

**Sixth and Willow Streets  
Limited Partnership**

D/B/A Markethouse Place  
PHFA No. O-057

Financial Statements and  
Supplementary Information

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

**MaherDuessel**  
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

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**SIXTH AND WILLOW STREETS  
LIMITED PARTNERSHIP  
D/B/A MARKETHOUSE PLACE**

PHFA NO. O-057

YEARS ENDED DECEMBER 31, 2018 AND 2017

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## Independent Auditor's Report

**To the Partners  
Sixth and Willow Streets  
Limited Partnership**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Sixth and Willow Streets Limited Partnership, d/b/a Markethouse Place, PHFA No. O-057 (Partnership), which comprise the balance sheets as of December 31, 2018 and 2017, 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, 2018 and 2017, 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.

### **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 17 to 22 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 17 to 22 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 17 to 22 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 22, 2019 on our consideration of the Partnership's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, PHFA 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 22, 2019

**SIXTH AND WILLOW STREETS  
LIMITED PARTNERSHIP  
D/B/A MARKETHOUSE PLACE**

PHFA NO. O-057

BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

<b>Assets</b>	2018	2017
<b>Current assets:</b>		
Cash and cash equivalents	\$ 46,822	\$ 38,864
Accounts receivable - tenant	1,213	-
Prepaid expenses	5,129	4,934
Supplies inventory	3,062	2,216
Total current assets	56,226	46,014
<b>Deposits held in trust:</b>		
Tenant security deposits	23,385	21,638
Total deposits held in trust	23,385	21,638
<b>Restricted deposits and funded reserves:</b>		
Reserve for replacement	284,657	257,400
Insurance escrow	239	240
Real estate tax escrow	17,443	20,774
Total restricted deposits and funded reserves	302,339	278,414
<b>Property and equipment:</b>		
Land	232,420	232,420
Building	2,098,254	2,098,254
Building equipment, fixed	7,718	7,718
Building equipment, portable	18,375	18,375
Furniture	154,092	154,092
	2,510,859	2,510,859
Less: accumulated depreciation	2,069,846	1,994,625
Net property and equipment	441,013	516,234
<b>Total Assets</b>	<b>\$ 822,963</b>	<b>\$ 862,300</b>

(Continued)

	<u>2018</u>	<u>2017</u>
<b>Liabilities and Partners' Equity</b>		
Current liabilities:		
Accounts payable	\$ 11,148	\$ 12,304
Total current liabilities	<u>11,148</u>	<u>12,304</u>
Deposit and prepayment liabilities:		
Tenant security deposits	23,385	21,638
Deferred rent credits	<u>557</u>	<u>-</u>
Total deposit and prepayment liabilities	<u>23,942</u>	<u>21,638</u>
Long-term debt:		
Long-term debt	<u>825,052</u>	<u>836,652</u>
Total Liabilities	860,142	870,594
Partners' Equity:	<u>(37,179)</u>	<u>(8,294)</u>
<b>Total Liabilities and Partners' Equity</b>	<u>\$ 822,963</u>	<u>\$ 862,300</u>
		(Concluded)

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

**SIXTH AND WILLOW STREETS  
LIMITED PARTNERSHIP  
D/B/A MARKETHOUSE PLACE**

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**STATEMENTS OF PROFIT AND LOSS**

YEARS ENDED DECEMBER 31, 2018 AND 2017

Part 1	Description of Account	Account #	2018	2017
Rental Income	Rental Income	5120	\$ 257,280	\$ 251,505
	Tenant Assistance Payments	5121	-	-
	Stores and Commercial Rent	5140	-	-
	Other Rental Income	5190	-	-
	Rent Concessions	5250	-	-
	<b>Total Rental Income</b>		<b>257,280</b>	<b>251,505</b>
Vacancies	Vacancies - Apartments	5220	9,840	12,089
	Vacancies - Commercial	5240	-	-
	<b>Total Vacancy Loss</b>		<b>9,840</b>	<b>12,089</b>
	<b>Net Rental Income</b>		<b>247,440</b>	<b>239,416</b>
Interest Income	Interest Income - Operations	5410	772	370
	Interest Income - Residual Receipts	5430	-	-
	Interest Income - Reserve for Replacement	5440	2,945	1,194
	Interest Income - Painting and Decorating	5450	-	-
	<b>Total Interest Income</b>		<b>3,717</b>	<b>1,564</b>
Other Income	Supportive Services Income	5300	-	-
	Grant Income	5510	-	-
	Service Income	5910	2,879	3,556
	NSF and Late Fees	5920	-	-
	Miscellaneous Income	5990	671	38
	<b>Total Other Income</b>		<b>3,550</b>	<b>3,594</b>
	<b>Total Property Income</b>		<b>254,707</b>	<b>244,574</b>
Administrative Expenses	Advertising and Renting Expense	6210	382	-
	Office and Telephone Expense	6311	4,853	3,988
	Model Apartment Expense	6312	-	-
	Management Fee (9.9%)	6320	25,178	24,089
	Legal Expense	6340	500	500
	Audit Expense	6350	6,083	5,957
	Administrative Fee (Section 8 only)	6351	-	-
	Bad Debts	6370	-	-
	Miscellaneous Administrative Expenses	6390	1,200	85
	<b>Total Administrative Expenses</b>		<b>38,196</b>	<b>34,619</b>
Utility Expenses	Fuel	6420	-	-
	Electricity	6450	27,135	26,038
	Water	6451	2,285	2,013
	Gas	6452	-	-
	Sewer	6453	2,651	2,314
	<b>Total Utility Expenses</b>		<b>32,071</b>	<b>30,365</b>
Operating and Maintenance Expenses	Janitor/Maintenance Supplies	6515	3,640	3,500
	Operating/Maintenance Contracts	6520	1,623	14,785
	Rubbish Removal	6525	743	720
	Security Payroll/Contract	6530	866	922
	Repairs Payroll	6540	-	-
	Repairs Materials	6541	15,762	4,289
	Elevator Maintenance	6545	6,654	5,994
	Heating and Air Conditioning Maintenance	6546	2,301	791
	Grounds Maintenance/Snow Removal	6548	7,445	7,940
	Painting and Decorating	6560	3,770	595
	Vehicle Operation and Repairs	6570	-	-
	Miscellaneous Operating and Maintenance Expense	6590	2,574	597
	<b>Total Operating and Maintenance Expenses</b>		<b>45,378</b>	<b>40,133</b>



**SIXTH AND WILLOW STREETS  
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**STATEMENTS OF PROFIT AND LOSS**

YEARS ENDED DECEMBER 31, 2018 AND 2017

(Continued)

Part 1 (Continued)	Description of Account	Account #	2018	2017
Payroll Expenses	Office Salaries	6310	-	10,630
	Manager Salaries	6330	10,789	1,200
	Administrative Rent Free Unit	6331	-	-
	Janitor/Maintenance Payroll	6510	23,547	18,835
	Payroll Taxes	6711	1,138	1,016
	Workmen's Compensation	6722	493	440
	Health Insurance and Employee Benefits	6723	3,938	10,953
	<b>Total Payroll Expenses</b>		<b>39,905</b>	<b>43,074</b>
Taxes and Insurance	Real Estate Taxes	6710	36,287	35,239
	Property and Liability Insurance	6720	4,934	4,710
	Fidelity Bond Insurance	6721	-	-
	Miscellaneous Taxes and Insurance, Licenses/Permits	6729	-	2,577
	<b>Total Taxes and Insurance Expenses</b>		<b>41,221</b>	<b>42,526</b>
Financial Expenses	Mortgage Interest	6820	-	-
	PHFA Late Fees	6821	-	-
	Other Interest Payments	6830	-	-
	HUD Mortgage Insurance Premiums	6850	-	-
	PHFA Services Fees	6851	-	-
	PHFA Self Insurance Fees	6855	-	-
	Other Service Fee	6860	-	-
	Investor Service Fee	6870	-	-
	Miscellaneous Financial Expense	6890	-	-
	<b>Total Financial Expenses</b>		<b>-</b>	<b>-</b>
Supportive Service Expenses	Supportive Service Payroll	6910	-	-
	Supportive Service Supplies	6920	-	-
	<b>Total Supportive Service Expenses</b>		<b>-</b>	<b>-</b>
	Total Cost of Operations Before Depreciation		196,771	190,717
	<b>Profit (Loss) Before Depreciation</b>		<b>57,936</b>	<b>53,857</b>
	Depreciation (Total) - 6600 Specify	6600	75,221	75,225
	Amortization	6610	-	-
	<b>Operating Profit (Loss)</b>		<b>(17,285)</b>	<b>(21,368)</b>
Entity Expenses	Interest Income - (Entity)	7100	-	-
	Legal Expenses - (Entity)	7120	-	-
	Taxes (Federal-State-Entity)	7130	-	-
	Other Expenses (Entity)	7190	-	-
	<b>Total Entity Expenses</b>		<b>-</b>	<b>-</b>
	<b>Net Profit (Loss)</b>		<b>\$ (17,285)</b>	<b>\$ (21,368)</b>

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.	\$	11,600	\$	6,800
2. Replacement Reserve deposits required by the Regulatory Agreement or Amendments thereto, even if payments may be temporarily suspended or waived.	\$	24,312	\$	24,684

(Concluded)

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

**SIXTH AND WILLOW STREETS  
LIMITED PARTNERSHIP  
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STATEMENTS OF CHANGES IN PARTNERS' EQUITY

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>General Partner - NHDC</u>	<u>Limited Partner - PHDC</u>	<u>Total</u>
Percentage Interest:	1.00%	99.00%	100.00%
<b>Balance (Deficit), December 31, 2016</b>	\$ (9,442)	\$ 29,316	\$ 19,874
Deduct:			
Equity distribution (Note 4)	(68)	(6,732)	(6,800)
Net loss	<u>(214)</u>	<u>(21,154)</u>	<u>(21,368)</u>
<b>Balance (Deficit), December 31, 2017</b>	(9,724)	1,430	(8,294)
Deduct:			
Equity distribution (Note 4)	(116)	(11,484)	(11,600)
Net loss	<u>(173)</u>	<u>(17,112)</u>	<u>(17,285)</u>
<b>Balance (Deficit), December 31, 2018</b>	<u>\$ (10,013)</u>	<u>\$ (27,166)</u>	<u>\$ (37,179)</u>

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

**SIXTH AND WILLOW STREETS  
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**STATEMENTS OF CASH FLOWS**

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
<b>Cash Flows From Operating Activities:</b>		
Rental receipts	\$ 245,037	\$ 236,487
Interest receipts	3,717	1,564
Other receipts	3,550	3,594
Administrative expenses paid	(13,138)	(15,284)
Administrative salaries paid	(10,789)	(11,830)
Management fees paid	(25,178)	(24,089)
Utilities paid	(31,731)	(29,939)
Operating and maintenance expenses paid	(47,651)	(39,422)
Operating and maintenance payroll paid	(28,122)	(30,319)
Real estate taxes paid	(36,287)	(35,239)
Payroll taxes paid	(1,138)	(1,016)
Property insurance paid	(4,934)	(7,287)
Net cash provided by operating activities	53,336	47,220
Tenant security deposits	1,747	894
Net cash provided by operating activities	55,083	48,114
<b>Cash Flows From Investing Activities:</b>		
Deposits to reserve for replacement	(27,257)	(25,878)
Withdrawals from reserve for replacement	-	1,729
Deposits to insurance escrow	(5,128)	(4,707)
Withdrawals from insurance escrow	5,129	9,644
Deposits to real estate tax escrow	(32,956)	(40,308)
Withdrawals from real estate tax escrow	36,287	35,239
Net cash used in investing activities	(23,925)	(24,281)

(Continued)

**SIXTH AND WILLOW STREETS  
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**STATEMENTS OF CASH FLOWS**

YEARS ENDED DECEMBER 31, 2018 AND 2017

(Continued)

	2018	2017
<b>Cash Flows From Financing Activities:</b>		
Equity distributions	(11,600)	(6,800)
Mortgage principal payments	(11,600)	(6,800)
Net cash used in financing activities	(23,200)	(13,600)
<b>Net Increase in Cash and Cash Equivalents</b>	7,958	10,233
<b>Cash and Cash Equivalents:</b>		
Beginning of year	38,864	28,631
End of year	\$ 46,822	\$ 38,864
<b>Reconciliation of Net Loss to Net Cash Provided by Operating Activities:</b>		
Net loss	\$ (17,285)	\$ (21,368)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	75,221	75,225
Change in assets:		
Accounts receivable - tenant	(1,213)	525
Prepaid expenses	(195)	(4,624)
Supplies inventory	(846)	(46)
Tenant security deposits	(1,747)	(894)
Change in liabilities:		
Accounts payable	(1,156)	962
Tenant security deposits	1,747	894
Deferred rent credits	557	(2,560)
Net cash provided by operating activities	\$ 55,083	\$ 48,114

(Concluded)

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

**SIXTH AND WILLOW STREETS  
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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**1. Partnership Operations and Summary of Significant Accounting Policies**

Partnership Operations

Sixth and Willow Streets Limited Partnership (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.

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, 2034 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 the Non-Profit Housing Development Corporation of Lebanon County, Inc., a Pennsylvania nonprofit corporation (NHDC). The general partner contributed \$10 in cash for 1% interest in all allocations, distributions, and other partnership items.

On December 31, 2010, the Partnership Agreement was amended under the First and Second Amendment to Agreement of Limited Partnership of Sixth and Willow Streets Limited Partnership. The purpose of the first amendment was to reflect the withdrawal of Wells Fargo as the limited partner and to reflect Palmyra Housing Development Corporation of Lebanon County, Inc. (PHDC) as the substitute limited partner. The purpose of the second amendment was to reallocate the interests of NHDC and PHDC as partners in the Partnership. NHDC continues to be the sole general partner and has a 1% interest in all allocations, distributions, and other partnership items and PHDC is the sole limited partner and has a 99% interest in all allocations, distributions, and other partnership items.

The losses and tax credits are allocated 99% to the limited partner and 1% to the general partner. The tax credits of the Partnership expired during 2005.

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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."

Principles 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

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

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 \$1,213 and \$0 at December 31, 2018 and 2017, respectively.

Inventories

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

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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 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

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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 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 5-30 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 (40) of the dwelling's units are being leased to persons satisfying the income restrictions under Section 42(c)(1) of the Internal Revenue Code.



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Long-Lived Assets

The Partnership evaluates 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 Partnership does not have any indications of impairment at December 31, 2018 or 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 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.

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.

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Pending Accounting Pronouncements

Accounting Standards Update (ASU) No. 2016-18, *“Statement of Cash Flows (Topic 230): Restricted Cash,”* is effective for the financial statements for the year ending December 31, 2019. This ASU 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.

ASU 2014-09, *“Revenue from Contracts with Customers (Topic 606),”* is effective for the financial statements for the year ending December 31, 2019 (as amended by ASU 2015-14). This amendment provides guidance for revenue recognition related to contracts with the transfer of promised goods or services to customers and related disclosures.

Management has not yet determined the impact of these amendments 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 and are invested in direct U.S. Government and U.S. Government Agency securities and AAA rated money market funds.

**SIXTH AND WILLOW STREETS  
LIMITED PARTNERSHIP  
D/B/A MARKETHOUSE PLACE**

PHFA NO. O-057

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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**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. The restricted deposits are invested in direct U.S. Government and U.S. Government Agency securities and AAA rated money market funds. 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 \$302,339 and \$278,414, respectively, and 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 repairs and maintenance.

Fair Value of Financial Instruments

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

**4. Notes Payable**

The notes payable at December 31 are as follows:

	<u>2018</u>	<u>2017</u>
PHFA Loan - Home Program and Support Note	\$ 825,052	\$ 836,652
Less: Current portion	<u>-</u>	<u>-</u>
	<u>\$ 825,052</u>	<u>\$ 836,652</u>

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

PHFA loaned the 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 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 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 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.

Based on a review of the December 31, 2016 financial statements, 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 Partnership made the \$6,800 principal payment and a \$6,800 return on equity distribution to its partners. Based on a review of the December 31, 2017 financial statements, 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 Partnership made the \$11,600 principal payment and a \$11,600 return on equity distribution to its partners.

The PHFA loan is collateralized by the property, plant, and equipment of the Partnership.

## **5. 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 9.9% of the rent and ancillary income collected. 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.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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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. There were no amounts due to or due from the Housing Authority or Brick Property Services, LLC at December 31, 2018 and 2017.

**6. Current Vulnerability Due to Certain Concentrations**

The Partnership's major asset is a 40-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**

**SIXTH AND WILLOW STREETS  
LIMITED PARTNERSHIP  
D/B/A MARKETHOUSE PLACE**

PHFA NO. O-057

SUPPORTING DATA REQUIRED BY PHFA

YEAR ENDED DECEMBER 31, 2018

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**Accounts and Notes Receivable**

None

**Delinquent Tenant Accounts Receivable**

None

**SIXTH AND WILLOW STREETS  
LIMITED PARTNERSHIP  
D/B/A MARKETHOUSE PLACE**

PHFA NO. O-057

SUPPORTING DATA REQUIRED BY PHFA

YEAR ENDED DECEMBER 31, 2018

(Continued)

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**Analysis of Required Reserve Funds and Escrows:**

**Schedule of Reserve for Replacement**

Balance at beginning of year	\$ 257,400
Total monthly deposits	24,312
Interest income	2,945
Approved withdrawals	<u>-</u>
Balance at end of year	<u><u>\$ 284,657</u></u>

**Schedule of Insurance Escrow**

Balance at beginning of year	\$ 240
Total monthly deposits	5,128
Approved withdrawals	<u>(5,129)</u>
Balance at end of year	<u><u>\$ 239</u></u>

**Schedule of Real Estate Tax Escrow**

Balance at beginning of year	\$ 20,774
Total monthly deposits	32,956
Approved withdrawals	<u>(36,287)</u>
Balance at end of year	<u><u>\$ 17,443</u></u>



**SIXTH AND WILLOW STREETS  
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PHFA NO. O-057

SUPPORTING DATA REQUIRED BY PHFA

YEAR ENDED DECEMBER 31, 2018

(Continued)

**Changes in Property and Equipment Accounts:**

	Assets				
	Balance January 1, 2018	Additions		Deletions	Balance December 31, 2018
Land	\$ 232,420	\$ -	\$ -	\$ -	\$ 232,420
Building	2,098,254	-	-	-	2,098,254
Building equipment - fixed	7,718	-	-	-	7,718
Building equipment - portable	18,375	-	-	-	18,375
Furniture	154,092	-	-	-	154,092
Totals	\$ 2,510,859	\$ -	\$ -	\$ -	\$ 2,510,859
	Accumulated Depreciation				
	Balance January 1, 2018	Additions		Deletions	Balance December 31, 2018
Building	\$ 1,815,116	\$ 75,153	\$ -	\$ -	\$ 1,890,269
Building equipment - fixed	7,042	68	-	-	7,110
Building equipment - portable	18,375	-	-	-	18,375
Furniture	154,092	-	-	-	154,092
Totals	\$ 1,994,625	\$ 75,221	\$ -	\$ -	\$ 2,069,846

**Schedule of Additions:**

None

**SIXTH AND WILLOW STREETS  
LIMITED PARTNERSHIP  
D/B/A MARKETHOUSE PLACE**

PHFA NO. O-057

SUPPORTING DATA REQUIRED BY PHFA

YEAR ENDED DECEMBER 31, 2018

(Continued)

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**Itemization of Operating Payables:**

<u>Name</u>	<u>Purpose</u>	<u>Amount</u>
Maher Duessel, CPAs	Administrative expenses	\$ 6,080
Citibank	Operating and maintenance expenses	88
Cardmember Services	Administrative expenses	44
Dust Bunny Busters	Operating and maintenance expenses	(70)
Met Ed	Utility expenses	3,383
Long Brightbill	Administrative expenses	500
City of Lebanon	Utility expenses	1,327
FMB Laundry	Operating and maintenance expenses	(223)
Fulton Bank	Administrative expenses	19
		<hr/>
Total		<u>\$ 11,148</u>

**SIXTH AND WILLOW STREETS  
LIMITED PARTNERSHIP  
D/B/A MARKETHOUSE PLACE**

PHFA NO. O-057

SUPPORTING DATA REQUIRED BY PHFA

YEAR ENDED DECEMBER 31, 2018

(Continued)

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**PHFA's Computation of Surplus Cash and Return on Equity:**

**Surplus Cash Computation:**

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Add:		
Operating cash	\$	46,822
Accounts receivable - tenant		1,213
Tenant security deposits		<u>23,385</u>
Total cash		<u>71,420</u>
Less:		
Accounts payable		11,148
Tenant security deposits		23,385
Deferred rent credits		<u>557</u>
Total current obligations		<u>35,090</u>
Surplus cash, end of year	\$	<u><u>36,330</u></u>

**Return on Equity Calculation:**

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a. Distributions unpaid as of the end of the prior fiscal period	\$	4,771,076
b. Annual distribution earned during the fiscal period		237,395
c. Less: Distributions paid during the fiscal period		(11,600)
d. Less: Unauthorized payments		<u>-</u>
e. Cumulative unpaid distributions as of the balance sheet date	\$	<u><u>4,996,871</u></u>

**SIXTH AND WILLOW STREETS  
LIMITED PARTNERSHIP  
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PHFA NO. O-057

SUPPORTING DATA REQUIRED BY PHFA

YEAR ENDED DECEMBER 31, 2018

(Continued)

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**Calculation of Return on Equity:**

Initial equity	\$ 1,562,325
Multiply - Consumer Price Index (101.3%)	1.013
Multiply - defined return on equity (15.0%)	<u>0.150</u>
Return on equity	<u>\$ 237,395</u>

**Sixth and Willow Streets  
Limited Partnership**

D/B/A Markethouse Place  
PHFA No. O-057

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

Year Ended December 31, 2018

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

**To the Partners  
Sixth and Willow Streets  
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 Sixth and Willow Streets Limited Partnership, d/b/a Markethouse Place, PHFA No. O-057 (Partnership), which comprise the balance sheet as of December 31, 2018, 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 22, 2019.

### **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  
Sixth and Willow Streets 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 22, 2019

**SIXTH AND WILLOW STREETS  
LIMITED PARTNERSHIP  
D/B/A MARKETHOUSE PLACE**

PHFA NO. O-057

PRIOR YEAR SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED DECEMBER 31, 2018

**NONE**



**SIXTH AND WILLOW STREETS  
LIMITED PARTNERSHIP  
D/B/A MARKETHOUSE PLACE**

PHFA NO. O-057

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED DECEMBER 31, 2018

**NONE**

## **ADDITIONAL INFORMATION**

**SIXTH AND WILLOW STREETS  
LIMITED PARTNERSHIP  
D/B/A MARKETHOUSE PLACE**

PHFA NO. O-057

NAME AND ADDRESS OF LEAD AUDITOR

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## **CERTIFICATIONS**

**SIXTH AND WILLOW STREETS  
LIMITED PARTNERSHIP  
D/B/A MARKETHOUSE PLACE**

PHFA NO. O-057

CERTIFICATION OF PROJECT OWNER

We hereby certify that we have examined the accompanying financial statements and supplementary information of Sixth and Willow Streets Limited Partnership, d/b/a Markethouse Place, PHFA No. O-057, and, to the best of our knowledge and belief, the same are accurate and complete.

Non-Profit Housing Development Corporation of Lebanon County, Inc.  
EIN Number: 25-1598402  
General Partner

By: \_\_\_\_\_

Date: \_\_\_\_\_

**SIXTH AND WILLOW STREETS  
LIMITED PARTNERSHIP  
D/B/A MARKETHOUSE PLACE**

PHFA NO. O-057

MANAGEMENT AGENT'S SIGNED REPRESENTATION LETTER

We hereby certify that we have examined the accompanying financial statements and supplementary information of Sixth and Willow Streets Limited Partnership, d/b/a Markethouse Place, PHFA No. O-057, 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: \_\_\_\_\_