

**Coney Island Site Nine Houses, Inc.
HUD Project No. 012-11373**

Financial Statements and
Supplementary Information

June 30, 2018 and 2017



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Coney Island Site Nine Houses, Inc.
HUD Project No. 012-11373

Table of Contents
June 30, 2018 and 2017

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	5
Statements of Cash Flows	7
Notes to Financial Statements	9
Supplementary Information	
Supplementary Data Required by HUD	17
Schedule of Expenditures of Federal Awards	23
Notes to Schedule of Expenditures of Federal Awards	24
Internal Control and Compliance Reports	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	27
Schedule of Findings and Questioned Costs	29
Summary Schedule of Prior Year's Audit Findings	30
Mortgagor's Certification	31
Management Agent's Certification	32

Independent Auditors' Report

Board of Trustees
Coney Island Site Nine Houses, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Coney Island Site Nine Houses, Inc. (the "Corporation"), HUD Project No. 012-11373, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Auditors' 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 of 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 auditors' 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 Corporation as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects in relation to the financial statements as a whole.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information required by HUD included in the report (shown on pages 17 to 22) is presented for purposes of additional analysis and is not a required part of the financial statements. The aforementioned information has been prepared in the prescribed format and following the instructions of the United States Department of Housing and Urban Development. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation'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 Corporation's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

New York, New York
September 28, 2018

Coney Island Site Nine Houses, Inc.
HUD Project No. 012-11373

Statements of Financial Position
June 30, 2018 and 2017

		<u>2018</u>	<u>2017</u>
Assets			
Current Assets			
1120	Cash, operations	\$ 258,329	\$ 176,781
1125	Cash, entity	2,241,000	-
1130	Tenant accounts receivable	2,511	11,367
1131	Allowance for doubtful accounts	(988)	(735)
1135	Accounts receivable, HUD	39	42,654
1200	Prepaid expenses	<u>22,993</u>	<u>30,064</u>
1100T	Total current assets	<u>2,523,884</u>	<u>260,131</u>
Deposits Held in Trust, Funded			
1191	Tenant deposits	<u>107,643</u>	<u>107,096</u>
Restricted Deposits and Funded Reserves			
1310	Escrow deposits	496,751	359,573
1320	Reserve for replacements	2,108,763	1,401,181
1330	Other reserves	<u>877,382</u>	<u>5,735,048</u>
1300T	Total restricted deposits and funded reserves	<u>3,482,896</u>	<u>7,495,802</u>
Fixed Assets			
1410	Land and improvements	642,289	541,269
1420	Buildings	17,742,072	16,080,481
1440	Building equipment, portable	471,606	414,241
1460	Furnishings	61,617	61,617
1490	Miscellaneous fixed assets	<u>376,630</u>	<u>784,202</u>
1400T	Total fixed assets	19,294,214	17,881,810
1495	Less accumulated depreciation	<u>(11,285,518)</u>	<u>(10,841,426)</u>
1400N	Net fixed assets	<u>8,008,696</u>	<u>7,040,384</u>
1000T	Total assets	<u>\$ 14,123,119</u>	<u>\$ 14,903,413</u>

See notes to financial statements

Coney Island Site Nine Houses, Inc.
HUD Project No. 012-11373

Statements of Financial Position
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Liabilities and Net Assets		
Current Liabilities		
2110	\$ 461,245	\$ 455,453
2111	134,245	686,058
2120	16,528	16,334
2121	1,243	1,250
2123	29,927	8,131
2131	27,209	27,630
2132	12,671	3,772
2170	141,076	135,932
2210	997	1,910
2122T	<u>825,141</u>	<u>1,336,470</u>
Deposits Liabilities		
2191	<u>107,643</u>	<u>107,096</u>
Long-Term Liabilities		
2320	8,635,862	8,776,938
2322	917,816	772,437
2340	<u>(247,268)</u>	<u>(254,887)</u>
2300T	<u>9,306,410</u>	<u>9,294,488</u>
2000T	<u>10,239,194</u>	<u>10,738,054</u>
Net Assets		
3131	3,755,715	4,037,149
3132	<u>128,210</u>	<u>128,210</u>
3130	<u>3,883,925</u>	<u>4,165,359</u>
2033T	<u>\$ 14,123,119</u>	<u>\$ 14,903,413</u>

See notes to financial statements

Coney Island Site Nine Houses, Inc.
HUD Project No. 012-11373

Statements of Activities

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenue		
Rental Revenue		
5120 Rental revenue, gross potential	\$ 850,269	\$ 852,707
5121 Tenant assistance payments	608,941	612,225
5170 Garage and parking spaces	3,000	3,000
5190 Miscellaneous rent revenue	780,490	778,434
5191 Excess rent	<u>3,209</u>	<u>790</u>
5100T Total rental revenue	<u>2,245,909</u>	<u>2,247,156</u>
Vacancies		
5220 Apartments	(131,165)	(116,542)
5270 Garage and parking spaces	<u>(660)</u>	<u>(555)</u>
5200T Total vacancies	<u>(131,825)</u>	<u>(117,097)</u>
5152N Net rental revenue	<u>2,114,084</u>	<u>2,130,059</u>
5300 Nursing home/assisted living/board and care/ elderly care/coop and other revenue	<u>74,489</u>	<u>47,091</u>
Financial Revenue		
5440 Revenue from investments, replacement reserve	1,815	2,900
5490 Revenue from investments, miscellaneous	<u>10,630</u>	<u>6,726</u>
5400T Total financial revenue	<u>12,445</u>	<u>9,626</u>
Other Revenue		
5910 Laundry and vending machine revenue	5,500	6,000
5920 Tenant charges	26,296	20,476
5990 Miscellaneous revenue	<u>15,482</u>	<u>17,224</u>
5900T Total other revenue	<u>47,278</u>	<u>43,700</u>
5000T Total revenue	<u>2,248,296</u>	<u>2,230,476</u>
Expenses		
Administrative Expenses		
6203 Conventions and meetings	4,263	1,984
6310 Office salaries	43,578	37,512
6311 Office expenses	40,896	24,194
6320 Management fee	154,735	151,256
6330 Manager or superintendent salaries	51,458	48,175
6331 Administrative rent-free unit	20,556	19,248
6340 Legal expense, project	797	2,425
6350 Auditing expense	13,500	12,000
6351 Bookkeeping fees/accounting services	3,495	4,065
6370 Bad debts	2,468	4,505
6390 Miscellaneous administrative expenses	<u>2,699</u>	<u>3,250</u>
6263T Total administrative expenses	<u>338,445</u>	<u>308,614</u>
Utilities Expenses		
6450 Electricity	119,835	189,202
6451 Water	52,196	61,135
6452 Gas	245,912	247,332
6453 Sewer	<u>82,992</u>	<u>97,205</u>
6400T Total utilities expenses	<u>500,935</u>	<u>594,874</u>

See notes to financial statements

Coney Island Site Nine Houses, Inc.
HUD Project No. 012-11373

Statements of Activities

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating and Maintenance Expenses		
6510 Payroll	\$ 83,463	\$ 91,421
6515 Supplies	31,304	61,815
6520 Contracts	323,207	175,211
6530 Security payroll/contract	150,203	117,684
6546 Heating/cooling repairs and maintenance	11,405	44,162
6500T Total operating and maintenance expenses	<u>599,582</u>	<u>490,293</u>
Taxes and Insurance		
6711 Payroll taxes (project's share)	11,708	12,223
6720 Property and liability insurance (hazard)	121,056	113,851
6722 Workmen's compensation	9,732	9,394
6723 Health insurance and other employee benefits	40,506	50,495
6790 Miscellaneous taxes, licenses, permits and insurance	9,154	14,486
6700T Total taxes and insurance expense	<u>192,156</u>	<u>200,449</u>
Financial Expense		
6820 Interest on first mortgage payable	336,454	341,426
6825 Interest on other mortgage payable	8,899	3,772
6850 Mortgage insurance premium/service charge	39,776	69,457
6800T Total financial expense	<u>385,129</u>	<u>414,655</u>
6900 Nursing home/assisted living/board and care/ other elderly care expenses	69,391	69,197
6000T Total cost of operations before depreciation	<u>2,085,638</u>	<u>2,078,082</u>
5060T Profit before depreciation	162,658	152,394
Depreciation		
6600 Depreciation expense	444,092	310,020
Total depreciation	<u>444,092</u>	<u>310,020</u>
5060N Operating loss after depreciation	<u>(281,434)</u>	<u>(157,626)</u>
Corporate or Mortgagor Entity Revenue		
7105 Entity revenue	-	(3,970)
Total expenses	<u>2,529,730</u>	<u>2,384,132</u>
3250 Change in net assets	(281,434)	(153,656)
Unrestricted Net Assets, Beginning of Year		
5960 Satisfaction of restrictions	4,037,149	4,183,555
	<u>-</u>	<u>7,250</u>
Unrestricted Net Assets, End of Year		
	<u>3,755,715</u>	<u>4,037,149</u>
Temporarily Restricted Net Assets, Beginning of Year		
5960 Satisfaction of restrictions	128,210	135,460
	<u>-</u>	<u>(7,250)</u>
Temporarily Restricted Net Assets, End of Year		
	<u>128,210</u>	<u>128,210</u>
Net Assets, End of Year	<u>\$ 3,883,925</u>	<u>\$ 4,165,359</u>

See notes to financial statements

Coney Island Site Nine Houses, Inc.
HUD Project No. 012-11373

Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
S1200-010 Rental receipts	\$ 2,099,991	\$ 2,102,564
S1200-020 Interest receipts	12,445	9,626
S1200-030 Other operating receipts	<u>164,382</u>	<u>48,137</u>
S1200-040 Total receipts	<u>2,276,818</u>	<u>2,160,327</u>
S1200-050 Administrative expenses paid	(145,427)	(59,053)
S1200-070 Management fees paid	(132,939)	(160,493)
S1200-090 Utilities paid	(514,328)	(619,315)
S1200-100 Salaries and wages paid	(307,023)	(292,827)
S1200-110 Operating and maintenance paid	(768,364)	(578,309)
S1200-140 Property insurance paid	(121,056)	(113,851)
S1200-150 Miscellaneous taxes and insurance paid	(9,161)	(14,334)
S1200-170 Other operating expenses paid	(187,614)	(28,050)
S1200-180 Interest paid on first mortgage	(345,774)	(345,604)
S1200-210 Mortgage insurance premium paid	(39,417)	(15,762)
S1200-225 Entity/construction disbursements	<u>(809,330)</u>	<u>-</u>
S1200-230 Total disbursements	<u>(3,380,433)</u>	<u>(2,227,598)</u>
S1200-240 Net cash used in operating activities	<u>(1,103,615)</u>	<u>(67,271)</u>
Cash Flows from Investing Activities		
S1200-245 Net deposits to mortgage escrows	(137,178)	(161,184)
S1200-250 Net (deposits to) withdrawals from reserve for replacements	(707,582)	101,850
S1200-255 Net withdrawals from other reserves	4,857,666	886,812
S1200-330 Net purchases of fixed assets	<u>(596,190)</u>	<u>(3,125,387)</u>
S1200-350 Net cash provided by (used in) investing activities	<u>3,416,716</u>	<u>(2,297,909)</u>
Cash Flows from Financing Activities		
S1200-360 Mortgage principal payments, first mortgage	(135,932)	(130,976)
S1200-365 Proceeds from other mortgage payable	<u>145,379</u>	<u>772,437</u>
S1200-460 Net cash provided by financing activities	<u>9,447</u>	<u>641,461</u>
S1200-470 Net increase (decrease) in cash	2,322,548	(1,723,719)
S1200-480 Cash, Beginning of Year	<u>176,781</u>	<u>1,900,500</u>
S1200T Cash, End of Year	<u>\$ 2,499,329</u>	<u>\$ 176,781</u>

See notes to financial statements

Coney Island Site Nine Houses, Inc.
HUD Project No. 012-11373

Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Significant Noncash Investing and Financing Activities		
Contributed rental property improvements	\$ -	\$ 3,970
Additions to fixed assets included in accounts payable, construction/development	\$ 134,245	\$ 686,058
Additions to fixed assets included in accounts payable, operations	\$ 681,969	\$ 115,156
Reconciliation of Change in Net Assets to Net Cash Used in Operating Activities		
3250 Change in net assets	\$ (281,434)	\$ (153,656)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
6600 Depreciation	444,092	310,020
S1200-486 Interest expense on debt issuance cost	7,619	7,619
S1200-600 Bad debts	2,468	4,505
S1200-600 Contributed rental property improvements	-	(3,970)
Changes in asset and liability accounts:		
(Increase) decrease in assets:		
S1200-490 Tenant accounts receivable	6,641	(8,956)
S1200-500 Accounts receivable, other	42,615	(42,654)
S1200-520 Prepaid expenses	7,071	55,300
S1200-530 Tenant deposits funded	(547)	1,933
Increase (decrease) in assets:		
S1200-540 Accounts payable	(1,362,235)	(232,434)
S1200-560 Accrued liabilities	21,983	(7,120)
S1200-570 Accrued interest payable	8,478	3,366
S1200-580 Tenant deposits held in trust	547	(1,933)
S1200-590 Prepaid revenue	(913)	709
Total adjustments	(822,181)	86,385
S1200-610 Net cash used in operating activities	\$ (1,103,615)	\$ (67,271)

See notes to financial statements

Coney Island Site Nine Houses, Inc.

HUD Project No. 012-11373

Notes to Financial Statements
June 30, 2018 and 2017

1. Description of the Organization

Coney Island Site Nine Houses, Inc. (the "Corporation") was created in pursuant to Article II of the Private Housing Finance Law and is supervised by the New York State Division of Housing and Community Renewal ("NYSDHCR"). The Corporation provides rental housing to lower income older adults and receives mortgage insurance and interest reduction payments assistance under 236 of the National Housing Act, and is therefore regulated by the U.S. Department of Housing and Urban Development ("HUD"). The Project consists of 197 units located in Brooklyn, New York, and is currently operating under the name of Scheuer House of Coney Island.

JASA Corporation is the sole member of and wholly controls the Corporation. JASA Corporation also wholly controls nine other housing entities, the Jewish Association for Services for the Aged ("JASA"), JASA Housing Management Services for the Aged, Inc. ("JHM"), and One Stop Senior Services in its capacity as their sole member. The Corporation is related to JASA Corporation and the above-listed entities by this control.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Corporation prepared the financial statements on the accrual basis of accounting. Also, the Corporation presents its financial statements following the generally accepted accounting principles in the United States of America. Under this guidance, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Furthermore, information is required to segregate program service expenses from management and general expenses.

Contributions received, if any, are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Corporation considers all highly liquid investments with an original maturity of three months or less on the date of purchase to be cash equivalents.

Coney Island Site Nine Houses, Inc.
HUD Project No. 012-11373

Notes to Financial Statements
June 30, 2018 and 2017

Accounts Receivable and Allowance for Doubtful Accounts

The Corporation reports tenant accounts receivable and accounts receivable net of an allowance for doubtful accounts. Management's basis for its estimate of the allowance is based on historical collection experience and a review of the current status of the receivables. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2018 and 2017, the balance of the allowance for doubtful accounts was \$988 and \$735, respectively.

Fixed Assets and Depreciation

The Corporation carries fixed assets at cost. Management uses the straight-line method of depreciation and expenses depreciation equally each year over the useful lives of the assets. It is the Corporation's policy to capitalize items of \$5,000 or greater. Useful lives range from 10 to 40 years.

Impairment of Long-Lived Assets

The Corporation reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When reviewing recovery, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. The Corporation did not recognize any impairment loss during the years ended June 30, 2018 and 2017.

Deferred Financing Costs

The Corporation amortizes financing costs as interest expense over the term of the related loan using the straight-line method, which approximates the effective interest method. Interest expense for the years ended June 30, 2018 and 2017 was \$7,619 each year.

Revenue

Rental Income

The Corporation's revenue is derived principally from rent on its affordable housing apartments. Rental payments come directly from tenants, the New York City Housing Authority, the New York City Department of Housing Preservation and Development ("NYCHPD"), as well as from HUD via a housing subsidy for low-income tenants.

The Corporation recognizes rental income as it becomes due. Rental payments received in advance of their due date are deferred until earned. Leases between the Corporation and its tenants are operating leases.

Coney Island Site Nine Houses, Inc.
HUD Project No. 012-11373

Notes to Financial Statements
June 30, 2018 and 2017

Grant Income

HUD awarded the Corporation a cost reimbursement grant. See Note 6. The Corporation recognized revenue under this grant as costs were incurred.

The Corporation was also awarded a grant from the Fund for the City of New York. See Note 8. Revenue was recognized as the funds became unconditionally committed for a specific purpose. Unspent funds remain as temporarily restricted net assets.

Income Taxes

The Corporation has applied for and received a tax-exemption under Section 501(c)(3) of the Internal Revenue Code. There was no unrelated business income for the years ended June 30, 2018 or 2017. Due to its tax-exempt status, the Corporation is not subject to income taxes. The Corporation is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Corporation has no other tax positions requiring disclosure.

Subsequent Events

Management evaluated subsequent events through September 28, 2018, which is the date the financial statements were available to be issued. There were no subsequent events that had a material impact on the Corporation's financial statements.

3. Mortgages Payable

In December 2015, the Corporation refinanced its original mortgage with Love Funding Corporation ("Love Funding"). The refinancing transaction was composed of a HUD First Loan in the amount of \$9,097,000 and a Housing Finance Agency ("HFA") Subsidy Loan in the amount of \$1,162,660. The Love Funding loans are secured by mortgages insured by HUD. Proceeds from the transaction in the amount of \$2,241,000 are included in "Cash, entity" on the statements of financial position. These funds are restricted by the NYSDHCR for the development and operation of low-income rental housing. See Note 5.

First Mortgage Payable

The HUD First Loan bears an interest rate of 3.72% per annum. Principal and interest on the HUD First Loan are payable by the Corporation in monthly installments of \$38,766 through maturity on January 1, 2051. As of June 30, 2018 and 2017, outstanding principal is \$8,776,938 and \$8,912,870, respectively, and accrued interest is \$27,209 and \$27,630, respectively.

Coney Island Site Nine Houses, Inc.
HUD Project No. 012-11373

Notes to Financial Statements
June 30, 2018 and 2017

Aggregate annual maturities of the mortgage payable over each of the next five years and thereafter are as follows:

Years ending June 30:		
2019	\$	141,076
2020		146,415
2021		151,955
2022		157,705
2023		163,673
Thereafter		<u>8,016,114</u>
Total	\$	<u><u>8,776,938</u></u>

Second Mortgage Payable

The HFA Loan bears an interest rate of 1.00% per annum. Principal and interest on the HFA Loan are payable equal to fifty percent of the surplus income as defined in the HFA Subsidy Loan. Any unpaid balance shall be payable upon maturity on July 1, 2051.

4. Restricted Deposits and Funded Reserves

Reserve for Replacements

Under provisions of the HUD regulatory agreement, the Corporation is required to make monthly deposits of \$4,925 to a replacement reserve escrow account which consists of restricted cash that the Corporation can use for the replacement of property and equipment. An initial deposit of \$1,477,500 was funded at closing of the first mortgage. In March 2018, an additional \$866,329 was deposited into the account. The use of these funds requires prior approval from HUD.

As of June 30, 2018 and 2017, the balance in the reserve for replacements was \$2,108,763 and \$1,401,181, respectively. For the years ended June 30, 2018 and 2017, the Corporation made HUD-approved replacement withdrawals of \$237,995 and \$167,121, respectively.

Escrow Deposits

Under the provisions of the mortgage agreement, the Corporation is required to make monthly deposits of \$14,716 into an escrow account managed by the lender for insurance and mortgage insurance premiums. Funds are released from the escrow account to pay the mortgage and property insurance. As of June 30, 2018 and 2017, the balance in the escrow account was \$496,751 and \$359,573, respectively.

Operating Escrow Fund

The Corporation is required by the NYSDHCR to fund an operating escrow fund to cover replacement needs, including, but not limited to, painting and decorating expenses, and water and sewer charges. As of June 30, 2018 and 2017, the balance in the operating escrow fund was \$797,821 and \$712,502, respectively. The balance is included in "other reserves" on the statements of financial position. Funds are released from the escrow deposit account pursuant to approval by NYSDHCR. Management has initiated discussions to consolidate this reserve with the replacement reserve.

Coney Island Site Nine Houses, Inc.
HUD Project No. 012-11373

Notes to Financial Statements
June 30, 2018 and 2017

Repair Reserve

The Corporation was required by HUD to deposit \$3,817,669 of the proceeds from the closing of the first mortgage into a repair reserve. The use of these funds requires prior approval from HUD. As of June 30, 2017, the balance in the reserve was \$3,033,610, and is included in "other reserves" on the statements of financial position. There is no balance in the repair reserve as of June 30, 2018.

Excess Loan Proceeds Reserve

As part of the refinancing, the Corporation was required to deposit a 50% holdback (50% of loan proceeds in excess of the budgeted rehabilitation costs, or \$1,985,350), as well as an additional 20% assurance of completion escrow in the amount of \$636,283 into an excess loan proceeds reserve. Upon approval from HUD, \$2,621,633 was released to the Corporation, which had no HUD restrictions. However, the NYSDHCR limits the use of such funds to the development and operation of low-income rental housing. The balance in the reserve as of June 30, 2017 was \$1,988,936, and is included in "other reserves" on the statements of financial position.

5. Related Party Transactions

Jewish Association for Services for the Aged ("JASA")

The Corporation is a participant in a general insurance plan with JASA, sponsored by the UJA-Federation, which also includes health insurance and worker's compensation. Property and liability insurance expense for the years ended June 30, 2018 and 2017 were \$121,056 and \$113,851, respectively. Worker's compensation, short-term disability, and health insurance for the years ended June 30, 2018 and 2017 were \$45,258 and \$55,675, respectively.

JASA pays the Corporation a license fee for the use of space for a community services facility located at the site. License fee revenue for the years ended June 30, 2018 and 2017 was \$15,117 and \$15,072, respectively, and is included in miscellaneous revenue on the statements of activities.

JASA is a participant in a multi-employer, defined-benefit retirement plan sponsored by the UJA-Federation. The Corporation does not make any direct contributions to the plan on behalf of its employees; however, JASA made contributions to the plan for its employees and the Corporation's non-union employees. For the years ended June 30, 2018 and 2017, the Corporation reimbursed JASA for pension costs in the amount of \$4,440 and \$3,744, respectively.

The Corporation pays JASA, through a HUD grant, to provide social services for the tenants. The program expenses for the years ended June 30, 2018 and 2017 were \$69,391 and \$69,197, respectively. As further described in Note 6, HUD has not yet approved continued funding of this grant past December 31, 2017.

As of June 30, 2018 and 2017, \$24,032 and \$113,259, respectively, remain due to JASA and are included in "accounts payable, operations" on the statements of financial position.

Coney Island Site Nine Houses, Inc.
HUD Project No. 012-11373

Notes to Financial Statements
June 30, 2018 and 2017

JASA Housing Management Services for the Aged, Inc. ("JHM")

JHM manages the rental property under a management agreement approved by HUD. The management agreement provides for a management fee of 7.12% of rental receipts. Management fees earned for the years ended June 30, 2018 and 2017 were \$154,735 and \$151,256, respectively.

The Corporation pays a HUD-approved monthly fee to JHM for accounting and bookkeeping services. These expenses for the years ended June 30, 2018 and 2017 were \$3,495 and \$4,065, respectively.

As of June 30, 2018 and 2017, \$29,927 and \$8,131, respectively, remain due to JHM and are included in "accrued management fee payable" on the statements of financial position.

6. Grant Revenue

The Corporation was awarded a service coordinator grant from HUD to use toward payment of the service coordinator's salary, benefits and other administrative costs. The Corporation reimburses JASA with the grant. The Corporation received a one-year renewal grant totaling \$74,450 for the period from January 1, 2017 to December 31, 2017. Revenue recognized for the years ended June 30, 2018 and 2017 was \$74,489 and \$47,091, respectively. Grant expense for the years ended June 30, 2018 and 2017 was \$69,391 and \$69,197, respectively. As of June 30, 2018 and 2017, \$39 and \$42,654, respectively, remain receivable from HUD and are included in "accounts receivable, HUD" on the statements of financial position. Since HUD has not yet approved a new award, no grant revenue is recorded for the period January 2018 through June 30, 2018.

7. Housing Assistance Payment ("HAP"), RAD Contract

The Corporation has contracted under a Rental Assistance Demonstration ("RAD") Rider with Housing Trust Fund Corporation pursuant to Section 8 of the Housing Act of 1937 to make housing assistance payments on behalf of the qualified tenants. The agreement expires August 1, 2028. For the years ended June 30, 2018 and 2017, rental assistance payments of \$608,941 and \$612,225, respectively, were earned under the terms of the agreement.

8. Post-Hurricane Sandy Resiliency Grant

In 2013, the Corporation received a grant from the Fund for the City of New York for \$150,000, which was included in "other revenue" on the statements of activities. The grantor restricted the funds for resiliency planning (equipping the building to reduce the impact of future natural disasters) and are included as temporarily restricted net assets. As of June 30, 2018 and 2017, the remaining balance of this grant was \$128,210.

Coney Island Site Nine Houses, Inc.
HUD Project No. 012-11373

Notes to Financial Statements
June 30, 2018 and 2017

9. Post-Hurricane Sandy Resiliency Contributions by JASA

During fiscal year 2015, JASA obtained a cost reimbursement Social Service Block Grant (the "SSBG") from the New York State Office for the Aging. The purpose of the grant was to allow JASA to incur resiliency costs to better prepare its eight housing entities at that time for potential future weather events like Hurricane Sandy. JASA incurs the costs under various contracts with unrelated third parties and simultaneously contributes the resulting assets to the housing entities. The assets contributed are recorded as contribution revenue and as additions to the rental property at fair value. During the year ended June 30, 2017, noncash contributions of \$3,970 were recognized by the Corporation as "entity revenue" on the statements of activities. The SSBG ended on June 30, 2018.

10. Functional Expenses

The costs of providing various programs and other activities for the years ended June 30, 2018 and 2017 are summarized on a functional basis as follows:

	<u>2018</u>	<u>2017</u>
Program services		
HUD-assisted elderly housing project	\$ 2,311,937	\$ 2,188,832
Management and general	<u>217,793</u>	<u>199,270</u>
Total	<u>\$ 2,529,730</u>	<u>\$ 2,388,102</u>

11. Concentrations of Credit Risk

The Corporation maintains its cash balances in several accounts in one bank. The Federal Deposit Insurance Corporation insures the cash balances up to \$250,000. At times, these balances may exceed the federal insurance limits; however, the Corporation has not experienced any losses concerning its bank balances more than government-provided insurance. Management believes that no significant concentration of credit risk exists concerning these cash balances as of June 30, 2018.

12. Commitment and Contingencies

The Corporation has entered into a HAP contract under the revised regulations of 24 Code of Federal Regulations (CFR). As such, upon termination of the contract, whether initiated by the Corporation opting out of the contract or by HUD, any unused balance in the residual receipts reserve must be remitted to HUD.

The Corporation applied for and received awards from Federal Emergency Management Agency ("FEMA") to cover damages that were sustained to the property during Hurricane Sandy. Subsequent to the FEMA application submission, JASA received a lump sum insurance settlement that was allocated across all of its corporations. Management believes that FEMA may request the reimbursement of its award to the extent damages covered by FEMA may have also been covered by the allocation of the insurance settlement resulting in a contingent liability to FEMA. At this time, management is unable to reasonably estimate such liability.

Coney Island Site Nine Houses, Inc.
HUD Project No. 012-11373

Notes to Financial Statements
June 30, 2018 and 2017

Under the Corporation's contractual relationships with certain governmental funding sources, outside governmental agencies have the right to examine the books and records of the Corporation about transactions relating to these contracts. The accompanying financial statements contain no provision for possible disallowances resulting from such reviews. Although such possible disallowances could be substantial, in the opinion of management, actual disallowances resulting from such reviews, if any, would be immaterial.

The Corporation has completed various construction contracts with several vendors related to the rehabilitation of the project using proceeds from the first mortgage funded by HUD and the second mortgage funded by HFA. The Corporation is required to submit reimbursement requests for the first mortgage and also for the second mortgage. Releases from the repair escrow, which is funded by the first mortgage, require HUD approval.

13. Current Vulnerability Due to Certain Concentrations

The Corporation's principal asset is a 197-unit apartment project. The Corporation's operations are concentrated in the multi-family real estate market. Also, the Corporation operates in a heavily regulated environment. The operations of the Corporation are subject to the administrative directives, rules and regulations of federal agencies, including, but not limited to, HUD. Such administrative directives, rules, and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Coney Island Site Nine Houses, Inc.
HUD Project No. 012-11373

Supplementary Data Required by HUD
Statement of Activities Data
Year Ended June 30, 2018

S1000-010	Total first mortgage (or bond) principal payments required during the audit period (12 monthly payments). Applies to all direct loans and HUD-held and fully-insured first mortgages.	<u>\$ 135,932</u>
S1000-020	Total of 12 monthly deposits in the audit year made to the replacement reserve account, as required by the regulatory agreement, even if payments may be temporarily suspended or reduced.	<u>\$ 59,100</u>
S1000-030	Replacement reserves, or residual receipts and releases which are included as expense items on the statement of activities.	<u>\$ 170,779</u>

Coney Island Site Nine Houses, Inc.

HUD Project No. 012-11373

Supplementary Data Required by HUD

Reserve Account Data

Year Ended June 30, 2018

Reserve for Replacements

1320P	Balance, beginning of year	\$	1,401,181
1320DT	Total monthly deposits		59,100
1320ODT-010	Deposit of unused repair funds		866,329
1320ODT-011	Loan repayment		18,333
1320INT	Interest income		1,815
1320WT	Approved withdrawals		<u>(237,995)</u>
1320	Balance, end of year	\$	<u>2,108,763</u>

Coney Island Site Nine Houses, Inc.**HUD Project No. 012-11373**

Supplementary Data Required by HUD

Surplus Cash Data

Year Ended June 30, 2018

Surplus Cash, Distributions and Residual Receipts

S1300-010	Cash	\$	365,972
1135	Accounts receivable, HUD		<u>39</u>
S1300-040	Total cash		<u>366,011</u>
S1300-050	Accrued mortgage interest payable		27,209
S1300-075	Accounts payable (due within 30 days)		461,245
S1300-100	Accrued expenses (not escrowed)		47,698
2210	Prepaid revenue		997
2191	Tenant deposits held in trust		107,643
S1300-110	Other current obligations:		
S1300-120	Principal payment due, first mortgage		11,136
S1300-120	Deposit due to replacement reserve		4,925
S1300-120	Deposit due to mortgage escrows		<u>14,716</u>
S1300-140	Total current obligations		<u>675,569</u>
S1300-150	Surplus cash (deficiency)	\$	<u><u>(309,558)</u></u>
S1300-210	Deposit due residual receipts reserve	\$	<u><u>-</u></u>

See independent auditors' report

Coney Island Site Nine Houses, Inc.
HUD Project No. 012-11373

Supplementary Data Required by HUD
 Fixed Assets Data
 Year Ended June 30, 2018

		Assets			
		<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
1410	Land and Improvements	\$ 541,269	\$ 101,020	\$ -	\$ 642,289
1420	Buildings	16,080,481	1,661,591	-	17,742,072
1440	Building Equipment, Portable	414,241	57,365	-	471,606
1460	Furnishings	61,617	-	-	61,617
1490	Miscellaneous Fixed Assets	<u>784,202</u>	<u>350,006</u>	<u>(757,578)</u>	<u>376,630</u>
1400T	Total fixed assets	<u>\$ 17,881,810</u>	<u>\$ 2,169,982</u>	<u>\$ (757,578)</u>	<u>\$ 19,294,214</u>
1495	Total accumulated depreciation	<u>\$ 10,841,426</u>	<u>\$ 444,092</u>	<u>\$ -</u>	<u>\$ 11,285,518</u>
1400N	Total net book value	<u>\$ 7,040,384</u>			<u>\$ 8,008,696</u>
		<u>Amount</u>			
1410AT	Additions for 1410 Details				
	Courtyard/Pavilion	\$ 87,770			
	Gardening & landscaping	13,250			
	Total	<u>\$ 101,020</u>			
		<u>Amount</u>			
1420AT	Additions for 1420 Details				
	Handrails	\$ 62,438			
	Floor renovations	93,105			
	Roof replacement	401,756			
	Kitchen renovation	155,070			
	Building improvements	698,586			
	Electronic panels	6,500			
	Bathroom renovation	244,136			
	Total	<u>\$ 1,661,591</u>			
		<u>Amount</u>			
1440AT	Additions for 1440 Details				
	Stoves and refrigerators	\$ 45,252			
	Range	12,113			
	Total	<u>\$ 57,365</u>			
		<u>Amount</u>			
1490AT	Additions for 1490 Details				
	Construction-in-progress, rehabilitation projects	<u>\$ 350,006</u>			
	Total	<u>\$ 350,006</u>			
		<u>Amount</u>			
1490AT	Deletions from 1490 Details				
	Construction-in-progress, placed in service	<u>\$ 757,578</u>			
	Total	<u>\$ 757,578</u>			

Coney Island Site Nine Houses, Inc.
HUD Project No. 012-11373

Supplementary Data Required by HUD
Statement of Activities Data
Year Ended June 30, 2018

Statement of Activities, Detail

5190-010	Description, miscellaneous rent revenue:	
	NYCHA revenue	\$ 643,604
	NYCHPD Section 8 revenue	120,779
	NYSHCR revenue	<u>16,107</u>
5190-020	Total	<u>\$ 780,490</u>
5300	Description, nursing home/assisted living/board and care/other elderly care/coop and other revenue	<u>\$ 74,489</u>
5390	Total	<u>\$ 74,489</u>
5490-010	Description, revenue from investments, miscellaneous, Interest income other reserves	<u>\$ 10,630</u>
5490-020	Total	<u>\$ 10,630</u>
5990-010	Description, miscellaneous other revenue:	
	Use of premises fee	\$ 15,117
	Administrative fee income	<u>365</u>
5990-020	Total	<u>\$ 15,482</u>
6390-010	Description, miscellaneous administrative expenses:	
	Employee relations and recruiting	\$ 1,900
	Bank, credit card and other charges	653
	Help wanted advertising	90
	Local travel	<u>56</u>
6390-020	Total	<u>\$ 2,699</u>
6790-010	Description, miscellaneous taxes, licenses, permits and insurance:	
	Miscellaneous taxes	\$ 2,757
	Other sundry expenses	6,041
	Fees, violations and penalties	<u>356</u>
6790-020	Total	<u>\$ 9,154</u>
6900	Description, nursing home/assisted living/board and care/other elderly care expenses,	
6990	Other service expenses	<u>\$ 69,391</u>
	Total	<u>\$ 69,391</u>

See independent auditors' report

Coney Island Site Nine Houses, Inc.

HUD Project No. 012-11373

Supplementary Data Required by HUD

Other Information

Year Ended June 30, 2018

Related Party Transaction, Detail

S3100-210	JHM (management fee)	\$	154,735
S3100-210	JASA (service coordinator)		<u>69,391</u>
	Total	\$	<u><u>224,126</u></u>

Coney Island Site Nine Houses, Inc.
HUD Project No. 012-11373

Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Housing and Urban Development			
Mortgage Insurance for the Purchase or Refinancing of existing Multi-Family Housing Projects (Section 223(f))	14.155	N/A	\$ 8,912,870
Multi-Family Housing Service Coordinators	14.191	N/A	74,489
Housing Voucher Cluster: Section 8 Housing Choice Vouchers	14.871	N/A	<u>608,941</u>
Total Housing Voucher Cluster			<u>608,941</u>
Total U.S. Department of Housing and Urban Development			<u>9,596,300</u>
Total expenditures of federal awards			<u><u>\$ 9,596,300</u></u>

Coney Island Site Nine Houses, Inc.
HUD Project No. 012-11373

Notes to Schedule of Expenditures of Federal Awards
June 30, 2018

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Coney Island Site Nine Houses, Inc. (the "Corporation"), HUD Project No. 012-11373, under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Corporation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Corporation. The Corporation did not provide any funding to subrecipients during the year ended June 30, 2018.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in the Uniform Guidance.

3. Indirect Cost Rate

The Corporation has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. U.S. Department of Housing and Urban Development Loan Program

The Corporation has received a U.S. Department of Housing and Urban Development mortgage insurance loan under Section 223(f) of the National Housing Act. The loan balance outstanding at the beginning of the year is included in the federal expenditures presented in the Schedule. The Corporation received no additional loans during the year. The balance of the loan outstanding at June 30, 2018 consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance at June 30, 2018</u>
14.155	Mortgage Insurance for the Purchase or Refinancing of Existing Multi-family Housing Projects (Section 223(f))	\$ 8,776,938

**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
with *Government Auditing Standards***

Board of Trustees
Coney Island Site Nine Houses, Inc.

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 Coney Island Site Nine Houses, Inc. (the "Corporation"), HUD Project No. 012-11373, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation'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.

Baker Tilly Virchow Krause, LLP

New York, New York
September 28, 2018

**Independent Auditors' Report on Compliance
for Each Major Federal Program and Report on
Internal Control Over Compliance
Required by the Uniform Guidance**

Board of Trustees
Coney Island Site Nine Houses, Inc.

Report on Compliance for Each Major Federal Program

We have audited Coney Island Site Nine Houses, Inc.'s (the "Corporation"), HUD Project No. 012-11373, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Corporation's major federal program for the year ended June 30, 2018. The Corporation's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of federal awards applicable to the federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Corporation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

Opinion on Major Federal Program

In our opinion, the Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program identified above for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

New York, New York
September 28, 2018

Coney Island Site Nine Houses, Inc.
HUD Project No. 012-11373

Schedule of Findings and Questioned Costs
 Year Ended June 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.155	U.S. Department of Housing and Urban Development: Mortgage Insurance for the Purchase or Refinancing of Existing Multi-family Housing Projects (Section 223(f))

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

Coney Island Site Nine Houses, Inc.
HUD Project No. 012-11373

Summary Schedule of Prior Year's Audit Findings
Year Ended June 30, 2018

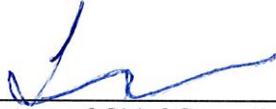
Section IV - Summary Schedule of Prior Year's Audit Findings

None.

Coney Island Site Nine Houses, Inc.
HUD Project No. 012-11373

Mortgagor's Certification
June 30, 2018

We hereby certify that we have examined the accompanying financial statements and supplementary data of Coney Island Site Nine Houses, Inc., HUD Project No. 012-11373 and, to the best of our knowledge and belief, the same are accurate and complete.



Signature of Chief Operating Officer

Tracy Welsh

Name of Chief Operating Officer

DATE: _____

9/28/18

Employer Identification No: 11-2306651

Coney Island Site Nine Houses, Inc.
HUD Project No. 012-11373

Management Agent's Certification
June 30, 2018

We hereby certify that we have examined the accompanying financial statements and supplementary data of Coney Island Site Nine Houses, Inc., HUD Project No. 012-11373 and, to the best of our knowledge and belief, the same are accurate and complete.



Signature of Director of Housing

Donald Manning

Name of Director of Housing

DATE: _____

9/28/15

JASA Housing Management Services for the Aged, Inc.
Management Agent's Name

Employer Identification No: 13-3078676