt	-	825,052	723,521	1,548,573	-	1,548,573
Total Liabilities	4,100	860,142	749,357	1,613,599	-	1,613,599
Net position:						
Net investment in capital assets	-	(384,039)	(133,013)	(517,052)	-	(517,052)
Restricted	-	302,339	126,442	428,781	-	428,781
Unrestricted	316,710	44,521	18,334	379,565	-	379,565
Total Net Position	316,710	(37,179)	11,763	291,294	-	291,294
Total Liabilities and Net Position	\$ 320,810	\$ 822,963	\$ 761,120	\$ 1,904,893	\$ -	\$ 1,904,893

PALMYRA HOUSING DEVELOPMENT CORPORATION OF LEBANON COUNTY, INC.

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED DECEMBER 31, 2018

	Palmyra Housing Development Corporation of Lebanon County, Inc.	Sixth and Willow Streets Limited Partnership	Annville Housing Limited Partnership	Subtotal	Eliminations	Total
Operating Revenues:						
Interest income	\$ 1,515	\$ 3,717	\$ 1,750	\$ 6,982	\$ -	\$ 6,982
Net rental income	-	247,440	139,052	386,492	-	386,492
Other income	-	3,550	2,039	5,589	-	5,589
Income (loss) on limited partnerships	15,695	-	-	15,695	(15,703)	(8)
Equity distributions	-	(11,600)	(5,650)	(17,250)	17,133	(117)
Total operating revenues	<u>17,210</u>	<u>243,107</u>	<u>137,191</u>	<u>397,508</u>	<u>1,430</u>	<u>398,938</u>
Operating Expenses:						
Administrative expenses	4,100	36,996	23,373	64,469	-	64,469
Program expenses:						
Utility expenses	-	32,071	37,617	69,688	-	69,688
Operating and maintenance expenses	-	45,378	16,247	61,625	-	61,625
Payroll expenses	-	41,105	20,331	61,436	-	61,436
Taxes and insurance	-	41,221	18,018	59,239	-	59,239
Financial expenses	-	-	795	795	-	795
Depreciation and amortization	-	75,221	64,122	139,343	-	139,343
Total operating expenses	<u>4,100</u>	<u>271,992</u>	<u>180,503</u>	<u>456,595</u>	<u>-</u>	<u>456,595</u>
Change in Net Position	13,110	(28,885)	(43,312)	(59,087)	1,430	(57,657)
Net Position:						
Beginning of year	303,600	(8,294)	55,075	350,381	(1,430)	348,951
End of year	<u>\$ 316,710</u>	<u>\$ (37,179)</u>	<u>\$ 11,763</u>	<u>\$ 291,294</u>	<u>\$ -</u>	<u>\$ 291,294</u>

PALMYRA HOUSING DEVELOPMENT CORPORATION OF LEBANON COUNTY, INC.

COMBINING SCHEDULE OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

	Palmrya Housing Development Corporation of Lebanon County, Inc.	Sixth and Willow Streets Limited Partnership	Annville Housing Limited Partnership	Subtotal	Eliminations	Total
Cash Flows From Operating Activities:						
Interest received	\$ 1,515	\$ 3,717	\$ 1,750	\$ 6,982	\$ -	\$ 6,982
Rental income received	-	245,037	137,010	382,047	-	382,047
Other income received	-	3,550	2,053	5,603	-	5,603
Cash paid to employees	-	(41,249)	(18,309)	(59,558)	-	(59,558)
Cash paid to suppliers	(4,020)	(155,972)	(93,907)	(253,899)	-	(253,899)
Equity distributions	-	(11,600)	(5,650)	(17,250)	17,133	(117)
Net cash provided by (used in) operating activities	(2,505)	43,483	22,947	63,925	17,133	81,058
Cash Flows From Investing Activities:						
Deposits into restricted reserve accounts	-	(65,341)	(28,655)	(93,996)	-	(93,996)
Withdrawals from restricted reserve accounts	-	41,416	18,018	59,434	-	59,434
Loans granted, net	(10,000)	-	-	(10,000)	-	(10,000)
Equity distributions	17,133	-	-	17,133	(17,133)	-
Net cash provided by (used in) investing activities	7,133	(23,925)	(10,637)	(27,429)	(17,133)	(44,562)
Cash Flows From Capital and Related Financing Activities:						
Mortgage principal payments	-	(11,600)	(5,650)	(17,250)	-	(17,250)
Net cash used in capital and related financing activities	-	(11,600)	(5,650)	(17,250)	-	(17,250)
Net Increase in Cash and Cash Equivalents	4,628	7,958	6,660	19,246	-	19,246
Cash and Cash Equivalents:						
Beginning of year	84,072	38,864	20,050	142,986	-	142,986
End of year	\$ 88,700	\$ 46,822	\$ 26,710	\$ 162,232	\$ -	\$ 162,232

(Continued)

PALMYRA HOUSING DEVELOPMENT CORPORATION OF LEBANON COUNTY, INC.

COMBINING SCHEDULE OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

(Continued)

	Palmyra Housing Development Corporation of Lebanon County, Inc.	Sixth and Willow Streets Limited Partnership	Annvile Housing Limited Partnership	Subtotal	Eliminations	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in)						
Operating Activities:						
Operating income (loss)	\$ 13,110	\$ (28,885)	\$ (43,312)	\$ (59,087)	\$ 1,430	\$ (57,657)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	-	75,221	64,122	139,343	-	139,343
Investment in limited partnership	(15,695)	-	-	(15,695)	15,703	8
Change in assets:						
Accounts receivable - tenant	-	(1,213)	(1,578)	(2,791)	-	(2,791)
Prepaid expenses	-	(195)	-	(195)	-	(195)
Inventory	-	(846)	(1,928)	(2,774)	-	(2,774)
Tenant security deposits	-	(1,747)	(493)	(2,240)	-	(2,240)
Change in liabilities:						
Accounts payable	80	(1,156)	4,804	3,728	-	3,728
Tenant security deposits	-	1,747	493	2,240	-	2,240
Accrued interest	-	-	795	795	-	795
Deferred rent credits	-	557	44	601	-	601
Net cash provided by (used in) operating activities	<u>\$ (2,505)</u>	<u>\$ 43,483</u>	<u>\$ 22,947</u>	<u>\$ 63,925</u>	<u>\$ 17,133</u>	<u>\$ 81,058</u>

(Concluded)