

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

Financial Statements and
Supplementary Information

June 30, 2017 and 2016



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

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June 30, 2017 and 2016

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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 statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year 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 June 30, 2017 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 audit. We conducted our audit 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 audit 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 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 Corporation as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Prior Period Financial Statements

The financial statements of the Corporation as of and for the year ended June 30, 2016 were audited by other auditors and, in their report dated October 5, 2016, they expressed an unmodified opinion on those financial statements.

Report on Supplementary Information

Our audit was 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* 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 audit was 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 19 to 24) 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 25, 2017 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 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 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 25, 2017

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

Statements of Financial Position
June 30, 2017 and 2016

		<u>2017</u>	<u>2016</u>
Assets			
Current Assets			
1120	Cash, operations	\$ 176,781	\$ 537,609
1125	Cash, entity	-	1,362,891
1130	Tenant accounts receivable	11,367	6,181
1131	Allowance for doubtful accounts	(735)	-
1135	Accounts receivable, HUD	42,654	-
1200	Prepaid expenses	30,064	85,364
		<u>260,131</u>	<u>1,992,045</u>
1100T	Total current assets		
Deposits Held in Trust, Funded			
1191	Tenant deposits	107,096	109,029
Restricted Deposits and Funded Reserves			
1310	Escrow deposits	359,573	198,389
1320	Reserve for replacements	1,401,181	1,503,031
1330	Other reserves	5,735,048	6,621,860
		<u>7,495,802</u>	<u>8,323,280</u>
1300T	Total restricted deposits and funded reserves		
Fixed Assets			
1410	Land and improvements	541,269	499,519
1420	Buildings	16,080,481	12,862,977
1440	Building equipment, portable	414,241	197,804
1460	Furnishings	61,617	33,379
1490	Miscellaneous fixed assets	784,202	357,560
		<u>17,881,810</u>	<u>13,951,239</u>
1400T	Total fixed assets		
1495	Less accumulated depreciation	<u>(10,841,426)</u>	<u>(10,531,406)</u>
1400N	Net fixed assets	<u>7,040,384</u>	<u>3,419,833</u>
1000T	Total assets	<u>\$ 14,903,413</u>	<u>\$ 13,844,187</u>

See notes to financial statements

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

Statements of Financial Position
June 30, 2017 and 2016

		<u>2017</u>	<u>2016</u>
Liabilities and Net Assets			
Current Liabilities			
2110	Accounts payable, operations	\$ 455,453	\$ 431,369
2111	Accounts payable, construction/development	686,058	141,362
2120	Accrued wages payable	16,334	14,369
2121	Accrued payroll taxes payable	1,250	1,098
2123	Accrued management fee payable	8,131	17,368
2131	Accrued interest payable, first mortgage	27,630	28,036
2132	Accrued interest payable, other mortgage	3,772	-
2170	Mortgage payable, first mortgage, current maturities	135,932	130,976
2210	Prepaid revenue	1,910	1,201
2122T	Total current liabilities	<u>1,336,470</u>	<u>765,779</u>
Deposits Liabilities			
2191	Tenant deposits held in trust (contra)	<u>107,096</u>	<u>109,029</u>
Long-Term Liabilities			
2320	Mortgage payable, first mortgage, net of current maturities	8,776,938	8,912,870
2322	Other mortgage payable, net of current maturities	772,437	-
2340	Debt issuance costs	<u>(254,887)</u>	<u>(262,506)</u>
2300T	Total long-term liabilities	<u>9,294,488</u>	<u>8,650,364</u>
2000T	Total liabilities	<u>10,738,054</u>	<u>9,525,172</u>
Contingencies			
Net Assets			
3131	Unrestricted net assets	4,037,149	4,183,555
3132	Temporarily restricted net assets	<u>128,210</u>	<u>135,460</u>
3130	Total net assets	<u>4,165,359</u>	<u>4,319,015</u>
2033T	Total liabilities and net assets	<u>\$ 14,903,413</u>	<u>\$ 13,844,187</u>

See notes to financial statements

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

Statements of Activities

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>	
Revenue			
Rental Revenue			
5120	Rental revenue - gross potential	\$ 852,707	\$ 814,719
5121	Tenant assistance payments	612,225	611,462
5170	Garage and parking spaces	3,000	3,000
5190	Miscellaneous rent revenue	778,434	808,736
5191	Excess rent	790	264
5100T	Total rental revenue	<u>2,247,156</u>	<u>2,238,181</u>
Vacancies			
5220	Apartments	(116,542)	(70,430)
5270	Garage and parking spaces	(555)	(560)
5200T	Total vacancies	<u>(117,097)</u>	<u>(70,990)</u>
5152N	Net rental revenue	<u>2,130,059</u>	<u>2,167,191</u>
5300	Nursing home/assisted living/board and care/other elderly care/coop and other revenue	<u>47,091</u>	<u>40,963</u>
Financial Revenue			
5440	Revenue from investments - replacement reserve	2,900	906
5490	Revenue from investments - miscellaneous	6,726	3,995
5400T	Total financial revenue	<u>9,626</u>	<u>4,901</u>
Other Revenue			
5910	Laundry and vending machine revenue	6,000	6,500
5920	Tenant charges	20,476	18,994
5990	Miscellaneous revenue	17,224	15,839
5900T	Total other revenue	<u>43,700</u>	<u>41,333</u>
5000T	Total revenue	<u>2,230,476</u>	<u>2,254,388</u>
Expenses			
Administrative Expenses			
6203	Conventions and meetings	1,984	329
6310	Office salaries	37,512	36,878
6311	Office expenses	24,194	24,394
6320	Management fee	151,256	147,136
6330	Manager or superintendent salaries	48,175	47,252
6331	Administrative rent-free unit	19,248	17,020
6340	Legal expense - project	2,425	4,300
6350	Auditing expense	12,000	13,450
6351	Bookkeeping fees/accounting services	4,065	6,638
6370	Bad debts	4,505	7,357
6390	Miscellaneous administrative expenses	3,250	708
6263T	Total administrative expenses	<u>308,614</u>	<u>305,462</u>
Utilities Expenses			
6450	Electricity	189,202	184,843
6451	Water	61,135	61,890
6452	Gas	247,332	238,272
6453	Sewer	97,205	98,382
6400T	Total utilities expenses	<u>594,874</u>	<u>583,387</u>

See notes to financial statements

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

Statements of Activities

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating and Maintenance Expenses		
6510 Payroll	\$ 91,421	\$ 86,154
6515 Supplies	61,815	54,968
6520 Contracts	175,211	268,537
6525 Garbage and trash removal	-	1,500
6530 Security payroll/contract	117,684	105,969
6546 Heating/cooling repairs and maintenance	44,162	25,624
6500T Total operating and maintenance expenses	<u>490,293</u>	<u>542,752</u>
Taxes and Insurance		
6711 Payroll taxes (project's share)	12,223	12,777
6720 Property and liability insurance (hazard)	113,851	123,321
6722 Workmen's compensation	9,394	5,984
6723 Health insurance and other employee benefits	50,495	49,665
6790 Miscellaneous taxes, licenses, permits and insurance	14,486	3,035
6700T Total taxes and insurance expense	<u>200,449</u>	<u>194,782</u>
Financial Expense		
6820 Interest on first mortgage payable	341,426	188,849
6825 Interest on other mortgage payable	3,772	-
6850 Mortgage insurance premium/service charge	69,457	49,462
6800T Total financial expense	<u>414,655</u>	<u>238,311</u>
6900 Nursing home/assisted living/board and care/ other elderly care expenses	69,197	60,178
6000T Total cost of operations before depreciation	<u>2,078,082</u>	<u>1,924,872</u>
5060T Profit before depreciation	<u>152,394</u>	<u>329,516</u>
Depreciation		
6600 Depreciation expense	310,020	201,866
Total depreciation	<u>310,020</u>	<u>201,866</u>
5060N Operating (loss) profit	(157,626)	127,650
Corporate or mortgagor entity revenue		
7105 Entity revenue	(3,970)	(494,183)
Total expenses	<u>2,384,132</u>	<u>1,632,555</u>
3250 Change in net assets	(153,656)	621,833
Unrestricted Net Assets, Beginning of Year		
5960 Satisfaction of restrictions	4,183,555	3,561,722
	<u>7,250</u>	<u>-</u>
Unrestricted Net Assets, End of Year		
	<u>4,037,149</u>	<u>4,183,555</u>
Temporarily Restricted Net Assets, Beginning of Year		
5960 Satisfaction of restrictions	135,460	135,460
	<u>(7,250)</u>	<u>-</u>
Temporarily Restricted Net Assets, End of Year		
	<u>128,210</u>	<u>135,460</u>
Net Assets, End of Year		
	<u>\$ 4,165,359</u>	<u>\$ 4,319,015</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
S1200-010 Rental receipts	\$ 2,102,564	\$ 2,172,934
S1200-020 Interest receipts	9,626	4,901
S1200-030 Other operating receipts	48,137	70,994
	<u>2,160,327</u>	<u>2,248,829</u>
S1200-040 Total receipts	<u>2,160,327</u>	<u>2,248,829</u>
S1200-050 Administrative expenses paid	(59,053)	(28,755)
S1200-070 Management fees paid	(160,493)	(131,624)
S1200-090 Utilities paid	(619,315)	(579,704)
S1200-100 Salaries and wages paid	(292,827)	(167,847)
S1200-110 Operating and maintenance paid	(578,309)	(433,458)
S1200-140 Property insurance paid	(113,851)	(123,321)
S1200-150 Miscellaneous taxes and insurance paid	(14,334)	(71,268)
S1200-170 Other operating expenses paid	(28,050)	(60,178)
S1200-180 Interest paid on first mortgage	(345,604)	(156,655)
S1200-210 Mortgage insurance premium paid	(15,762)	(126,860)
S1200-220 Miscellaneous financial expense - refund of excess grant proceeds	-	(335,728)
	<u>(2,227,598)</u>	<u>(2,215,398)</u>
S1200-230 Total disbursements	<u>(2,227,598)</u>	<u>(2,215,398)</u>
S1200-240 Net cash (used in) provided by operating activities	<u>(67,271)</u>	<u>33,431</u>
Cash Flows from Investing Activities		
S1200-245 Net deposits to mortgage escrows	(161,184)	(198,389)
S1200-250 Net withdrawals from (deposits to) reserve for replacements	101,850	(1,503,031)
S1200-255 Net withdrawals from (deposits to) other reserves	886,812	(5,925,515)
S1200-330 Net purchases of fixed assets	(3,125,387)	(300,474)
	<u>(2,297,909)</u>	<u>(7,927,409)</u>
S1200-350 Net cash used in investing activities	<u>(2,297,909)</u>	<u>(7,927,409)</u>
Cash Flows from Financing Activities		
S1200-360 Mortgage principal payments, first mortgage	(130,976)	(53,154)
Proceeds from other mortgage payable	772,437	9,097,000
S1200-451 Financing fees paid	-	(266,664)
S1200-455 Entity/construction financing activities	-	-
S1200-456 Due from affiliates	-	129,431
	<u>641,461</u>	<u>8,906,613</u>
S1200-460 Net cash provided by financing activities	<u>641,461</u>	<u>8,906,613</u>
S1200-470 Net (decrease) increase in cash	(1,723,719)	1,012,635
S1200-480 Cash, Beginning of Year	<u>1,900,500</u>	<u>887,865</u>
S1200T Cash, End of Year	<u>\$ 176,781</u>	<u>\$ 1,900,500</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Significant Noncash Investing and Financing Activities		
Contributed rental property improvements	\$ 3,970	\$ 494,183
Additions to fixed assets included in accounts payable, construction/development	\$ 686,058	\$ 141,362
Additions to fixed assets included in accounts payable, operations	\$ 115,156	\$ 269,427
Reconciliation of Change in Net Assets to Net Cash (Used in)		
Provided by Operating Activities		
3250 Change in net assets	\$ (153,656)	\$ 621,833
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
6600 Depreciation	310,020	201,866
S1200-486 Interest expense on debt issuance cost	7,619	4,158
S1200-600 Bad debts	4,505	7,357
S1200-600 Contributed rental property improvements	(3,970)	(494,183)
Changes in asset and liability accounts:		
(Increase) decrease in assets:		
S1200-490 Tenant accounts receivable	(8,956)	20,487
S1200-500 Accounts receivable, other	(42,654)	6,026
S1200-520 Prepaid expenses	55,300	(63,369)
S1200-530 Tenant security deposits funded	1,933	(2,933)
Increase (decrease) in liabilities:		
S1200-540 Accounts payable	(232,434)	31,324
S1200-560 Accrued liabilities	(7,120)	18,142
S1200-570 Accrued interest payable	3,366	28,036
S1200-580 Tenant security deposits held in trust	(1,933)	2,933
S1200-590 Prepaid revenue	709	(1,216)
S1200-601 Refundable grant proceeds payable	-	(347,030)
Total adjustments	86,385	(588,402)
S1200-610 Net cash (used in) provided by operating activities	\$ (67,271)	\$ 33,431

See notes to financial statements

Coney Island Site Nine Houses, Inc.

HUD Project No. 012-11373

Notes to Financial Statements
June 30, 2017 and 2016

1. Description of the Organization

Coney Island Site Nine Houses, Inc. (the "Corporation") was organized in August 1971 as a nonprofit corporation for the purpose of developing and operating a rental housing project for aged persons of low income under Section 236 of the National Housing Act. Such projects are regulated by the U.S. Department of Housing and Urban Development ("HUD") as to rent charges and operating methods. The Project consists of 197 units located in Brooklyn, New York and is currently operating under the name of Scheuer House of Coney Island (the "Project"). The Corporation receives a significant portion of its revenue from government subsidy payments.

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

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. In addition, the Corporation presents its financial statements in accordance with the accounting principles generally accepted in the United States of America for nonprofit entities. 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/or 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 the 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, 2017 and 2016

Accounts Receivable and Allowance for Doubtful Accounts

Tenant receivables and accounts receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the receivables. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2017 and 2016, no allowance was deemed necessary.

Fixed Assets and Depreciation

Fixed assets are carried at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives by use of the straight-line method. It is the Corporation's policy to capitalize items of \$5,000 or greater and items purchased with replacement reserves that have a useful life that is greater than one year. 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 recovery is reviewed, 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 in order 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. No impairment loss was recognized during the years ended June 30, 2017 or 2016.

Deferred Financing Costs

Financing costs of \$266,664 are amortized as interest expense over the term of the first mortgage using the straight-line method. Accounting principles generally accepted in the United States of America require that the effective interest method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective interest method. Interest expense for the years ended June 30, 2017 and 2016 was \$7,619 and \$4,158, respectively. Estimated annual interest expense for each of the ensuing years through June 30, 2051 is \$7,619.

Revenue

Rental Income

The Corporation's revenue is derived principally from the renting of apartments to eligible very low income individuals. Tenant rental fees are supplemented by tenant assistance payments from HUD, New York City and New York State.

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

Coney Island Site Nine Houses, Inc.

HUD Project No. 012-11373

Notes to Financial Statements
June 30, 2017 and 2016

Grant Income

The Corporation was awarded a cost reimbursement grant from HUD (see Note 5). Revenue is recognized as costs are incurred.

The Corporation was 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, and unspent funds are included as temporarily restricted net assets.

Income Taxes

The Corporation has applied for and received a determination letter from the Internal Revenue Service ("IRS") to be treated as a tax-exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the years ended June 30, 2017 or 2016. 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 IRS and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Corporation has no other tax positions which must be considered for disclosure.

Recent Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. The guidance requires that debt issuance costs related to a recognized debt liability be reported on the statements of financial position as a direct deduction from the carrying amount of that debt liability. The guidance is effective for fiscal years and interim periods beginning after December 15, 2015, and is required to be applied retrospectively. Management has adopted ASU 2015-03 and has reclassified debt issuance costs related to existing debt liabilities from assets to liabilities on the statements of financial position, and the related amortization expense to interest expense on the statements of activities. The adoption of ASU 2015-03 did not have a material impact on the Corporation's financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. The core principle of ASU 2014-15 is intended to define management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 defines the term substantial doubt and requires an assessment for a period of one year after the date the financial statements are issued (or available to be issued). ASU 2014-15 is effective for fiscal years ending after December 15, 2016. The adoption of ASU 2014-15 did not have a material impact on the Corporation's financial statements.

Reclassifications

Certain 2016 amounts have been reclassified to conform with the 2017 presentation.

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

Notes to Financial Statements
June 30, 2017 and 2016

Subsequent Events

Subsequent events have been evaluated through September 25, 2017, which is the date the financial statements were available to be issued.

3. Mortgages Payable

First Mortgage Payable

On December 15, 2015, the Corporation entered into a mortgage in the original amount of \$9,097,000 with the Love Funding Corporation insured by HUD under Section 223(f) of the National Housing Act. The mortgage is collateralized by the land, land improvements, building, building improvements, machinery, furniture and equipment. The mortgage bears interest at the rate of 3.72% per annum. Principal and interest are payable by the Corporation in monthly installments of \$38,766 through maturity on January 1, 2051. As of June 30, 2017, outstanding principal and accrued interest balances were \$8,912,870 and \$27,630, respectively. As of June 30, 2016, outstanding principal and accrued interest balances were \$9,043,846 and \$28,036, respectively.

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

Years ending June 30:

2018	\$	135,932
2019		141,076
2020		146,415
2021		151,955
2022		157,705
Thereafter		<u>8,179,787</u>
Total	\$	<u>8,912,870</u>

Second Mortgage Payable

On December 15, 2015, the Corporation obtained a mortgage commitment in the original amount of \$1,162,660 with the New York State Housing Finance Agency. The mortgage bears interest at a rate of 1.00% per annum. Annual payments of principal and interest are payable equal to fifty percent of surplus income as defined in the mortgage subsidy note. Any unpaid balance shall be payable at maturity on July 1, 2051. As of June 30, 2017, outstanding principal and accrued interest balances were \$772,437 and \$3,772, respectively.

Excess proceeds from the commitment of \$1,362,891 were included on the statement of financial position as cash - entity as of June 30, 2016. The Corporation contributed this money to JASA to assist JASA in carrying out its mission during the year ended June 30, 2017. The Corporation also intends to seek HUD approval to release to JASA any unspent balance in the excess loan proceeds reserve discussed further in Note 4 upon the completion of the rehabilitation projects.

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

Notes to Financial Statements
June 30, 2017 and 2016

4. Restricted Deposits and Funded Reserves

Reserve for Replacements

The Corporation is required by HUD to fund a replacement reserve to be used for the replacement of property and equipment. The use of the funds requires prior approval from HUD. An initial deposit of \$1,477,500 was funded at closing on the first mortgage. Required monthly deposits of \$4,925 began in February 2016. As of June 30, 2017 and 2016, the balance in the reserve for replacements was \$1,401,181 and \$1,503,031, respectively. For the year ended June 30, 2017 and 2016, HUD approved replacement withdrawals were \$167,121 and \$-0-, respectively.

Escrow Deposits

In accordance with the provisions of the mortgage agreement, the Corporation is required to make monthly deposits of \$14,716 into an escrow account managed by the respective lender for insurance and mortgage insurance premiums. Funds are released from the escrow deposit account pursuant to approval by New York State Division of Housing and Community Renewal ("NYSHCR"). As of June 30, 2017 and 2016, the balance in the escrow was \$359,573 and \$198,389, respectively.

Operating Escrow Fund

The Corporation is required by the NYSHCR to fund an operating escrow fund monthly to cover replacement needs, including, but not limited to, painting and decorating expenses, and water and sewer charges. As of June 30, 2017 and 2016, the balance in the operating escrow fund was \$712,502 and \$815,280, respectively, and is included in other reserves on the statements of financial position. Management has initiated discussions to consolidate this reserve with the replacement reserve.

Repair Reserves

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. Funds in this reserve shall be released upon approval from HUD for the rehabilitation of the Project. As of June 30, 2017 and 2016, the balance in the reserve was \$3,033,610 and \$3,820,022, respectively, and is included in other reserves on the statements of financial position.

Excess Loan Proceeds Reserve

In accordance with the loan documents, the Corporation has deposited 50% of the loan proceeds in excess of the budgeted rehabilitation costs from the first mortgage described in Note 3 in a reserve that will be disbursed when approved by HUD, once allowed per the program guidelines. The balance in the reserve as of June 30, 2017 and 2016 is \$1,988,936 and \$1,986,558, respectively, and is included in other reserves on the statements of financial position.

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

Notes to Financial Statements
June 30, 2017 and 2016

5. 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, 2016 to December 31, 2016 and \$67,433 for the period November 1, 2014 through October 31, 2015. Revenue recognized for the years ended June 30, 2017 and 2016 were \$47,091 and \$40,963, respectively. Grant expense for the years ended June 30, 2017 and 2016 were \$69,197 and \$60,178, respectively. As of June 30, 2017 and 2016, \$42,654 and \$-0-, respectively, remain receivable from HUD and are included in accounts receivable, HUD. As of June 30, 2017, HUD has not yet approved a new award and therefore no grant revenue is recorded for the period January 2017 through June 30, 2017.

6. Related Party Transactions

JASA

The Corporation is a participant in a general insurance plan with JASA, sponsored by the UJA-Federation, which also includes health insurance and workmen's compensation. Property and liability insurance expense for the years ended June 30, 2017 and 2016 was \$113,851 and \$123,321, respectively. Workmen's compensation, health insurance and other employee benefits for the years ended June 30, 2017 and 2016 was \$55,675 and \$51,572, respectively.

JASA pays the Corporation a "use-of-premises" fee for the use of the meeting hall located at the Corporation's facility. Use-of-premises revenue for the years ended June 30, 2017 and 2016 was \$15,072 and \$14,772, respectively, and is included in other revenue in 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 into the plan on behalf of its employees, instead, contributions to the plan were made by JASA for its employees and the Corporation's employees. For the years ended June 30, 2017 and 2016, the Corporation reimbursed JASA for pension costs in the amount of \$3,744 and \$3,660, respectively.

The Corporation pays JASA, through a HUD grant, for the Service Coordinator Program, which provides social services for the tenants. The program expenses for the years ended June 30, 2017 and 2016 were \$69,197 and \$60,178, respectively. As further described in Note 5, HUD has not approved the funding of this grant past December 31, 2016.

As of June 30, 2017 and 2016, \$113,259, and \$24,607, 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, 2017 and 2016

JHM

The rental property is managed by JHM pursuant to a management agreement approved by DHCR and HUD. The management agreement provides for a management fee of 7.12% per month of residential income collected. Management fees earned for the years ended June 30, 2017 and 2016 were \$151,256 and \$147,136, respectively. As of June 30, 2017 and 2016, \$8,131 and \$17,368, respectively, remain due to JHM and are included in accrued management fee payable on the statements of financial position^[BH2].

7. Housing Assistance Payment Contract Agreement

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, 2017 and 2016, rental assistance payments of \$612,225 and \$611,462, respectively, were earned under the terms of the agreement.

8. Superstorm Sandy

During the year ended December 31, 2013, the Corporation received a grant from the Fund for the City of New York in the amount of \$150,000, which was included in other revenue. The funds are donor restricted for resiliency planning (equipping the project to reduce the impact of future natural disasters) and are included as temporarily restricted net assets. The unspent proceeds are included as temporarily restricted net assets. As of June 30, 2017 and 2016, the remaining balance of this grant was \$128,210 and \$135,460, respectively, and is included in temporarily restricted net assets.

9. Contributions

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 the eight housing entities it sponsors for potential future weather events like Superstorm 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 rental property at fair value. During the years ended June 30, 2017 and 2016, noncash contributions of \$3,970 and \$494,183, respectively, were recognized by the Corporation as entity revenue on the statements of activities.

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

Notes to Financial Statements
June 30, 2017 and 2016

10. Functional Expenses

The costs of providing various programs and other activities for the years ended June 30, 2017 and 2016 are summarized on a functional basis as follows:

	<u>2017</u>	<u>2016</u>
Program services, HUD-assisted elderly housing project	\$ 2,188,832	\$ 1,927,055
Management and general	<u>199,270</u>	<u>199,683</u>
Total	<u>\$ 2,388,102</u>	<u>\$ 2,126,738</u>

11. Concentrations of Credit Risk

The Corporation maintains its cash and operating escrow balances in several accounts in three banks. The cash balances are insured by the Federal Deposit Insurance Corporation. At times, these balances may exceed the federal insurance limits; however, the Corporation has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of June 30, 2017.

12. Commitment and Contingencies

The Corporation has entered into a housing assistance payments 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 reserve for replacements and 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 Superstorm 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.

Pursuant to 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 with regard to 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.

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

Notes to Financial Statements
June 30, 2017 and 2016

The Corporation has entered into construction contracts with vendors related to the rehabilitation of the project using proceeds from the first mortgage funded by HUD and the second mortgage funded by New York State Housing Finance Agency. 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.

The Corporation has a construction contract with ASK Construction in the amount of \$64,072 to replace balcony doors. As of June 30, 2017, costs totaling \$19,221 have been incurred and paid under the contract and are included in miscellaneous fixed assets.

The Corporation has a construction contract with Yes Contracting in the amount of \$51,250 to renovate the public bathrooms. As of June 30, 2017, costs totaling \$25,625 have been incurred under the contract and are included in miscellaneous fixed assets.

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 multifamily real estate market. In addition, the Corporation operates in a heavily regulated environment. The operations of the Corporation are subject to the administrative directives, rules and regulation 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, 2017

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>\$ 130,976</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>\$ -</u>
S1000-040	Project improvement reserve releases under the flexible subsidy program which are included as expense items on the statement of activities.	<u>\$ -</u>

See independent auditors' report

Coney Island Site Nine Houses, Inc.

HUD Project No. 012-11373

Supplementary Data Required by HUD

Reserve Account Data

Year Ended June 30, 2017

Reserve for Replacements

1320P	Balance, beginning of year	\$	1,503,031
1320DT	Total monthly deposits		59,100
1320ODT-011	Loan repayment		4,437
1320INT	Interest income		1,734
1320WT	Approved withdrawals		<u>(167,121)</u>
1320	Balance, end of year	\$	<u>1,401,181</u>

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

Supplementary Data Required by HUD

Surplus Cash Data

Year Ended June 30, 2017

Surplus Cash, Distributions and Residual Receipts

S1300-010	Cash	\$	283,877
1135	Accounts receivable, HUD		<u>42,654</u>
S1300-040	Total cash		<u>326,531</u>
S1300-050	Accrued mortgage interest payable		27,630
S1300-060	Delinquent mortgage principal payments		-
S1300-070	Delinquent deposits to reserve for replacements		-
S1300-075	Accounts payable (due within 30 days)		455,453
S1300-080	Loans and notes payable (due within 30 days)		-
S1300-090	Deficient tax, insurance or MIP escrow deposits		-
S1300-100	Accrued expenses (not escrowed)		25,715
2210	Prepaid revenue		1,910
2191	Tenant deposits held in transit		107,096
S1300-110	Other current obligations:		
S1300-120	Restricted funds received but unspent - Superstorm Sandy		-
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>648,581</u>
S1300-150	Surplus cash (deficiency)	\$	<u><u>(322,050)</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 Asset Data

Year Ended June 30, 2017

		Assets			
		Balance		Balance	
		July 1, 2016	Additions	Deletions	
				June 30, 2017	
1410	Land and Improvements	\$ 499,519	\$ 41,750	\$ -	\$ 541,269
1420	Buildings	12,862,977	3,217,504	-	16,080,481
1440	Building Equipment, Portable	197,804	216,437	-	414,241
1460	Furnishings	33,379	28,238	-	61,617
1490	Miscellaneous Fixed Assets	357,560	1,422,804	(996,162)	784,202
1400T	Total fixed assets	<u>\$ 13,951,239</u>	<u>\$ 4,926,733</u>	<u>\$ (996,162)</u>	<u>\$ 17,881,810</u>
1495	Total accumulated depreciation	<u>\$ 10,531,406</u>	<u>\$ 310,020</u>	<u>\$ -</u>	<u>\$ 10,841,426</u>
1400N	Total net book value	<u>\$ 3,419,833</u>			<u>\$ 7,040,384</u>
		<u>Amount</u>			
1410AT	Additions for 1410 Details				
	Fencing	\$ 33,000			
	Irrigation system	6,800			
	Paving	1,950			
	Total	<u>\$ 41,750</u>			
		<u>Amount</u>			
1420AT	Additions for 1420 Details				
	Emergency generator and flood barriers	\$ 3,970			
	Flooring and tiles	219,064			
	Bathroom improvements	263,904			
	Building improvements	2,059,839			
	LED lighting	2,175			
	Cabinets and countertops	235,647			
	Elevator modernization	432,905			
	Total	<u>\$ 3,217,504</u>			
		<u>Amount</u>			
1440AT	Additions for 1440 Details				
	Air Conditioners	\$ 157,730			
	Refrigerators and stoves	51,038			
	Maintenance equipment	7,299			
	Stove hood	370			
	Total	<u>\$ 216,437</u>			
		<u>Amount</u>			
1460AT	Additions for 1460 Details				
	Furniture and equipment	\$ 28,238			
	Total	<u>\$ 28,238</u>			
		<u>Amount</u>			
1490AT	Additions for 1490 Details				
	Construction-in-progress, rehabilitation projects	\$ 1,422,804			
	Total	<u>\$ 1,422,804</u>			
		<u>Amount</u>			
1490AT	Deletions from 1490 Details				
	Construction-in-progress, placed in service	\$ 996,162			
	Total	<u>\$ 996,162</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, 2017

Statement of Activities, Detail

5190	NYCHA revenue	\$	644,409
5190	NYC HPD Section 8 revenue		117,688
5190	NYS HCR revenue		<u>16,337</u>
	Total	\$	<u><u>778,434</u></u>
5300	Description, nursing home/assisted living/board and care/other elderly care/coop and other revenue	\$	<u>47,091</u>
5390	Description, other service revenue	\$	<u><u>47,091</u></u>
5490	Description, revenue from investments, miscellaneous, Interest income other reserves	\$	<u>6,726</u>
	Total	\$	<u><u>6,726</u></u>
5990	Description, miscellaneous other revenue:		
	Use of premises fee	\$	15,072
	Administrative fee income		527
	Sundry income		<u>1,625</u>
	Total	\$	<u><u>17,224</u></u>
6900	Description, nursing home/assisted living/board and care/other elderly care expenses,		
6990	Other service expenses	\$	<u>69,197</u>
		\$	<u><u>69,197</u></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, 2017

Related Party Transaction, Detail

S3100-210	JHM (management fee)	\$	151,256
S3100-210	JASA (service coordinator)		<u>69,197</u>
	Total	\$	<u><u>220,453</u></u>

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

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program 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	\$ 9,043,846
Multi-Family Housing Service Coordinators	14.191	N/A	47,091
Housing Voucher Cluster:			
Section 8 Housing Choice Vouchers	14.871	N/A	<u>612,225</u>
Total Housing Voucher Cluster			<u>612,225</u>
Total U.S. Department of Housing and Urban Development			<u>9,703,162</u>
Total expenditures of federal awards			<u>\$ 9,703,162</u>

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

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

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, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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, 2017.

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, 2017 consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance at June 30, 2017</u>
14.155	Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects (Section 223(f))	\$ 8,912,870

**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, 2017, 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 25, 2017.

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 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.

Baker Tilly Virchow Krause, LLP

New York, New York
September 25, 2017

**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, 2017. 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 its federal programs.

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 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 its major federal program identified above for the year ended June 30, 2017.

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 25, 2017

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

Schedule of Findings and Questioned Costs
 Year Ended June 30, 2017

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 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 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 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

Schedule of Prior Year's Audit Findings
Year Ended June 30, 2017

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, 2017

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 Administrative Officer

Heidi Aronin

Name of Chief Administrative Officer

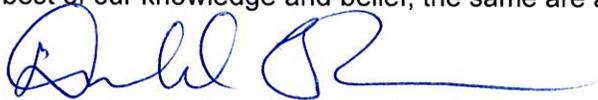
DATE: September 25, 2017

Employer Identification No: 11-2306651

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

Management Agent's Certification
June 30, 2017

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: September 25, 2017

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

Employer Identification No: 13-3078676