
NAGLE APARTMENTS CORP.

Financial Statements and
Supplementary Information for the
Years Ended December 31, 2014 and 2013

Prisand, Mellina, Unterlack & Co., LLP
Certified Public Accountants

NAGLE APARTMENTS CORP.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of
NAGLE APARTMENTS CORP.
31 and 37 Nagle Avenue
14 Bogardus Place
New York, NY 10040

We have audited the accompanying financial statements of NAGLE APARTMENTS CORP., which comprise the balance sheets (with supporting schedules) as of December 31, 2014 and 2013, and the related statements of operations (with supporting schedules), changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 NAGLE APARTMENTS CORP. as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, NAGLE APARTMENTS CORP. has changed its method of accounting for assessments used for capital improvements. Our opinion is not modified with respect to this matter.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

As discussed in Note 2, NAGLE APARTMENTS CORP. has omitted the supplementary information on future major repairs and replacements of common property that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Risard, Mellina, Vinterlock + Co., LLP

Plainview, New York
April 23, 2015

**NAGLE APARTMENTS CORP.
BALANCE SHEETS
AS OF DECEMBER 31,**

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 12,807	\$ 51,170
Accounts receivable	36,088	37,918
Prepaid expenses	185,982	170,724
Escrows and voluntary escrows	405,287	381,215
Total Current Assets	<u>640,164</u>	<u>641,027</u>
Reserve Funds: (Note 3)	9,877	292,785
Total Current Assets and Reserve Funds	<u>650,041</u>	<u>933,812</u>
 Property and Improvements: (Notes 2 and 4)		
Land	316,950	316,950
Building	1,796,050	1,796,050
Building improvements and equipment	3,726,166	3,276,943
Total	<u>5,839,166</u>	<u>5,389,943</u>
Less: Accumulated depreciation	2,763,309	2,612,980
Net Property and Improvements	<u>3,075,857</u>	<u>2,776,963</u>
 Other Assets and Deferred Charges:		
Cash - security deposits	34,389	36,387
Utility deposits	1,350	-
Deferred mortgage and loan closing costs (Note 2)	71,700	39,825
Deferred leasing costs (Note 2)	-	7,172
Total Other Assets and Deferred Charges	<u>107,439</u>	<u>83,384</u>
Total Assets	<u><u>\$ 3,833,337</u></u>	<u><u>\$ 3,794,159</u></u>

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.
BALANCE SHEETS
AS OF DECEMBER 31,

	<u>2014</u>	<u>2013</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accrued mortgage and loan interest	\$ 9,996	\$ 9,927
Mortgage payable - current portion (Note 5)	144,225	135,481
First loan payable - current portion (Note 5)	57,906	57,316
Second loan payable - current portion (Note 5)	76,237	74,424
Accounts payable	269,686	177,572
Due to stockholders - real estate tax abatements	94,348	88,905
Advance maintenance	4,229	2,510
Accrued wages and payroll taxes	3,845	2,402
	<hr/>	<hr/>
Total Current Liabilities	660,472	548,537
	<hr/>	<hr/>
Long-Term and Other Liabilities:		
Mortgage payable - net of current portion (Note 5)	1,403,971	1,548,196
First loan payable - net of current portion (Note 5)	117,629	175,535
Second loan payable - net of current portion (Note 5)	-	76,237
Line of credit payable (Note 5)	375,000	-
Security deposits payable	34,389	36,387
	<hr/>	<hr/>
Total Long-Term and Other Liabilities	1,930,989	1,836,355
	<hr/>	<hr/>
Total Liabilities	2,591,461	2,384,892
	<hr/>	<hr/>
Stockholders' Equity:		
Common stock - \$1.00 par value, 15,000 shares authorized, 12,120 shares issued	12,120	12,120
Paid-in capital in excess of par value	175,880	175,880
Paid in capital from treasury stock (Note 6)	2,556,911	2,556,911
Additional paid-in capital (Note 2)	21,277	21,277
Accumulated deficit (Note 2)	(1,490,007)	(1,322,616)
Treasury stock - at cost (Note 6)	(34,305)	(34,305)
	<hr/>	<hr/>
Total Stockholders' Equity	1,241,876	1,409,267
	<hr/>	<hr/>
Total Liabilities and Stockholders' Equity	<u>\$ 3,833,337</u>	<u>\$ 3,794,159</u>

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.
SUPPORTING SCHEDULES - BALANCE SHEETS
AS OF DECEMBER 31,

	2014	2013
Accounts Receivable:		
Maintenance - Stockholders (Note 2)	\$ 18,201	\$ 20,016
Electricity submetering (billed in subsequent year)	8,566	13,357
Real estate tax refund (Note 10)	8,321	3,397
Laundry income	1,000	1,000
Accrued interest	-	148
	<u>\$ 36,088</u>	<u>\$ 37,918</u>
 Prepaid Expenses:		
Real estate tax	\$ 138,157	\$ 134,607
Insurance	25,119	21,548
Water and sewer	16,622	9,906
Fuel	3,975	3,606
Corporation taxes	2,109	1,057
	<u>\$ 185,982</u>	<u>\$ 170,724</u>
 Escrows and Voluntary Escrows:		
Water and sewer - self escrow	\$ 153,638	\$ 135,296
Real estate tax - self escrow	105,166	114,123
Mortgage and line of credit reserve (Note 5)	100,181	84,979
Insurance - self escrow	46,302	46,817
	<u>\$ 405,287</u>	<u>\$ 381,215</u>

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31,

	<u>2014</u>	<u>2013</u>
REVENUE		
Maintenance - Stockholders	\$ 891,101	\$ 867,628
Electricity submetering	63,465	73,040
Sublet, late and other fees	43,080	58,587
Rental income	32,076	30,386
Stockholders' parking (Note 8)	16,068	24,917
Laundry income	12,000	23,700
Garage income (Note 8)	11,355	144,775
Interest and dividends	908	705
	<hr/>	<hr/>
Total Revenue	1,070,053	1,223,738
	<hr/>	<hr/>
COST OF OPERATIONS		
Administrative expenses	81,153	93,286
Operating expenses	494,638	491,282
Repairs and maintenance	135,682	123,713
Taxes	276,517	262,425
Mortgage interest (Note 5)	101,009	109,265
Loan interest (Note 5)	10,473	18,316
Line of credit interest and fees (Note 5)	16,875	-
	<hr/>	<hr/>
Total Cost Of Operations	1,116,347	1,098,287
	<hr/>	<hr/>
(Loss) income before other items and depreciation and amortization	(46,294)	125,451
Capital assessments (Notes 2 and 7)	62,398	43,595
Special repairs - lobby and hallway painting	(15,600)	(23,950)
	<hr/>	<hr/>
INCOME BEFORE DEPRECIATION AND AMORTIZATION	504	145,096
Less: Depreciation and amortization	167,895	165,434
	<hr/>	<hr/>
Net Loss For The Year	\$ (167,391)	\$ (20,338)
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The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.
SUPPORTING SCHEDULES - STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31,

	2014	2013
Administrative Expenses:		
Management fee	\$ 48,000	\$ 48,000
Professional fees	20,151	33,743
Other administrative	10,780	9,636
Telephone and communications	2,222	1,907
	\$ 81,153	\$ 93,286
	\$ 81,153	\$ 93,286
 Operating Expenses:		
Utilities		
Electricity and gas	\$ 87,147	\$ 85,058
Gas heat and fuel	80,804	74,118
Water and sewer	55,171	68,698
	223,122	227,874
	223,122	227,874
Payroll		
Wages	142,053	137,681
Union benefits (Note 9)	43,550	40,770
Payroll taxes	12,248	11,225
Workers' compensation and disability insurance	3,091	4,401
	200,942	194,077
	200,942	194,077
Other		
Insurance	54,206	50,258
Miscellaneous operating and permits	9,089	1,031
Submetering billing service	5,443	5,385
Laundry contract	1,836	12,657
	70,574	69,331
	70,574	69,331
Total Operating Expenses	\$ 494,638	\$ 491,282

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.
SUPPORTING SCHEDULES - STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31,

	<u>2014</u>	<u>2013</u>
Repairs and Maintenance:		
Elevator maintenance and repairs	\$ 36,309	\$ 24,233
Materials and supplies	23,492	17,683
Plumbing	20,416	13,876
Painting, plastering and flooring	18,430	32,392
Boiler, heating and water treatment	13,763	11,219
Grounds and landscaping	10,725	10,735
Exterminating	9,406	6,139
Equipment repairs	2,594	4,203
Doors, locks and windows	367	1,015
Electrical and intercom repairs	180	2,218
	<hr/>	<hr/>
Total Repairs and Maintenance	\$ 135,682	\$ 123,713
	<hr/> <hr/>	<hr/> <hr/>
Taxes:		
New York City real estate tax (Note 10)	\$ 272,689	\$ 260,517
Corporation taxes (Note 11)	3,828	1,908
	<hr/>	<hr/>
Total Taxes	\$ 276,517	\$ 262,425
	<hr/> <hr/>	<hr/> <hr/>
Depreciation and Amortization:		
Building	\$ 51,316	\$ 51,316
Building improvements	88,958	90,557
Building equipment	10,055	10,055
Amortization of deferred mortgage and loan closing costs	10,393	6,333
Amortization of deferred leasing costs	7,173	7,173
	<hr/>	<hr/>
Total Depreciation and Amortization	\$ 167,895	\$ 165,434
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The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31,

	<u>2014</u>	<u>2013</u>
COMMON STOCK		
Balance - January 1,	\$ 12,120	\$ 12,120
Transactions during the year	-	-
	<u>12,120</u>	<u>12,120</u>
Balance - December 31,	<u>\$ 12,120</u>	<u>\$ 12,120</u>
PAID-IN CAPITAL IN EXCESS OF PAR VALUE		
Balance - January 1,	\$ 175,880	\$ 175,880
Transactions during the year	-	-
	<u>175,880</u>	<u>175,880</u>
Balance - December 31,	<u>\$ 175,880</u>	<u>\$ 175,880</u>
PAID-IN CAPITAL FROM TREASURY STOCK (NOTE 6)		
Balance - January 1,	\$ 2,556,911	\$ 2,324,449
Sale of 140 shares of treasury stock in excess of allocated costs (Note 6)	-	232,462
	<u>2,556,911</u>	<u>2,556,911</u>
Balance - December 31,	<u>\$ 2,556,911</u>	<u>\$ 2,556,911</u>
ADDITIONAL PAID-IN CAPITAL (NOTE 2)		
Balance - January 1,	\$ 21,277	\$ 21,277
Transactions during the year	-	-
	<u>21,277</u>	<u>21,277</u>
Balance - December 31,	<u>\$ 21,277</u>	<u>\$ 21,277</u>
ACCUMULATED DEFICIT (NOTE 2)		
Balance - January 1,	\$ (1,322,616)	\$ (1,302,278)
Net loss for the year	(167,391)	(20,338)
	<u>(1,490,007)</u>	<u>(1,322,616)</u>
Balance - December 31,	<u>\$ (1,490,007)</u>	<u>\$ (1,322,616)</u>
TREASURY STOCK - AT COST (NOTE 6)		
Balance - January 1, (435 and 575 shares)	\$ (34,305)	\$ (45,346)
Sale of 140 shares at allocated cost	-	11,041
	<u>(34,305)</u>	<u>(34,305)</u>
Balance - December 31, (435 shares)	<u>\$ (34,305)</u>	<u>\$ (34,305)</u>

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (167,391)	\$ (20,338)
Adjustments to reconcile net loss to cash provided by operating activities:		
Revenue allocated to financing activities	(62,398)	(43,595)
Depreciation and amortization	167,895	165,434
Decrease in accounts receivable	1,830	31,282
(Increase) decrease in prepaid expenses	(15,258)	14,778
(Increase) in cash portion of escrows and voluntary escrows	(24,072)	(75,182)
(Increase) in utility deposits	(1,350)	-
Increase in accounts payable	92,114	35,418
Increase in other current liabilities	8,674	9,412
Total Adjustments	167,435	137,547
Cash Provided By Operating Activities	44	117,209
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in cash portion of reserve fund	282,908	(104,708)
(Increase) in building improvements and equipment	(449,223)	(113,140)
(Decrease) in building improvements payable	-	(549)
Cash (Used) By Investing Activities	(166,315)	(218,397)
CASH FLOWS FROM FINANCING ACTIVITIES		
Amortization of mortgage payable	(135,481)	(127,269)
Amortization of loans payable	(131,740)	(147,192)
Net borrowings under line of credit	375,000	-
(Increase) in deferred mortgage and loan closing costs	(42,269)	(2,400)
Capital assessments	62,398	43,595
Increase in paid-in capital - sale of treasury stock	-	232,462
Sale of treasury stock - at cost	-	11,041
Net decrease in deferred treasury stock costs	-	81,464
Cash Provided By Financing Activities	127,908	91,701
Net (decrease) in cash and cash equivalents	(38,363)	(9,487)
Cash and cash equivalents at beginning of year	51,170	60,657
Cash and Cash Equivalents at End of Year	\$ 12,807	\$ 51,170

SUPPLEMENTAL DISCLOSURES - SEE NOTE 12

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 1 - ORGANIZATION

On May 20, 1980, Nagle Apartments Corp. (the "Corporation") was formed in order to acquire the property located at 31 Nagle Avenue, 37 Nagle Avenue and 14 Bogardus Place, New York, New York. The Corporation acquired the land and building on August 3, 1982. It is a qualified Cooperative Housing Corporation under Section 216(b)(1) of the Internal Revenue Code and contains 111 residential units and two superintendent's apartments. The primary purpose of the Corporation is to manage the operations of the property and maintain the common elements.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Use of Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with generally accepted accounting principles 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.

Change in Accounting Principle

Effective January 1, 2014, the Corporation changed its method of accounting for assessments used for capital improvements to a more preferable method permitted under generally accepted accounting principles. For financial reporting purposes, the current method recognizes assessments used for capital improvements as revenue. Previously, such amounts had been reported as contributions to additional paid-in capital. This change has been retrospectively applied to the Corporation's financial statements for the year ended December 31, 2013, resulting in a \$43,595 increase in operating income before depreciation and amortization with an offsetting decrease to additional paid-in capital. There was no net effect on the Corporation's total stockholders' equity from the aforementioned transaction. The change in accounting principle did not affect the Corporation's reporting for income tax purposes.

Property and Improvements

Property and improvements are stated at cost. The building is depreciated on the straight-line method over an estimated life of thirty-five years. Building improvements and equipment are depreciated on the straight-line method over estimated lives ranging from five to twenty-seven and one-half years. Maintenance and repairs that do not increase the useful life of an asset are expensed as incurred.

Future Major Repairs and Replacements

The Corporation's governing documents do not require the accumulation of funds in advance of actual need to finance estimated future major repairs and replacements. Consistent with general practice in New York City, the Corporation has not promulgated a study to determine the remaining useful lives of the components of the building and estimates of the costs of major repairs and replacements that may be required. When funds are required for major repairs and replacements, the Corporation has the right to utilize available cash reserves and/or borrow, increase maintenance, implement special assessments, sell treasury stock units, or delay repairs and replacements until funds are available.

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 2 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Deferred Costs

Mortgage and loan closing costs have been deferred and are being amortized over the life of each obligation on a straight-line basis.

Leasing costs associated with the garage lease have been deferred and are being amortized over the term of the lease.

Revenue Recognition and Accounts Receivable

Stockholder maintenance is based on an annual budget determined by the Board of Directors. Stockholders are billed monthly based on their respective share ownership. This income is recognized when due and payable. Any excess maintenance charges at year-end are retained by the Corporation for use in future years or to replenish its reserve fund. Stockholder accounts receivable at the balance sheet date represent maintenance and fees due from unit-owners. The Corporation's policy is to retain legal counsel and place liens on the shares of stock of tenant-stockholders whose maintenance charges are unreasonably delinquent. The Corporation considers all accounts receivable at December 31, 2014 to be collectible. Accordingly, no allowance for doubtful accounts is required.

Income Taxes

The Corporation accounts for certain income items differently for financial reporting and income tax purposes. The principal differences are permanent in nature and relate to assessments used for capital improvements and any portion of maintenance charges used for mortgage amortization, which are accounted for as revenue for financial reporting purposes and as contributions to additional paid-in capital for income tax purposes.

Statement of Cash Flows

The Corporation considers all highly liquid investments (not allocated to the reserve fund or escrow accounts) with a maturity of three months or less at the date of purchase to be cash equivalents.

Note 3 - **RESERVE FUND**

During 2014 and 2013, the following transactions have taken place in the Corporation's reserve fund.

	<u>2014</u>	<u>2013</u>
Balance - January 1,	\$ 292,785	\$ 188,077
Transfers from operations and escrow accounts	691,722	1,143,637
Interest and dividends - net of service charges	475	(84)
Transfers (to) operations and escrow accounts	(891,849)	(908,402)
Loan payments	(83,256)	(130,443)
Balance - December 31,	<u>\$ 9,877</u>	<u>\$ 292,785</u>

Reserve funds are invested as follows:

Merrill Lynch - Bank Deposit and Preferred Deposit Accounts	\$ 6,806	\$ 289,716
Hudson Valley Bank - Money Market Account	<u>3,071</u>	<u>3,069</u>
Balance - December 31,	<u>\$ 9,877</u>	<u>\$ 292,785</u>

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 4 - PROPERTY AND IMPROVEMENTS

During 2014 and 2013, the following building improvements and equipment have been capitalized.

	<u>2014</u>	<u>2013</u>
Garage roof and interior project (in progress)	\$ 445,808	\$ 46,468
Residential roofs	<u>3,415</u>	<u>66,672</u>
Total	<u>\$ 449,223</u>	<u>\$ 113,140</u>

During 2015, the Corporation anticipates spending approximately \$640,000 to complete the garage roof and interior project. This project is subject to change orders and professional fees as the work progresses. The Corporation plans to draw from its line of credit to fund this project. See Notes 5 and 7 for additional information.

Note 5 - MORTGAGE PAYABLE, LINE OF CREDIT AND LOANS PAYABLE

Mortgage Payable

The mortgage payable, in the original principal amount of \$2,700,000, is held by National Cooperative Bank ("NCB"). Loan terms require equal monthly installments of \$19,767, applied first to interest at a rate of 6.27% per annum with the balance as a reduction of principal based on a twenty year amortization schedule. The mortgage payable is fully self-amortizing and matures on May 1, 2023.

Mortgage payments due over the next five years are allocated as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 144,225	\$ 92,979	\$ 237,204
2016	153,532	83,672	237,204
2017	163,442	73,762	237,204
2018	173,987	63,217	237,204
2019	185,215	51,989	237,204

In connection with the mortgage payable, the Corporation is required to maintain a general operating and replacement reserve in an amount equal to at least ten percent of the amount paid to the Corporation during the previous year by its tenant-shareholders pursuant to their proprietary leases. As of December 31, 2014, this amount was approximately \$89,000 and the general operating and replacement reserve account had a balance of \$100,181. Additional general operating funds are maintained in the reserve fund (See Note 3).

Subsequent to May 1, 2010, the mortgage payable may be prepaid in whole only, subject to a prepayment penalty in accordance with a yield maintenance formula as set forth in the loan documents. During the last ninety days of the term, the mortgage payable may be prepaid without penalty.

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 5 - MORTGAGE PAYABLE, LINE OF CREDIT AND LOANS PAYABLE (continued)

Line of Credit

On February 20, 2014, the Corporation obtained a secured revolving line of credit, in the maximum amount of \$1,500,000, with NCB. Advances must be drawn in a minimum amount of \$25,000. When funds are drawn, the Corporation will be required to make monthly payments of interest only for the first three years of the term at the greater of the 30 day LIBOR rate plus 3.75%, or 4.00%. Commencing April 1, 2017, the line of credit will require monthly payments of interest and principal in a minimum amount of \$200. The line of credit is scheduled to mature at the earlier of May 1, 2023 or the refinancing or repayment of the mortgage payable. In connection with the line of credit, the Corporation is required to maintain a cash reserve account with NCB in a minimum amount of \$100,000 and pay an annual facility maintenance fee of \$3,750.

Prior to obtaining the new line of credit, the Corporation had a \$250,000 unsecured revolving line of credit with NCB. The line of credit was scheduled to mature at the earlier of May 1, 2023 or the refinancing of the underlying first mortgage. At the time of the refinancing, no balance was outstanding on the line of credit.

Loans Payable

The Corporation has two unsecured loans with Amalgamated Bank in a total original principal amount of \$1,150,000. The first loan, in an original principal amount of \$565,000, requires monthly payments of \$4,950, applied first to interest at a rate of 1.00% per annum with the balance as a reduction of principal based on a ten year amortization schedule. This loan matures on December 1, 2017, at which time it will be fully amortized. The original interest rate of 7.50% has been subsidized by the New York State Energy Research and Development Authority for the installation of approved windows in the buildings.

Loan payments due over the next three years are allocated as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 57,906	\$ 1,490	\$ 59,396
2016	58,488	908	59,396
2017 (includes maturity)	59,141	255	59,396

The second loan, in an original principal amount of \$585,000, requires monthly payments of \$6,944, applied first to interest at a rate of 7.50% per annum with the balance as a reduction of principal based on an original ten year amortization schedule. In any November during the loan term, the Corporation may prepay \$23,400 without any penalties or fees. During November 2013, the Corporation elected to make this payment. The loan matures on December 1, 2017, but is expected to be paid in full in approximately November 2015.

Loan payments due over the next year are allocated as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015 (includes maturity)	\$ 76,237	\$ 2,697	\$ 78,934

It is the intention of the Corporation to fund the payments to Amalgamated Bank first from the reserve fund, second from the proceeds of apartment sales (if any) and lastly from operating funds.

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 6 - ACQUISITION AND SALE OF TREASURY STOCK

The following schedule summarizes the Corporation's acquisition and sale of treasury stock shares.

Acquisition:

	<u>Shares</u>	<u>Cost</u>
Through 2000	1,780	\$ 113,254
2002	<u>1,545</u>	<u>150,000</u>
	<u>3,325</u>	<u>\$ 263,254</u>

Sales:

	<u>Shares</u>	<u>Gross Sales Price</u>	<u>Selling/Renovation Closing Costs</u>	<u>Acquisition Costs</u>	<u>Gain on Sales</u>
1997 - 2008	1,995	\$ 1,201,700	\$ 106,043	\$ 158,368	\$ 937,289
2009	105	276,000	30,865	8,280	236,855
2010	275	672,000	120,584	21,687	529,729
2011	270	673,390	198,052	21,292	454,046
2012	105	245,000	70,190	8,280	166,530
2013	<u>140</u>	<u>350,000</u>	<u>106,498</u>	<u>11,040</u>	<u>232,462</u>
	<u>2,890</u>	<u>\$ 3,418,090</u>	<u>\$ 632,232</u>	<u>\$ 228,947</u>	<u>\$ 2,556,911</u>

The gain on sales is recorded as paid-in capital from treasury stock. As of December 31, 2014 and 2013, the Corporation held 435 shares of treasury stock appurtenant to four apartments. It is the Board of Directors' intent to sell additional treasury stock apartments as they become available for sale.

Note 7 - CAPITAL ASSESSMENTS

In order to fund a portion of its capital improvements projects (Note 4) and replenish the reserve fund (Note 3), the Corporation has implemented a series of capital assessments. During 2013, the Corporation implemented a capital assessment of \$0.310 per share, per month commencing in January 2013 which generated \$43,595. During 2014, the Corporation implemented a new capital assessment of \$0.445 per share, per month commencing in January 2014, which generated \$62,398. Effective January 1, 2015, the capital assessment was increased to \$0.524 per share, per month.

Note 8 - GARAGE LEASE

The Corporation, as lessor under a garage lease which expired on December 31, 2013, received minimum contractual base rents during 2013 of \$165,366. The base rent has been reduced by the aggregate monthly charges billed to monthly resident parkers, which are collected directly by the Corporation and are separately reported on the Statement of Operations. The lease also contained a real estate tax escalation clause allowing for possible additional rents.

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 8 - GARAGE LEASE (continued)

On January 1, 2014, the garage lease was extended for a period of one year. Pursuant to the new lease, the Corporation collected gross rent from the parking tenants and remitted a management fee as well as operating expenses to the lessee. During 2014, the Corporation received \$11,355 in net revenue from the lease.

For most of 2014, the garage has been closed and the Corporation has been conducting a garage roof and interior project (Note 4). The Corporation has been utilizing other available corporate resources to compensate for lost revenue during the construction period. As of the date of issuance of the accompanying financial statements, the garage construction project remained in progress.

Note 9 - UNION BENEFITS

Substantially all of the Corporation's employees are members of the Service Employees International Union ("SEIU") Local 32BJ and covered by a union sponsored, collectively bargained, multiemployer defined benefit pension, annuity and health insurance plan (the "Plan"). The union agreement expires on April 20, 2018. The Corporation makes contributions to the Plan based on the number of weeks worked by each employee covered under the union contract. During 2014 and 2013, the Corporation contributed \$43,550 and \$40,770, respectively, to the Plan of which \$8,526 and \$8,068, respectively, was for pension expense. The Corporation's contributions to the Plan were less than 5% of the Plan's total contributions.

Contributions to the Building Service 32BJ Pension Fund (Employer Identification Number 13-1879376, Plan 001) (the "Fund") are not segregated or otherwise restricted to provide benefits only to the Corporation's employees. The risks of participating in a multiemployer pension plan are different from a single-employer pension plan in the following aspects: 1) assets contributed to a multiemployer pension plan by one employer may be used to provide benefits to employees of other participating employers, 2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers, and 3) if the Corporation chooses to stop participating in its multiemployer pension plan, the Corporation may be required to pay the plan an amount based on the underfunded status of the plan, which is referred to as a withdrawal liability.

In accordance with the Pension Protection Act of 2006, the Fund receives an annual certified zone status from its actuary, which summarizes its funding status. Plans in the "red zone" are generally less than 65% funded, plans in the "yellow zone" are 65% to 80% funded, and plans in the "green zone" are at least 80% funded. As of July 1, 2014, the Fund's most recently available certified zone status was "red". The Fund is considered to be in critical status for the plan year beginning July 1, 2014 and its actuary has determined that there will be an accumulated funding deficiency within the next four plan years.

As part of the Fund's efforts to achieve yellow and/or green funding status, the Trustees of the Fund adopted a rehabilitation plan which terms have been incorporated into the collective bargaining agreement between the Realty Advisory Board On Labor Relations, Incorporated and the SEIU Local 32BJ. The current union agreement (the "2014 Apartment Building Agreement") provides for increased employer contributions of \$4.00 per week during 2015 for each eligible employee. As of January 1, 2015, the contribution rate was \$98.75 per week per employee. Information as to the Corporation's portion of the unfunded vested benefits and Plan assets has not been determined and normally will not be calculated without a withdrawal from the Plan. The Corporation has no intention of withdrawing from the Plan.

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 10 - REAL ESTATE TAX

New York City real estate tax has been originally assessed as follows:

<u>Fiscal Year</u>	<u>Taxable Valuation</u>	<u>Tax Rate</u>	<u>Tax</u>
2011/12	\$ 1,878,980	13.433	\$ 252,403
2012/13	2,084,090	13.181	274,704
2013/14	2,147,670	13.145	282,311
2014/15	2,165,790	12.855	278,412

The Corporation routinely protests the taxable assessed valuation of its Property for real estate taxation purposes. During 2014, the Corporation reached a settlement with New York City to reduce the assessed valuation for tax year 2014/15. This settlement resulted in a current year refund of \$1,793 plus future tax savings of approximately \$6,794. Professional fees of \$1,717 were incurred in connection with this matter. There are currently no "open" tax protests.

During 2013, the Corporation reached a settlement with New York City to reduce the assessed valuation for tax year 2013/14. This settlement resulted in a refund of \$13,386 plus future tax savings of approximately \$44,000. Professional fees of approximately \$8,802 were incurred in connection with this matter.

Note 11 - CORPORATION TAXES

The Corporation is qualified to file its tax returns pursuant to the provisions of Subchapter T of the Internal Revenue Code. Subchapter T provides that expenses attributable to the generation of patronage income, i.e., income from business done with or for patrons (tenant-cooperators), are deductible only to the extent of patronage income. The Corporation believes that all of its income for the year ended December 31, 2014 is patronage income within the meaning of Subchapter T

For the year ended December 31, 2014, the Corporation sustained an operating loss and will not be liable for Federal income tax. As of December 31, 2014, the Corporation had approximately \$2,433,000 of operating loss carryforwards from prior years for Federal income tax purposes, which will expire in various years through 2033. Since the future utilization of these tax carryforward losses is uncertain, no related deferred tax assets have been recognized in the accompanying financial statements.

New York State Franchise and New York City Corporation taxes are calculated by utilizing special tax rates available to cooperative housing corporations based on the Corporation's capital base.

The Corporation's tax returns for all years since 2011 remain open to examination by the respective taxing authorities. There are currently no tax examinations in progress.

Note 12 - STATEMENTS OF CASH FLOWS - SUPPLEMENTAL DISCLOSURES

	<u>2014</u>	<u>2013</u>
Interest paid	\$ 124,537	\$ 128,863
Income taxes paid - net of refunds	\$ 6,019	\$ 2,607

Notes to Financial Statements

Note 13 - CONCENTRATION OF CREDIT RISK

The Corporation maintains its cash in bank deposit accounts at financial institutions which, at times, may exceed federally insured limits. The Corporation makes every effort to maintain its cash in FDIC insured accounts or government backed investments. The Corporation has not experienced any losses in such accounts.

Note 14 - CONTINGENCIES

From time to time, claims or matters of litigation may arise in the ordinary conduct of the Corporation's business. In the opinion of management, claims or litigation outstanding against the Corporation at December 31, 2014 are either without merit or the ultimate losses, if any, would not have a material adverse effect on the financial position or results of operations of the Corporation.

Note 15 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through April 23, 2015, the date that the financial statements were available to be issued.

**SUPPLEMENTARY AND PROSPECTIVE
INFORMATION**



Norman Prisand, CPA
Robert A. Mellina, CPA
Evan J. Unterlack, CPA
Jayson Prisand, CPA
David V. Agoglia, CPA

**INDEPENDENT ACCOUNTANT'S COMPILATION REPORT
ON SUPPLEMENTARY AND PROSPECTIVE INFORMATION**

To the Board of Directors and Stockholders of
NAGLE APARTMENTS CORP.
31 and 37 Nagle Avenue
14 Bogardus Place
New York, NY 10040

Our report on our audits of the basic financial statements of NAGLE APARTMENTS CORP. for the years ended December 31, 2014 and 2013 appears on Pages 1 and 2, and was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Comparative Schedule of Revenue and Expenditures - Budget, Historical and Forecast is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information, except for the portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We also have compiled the accompanying operating budget forecast of NAGLE APARTMENTS CORP. for the year ending December 31, 2015, in accordance with attestation standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of a forecast, information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast. We have not examined the forecast and, accordingly, do not express an opinion or any other form of assurance on the accompanying forecast or assumptions. Furthermore, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Prisand, Mellina, Unterlack & Co., LLP

Plainview, New York
April 23, 2015 for Historical Statements
December 14, 2014 for Forecast

NAGLE APARTMENTS CORP.

Comparative Schedule of Revenue and Expenditures - Budget, Historical and Forecast

	For The Year		Prior Year	Next Year
	January 1, 2014 - December 31, 2014		January 1, 2013 - December 31, 2013	January 1, 2015 - December 31, 2015
	Budget (Unaudited)	Actual	Actual	Forecast (Unaudited)
REVENUE				
Maintenance - Stockholders (1)	\$ 891,900	\$ 891,101	\$ 867,628	\$ 918,000
Electricity submetering	77,000	63,465	73,040	61,300
Sublet, late and other fees	67,000	43,080	58,587	50,900
Rental income	29,500	32,076	30,386	32,400
Stockholders' parking	19,000	16,068	24,917	-
Laundry income	24,000	12,000	23,700	12,000
Garage income	137,700	11,355	144,775	144,000
Interest and dividends	5,200	908	705	5,200
Capital assessments	62,400	62,398	43,595	73,500
TOTAL REVENUE	1,313,700	1,132,451	1,267,333	1,297,300
EXPENDITURES				
Management fee	50,000	48,000	48,000	48,000
Professional fees	33,500	20,151	33,743	27,700
Other administrative and telephone	12,400	13,002	11,543	13,100
Electricity and gas	93,000	87,147	85,058	83,200
Gas heat and fuel	72,600	80,804	74,118	89,600
Water and sewer	55,300	55,171	68,698	30,300
Wages and related costs	200,700	200,942	194,077	214,300
Insurance	54,800	54,206	50,258	54,000
Miscellaneous operating and permits	6,000	9,089	1,031	5,000
Submetering billing service	5,300	5,443	5,385	2,900
Laundry contract	-	1,836	12,657	-
Repairs and maintenance	146,000	135,682	123,713	133,100
New York City real estate tax	280,000	272,689	260,517	280,900
Corporation taxes	4,500	3,828	1,908	4,500
Mortgage interest and amortization	237,200	236,490	236,533	237,200
Transfer to reserve fund (3)	62,400	62,398	43,595	73,500
TOTAL EXPENDITURES	1,313,700	1,286,878	1,250,834	1,297,300
Budgeted Surplus	\$ -			\$ -
ACTUAL OPERATING (LOSS) INCOME		(154,427)	16,499	
Mortgage amortization		135,481	127,268	
Capital assessments		62,398	43,595	
Loan and line of credit interest (2)		(27,348)	(18,316)	
Special repairs - lobby and hallway painting		(15,600)	(23,950)	
INCOME BEFORE DEPRECIATION AND AMORTIZATION		\$ 504	\$ 145,096	

(1) Effective January 1, 2015, maintenance has been increased from \$6.355 to \$6.548 per share of stock, per month.

(2) In addition to interest, the principal portion of the loan and line of credit payments is being paid from reserves with proceeds from apartment sales. See Notes 3, 5 and 6 for additional information.

(3) See Notes 2, 3, 4 and 6 for additional information.

See Independent Accountant's Compilation Report and Summary of Significant Accounting Policies and Forecast Assumptions.

NAGLE APARTMENTS CORP.

Summary of Significant Accounting Policies and Forecast Assumptions For The Year Ending December 31, 2015

The 2015 operating budget forecast was prepared by the Corporation's Finance Committee and the management company (collectively "Management") and approved by the Board of Directors. The operating budget forecast presents, to the best of management's knowledge and belief, the Corporation's expected results of operations for the forecast period. Accordingly, the forecast reflects management's judgment as of December 14, 2014, the date of this forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The forecast has been prepared using generally accepted accounting principles that the Corporation expects to use when preparing its historical financial statements.

FORECAST ASSUMPTIONS

Revenue

Maintenance charges have been computed based on \$6,548 per share of stock, per month, which reflects an approximately 3% increase effective January 1, 2015. Garage and rental income are based upon current lease terms. Electricity submetering is based upon monthly consumption reports generated by an independent consultant. Laundry income is based upon a contract. A capital assessment of \$73,500, or \$0.524 per share, per month has been anticipated. Other fees and income are based upon historical experience or contracts.

Expenses

Payroll expenses and benefits are based upon a union contract and anticipated staffing requirements. Utilities are based upon rates set by the appropriate regulatory agencies. Gas heat and fuel reflects average consumption over several years and current market conditions for price. Real estate tax is computed based on the taxable assessed valuation times an estimated tax rate. A real estate tax increase of 3.0% has been anticipated for 2015. Debt service is based upon the payments required by the Corporation's outstanding mortgage payable. Loan and line of credit payments are not forecast because they are paid from reserves generated by apartment sales. Repairs and maintenance is based upon historical experience and anticipated maintenance requirements. Insurance reflects anticipated renewal premiums. Other expenses are based upon historical experience or contracts. It is anticipated that \$73,500 of cash flow from the capital assessment will be transferred to the reserve fund.

Income Tax

The Corporation is subject to Federal income tax based on net income. The Corporation is also subject to New York State Franchise tax and New York City Corporation tax calculated at the higher of tax based on net income or capital.