

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

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

June 30, 2021

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, 2021

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

Tracy Welsh
Chief Operating Officer

Date

Telephone Number: (212) 273-5212

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

June 30, 2021

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

Independent Auditor's Report

To the 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., which comprise the statements of financial position as of June 30, 2021, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coney Island Site Nine Houses, Inc. as of June 30, 2021, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 19 to 33 is presented for purposes of additional analysis as required by the Consolidated Audit Guide for Audits of HUD Programs issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. 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 audits 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 10, 2021, 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.



New York, New York
September 10, 2021

Taxpayer Identification Number:
22-1478099

Lead Auditor: Winell Belfonte

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

Statement of Financial Position
June 30, 2021

Assets

| | |
|---|----------------------|
| Current assets | |
| Cash - operations | \$ 39,782 |
| Cash - entity | 135,092 |
| Tenant accounts receivable | 73,962 |
| Accounts receivable - HUD | 37,774 |
| Prepaid expenses | 21,383 |
| | <hr/> |
| Total current assets | 307,993 |
| | <hr/> |
| Deposits held in trust - funded | |
| Tenant deposits | 103,492 |
| | <hr/> |
| Restricted deposits and funded reserves | |
| Escrow deposits | 288,695 |
| Reserve for replacements | 2,078,044 |
| Other reserves | 1,258,245 |
| | <hr/> |
| Total restricted deposits and funded reserves | 3,624,984 |
| | <hr/> |
| Rental property | |
| Land | 642,289 |
| Buildings | 20,740,459 |
| Building equipment - portable | 446,379 |
| Furnishings | 46,397 |
| Office furniture and equipment | 62,002 |
| Miscellaneous fixed assets | 470,391 |
| | <hr/> |
| | 22,407,917 |
| Less accumulated depreciation | <u>(13,047,129)</u> |
| | <hr/> |
| Total rental property | 9,360,788 |
| | <hr/> |
| Total assets | <u>\$ 13,397,257</u> |

Coney Island Site Nine Houses, Inc.
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Statement of Financial Position
June 30, 2021

Liabilities and Net Assets

| | |
|---|---------------|
| Current liabilities | |
| Accounts payable - operations | \$ 354,026 |
| Accounts payable - construction/development | 75,435 |
| Accrued wages payable | 21,301 |
| Accrued payroll taxes payable | 1,649 |
| Accrued management fee payable | 44,018 |
| Accrued interest payable - first mortgage | 25,846 |
| Accrued interest payable - other mortgage | 43,269 |
| Mortgage payable - first mortgage (short-term) | 157,705 |
| Prepaid revenue | 4,904 |
| | <hr/> |
| Total current liabilities | 728,153 |
| | <hr/> |
| Deposits liability | |
| Tenant deposits held in trust (contra) | 103,662 |
| | <hr/> |
| Long-term liabilities | |
| Mortgage payable - first mortgage, net of current and unamortized debt issuance costs | 7,955,376 |
| Other mortgage payable (long-term) | 1,020,608 |
| | <hr/> |
| Total long-term liabilities | 8,975,984 |
| | <hr/> |
| Total liabilities | 9,807,799 |
| | <hr/> |
| Contingencies | - |
| Net assets | |
| Net assets without donor restrictions | 3,461,419 |
| Net assets with donor restrictions | 128,039 |
| | <hr/> |
| Total net assets without donor restrictions | 3,589,458 |
| | <hr/> |
| Total liabilities and net assets | \$ 13,397,257 |
| | <hr/> <hr/> |

See Notes to Financial Statements.

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

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2021

| | Net assets without donor restrictions | Net assets with donor restrictions | Total |
|---|---|--|--------------|
| Revenue | | | |
| Rental | \$ 2,810,841 | \$ - | \$ 2,810,841 |
| Vacancies | (290,763) | - | (290,763) |
| Net rental revenue | 2,520,078 | - | 2,520,078 |
| Nursing home/assisted living and other revenue | 118,295 | - | 118,295 |
| Financial | 17,074 | - | 17,074 |
| Other | 54,443 | - | 54,443 |
| Total revenue | 2,709,890 | - | 2,709,890 |
| Expenses | | | |
| Administrative | 313,428 | - | 313,428 |
| Utilities | 502,469 | - | 502,469 |
| Operating and maintenance | 675,594 | - | 675,594 |
| Taxes and insurance | 317,227 | - | 317,227 |
| Financial (including interest of \$330,588) | 368,871 | - | 368,871 |
| Nursing home/assisted living and other elderly care | 84,362 | - | 84,362 |
| Total cost of operations before depreciation | 2,261,951 | - | 2,261,951 |
| Income (loss) before depreciation | 447,939 | - | 447,939 |
| Depreciation | 617,487 | - | 617,487 |
| Change in net assets | (169,548) | - | (169,548) |
| Net assets, beginning | 3,630,967 | 128,039 | 3,759,006 |
| Net assets, end | \$ 3,461,419 | \$ 128,039 | \$ 3,589,458 |

See Notes to Financial Statements.

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

Statement of Cash Flows
Year Ended June 30, 2021

| | |
|--|--------------------|
| Cash flows from operating activities | |
| Rental receipts | \$ 2,444,160 |
| Interest receipts | 17,074 |
| Other operating receipts | <u>172,738</u> |
| Total receipts | <u>2,633,972</u> |
| Administrative expenses paid | (10,987) |
| Management fees paid | (134,665) |
| Utilities paid | (445,798) |
| Salaries and wages paid | (344,083) |
| Operating and maintenance paid | (348,015) |
| Property insurance paid | (231,725) |
| Miscellaneous taxes and insurance paid | (5,735) |
| Net tenant security deposits received (paid) | (4,922) |
| Other operating expenses paid | (163,201) |
| Interest paid on first mortgage | (313,234) |
| Mortgage insurance premium paid | <u>(37,431)</u> |
| Total disbursements | <u>(2,039,796)</u> |
| Net cash provided by operating activities | <u>594,176</u> |
| Cash flows from investing activities | |
| Net deposits to mortgage escrows | (139,249) |
| Net deposits to reserve for replacements | (61,558) |
| Net deposits to other reserves | (161,712) |
| Net purchases of fixed assets | <u>(343,037)</u> |
| Net cash used in investing activities | <u>(705,556)</u> |
| Cash flows from financing activities | |
| Mortgage principal payments - first mortgage | <u>(151,955)</u> |
| Net cash used in financing activities | <u>(151,955)</u> |
| Net decrease in cash and restricted cash | (263,335) |
| Cash and restricted cash, beginning | <u>541,701</u> |
| Cash and restricted cash, end | <u>\$ 278,366</u> |
| Significant noncash investing and financing activities | |
| Increase in fixed assets included in accounts payable - construction/development | <u>\$ 75,435</u> |

See Notes to Financial Statements.

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

Notes to Financial Statements
June 30, 2021

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, as defined by HUD, is required to be deposited into a residual receipts reserve.

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 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, 2021, there was no allowance for doubtful accounts.

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.

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Notes to Financial Statements
June 30, 2021

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 for the year ended June 30, 2021.

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, 2021. 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 2017 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.

Note 3 - Liquidity and availability

The Company has \$151,518 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 \$39,782 and accounts receivable, net of allowances of \$111,736. 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.

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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 payable

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, 2021, interest expense incurred was \$320,382 inclusive of amortization of debt issuance costs of \$7,619. As of June 30, 2021, the outstanding principal and accrued interest balances were \$8,337,492 and \$25,846, respectively. The mortgage is collateralized by the Company's fixed assets.

Debt issuance costs, net of accumulated amortization, totaled \$224,411 as of June 30, 2021 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, 2021, interest expense incurred was \$10,206. As of June 30, 2021, the outstanding principal and accrued interest balances were \$1,020,608 and \$43,269, respectively.

Coney Island Site Nine Houses, Inc.
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Notes to Financial Statements
June 30, 2021

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, 2022 | \$ 157,705 | \$ - | \$ 157,705 |
| 2023 | 163,677 | - | 163,677 |
| 2024 | 169,870 | - | 169,870 |
| 2025 | 176,298 | - | 176,298 |
| 2026 | 182,970 | - | 182,970 |
| Thereafter | 7,486,972 | 1,020,608 | 8,507,580 |
| Total balance due | \$ 8,337,492 | \$ 1,020,608 | 9,358,100 |
| | | Less: current | (157,705) |
| | | Less: unamortized debt issuance costs | (224,411) |
| | | Net balance | \$ 8,975,984 |

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, 2021, the balance in the escrow was \$288,695.

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, 2021, the balance in the replacement reserve was \$2,078,044.

Operating escrow fund

The Company is required by the New York State Department of Housing and Community Renewal ("DHCR") 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, 2021, the balance in the operating escrow fund was \$1,258,425 and is included in other reserves on the accompanying statement of financial position.

Residual receipt reserve

The Company is required by HUD to fund a residual receipts reserve to be used for capital improvements. The use of these funds required prior approval from HUD. Deposits are made into the reserve when the Company has surplus cash at the end of the fiscal year. As of June 30, 2021, the balance in the residual receipts reserve was \$0.

Coney Island Site Nine Houses, Inc.
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Notes to Financial Statements
June 30, 2021

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 | \$ 174,874 |
| Tenant deposits | <u>103,492</u> |
| Total cash and restricted cash shown in the statement of cash flows | <u>\$ 278,366</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 and other reserves that do not require approval from regulating agencies for withdrawal.

Note 7 - Related party transactions

JASA

The Company is a participant in a general insurance plan with JASA, which also includes health insurance and workmen's compensation. Property and liability insurance expense for the year ended June 30, 2021 is \$231,725. Worker's compensation and health insurance and other employee benefits for the year ended June 30, 2021 is \$63,161.

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, 2021 was \$16,295 and is included in miscellaneous revenue on the statement of activities.

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, 2021, 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, 2021, the Company reimbursed JASA \$4,165 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, 2021 were \$80,872.

As of June 30, 2021, \$28,790 remains payable to JASA and is included in accounts payable on the statements of financial position.

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, 2021 is \$163,081.

As of June 30, 2021, \$44,018 remains payable to JHM and are included on the statements of financial position as accrued management fee payable.

Coney Island Site Nine Houses, Inc.
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Notes to Financial Statements
June 30, 2021

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 \$118,295 for the year ended June 30, 2021. Grant expenses incurred during the year ended June 30, 2021 were \$80,872. As of June 30, 2021, \$37,774 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, 2021, rental assistance payments of \$520,028 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, 2021, rental assistance payments of \$611,523 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, 2021 was \$707,687.

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, 2021.

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.

Coney Island Site Nine Houses, Inc.
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Notes to Financial Statements
June 30, 2021

Note 12 - Expenses by nature and function

The table below presents expenses by both their nature and function during the year ended June 30, 2021:

| | Total program services expense | Total supporting services expense (management and general) | Total |
|--|--------------------------------------|--|---------------------|
| Administrative expenses | \$ 133,396 | \$ 180,032 | \$ 313,428 |
| Utilities expense | 502,469 | - | 502,469 |
| Operating and maintenance expenses | 675,594 | - | 675,594 |
| Taxes and insurance | 317,227 | - | 317,227 |
| Financial expenses | 368,871 | - | 368,871 |
| Nursing home/assisted living/board and care/other elderly care expenses | 84,362 | - | 84,362 |
| Depreciation | 617,487 | - | 617,487 |
| Total | \$ 2,699,406 | \$ 180,032 | \$ 2,879,438 |

All expenses are directly attributable to a specific function.

Note 13 - Contingencies

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.

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of lease revenue and other material adverse effects to the Company's financial position, results of operations, and cash flows. As of June 30, 2021, the global pandemic is still ongoing. Management continues to monitor the results of operations to evaluate the economic impact of the pandemic on the Project.

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, 2021, 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

Coney Island Site Nine Houses, Inc.
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Notes to Financial Statements
June 30, 2021

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, 2021 was \$128,039.

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 September 10, 2021 (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, 2021

| <u>Account No.</u> | <u>Assets</u> | |
|--|--------------------------------|-----------------------------|
| Current assets | | |
| 1120 | Cash - operations | \$ 39,782 |
| 1125 | Cash - entity | 135,092 |
| 1130 | Tenant accounts receivable | 73,962 |
| 1135 | Accounts receivable - HUD | 37,774 |
| 1200 | Prepaid expenses | <u>21,383</u> |
| 1100T | Total current assets | 307,993 |
| Deposits held in trust - funded | | |
| 1191 | Tenant deposits | 103,492 |
| Restricted deposits and funded reserves | | |
| 1310 | Escrow deposits | \$ 288,695 |
| 1320 | Reserve for replacements | 2,078,044 |
| 1330 | Other reserves | <u>1,258,245</u> |
| 1300T | Total deposits | 3,624,984 |
| Rental property | | |
| 1410 | Land | 642,289 |
| 1420 | Buildings | 20,740,459 |
| 1440 | Building equipment - portable | 446,379 |
| 1460 | Furnishings | 46,397 |
| 1465 | Office furniture and equipment | 62,002 |
| 1490 | Miscellaneous fixed assets | <u>470,391</u> |
| 1400T | Total fixed assets | 22,407,917 |
| 1495 | Less accumulated depreciation | <u>(13,047,129)</u> |
| 1400N | Net fixed assets | <u>9,360,788</u> |
| 1000T | Total assets | <u><u>\$ 13,397,257</u></u> |

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

Supplementary Information

**Statement of Financial Position Data
June 30, 2021**

| <u>Account No.</u> | <u>Liabilities and Net Assets</u> | | |
|------------------------------|--|------------------|-----------------------------|
| Current liabilities | | | |
| 2110 | Accounts payable - operations | \$ | 354,026 |
| 2111 | Accounts payable - construction/development | | 75,435 |
| 2120 | Accrued wages payable | | 21,301 |
| 2121 | Accrued payroll taxes payable | | 1,649 |
| 2123 | Accrued management fee payable | | 44,018 |
| 2131 | Accrued interest payable - first mortgage | | 25,846 |
| 2132 | Accrued interest payable - other mortgages | | 43,269 |
| 2170 | Mortgage payable - first mortgage (short-term) | | 157,705 |
| 2210 | Prepaid revenue | | <u>4,904</u> |
| 2122T | Total current liabilities | | 728,153 |
| Deposits liability | | | |
| 2191 | Tenant deposits held in trust (contra) | | 103,662 |
| Long-term liabilities | | | |
| 2320 | Mortgage payable - first mortgage | \$ 7,955,376 | |
| 2322 | Other mortgages payable (long-term) | <u>1,020,608</u> | |
| 2300T | Total long-term liabilities | | <u>8,975,984</u> |
| 2000T | Total liabilities | | 9,807,799 |
| 3131 | Net assets without donor restrictions | 3,461,419 | |
| 3133 | Net assets with donor restrictions | <u>128,039</u> | |
| 3130 | Total net assets | | <u>3,589,458</u> |
| 2033T | Total liabilities and net assets | | <u><u>\$ 13,397,257</u></u> |

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

Supplementary Information

**Statement of Activities Data
Year Ended June 30, 2021**

| <u>Account No.</u> | | | |
|--------------------|---|-----------------|------------------|
| Rental revenue | | | |
| 5120 | Rent revenue - gross potential | \$ 969,213 | |
| 5121 | Tenant assistance payments | 1,839,238 | |
| 5170 | Garage and parking spaces | <u>2,390</u> | |
| 5100T | Total rental revenue | | \$ 2,810,841 |
| Vacancies | | | |
| 5220 | Apartments | (235,819) | |
| 5250 | Rental concessions | <u>(54,944)</u> | |
| 5200T | Total vacancies | | <u>(290,763)</u> |
| 5152N | Net rental revenue | | 2,520,078 |
| 5300 | Nursing home/Assisted living/Board and care/Other elderly care/Coop and other revenue | | 118,295 |
| Financial revenue | | | |
| 5410 | Financial revenue - project operations | 14,616 | |
| 5440 | Revenue from investments - replacement reserve | <u>2,458</u> | |
| 5400T | Total financial revenue | | 17,074 |
| Other revenue | | | |
| 5910 | Laundry and vending | 7,200 | |
| 5920 | Tenant charges | 28,976 | |
| 5990 | Miscellaneous revenue | <u>18,267</u> | |
| 5900T | Total other revenue | | <u>54,443</u> |
| 5000T | Total revenue | | <u>2,709,890</u> |

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

Supplementary Information

**Statement of Activities Data
Year Ended June 30, 2021**

| <u>Account No.</u> | | | |
|---------------------|---|----------------|----------------------------|
| Taxes and insurance | | | |
| 6711 | Payroll taxes | 12,366 | |
| 6720 | Property and liability insurance | 231,725 | |
| 6722 | Workmen's compensation | 16,364 | |
| 6723 | Health insurance and other employee benefits | 51,037 | |
| 6790 | Miscellaneous taxes, licenses, permits and insurance | <u>5,735</u> | |
| 6700T | Total taxes and insurance | | 317,227 |
| Financial expenses | | | |
| 6820 | Interest on first mortgage payable | 320,382 | |
| 6825 | Interest on other mortgages | 10,206 | |
| 6850 | Mortgage insurance premium/service charge | <u>38,283</u> | |
| 6800T | Total financial expenses | | <u>368,871</u> |
| 6900 | Nursing home/Assisted living/Board and care/Other elderly care expenses | | <u>84,362</u> |
| 6000T | Total cost of operations before depreciation | | <u>2,261,951</u> |
| 5060T | Income (loss) before depreciation | | <u>447,939</u> |
| Depreciation | | | |
| 6600 | Depreciation expense | <u>617,487</u> | |
| | Total depreciation | | <u>617,487</u> |
| 5060N | Operating income (loss) | | <u>(169,548)</u> |
| | Total expenses | | <u>2,879,438</u> |
| 3250 | Change in net assets | | <u><u>\$ (169,548)</u></u> |

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

Supplementary Information

**Statement of Activities Data
Year Ended June 30, 2021**

Account No.

| | | |
|-----------|--|-------------------|
| 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>\$ 151,955</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, 2021**

| <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, 2020 | \$ 3,630,967 | \$ 128,039 | \$ 3,759,006 |
| 3247/3249 | Change in net assets | <u>(169,548)</u> | <u>-</u> | <u>(169,548)</u> |
| 3130 | Net assets | | | |
| 3131/3133 | June 30, 2021 | <u>\$ 3,461,419</u> | <u>\$ 128,039</u> | <u>\$ 3,589,458</u> |

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

Supplementary Information

Statement of Cash Flows Data
Year Ended June 30, 2021

| Account No. | | |
|-------------|---|--------------------------|
| | Cash flows from operating activities | |
| S1200-010 | Rental receipts | \$ 2,444,160 |
| S1200-020 | Interest receipts | 17,074 |
| S1200-030 | Other operating receipts | <u>172,738</u> |
| S1200-040 | Total receipts | <u>2,633,972</u> |
| S1200-050 | Administrative expenses paid | (10,987) |
| S1200-070 | Management fees paid | (134,665) |
| S1200-090 | Utilities paid | (445,798) |
| S1200-100 | Salaries and wages paid | (344,083) |
| S1200-110 | Operating and maintenance paid | (348,015) |
| S1200-140 | Property insurance paid | (231,725) |
| S1200-150 | Miscellaneous taxes and insurance paid | (5,735) |
| S1200-160 | Net tenant security deposits received (paid) | 1,128 |
| S1200-170 | Other operating expenses paid | (163,201) |
| S1200-180 | Interest paid on first mortgage | (313,234) |
| S1200-210 | Mortgage insurance premium paid | <u>(37,431)</u> |
| S1200-230 | Total disbursements | <u>(2,033,746)</u> |
| S1200-240 | Net cash provided by operating activities | <u>600,226</u> |
| | Cash flows from investing activities | |
| S1200-245 | Net deposits to mortgage escrows | (139,249) |
| S1200-250 | Net deposits to reserve for replacements | (61,558) |
| S1200-255 | Net deposits to other reserves | |
| S1200-256 | Net deposits to operating escrow fund | <u>\$ (161,712)</u> |
| S1200-330 | Net purchases of fixed assets | <u>(343,037)</u> |
| S1200-350 | Net cash used in investing activities | <u>(705,556)</u> |
| | Cash flows from financing activities | |
| S1200-360 | Mortgage principal payments - first mortgage | <u>(151,955)</u> |
| S1200-460 | Net cash used in financing activities | <u>(151,955)</u> |
| S1200-470 | Net decrease in cash | (257,285) |
| S1200-480 | Cash, beginning | <u>432,159</u> |
| S1200T | Cash, end | <u><u>\$ 174,874</u></u> |
| S1200-620 | Comments | |
| | Increase in fixed assets included in accounts payable - construction/development | <u><u>\$ 75,435</u></u> |

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

Supplementary Information
Year Ended June 30, 2021

Reserve for Replacements

| <u>Account No.</u> | | |
|--------------------|--------------------------|----------------------------|
| 1320P | Balance at June 30, 2020 | \$ 2,016,486 |
| 1320DT | Total monthly deposits | 59,100 |
| 1320INT | Interest income | <u>2,458</u> |
| 1320 | Balance at June 30, 2021 | <u><u>\$ 2,078,044</u></u> |

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

**Supplementary Information
Year Ended June 30, 2021**

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) | \$ | 143,274 |
| 1135 | Accounts receivable - HUD | | <u>37,774</u> |
| S1300-040 | Total cash | | <u>181,048</u> |
| S1300-050 | Accrued mortgage interest payable | | 69,115 |
| S1300-060 | Delinquent mortgage principal payments | | - |
| S1300-070 | Delinquent deposits to reserve for replacements | | - |
| S1300-075 | Accounts payable (due within 30 days) | | 354,026 |
| 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) | | 66,968 |
| 2210 | Prepaid revenue (Account 2210) | | 4,904 |
| 2191 | Tenant security deposits liability (Account 2191) | | 103,662 |
| S1300-120 | Mortgage principal | \$ | - |
| S1300-120 | Replacement reserve deposit | - | - |
| S1300-120 | Tax and insurance escrow deposit | - | - |
| S1300-120 | MIP escrow deposit | - | - |
| | | | <u>-</u> |
| S1300-140 | Less total current obligations | | <u>598,675</u> |
| S1300-150 | Surplus cash (deficiency) | \$ | <u>(417,627)</u> |
| S1300-210 | <u>Part B - Deposit Due Residual Receipts Reserve</u> | \$ | <u>-</u> |

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

Supplementary Information
Year Ended June 30, 2021

Changes in Fixed Asset Accounts

| | Assets | | | Balance 6/30/21 |
|-----------------------------------|----------------------|-------------------|-------------|----------------------|
| | Balance 6/30/20 | Additions | Deletions | |
| Land | \$ 642,289 | \$ - | \$ - | \$ 642,289 |
| Buildings | 20,394,671 | 345,788 | - | 20,740,459 |
| Building equipment - portable | 436,405 | 9,974 | - | 446,379 |
| Furnishings | 46,397 | - | - | 46,397 |
| Office furniture and equipment | 62,002 | - | - | 62,002 |
| Miscellaneous fixed assets | 407,681 | 62,710 | - | 470,391 |
| | <u>\$ 21,989,445</u> | <u>\$ 418,472</u> | <u>\$ -</u> | <u>\$ 22,407,917</u> |
| Accumulated depreciation | <u>\$ 12,429,642</u> | <u>\$ 617,487</u> | <u>\$ -</u> | <u>\$ 13,047,129</u> |
| Total net book value | | | | <u>\$ 9,360,788</u> |

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

Supplementary Information
Year Ended June 30, 2021

Fixed Asset Detail

Additions to Buildings Account

| <u>Item and quantity</u> | <u>Amount</u> |
|--------------------------|---------------|
| Apartment renovations | \$ 345,788 |

Additions to Building Equipment - Portable Account

| <u>Item and quantity</u> | <u>Amount</u> |
|--------------------------|-----------------|
| Refrigerators | \$ 7,930 |
| Air conditioners | 2,044 |
| | <u>\$ 9,974</u> |

Additions to Miscellaneous Fixed Assets Account

| <u>Item and quantity</u> | <u>Amount</u> |
|--------------------------|---------------|
| Construction in progress | \$ 62,710 |

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

**Supplementary Information
Year Ended June 30, 2021**

Detail of Accounts - Statement of Financial Position

Other Reserves (Account No. 1330)

Operating escrow fund \$ 1,258,245

Accrued Interest Payable - Other Mortgages (Account No. 2132)

Second mortgage - HFA \$ 43,269

Other Mortgages Payable (Long-Term) (Account No. 2322)

Second mortgage - HFA \$ 1,020,608

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

Supplementary Information
Year Ended June 30, 2021

Detail of Accounts - Statement of Activities

Miscellaneous Other Revenue (Account No. 5990)

| | |
|------------------------|------------------|
| Use of premises income | \$ 16,295 |
| Sundry income | <u>1,972</u> |
| | <u>\$ 18,267</u> |

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

| | |
|----------------------------|-------------------|
| 5390 Other service revenue | <u>\$ 118,295</u> |
|----------------------------|-------------------|

Nursing Home/Assisted Living/Board and Care/Other Elderly Care
Expenses (Account No. 6900)

| | |
|-----------------------------|------------------|
| 6990 Other service expenses | <u>\$ 84,362</u> |
|-----------------------------|------------------|

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

Supplementary Information
Year Ended June 30, 2021

Other Information

Related party transactions detail:

| <u>Account No.</u> | <u>Entity name</u> | <u>Amount paid</u> |
|--------------------|----------------------------|--------------------|
| S3100-210 | JHM (management fee) | \$ 134,665 |
| S3100-210 | JASA (service coordinator) | <u>84,362</u> |
| | | <u>\$ 219,027</u> |

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

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021**

| Federal Grantor/ (Pass-through Grantor)/ Program Title | Federal CFDA 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 | \$ 8,489,447 |
| Multi-Family Housing Service Coordinators | 14.191 | N/A | 118,295 |
| Housing Voucher Cluster: Section 8 Housing Choice Vouchers | 14.871 | N/A | <u>520,028</u> |
| Total Department of Housing and Urban | | | <u>9,127,770</u> |
| Total expenditures of federal awards | | | <u><u>\$ 9,127,770</u></u> |

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

Notes to Schedule of Expenditures of Federal Awards
June 30, 2021

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards 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, 2021. 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.

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. 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 3 - 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, 2021, consists of:

| <u>CFDA Number</u> | <u>Program Name</u> | <u>Outstanding Balance</u> |
|--------------------|--|--------------------------------|
| 14.155 | Mortgage Insurance For Purchase or Refinancing of Existing Multifamily Rental Housing: Sections 207/223(f) | <u>\$ 8,337,492</u> |

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, 2021, 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 10, 2021.

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 ("internal control") as a basis for determining 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. Accordingly, we do not express an opinion on the effectiveness of Coney Island Site Nine Houses, Inc.'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 we have not identified.

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 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 Coney Island Site Nine Houses, Inc.'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.

CohnReznick LLP

New York, New York
September 10, 2021

Independent Auditor's Report on Compliance for Each Major Federal Program
and 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 Each Major Federal Program

We have audited Coney Island Site Nine Houses, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Coney Island Site Nine Houses, Inc.'s major federal programs for the year ended June 30, 2021. Coney Island Site Nine Houses, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Coney Island Site Nine Houses, Inc.'s major federal programs 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 Coney Island Site Nine Houses, Inc.'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 each major federal program. However, our audit does not provide a legal determination of Coney Island Site Nine Houses, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Coney Island Site Nine Houses, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of Coney Island Site Nine Houses, Inc. 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 Coney Island Site Nine Houses, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 Coney Island Site Nine Houses, Inc.'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 our testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



New York, New York
September 10, 2021

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

Schedule of Findings and Questioned Costs
June 30, 2021

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Coney Island Site Nine Houses, Inc. were prepared in accordance with generally accepted accounting principles.
2. No significant deficiencies related to the audit of the financial statements were reported in the 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*. No material weaknesses were reported.
3. No instances of noncompliance material to the financial statements of Coney Island Site Nine Houses, Inc. which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit and reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance required by the Uniform Guidance. No material weaknesses were reported.
5. The auditor's report on compliance for the major federal award programs for Coney Island Site Nine Houses, Inc. expresses an unmodified opinion on all major federal programs.
6. There are no audit finding relative to the major federal award programs for Coney Island Site Nine Houses, Inc.
7. The program tested as a major program was:

Mortgage Insurance For Purchase or Refinancing of Existing Multifamily Rental Housing:
Sections 207/223(f), CFDA # 14.155
8. The threshold for distinguishing between Type A and B programs was \$750,000.
9. Coney Island Site Nine Houses, Inc. was determined to be a low-risk auditee.

B. Findings - Financial Statements Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None



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