

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

**Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

June 30, 2024

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

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

June 30, 2024

Mortgagor's Certification

I hereby certify that I have examined the accompanying financial statements and supplementary data of Coney Island Site Nine Houses, Inc. and, to the best of my knowledge and belief, the same are complete and accurate.

Officer

Matthew LoCurto
Chief Financial Officer

Date

Telephone Number: (212) 273-5257

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

June 30, 2024

Managing Agent's Certification

I hereby certify that I have examined the accompanying financial statements and supplementary data of Coney Island Site Nine Houses, Inc. and, to the best of my knowledge and belief, the same are complete and accurate.

Managing Agent

JASA Housing Management Services
for the Aged, Inc.

Donald Manning
Director of Housing

Date

Regina Loveridge
Property Manager

Managing Agent Taxpayer
Identification Number:
13-3078676

Property Address: 3601 Surf Avenue
Brooklyn, NY 11224

Independent Auditor's Report

To the Board of Trustees
Coney Island Site Nine Houses, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Coney Island Site Nine Houses, Inc., which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Coney Island Site Nine Houses, Inc. as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Coney Island Site Nine Houses, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Coney Island Site Nine Houses, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Coney Island Site Nine Houses, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Coney Island Site Nine Houses, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The HUD-required financial data templates, as required by the *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations 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 GAAS. In our opinion, the HUD-required financial data templates and the schedule of expenditures of federal awards are 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 February 26, 2025, on our consideration of Coney Island Site Nine Houses, Inc.'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 Coney Island Site Nine Houses, Inc.'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 Coney Island Site Nine Houses, Inc.'s internal control over financial reporting and compliance.

CohnReznick LLP

New York, New York
February 26, 2025

Taxpayer Identification Number:
22-1478099

Lead Auditor: Michael J. Bisson, CPA

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

Statement of Financial Position
June 30, 2024

Assets

Current assets	
Cash - operations	\$ 1,655,693
Cash - entity	128,039
Tenant accounts receivable	7,465
Accounts receivable - HUD	79,746
Prepaid expenses	<u>26,966</u>
Total current assets	<u>1,897,909</u>
Deposits held in trust - funded	
Tenant deposits	<u>123,117</u>
Restricted deposits and funded reserves	
Escrow deposits	555,042
Reserve for replacements	1,233,801
Other reserves	<u>978,472</u>
Total restricted deposits and funded reserves	<u>2,767,315</u>
Rental property	
Land	642,289
Buildings	22,224,629
Building equipment - portable	480,981
Furnishings	46,397
Office furniture and equipment	<u>62,002</u>
	23,456,298
Less accumulated depreciation	<u>(15,008,229)</u>
Total rental property	<u>8,448,069</u>
Total assets	<u><u>\$ 13,236,410</u></u>

Coney Island Site Nine Houses, Inc.
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Statement of Financial Position
June 30, 2024

Liabilities and Net Assets

Current liabilities	
Accounts payable - operations	\$ 342,311
Accounts payable - construction/development	110,974
Accrued wages payable	13,409
Accrued payroll taxes payable	1,321
Accrued management fee payable	18,131
Accrued interest payable - first mortgage	24,368
Mortgage payable - first mortgage (short-term)	176,298
Miscellaneous current liabilities	36,979
Prepaid revenue	10,450
	<hr/>
Total current liabilities	734,241
	<hr/>
Deposits liability	
Tenant deposits held in trust (contra)	100,268
	<hr/>
Long-term liabilities	
Mortgage payable - first mortgage, net of current and unamortized debt issuance costs	7,468,396
Other mortgage payable (long-term)	1,020,608
Accrued interest payable - other mortgages payable (long-term)	73,887
	<hr/>
Total long-term liabilities	8,562,891
	<hr/>
Total liabilities	9,397,400
	<hr/>
Contingency	-
Net assets	
Net assets without donor restrictions	3,710,971
Net assets with donor restrictions	128,039
	<hr/>
Total net assets	3,839,010
	<hr/>
Total liabilities and net assets	\$ 13,236,410
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See Notes to Financial Statements.

Coney Island Site Nine Houses, Inc.
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Statement of Activities and Changes in Net Assets
Year Ended June 30, 2024

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Revenue			
Rental	\$ 3,191,340	\$ -	\$ 3,191,340
Vacancies	(288,700)	-	(288,700)
Net rental revenue	2,902,640	-	2,902,640
Nursing home/assisted living and other revenue	90,225	-	90,225
Financial	37,380	-	37,380
Other	59,296	-	59,296
Total revenue	3,089,541	-	3,089,541
Expenses			
Administrative	346,800	-	346,800
Utilities	518,442	-	518,442
Operating and maintenance	516,689	-	516,689
Taxes and insurance	380,864	-	380,864
Financial (including interest of \$312,623)	348,348	-	348,348
Nursing home/assisted living and other elderly care	93,130	-	93,130
Total cost of operations before depreciation	2,204,273	-	2,204,273
Income before depreciation	885,268	-	885,268
Depreciation	669,747	-	669,747
Change in net assets	215,521	-	215,521
Net assets, beginning	3,495,450	128,039	3,623,489
Net assets, end	\$ 3,710,971	\$ 128,039	\$ 3,839,010

See Notes to Financial Statements.

Coney Island Site Nine Houses, Inc.
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Statement of Cash Flows
Year Ended June 30, 2024

Cash flows from operating activities	
Rental receipts	\$ 3,150,445
Interest receipts	37,380
Other operating receipts	149,521
	<hr/>
Total receipts	3,337,346
	<hr/>
Administrative expenses paid	(83,625)
Management fees paid	(166,112)
Utilities paid	(564,562)
Salaries and wages paid	(393,095)
Operating and maintenance paid	(91,265)
Property insurance paid	(316,169)
Miscellaneous taxes and insurance paid	(299)
Net tenant security deposits received (paid)	(6,449)
Other operating expenses paid	(163,490)
Interest paid on first mortgage	(295,323)
Mortgage insurance premium paid	(35,196)
Miscellaneous financial expenses paid	(68)
	<hr/>
Total disbursements	(2,115,653)
	<hr/>
Net cash provided by operating activities	1,221,693
	<hr/>
Cash flows from investing activities	
Net withdrawals from mortgage escrows	228,128
Net withdrawals from reserve for replacements	285,704
Net deposits to other reserves	(24,691)
Net purchases of fixed assets	(372,229)
	<hr/>
Net cash provided by investing activities	116,912
	<hr/>
Cash flows from financing activities	
Mortgage principal payments - first mortgage	(169,866)
	<hr/>
Net cash used in financing activities	(169,866)
	<hr/>
Net increase in cash and restricted cash	1,168,739
	<hr/>
Cash and restricted cash, beginning	738,110
	<hr/>
Cash and restricted cash, end	\$ 1,906,849
	<hr/> <hr/>
Significant noncash investing and financing activities	
Increase in fixed assets included in accounts payable - construction/development	\$ 91,178
	<hr/> <hr/>

See Notes to Financial Statements.

Coney Island Site Nine Houses, Inc.
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Notes to Financial Statements
June 30, 2024

Note 1 - Organization

Coney Island Site Nine Houses, Inc. (the "Company") was organized in August 1971 as a nonstock, nonprofit Company for the purpose of developing and operating housing and auxiliary facilities for aged persons of low-income. 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 Scheuer House of Coney Island (the "Project"). The Company receives a significant portion of its revenue from government subsidy payments. Surplus cash is not required to be deposited to a residual receipts by HUD, however agreements with New York State Department of Housing Community Renewal ("HCR") do not allow for the Project to distribute surplus cash.

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

Note 2 - Summary of significant accounting policies

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("GAAP").

The Company presents its financial statements in accordance with the accounting guidance for nonprofit entities. Under this guidance, the Company is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Furthermore, information is required to segregate program service expenses from management and general expenses.

The Company conforms to accounting guidance on revenue recognition for nonprofit entities. Under this guidance, contributions received, if any, are recorded as support without or with donor restrictions 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.

Accounts receivable and allowance for doubtful accounts

Tenant receivables 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 current status of tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2024, there was no allowance for doubtful accounts.

Coney Island Site Nine Houses, Inc.
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Notes to Financial Statements
June 30, 2024

Rental property

Rental property is 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 Company'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.

Impairment of long-lived assets

The Company 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 has been recognized during the year ended June 30, 2024.

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Income taxes

The Company 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 year ended June 30, 2024. Due to its tax-exempt status, the Company is not subject to income taxes. The Company 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 Company has no other tax positions which must be considered for disclosure. Income tax returns filed by the Company are subject to examination by the IRS for a period of three year. While no income tax returns are currently being examined by the IRS, tax years since 2020 remain open.

Rental income

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

Grant income

The Company was awarded a cost reimbursed grant from HUD (see Note 8). Revenue is recognized as costs are incurred.

Advertising costs

The Company's policy is to expense advertising costs when incurred.

Functional expenses

The costs of providing programs and other activities are summarized on a functional basis in Note 12. Accordingly, certain costs are allocated among program services and supporting services benefitted.

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Notes to Financial Statements
June 30, 2024

Note 3 - Liquidity and availability

The Company has \$1,435,075 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$1,655,693 and accounts receivable, net of allowances of \$87,211. Only amounts related to restricted deposits and funded reserves anticipated to be used more than one year after the statement of financial position date have been excluded from the above amounts.

As regulated by HUD, financial assets of the Company are intended to be sufficient to meet its general expenditures, liabilities and other obligations as they become due. Project operations are designed to break-even and not result in either surplus cash or a deficit in surplus cash. Generally, any surplus cash generated, subject to exceptions permitted in certain regulatory agreements, must be deposited into a residual receipts reserve.

Note 4 - Mortgages payables

First mortgage payable

In December 2015, the Company refinanced its original mortgage in the original amount of \$9,097,000 under Section 207 pursuant to Section 223(f) of the National Housing Act. The note bears interest at 3.72%. The mortgage requires monthly installments of principal and interest of \$38,766 through maturity on January 1, 2051. During the year ended June 30, 2024, interest expense incurred was \$302,417 inclusive of amortization of debt issuance costs of \$7,619. As of June 30, 2024, the outstanding principal and accrued interest balances were \$7,846,248 and \$24,368, respectively. The mortgage is collateralized by the Company's fixed assets.

Debt issuance costs, net of accumulated amortization, totaled \$201,554 as of June 30, 2024 and are related to the mortgage. Debt issuance costs on the above note are being amortized using an imputed interest rate of 3.94%.

The Company entered into a regulatory agreement with the Secretary of HUD which prohibits, among other matters: (i) distributions (as defined) without prior written approval; (ii) the sale, assignment, disposal, or alteration of the real and personal property covered by the mortgage; and (iii) the Company's engaging in other business activities or incurring any liabilities not connected with the operation and rental of the building without prior written consent from HUD.

Under agreements with the mortgage lender and HUD, the Company is required to make monthly escrow deposits for taxes, insurance and replacement of project assets, and is subject to restrictions as to operating policies, rental charges, operating expenditures and distributions. The Company is also required by HUD to use the funds saved by a reduction in the debt service cost for programs and building improvements for the benefit of the tenants.

The liability of the Company under the mortgage note is limited to the underlying value of the real estate collateral plus other amounts deposited with the lender.

Second mortgage payable

In December 2015, the Company obtained a loan from the New York State Housing Finance Agency ("HFA") in the maximum amount of \$1,162,660. The loan bears an interest rate of 1.00% per annum. Principal and interest on the HFA loan are payable equal to 50% of the surplus income as defined in the HFA Loan Agreement. Any unpaid balance and accrued interest shall be payable upon maturity on July 1, 2051. The mortgage is secured by a second lien on the underlying value of the real estate. During the year ended June 30, 2024, interest expense incurred was \$10,206. As of

Coney Island Site Nine Houses, Inc.
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Notes to Financial Statements
June 30, 2024

June 30, 2024, the outstanding principal and accrued interest balances were \$1,020,608 and \$73,887, respectively.

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

	First mortgage	HFA loan	Total
June 30, 2025	\$ 176,298	\$ -	\$ 176,298
2026	182,970	-	182,970
2027	189,893	-	189,893
2028	197,079	-	197,079
2029	204,537	-	204,537
Thereafter	6,895,471	1,020,608	7,916,079
Total balance due	\$ 7,846,248	\$ 1,020,608	8,866,856
		Less current maturities	(176,298)
		Less unamortized debt issuance costs	(201,554)
		Net balance	\$ 8,489,004

Note 5 - Restricted deposits and funded reserves

Escrow deposits

In accordance with the mortgage agreement, the Company is required to make monthly deposits of \$14,716 into an escrow account for insurance and mortgage insurance premiums. As of June 30, 2024, the balance in the escrow was \$555,042.

Replacement reserve

The Company 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. Monthly deposits in the amount of \$4,925 are required. As of June 30, 2024, the balance in the replacement reserve was \$1,233,801.

Operating escrow fund

The Company is required by the HCR to fund an operating escrow fund to cover replacement needs, including, but not limited to, painting and decorating expenses, water and sewer charges and other repairs and maintenance costs. As of June 30, 2024, the balance in the operating escrow fund was \$978,472 and is included in other reserves on the accompanying statement of financial position.

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Notes to Financial Statements
June 30, 2024

Note 6 - Statement of cash flows

The following table provides a reconciliation of cash and restricted cash reported within the statement of financial position that sum to the total of the same such amounts in the statement of cash flows:

Cash	\$ 1,783,732
Tenant deposits	<u>123,117</u>
Total cash and restricted cash shown in the statement of cash flows	<u>\$ 1,906,849</u>

The amount included in restricted cash consists of security deposits held in trust for the future benefit of tenants upon moving out of the property as required by regulatory authority.

Note 7 - Related party transactions

JASA

The Company is a participant in a general insurance plan with JASA, which also includes health insurance and Worker's compensation. Property and liability insurance expense for the year ended June 30, 2024 is \$316,169. Worker's compensation and health insurance and other employee benefits for the year ended June 30, 2024 is \$40,500. As of June 30, 2024, \$36,979 remains payable to JASA and is included in miscellaneous current liabilities on the statement of financial position.

JASA pays the Company a license fee for the use of space for a community services facility located at the site. License fee revenue for the year ended June 30, 2024 was \$18,901 and is included in miscellaneous revenue on the statement of activities and changes in net assets.

The Company is a participant in a multiemployer, defined benefit retirement plan sponsored by the UJA-Federation. The actuarial present value of the benefit obligation and fair value of plan assets are not available separately for each employer who participates in the plan. For the year ended June 30, 2024, the Company did not make any direct contributions into the plan on behalf of its employees; contributions to the plan were made by JASA. For the year ended June 30, 2024, the Company reimbursed JASA \$10,020 for pension costs.

The Company pays JASA, through a HUD grant, for the Service Coordinator Program, which provides social services for the tenants. The program expenses for the year ended June 30, 2024 were \$92,552.

JHM

The property is managed by an affiliate of the Company, JHM, pursuant to a management agreement approved by HUD. The current management agreement provides for a fee of \$13,591 per month. Management fees incurred for the year ended June 30, 2024 are \$163,081.

As of June 30, 2024, \$18,131 remains payable to JHM and is included on the statement of financial position as accrued management fee payable.

Coney Island Site Nine Houses, Inc.
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Notes to Financial Statements
June 30, 2024

Note 8 - Grant revenue

The Company was awarded a service coordinator grant from HUD to use toward payment of the service coordinator's salary, benefits, and other administrative costs. The Company reimburses JASA with the grant. The Company received and recognized grant revenue of \$90,225 for the year ended June 30, 2024. Grant expenses incurred during the year ended June 30, 2024 were \$92,552. As of June 30, 2024, \$79,746 remains receivable and is included in accounts receivable - HUD on the statement of financial position.

Note 9 - Housing assistance payment contract agreements

The Company has contracted under a Rental Assistance Demonstration ("RAD") Rider with HUD and the 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 year ended June 30, 2024, rental assistance payments of \$1,513,217 were earned under the terms of the agreement.

The Company has entered into a contract with the New York City Housing Authority to make housing assistance payments on behalf of the qualified tenants. The agreement expires November 1, 2029. For the year ended June 30, 2024, rental assistance payments of \$559,224 were earned under the terms of the agreement.

The Company also participates in housing choice voucher programs, through which individual tenant vouchers are accepted. Total revenue earned from these vouchers during the year ended June 30, 2024 was \$58,463.

Note 10 - Concentration of credit risk

The Company maintains its cash balances in several accounts in one bank. The cash balances are insured by the Federal Deposit Insurance Company up to \$250,000. At times, these balances may exceed the federal insurance limits; however, the Company 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 at June 30, 2024.

Note 11 - Current vulnerability due to certain concentrations

The Company's principal asset is a 197-unit apartment facility. The Company's operations are concentrated in the multifamily real estate market. In addition, the Company operates in a heavily regulated environment. The operations of the Company 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.

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Notes to Financial Statements
June 30, 2024

Note 12 - Expenses by nature and function

The table below presents expenses by both their nature and function during the year ended June 30, 2024:

	Total program services expense	Total supporting services expense (management and general)	Total
Administrative expenses	\$ 164,325	\$ 182,475	\$ 346,800
Utilities expense	518,442	-	518,442
Operating and maintenance expenses	516,689	-	516,689
Taxes and insurance	380,864	-	380,864
Financial expenses	348,348	-	348,348
Nursing home/assisted living/board and care/other elderly care expenses	93,130	-	93,130
Depreciation	669,747	-	669,747
Total	\$ 2,691,545	\$ 182,475	\$ 2,874,020

All expenses are directly attributable to a specific function.

Note 13 - Contingency

Pursuant to the Company's contractual relationships with certain governmental funding sources, outside governmental agencies have the right to examine the books and records of the Company 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.

Note 14 - Real estate tax exemption

The Company has executed documentation necessary to obtain a real estate tax exemption under the New York City Property Tax Code. As of June 30, 2024, the exemption was approved and expires on January 31, 2050, unless otherwise terminated in accordance with the agreement.

Note 15 - Superstorm sandy

In 2013, the Company received a grant from the Fund for the City of New York in the amount of \$150,000. Use of the \$150,000 is restricted by the grantor for resiliency planning (equipping the Project to reduce the impact of future natural disasters) and is included as net assets with donor restrictions. The remaining balance of the restricted funds as of June 30, 2024 was \$128,039.

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

**Notes to Financial Statements
June 30, 2024**

Note 16 - Subsequent events

Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Company through February 26, 2025 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Information
Supporting Data Required by HUD

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

Supplementary Information

**Statement of Financial Position Data
June 30, 2024**

<u>Account No.</u>	<u>Assets</u>		
Current assets			
1120	Cash - operations	\$	1,655,693
1125	Cash - entity		128,039
1130	Tenant accounts receivable		7,465
1135	Accounts receivable - HUD		79,746
1200	Prepaid expenses		<u>26,966</u>
1100T	Total current assets		1,897,909
Deposits held in trust - funded			
1191	Tenant deposits		123,117
Restricted deposits and funded reserves			
1310	Escrow deposits	\$	555,042
1320	Reserve for replacements		1,233,801
1330	Other reserves		<u>978,472</u>
1300T	Total deposits		2,767,315
Rental property			
1410	Land		642,289
1420	Buildings		22,224,629
1440	Building equipment - portable		480,981
1460	Furnishings		46,397
1465	Office furniture and equipment		<u>62,002</u>
1400T	Total fixed assets		23,456,298
1495	Less accumulated depreciation		<u>(15,008,229)</u>
1400N	Net fixed assets		<u>8,448,069</u>
1000T	Total assets	\$	<u><u>13,236,410</u></u>

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

Supplementary Information

**Statement of Financial Position Data
June 30, 2024**

<u>Account No.</u>	<u>Liabilities and Net Assets</u>	
Current liabilities		
2110	Accounts payable - operations	\$ 342,311
2111	Accounts payable - construction/development	110,974
2120	Accrued wages payable	13,409
2121	Accrued payroll taxes payable	1,321
2123	Accrued management fee payable	18,131
2131	Accrued interest payable - first mortgage	24,368
2170	Mortgage payable - first mortgage (short-term)	176,298
2190	Miscellaneous current liabilities	36,979
2210	Prepaid revenue	<u>10,450</u>
2122T	Total current liabilities	734,241
Deposits liability		
2191	Tenant deposits held in trust (contra)	100,268
Long-term liabilities		
2320	Mortgage payable - first mortgage	\$ 7,468,396
2322	Other mortgages payable (long-term)	1,020,608
2331	Accrued interest payable - other mortgages payable (long-term)	<u>73,887</u>
2300T	Total long-term liabilities	<u>8,562,891</u>
2000T	Total liabilities	9,397,400
3131	Net assets without donor restrictions	3,710,971
3133	Net assets with donor restrictions	<u>128,039</u>
3130	Total net assets	<u>3,839,010</u>
2033T	Total liabilities and net assets	<u><u>\$ 13,236,410</u></u>

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

Supplementary Information

**Statement of Activities Data
Year Ended June 30, 2024**

<u>Account No.</u>			
Rental revenue			
5120	Rent revenue - gross potential	\$ 1,057,991	
5121	Tenant assistance payments	2,130,904	
5170	Garage and parking spaces	<u>2,445</u>	
5100T	Total rental revenue		\$ 3,191,340
Vacancies			
5220	Apartments	(157,376)	
5250	Rental concessions	<u>(131,324)</u>	
5200T	Total vacancies		<u>(288,700)</u>
5152N	Net rental revenue		2,902,640
5300	Nursing home/Assisted living/Board and care/Other elderly care/Coop and other revenue		90,225
Financial revenue			
5410	Financial revenue - project operations	35,925	
5440	Revenue from investments - replacement reserve	<u>1,455</u>	
5400T	Total financial revenue		37,380
Other revenue			
5910	Laundry and vending	7,800	
5920	Tenant charges	28,352	
5990	Miscellaneous revenue	<u>23,144</u>	
5900T	Total other revenue		<u>59,296</u>
5000T	Total revenue		<u>3,089,541</u>

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

Supplementary Information

**Statement of Activities Data
Year Ended June 30, 2024**

Account No.

Administrative expenses			
6203	Conventions and meetings	511	
6204	Management consultants	850	
6250	Other renting expenses	3,104	
6310	Office salaries	27,135	
6311	Office expenses	27,214	
6320	Management fee	163,081	
6330	Manager or superintendent salaries	50,232	
6331	Administrative rent free unit	21,972	
6340	Legal expense - project	391	
6350	Auditing expense	12,350	
6351	Bookkeeping fees/accounting services	7,044	
6370	Bad debts	755	
6390	Miscellaneous administrative expenses	<u>32,161</u>	
6263T	Total administrative expenses		346,800
Utilities expense			
6450	Electricity	236,862	
6451	Water	65,863	
6452	Gas	110,597	
6453	Sewer	<u>105,120</u>	
6400T	Total utilities expense		518,442
Operating and maintenance expenses			
6510	Payroll	104,337	
6515	Supplies	31,919	
6520	Contracts	163,944	
6530	Security payroll/contract	207,773	
6546	Heating/cooling repairs and maintenance	<u>8,716</u>	
6500T	Total operating and maintenance expenses		516,689

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

Supplementary Information

Statement of Activities Data
Year Ended June 30, 2024

<u>Account No.</u>			
Taxes and insurance			
6711	Payroll taxes	13,876	
6720	Property and liability insurance	316,169	
6722	Workmen's compensation	2,477	
6723	Health insurance and other employee benefits	48,043	
6790	Miscellaneous taxes, licenses, permits and insurance	299	
		<hr/>	
6700T	Total taxes and insurance		380,864
Financial expenses			
6820	Interest on first mortgage payable	302,417	
6825	Interest on other mortgages	10,206	
6850	Mortgage insurance premium/service charge	35,657	
6890	Miscellaneous financial expenses	68	
		<hr/>	
6800T	Total financial expenses		<hr/> 348,348
6900	Nursing home/Assisted living/Board and care/Other elderly care expenses		<hr/> 93,130
6000T	Total cost of operations before depreciation		<hr/> 2,204,273
5060T	Income (loss) before depreciation		<hr/> 885,268
Depreciation			
6600	Depreciation expense	669,747	
		<hr/>	
	Total depreciation		<hr/> 669,747
5060N	Operating income (loss)		<hr/> 215,521
	Total expenses		<hr/> 2,874,020
3250	Change in net assets		<hr/> <hr/> \$ 215,521

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

Supplementary Information

Statement of Activities Data
Year Ended June 30, 2024

<u>Account No.</u>	
S1000-010	Total first mortgage (or bond) principal payments required during the audit year (12 monthly payments). Applies to all direct loans and HUD-held and fully-insured first mortgages.
	<u>\$ 169,866</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 reserve, 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>

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

Supplementary Information

**Statement of Changes in Net Assets (Deficit) Data
Year Ended June 30, 2024**

<u>Account No.</u>		<u>Net assets without donor restrictions</u>	<u>Net assets with donor restrictions</u>	<u>Total</u>
S1100-050	Net assets			
S1100-060/080	June 30, 2023	\$ 3,495,450	\$ 128,039	\$ 3,623,489
3247/3249	Change in net assets	<u>215,521</u>	<u>-</u>	<u>215,521</u>
3130	Net assets			
3131/3133	June 30, 2024	<u>\$ 3,710,971</u>	<u>\$ 128,039</u>	<u>\$ 3,839,010</u>

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

Supplementary Information

Statement of Cash Flows Data
Year Ended June 30, 2024

<u>Account No.</u>		
	Cash flows from operating activities	
S1200-010	Rental receipts	\$ 3,150,445
S1200-020	Interest receipts	37,380
S1200-030	Other operating receipts	<u>149,521</u>
S1200-040	Total receipts	<u>3,337,346</u>
S1200-050	Administrative expenses paid	(83,625)
S1200-070	Management fees paid	(166,112)
S1200-090	Utilities paid	(564,562)
S1200-100	Salaries and wages paid	(393,095)
S1200-110	Operating and maintenance paid	(91,265)
S1200-140	Property insurance paid	(316,169)
S1200-150	Miscellaneous taxes and insurance paid	(299)
S1200-160	Net tenant security deposits received (paid)	(9,311)
S1200-170	Other operating expenses paid	(163,490)
S1200-180	Interest paid on first mortgage	(295,323)
S1200-210	Mortgage insurance premium paid	(35,196)
S1200-220	Miscellaneous financial expenses paid	<u>(68)</u>
S1200-230	Total disbursements	<u>(2,118,515)</u>
S1200-240	Net cash provided by operating activities	<u>1,218,831</u>

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

Supplementary Information

**Statement of Cash Flows Data
Year Ended June 30, 2024**

<u>Account No.</u>		
	Cash flows from investing activities	
S1200-245	Net withdrawals from mortgage escrows	228,128
S1200-250	Net withdrawals from reserve for replacements	285,704
S1200-255	Net deposits to other reserves	
S1200-256	Netdeposit from operating escrow fund	<u>\$ (24,691)</u>
		(24,691)
S1200-330	Net purchases of fixed assets	<u>(372,229)</u>
S1200-350	Net cash provided by investing activities	<u>116,912</u>
	Cash flows from financing activities	
S1200-360	Mortgage principal payments - first mortgage	<u>(169,866)</u>
S1200-460	Net cash used in financing activities	<u>(169,866)</u>
S1200-470	Net increase in cash	1,165,877
S1200-480	Cash, beginning	<u>617,855</u>
S1200T	Cash, end	<u><u>\$ 1,783,732</u></u>
S1200-620	Comments	
	Increase in fixed assets included in accounts payable - construction/development	<u><u>\$ 91,178</u></u>

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

Supplementary Information
Year Ended June 30, 2024

Reserve for Replacements

<u>Account No.</u>		
1320P	Balance at June 30, 2023	\$ 1,519,505
1320DT	Total monthly deposits	59,100
1320INT	Interest income	1,455
1320WT	Approved withdrawals	<u>(346,259)</u>
1320	Balance at June 30, 2024	<u><u>\$ 1,233,801</u></u>

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

**Supplementary Information
Year Ended June 30, 2024**

Computation of Surplus Cash, Distributions and Residual Receipts

<u>Account No.</u>	<u>Part A - Compute Surplus Cash</u>	
S1300-010	Cash (Accounts 1120, 1170 and 1191)	\$ 1,778,810
1135	Accounts receivable - HUD	<u>79,746</u>
S1300-040	Total cash	<u>1,858,556</u>
S1300-050	Accrued mortgage interest payable	24,368
S1300-060	Delinquent mortgage principal payments	-
S1300-070	Delinquent deposits to reserve for replacements	-
S1300-075	Accounts payable (due within 30 days)	342,311
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)	69,840
2210	Prepaid revenue (Account 2210)	10,450
2191	Tenant security deposits liability (Account 2191)	<u>100,268</u>
S1300-140	Less total current obligations	<u>547,237</u>
S1300-150	Surplus cash (deficiency)	<u>\$ 1,311,319</u>
S1300-210	<u>Part B - Deposit Due Residual Receipts Reserve</u>	<u>\$ 1,311,319</u>

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

**Supplementary Information
Year Ended June 30, 2024**

Changes in Fixed Asset Accounts

	Assets			Balance 6/30/24
	Balance 6/30/23	Additions	Deletions	
Land	\$ 642,289	\$ -	\$ -	\$ 642,289
Buildings	21,752,399	472,230	-	22,224,629
Building equipment - portable	463,586	17,395	-	480,981
Furnishings	46,397	-	-	46,397
Office furniture and equipment	62,002	-	-	62,002
Miscellaneous fixed assets	26,218	-	26,218	-
	\$ 22,992,891	\$ 489,625	\$ 26,218	\$ 23,456,298
Accumulated depreciation	\$ 14,338,482	\$ 669,747	\$ -	\$ 15,008,229
Total net book value				\$ 8,448,069

Fixed Asset Detail

Additions to Buildings Account

Item and quantity	Amount
Building renovations	\$ 446,012
Construction in process placed in service	26,218
	\$ 472,230

Additions to Building Equipment - Portable Account

Item and quantity	Amount
Refrigerators	\$ 8,936
Stoves	4,431
Ranges	2,204
A/C units	1,824
	\$ 17,395

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

**Supplementary Information
Year Ended June 30, 2024**

Detail of Accounts - Statement of Financial Position

Other Reserves (Account No. 1330)

Operating escrow fund

\$ 978,472

\$ 978,472

Miscellaneous Current Liabilities (Account No. 2190)

Due to affiliate

\$ 36,979

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

Supplementary Information
Year Ended June 30, 2024

Detail of Accounts - Statement of Activities

Nursing Home/Assisted Living/Board and Care/Other Elderly Care/Coop and Other Revenue
(Account No. 5300)

5390 Other service revenue	<u>\$ 90,225</u>
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Miscellaneous Other Revenue (Account No. 5990)

Use of premises income	\$ 18,901
Sundry income	<u>4,243</u>

	<u>\$ 23,144</u>
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Nursing Home/Assisted Living/Board and Care/Other Elderly Care
Expenses (Account No. 6900)

6990 Other service expenses	<u>\$ 93,130</u>
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**Coney Island Site Nine Houses, Inc.
HUD Project No.: 012-11373**

**Supplementary Information
Year Ended June 30, 2024**

Other Information

Related party transactions detail:

<u>Account No.</u>	<u>Entity name</u>	<u>Amount paid</u>
S3100-210	JHM (management fee)	\$ 166,112
S3100-210	JASA (service coordinator)	<u>93,130</u>
		<u><u>\$ 259,242</u></u>

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

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/ (Pass-through Grantor)/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Total Federal Expenditures
Department of Housing and Urban Development Mortgage Insurance For Purchase or Refinancing of Existing Multifamily Rental Housing: Sections 207/223(f)	14.155	N/A	\$ 8,016,114
Multifamily Housing Service Coordinators	14.191	N/A	90,225
Housing Voucher Cluster: Section 8 Housing Choice Vouchers	14.871	N/A	<u>1,513,217</u>
Total Department of Housing and Urban Development			<u>9,619,556</u>
Total expenditures of federal awards			<u><u>\$ 9,619,556</u></u>

See Notes to Schedule of Expenditures of Federal Awards.

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

Notes to Schedule of Expenditures of Federal Awards
June 30, 2024

Note 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., HUD Project No.: 012-11373, under programs of the federal government for the year ended June 30, 2024. 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* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Coney Island Site Nine Houses, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Coney Island Site Nine Houses, Inc. For the year ended June 30, 2024, no awards were passed through to subrecipients.

Note 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, wherein certain types of expenditures are not allowable or are limited to reimbursement.

Note 3 - Interest cost rate

Coney Island Site Nine Houses, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4 - U.S. Department of Housing and Urban Development loan program

Coney Island Site Nine Houses, Inc. has received a U.S. Department of Housing and Urban Development direct loan under Section 207 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. Coney Island Site Nine Houses, Inc. received no additional loans during the year. The balance of the loan outstanding at June 30, 2024, consists of:

Assistance Listing Number	Program Name	Outstanding Balance at June 30, 2024
14.155	Existing Multifamily Rental Housing: Sections 207/223(f)	\$ 7,846,248

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

To the Board of Trustees
Coney Island Site Nine Houses, Inc.

We have audited, in accordance with the 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., which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 26, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Coney Island Site Nine Houses, Inc.'s internal control over financial reporting as a basis for designing 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 Coney Island Site Nine Houses, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Coney Island Site Nine Houses, Inc.'s internal control over financial reporting.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that were not identified. We did identify a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings, questioned costs and recommendations as item 2024-1, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Coney Island Site Nine Houses, Inc.'s financial statements are free from 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 financial statements. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings, questioned costs and recommendations as item 2024-1.

Coney Island Site Nine Houses, Inc.'s Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on Coney Island Site Nine Houses, Inc.'s response to the finding identified in our audit and described in the accompanying schedule of findings, questioned costs and recommendations. Coney Island Site Nine Houses, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this 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 entity's internal control over financial reporting 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 over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.



New York, New York
February 26, 2025

Independent Auditor's Report on Compliance for the Major Federal Program and
Report on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Trustees
Coney Island Site Nine Houses, Inc.

Report on Compliance for the Major Federal Program

Opinion on the Major HUD Program

We have audited Coney Island Site Nine Houses, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Coney Island Site Nine Houses, Inc.'s major federal program for the year ended June 30, 2024. Coney Island Site Nine Houses, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Coney Island Site Nine Houses, Inc. 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 for the year ended June 30, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); 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"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Coney Island Site Nine Houses, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Coney Island Site Nine Houses, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Coney Island Site Nine Houses, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on Coney Island Site Nine Houses, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that for resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Coney Island Site Nine Houses, Inc.'s compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Coney Island Site Nine Houses, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of Coney Island Site Nine Houses, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Coney Island Site Nine Houses, Inc.'s internal control. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matter

We noted certain matters that we are required to report to management of Coney Island Site Nine Houses, Inc.'s in a separate written communication. These matters are described in our management letter dated February 26, 2025.

Report on 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 compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a 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 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of the entity's internal control over compliance. Accordingly, no such opinion is expressed.

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.

CohnReznick LLP

New York, New York
February 26, 2025

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

**Schedule of Findings and Questioned Costs
June 30, 2024**

A. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes 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 auditor's report issued on compliance for major federal programs: Unmodified

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

Identification of major federal programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
14.155	Mortgage Insurance For Purchase or Refinancing of Existing Multifamily Rental Housing: Sections 207/223(f)

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

Auditee qualified as low-risk auditee Yes X No

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

**Schedule of Findings and Questioned Costs
June 30, 2024**

B. Financial Statement Findings

Finding No. 2024-1; Sections 207/223(f), Assistance Listing 14.155 – Significant Deficiency

**Name of Federal Agency: U.S. Department of Housing and Urban Development
Federal Program Name and Assistance Listing Number: Mortgage Insurance For Purchase
or Refinancing of Existing Multifamily Rental Housing; Sections 207/223(f); 14.155
Federal Award Identification Number and Year: 138-2332 2024**

Condition

The controls over the reconciliation of the project's operating cash account did not sufficiently catch the error made in recording prior year's audit adjusting entries, requiring a material adjusting journal entry to cash during the current year audit

Criteria

Internal controls over financial reporting should be improved to ensure that material misstatements are detected and corrected by management in a timely manner.

Cause

Management did not have sufficient controls over financial reporting.

Effect or Potential Effect

Management may produce interim financial statements that are materially misstated.

Recommendation

Management should undertake a review of internal controls over financial reporting and ensure that financial data is properly recorded in the books and records of the project to prevent misstatements from occurring in the future.

Auditor Noncompliance Code: S - Internal Control deficiencies

Views of Responsible Officials

The finding on Coney Island resulted from the reversal of a prior year audit adjustment which was incorrectly posted understating the operating cash account by approx. \$338K and simultaneously overstating the tenant security deposit cash account by the same amount. There was no P&L effect from this transaction. This finding was due to lack of adequate review of the reversal of the prior year's adjusting entry. To prevent this from happening in the future, a new controller was hired who has been charged to review all journal entries and review procedures have been established with regard to the recording and subsequent reversal of prior year adjusting entry.

Status

In process.

C. Federal Award Findings and Questioned Costs

None reported

**Other Information Required by HUD -
Management's Response**

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

Summary Schedule of Prior Audit Findings
June 30, 2024

Finding No. 2023-1; Sections 207/223(f), Assistance Listing 14.155

Name of Federal Agency: U.S. Department of Housing and Urban Development
Federal Program Name and Assistance Listing Number: Mortgage Insurance For Purchase or Refinancing of Existing Multifamily Rental Housing; Sections 207/223(f); 14.155
Federal Award Identification Number and Year: 138-2332 2023

Condition

The accounting records required numerous material adjustments to be proposed and recorded in order for the financial statements to be fairly presented in accordance with generally accepted accounting principles in the United States of America.

Previous Response for Finding

Management agrees with the finding and recommendation put forth by the auditors. The misstatements and corrections were due to two conditions: the systemic issue involving the newly implemented PO System and the improper recording record of certain expenses as construction-in-progress.

During the fiscal year, a new purchase ordering system was implemented that was to seamlessly integrate into our newly implemented general ledger package. A number of occasions were noted where expenses and liabilities were created at the point of PO creation rather than at the point when the goods or services were received. We are working with a third-party consultant to correct this issue and will prepare the necessary adjusting entries to reverse the expense. We will have this condition corrected by June 30, 2024.

Our auditors prepare an adjusting entry at year end to reclassify the construction items in accounts payable as construction payable for HUD reporting purposes. When the invoices were paid during the audit year, the invoices were either processed against accounts payable instead of the construction payable account or expensed in the current period. To prevent this from occurring again, we will implement a procedure whereby the construction payable entry is reversed at the beginning of the year and reevaluated at the end of the year when the auditors begin their fieldwork. We will also increase the frequency whereby we will review the invoices associated with capital projects to ensure they are classified as construction in progress when processed. We will have this condition corrected by June 30, 2024.

Current Status – In Process

New systems and processes that were put in place during the year ended June 30, 2024, reducing the need for numerous material adjustments to be proposed and recorded.



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