
NAGLE APARTMENTS CORP.

Financial Statements and
Supplementary Information for the
Years Ended December 31, 2015 and 2014

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

NAGLE APARTMENTS CORP.

Table Of Contents

Independent Auditor's Report	1
Financial Statements:	
Balance Sheets	3
Supporting Schedules - Balance Sheets	5
Statements of Operations	6
Supporting Schedules - Statements of Operations	7
Statements of Changes in Stockholders' Equity	9
Statements of Cash Flows	10
Notes to Financial Statements	11
Supplementary and Prospective Information:	19
Independent Accountant's Compilation Report on Supplementary and Prospective Information	20
Comparative Schedule of Revenue and Expenditures - Budget, Historical and Forecast	21
Summary of Significant Accounting Policies and Forecast Assumptions	22



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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, 2015 and 2014, 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, 2015 and 2014, 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.

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.

Risland, Mellino, Unterbach & Co., LLP

Plainview, New York
March 28, 2016

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

	2015	2014
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 25,319	\$ 12,807
Accounts receivable	36,260	36,088
Prepaid expenses	39,015	185,982
Escrows and voluntary escrows	367,218	405,287
Total Current Assets	467,812	640,164
Reserve Funds: (Note 3)	46,219	9,877
Total Current Assets and Reserve Funds	514,031	650,041
 Property and Improvements: (Notes 2 and 4)		
Land	316,950	316,950
Buildings	1,796,050	1,796,050
Building improvements and equipment	4,568,805	3,726,166
Total	6,681,805	5,839,166
Less: Accumulated depreciation	2,920,199	2,763,309
Net Property and Improvements	3,761,606	3,075,857
 Other Assets and Deferred Charges:		
Cash - security deposits	83,889	34,389
Utility deposits	1,350	1,350
Deferred mortgage and loan closing costs (Note 2)	60,495	71,700
Total Other Assets and Deferred Charges	145,734	107,439
Total Assets	\$ 4,421,371	\$ 3,833,337

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.
BALANCE SHEETS
AS OF DECEMBER 31,

	<u>2015</u>	<u>2014</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accrued mortgage and loan interest	\$ 11,643	\$ 9,996
Mortgage payable - current portion (Note 5)	153,532	144,225
First loan payable - current portion (Note 5)	58,488	57,906
Second loan payable - current portion (Note 5)	-	76,237
Accounts payable	273,154	269,686
Building improvements payable	128,367	-
Due to stockholders - real estate tax abatements	64,095	94,347
Advance maintenance	2,885	4,229
Accrued real estate tax	1,370	-
Accrued wages and payroll taxes	4,341	3,845
Total Current Liabilities	<u>697,875</u>	<u>660,471</u>
Long-Term and Other Liabilities:		
Mortgage payable - net of current portion (Note 5)	1,250,440	1,403,972
First loan payable - net of current portion (Note 5)	59,141	117,629
Line of credit payable (Note 5)	1,222,000	375,000
Security deposits payable	83,889	34,389
Total Long-Term and Other Liabilities	<u>2,615,470</u>	<u>1,930,990</u>
Total Liabilities	<u>3,313,345</u>	<u>2,591,461</u>
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	21,277	21,277
Accumulated deficit	(1,623,857)	(1,490,007)
Treasury stock - at cost (Note 6)	(34,305)	(34,305)
Total Stockholders' Equity	<u>1,108,026</u>	<u>1,241,876</u>
Total Liabilities and Stockholders' Equity	<u>\$ 4,421,371</u>	<u>\$ 3,833,337</u>

The accompanying notes are an integral part of this statement.

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

	<u>2015</u>	<u>2014</u>
Accounts Receivable:		
Maintenance - Stockholders (Note 2)	\$ 18,450	\$ 18,201
Real estate tax refund (Note 10)	8,994	8,321
Electricity submetering (billed in subsequent year)	7,816	8,566
Laundry income	1,000	1,000
	<u>36,260</u>	<u>36,088</u>
Total Accounts Receivable	<u>\$ 36,260</u>	<u>\$ 36,088</u>
 Prepaid Expenses:		
Insurance	\$ 29,504	\$ 25,119
Fuel	3,312	3,975
Water and sewer	2,797	16,622
Service contracts	1,801	-
Corporation taxes	1,601	2,109
Real estate tax	-	138,157
	<u>39,015</u>	<u>185,982</u>
Total Prepaid Expenses	<u>\$ 39,015</u>	<u>\$ 185,982</u>
 Escrows and Voluntary Escrows:		
Water and sewer escrow - self-controlled	\$ 163,715	\$ 153,638
Real estate tax escrow - self-controlled	102,880	105,166
Mortgage and line of credit reserve (Note 5)	100,281	100,181
Insurance escrow - self-controlled	342	46,302
	<u>367,218</u>	<u>405,287</u>
Total Escrows and Voluntary Escrows	<u>\$ 367,218</u>	<u>\$ 405,287</u>

The accompanying notes are an integral part of this statement.

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

	<u>2015</u>	<u>2014</u>
REVENUE		
Maintenance - Stockholders	\$ 918,020	\$ 891,101
Electricity submetering	64,273	63,465
Garage income (Note 8)	44,775	11,355
Sublet, late and other fees	38,371	43,080
Rental income (Note 6)	32,410	32,076
Laundry income	12,000	12,000
Stockholders' parking (Note 8)	11,500	16,068
Interest and dividends	1,615	908
	<hr/>	<hr/>
Total Revenue	1,122,964	1,070,053
	<hr/>	<hr/>
COST OF OPERATIONS		
Administrative expenses	103,785	81,153
Operating expenses	480,209	494,638
Repairs and maintenance	129,454	135,682
Taxes	283,853	276,517
Mortgage interest (Note 5)	92,220	101,009
Loan interest (Note 5)	4,118	10,473
Line of credit interest and fees (Note 5)	41,760	16,875
	<hr/>	<hr/>
Total Cost Of Operations	1,135,399	1,116,347
	<hr/>	<hr/>
Loss before other items and depreciation and amortization	(12,435)	(46,294)
Capital assessments (Note 7)	73,146	62,398
Special repairs - sewer lines	(23,380)	-
Prior year's workers compensation insurance	(3,086)	-
Special repairs - lobby and hallway painting	-	(15,600)
	<hr/>	<hr/>
INCOME BEFORE DEPRECIATION AND AMORTIZATION	34,245	504
Less: Depreciation and amortization	168,095	167,895
	<hr/>	<hr/>
Net Loss For The Year	\$ (133,850)	\$ (167,391)
	<hr/>	<hr/>

The accompanying notes are an integral part of this statement.

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

	2015	2014
Administrative Expenses:		
Management fee	\$ 50,000	\$ 48,000
Professional fees	36,214	20,151
Other administrative	15,475	10,780
Telephone and communications	2,096	2,222
	\$ 103,785	\$ 81,153
	\$ 103,785	\$ 81,153
 Operating Expenses:		
Utilities		
Electricity and gas	\$ 86,265	\$ 87,147
Gas - heat and fuel	64,530	80,804
Water and sewer	53,850	55,171
	204,645	223,122
	204,645	223,122
Payroll		
Wages	143,925	142,053
Union benefits (Note 9)	46,387	43,550
Payroll taxes	12,145	12,248
Workers' compensation and disability insurance	8,277	3,091
	210,734	200,942
	210,734	200,942
Other		
Insurance	58,125	54,206
Submetering billing service	5,443	5,443
Miscellaneous operating and permits	1,262	9,089
Laundry contract	-	1,836
	64,830	70,574
	64,830	70,574
Total Operating Expenses	\$ 480,209	\$ 494,638
	\$ 480,209	\$ 494,638

The accompanying notes are an integral part of this statement.

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

	2015	2014
Repairs and Maintenance:		
Painting, plastering and flooring	\$ 42,364	\$ 18,430
Elevator maintenance and repairs	32,423	36,309
Materials and supplies	16,589	23,492
Grounds and landscaping	11,890	10,725
Plumbing	8,502	20,416
Doors, locks and windows	6,709	367
Equipment repairs	4,788	2,594
Exterminating	3,505	9,406
Boiler, heating and water treatment	2,581	13,763
Electrical and intercom repairs	103	180
	\$ 129,454	\$ 135,682
	\$ 129,454	\$ 135,682
Taxes:		
New York City real estate tax (Note 10)	\$ 280,910	\$ 272,689
Corporation taxes (Note 11)	2,943	3,828
	\$ 283,853	\$ 276,517
	\$ 283,853	\$ 276,517
Depreciation and Amortization:		
Buildings	\$ 35,118	\$ 51,316
Building improvements	111,717	88,958
Building equipment	10,055	10,055
Amortization of deferred mortgage and loan closing costs	11,205	10,393
Amortization of deferred leasing costs	-	7,173
	\$ 168,095	\$ 167,895
	\$ 168,095	\$ 167,895

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>2015</u>	<u>2014</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	\$ 2,556,911
Transactions during the year	-	-
	<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		
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		
Balance - January 1,	\$ (1,490,007)	\$ (1,322,616)
Net loss for the year	(133,850)	(167,391)
	<u>(1,623,857)</u>	<u>(1,490,007)</u>
Balance - December 31,	<u>\$ (1,623,857)</u>	<u>\$ (1,490,007)</u>
TREASURY STOCK - AT COST (NOTE 6)		
Balance - January 1, (435 shares)	\$ (34,305)	\$ (34,305)
Transactions during the year	-	-
	<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,

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (133,850)	\$ (167,391)
Adjustments to reconcile net loss to cash provided by operating activities:		
Revenue allocated to financing activities	(73,146)	(62,398)
Depreciation and amortization	168,095	167,895
(Increase) decrease in accounts receivable	(172)	1,830
Decrease (increase) in prepaid expenses	146,967	(15,258)
Decrease (increase) in escrows and voluntary escrows	38,069	(24,072)
(Increase) in utility deposits	-	(1,350)
Increase in accounts payable	3,468	92,114
(Decrease) increase in other current liabilities	(28,083)	8,674
Total Adjustments	255,198	167,435
Cash Provided By Operating Activities	121,348	44
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in reserve fund	(36,342)	282,908
(Increase) in building improvements and equipment	(842,639)	(449,223)
Increase in building improvements payable	128,367	-
Cash (Used) By Investing Activities	(750,614)	(166,315)
CASH FLOWS FROM FINANCING ACTIVITIES		
Amortization of mortgage payable	(144,225)	(135,481)
Amortization of loans payable	(134,143)	(131,740)
Net borrowings under line of credit	847,000	375,000
(Increase) in deferred mortgage and loan closing costs	-	(42,269)
Capital assessments	73,146	62,398
Cash Provided By Financing Activities	641,778	127,908
Net increase (decrease) in cash and cash equivalents	12,512	(38,363)
Cash and cash equivalents at beginning of year	12,807	51,170
Cash and Cash Equivalents at End of Year	\$ 25,319	\$ 12,807

SUPPLEMENTAL DISCLOSURES (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.

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.

Deferred Mortgage and Loan Closing Costs

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

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, 2015 to be collectible. Accordingly, no allowance for doubtful accounts is required.

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2015 and 2014, the following transactions have taken place in the Corporation's reserve fund.

	<u>2015</u>	<u>2014</u>
Balance - January 1,	\$ 9,877	\$ 292,785
Draws from line of credit	472,000	-
Transfers from operations and escrow accounts	344,585	691,722
Transfers (to) operations and escrow accounts	(661,116)	(891,849)
Loan payments	(118,937)	(83,256)
Interest and dividends - net of service charges	(190)	475
Balance - December 31,	<u>\$ 46,219</u>	<u>\$ 9,877</u>

Reserve funds are invested as follows:

Merrill Lynch - Bank Deposit and Preferred Deposit Accounts	\$ 43,147	\$ 6,806
Hudson Valley Bank - Money Market Account	<u>3,072</u>	<u>3,071</u>
Balance - December 31,	<u>\$ 46,219</u>	<u>\$ 9,877</u>

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 4 - PROPERTY AND IMPROVEMENTS

During 2015 and 2014, the following building improvements and equipment have been capitalized.

	<u>2015</u>	<u>2014</u>
Garage roof, rooftop garden and interior project (in progress)	\$ 826,196	\$ 445,808
Window screens	12,000	-
Equipment	4,443	-
Residential roofs	<u>-</u>	<u>3,415</u>
Total	<u>\$ 842,639</u>	<u>\$ 449,223</u>

During 2016, the Corporation anticipates spending approximately \$400,000 to complete the garage roof, rooftop garden 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 Note 5 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 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>
2016	\$ 153,532	\$ 83,672	\$ 237,204
2017	163,440	73,764	237,204
2018	173,987	63,217	237,204
2019	185,215	51,989	237,204
2020	197,168	40,036	237,204

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.

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, 2015, this amount was approximately \$92,000 and the general operating and replacement reserve account had a balance of \$100,281. Additional general operating funds are maintained in the reserve fund (Note 3).

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.

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 the 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 two years are allocated as follows:

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

The second loan, in the original principal amount of \$585,000, required 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. During 2015, the second loan payable was repaid in full.

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.

Note 6 - TREASURY STOCK AND RENTAL INCOME

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>

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 6 - **TREASURY STOCK AND RENTAL INCOME** (continued)

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, 2015 and 2014, 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. As of December 31, 2015, the four treasury stock apartments were rented. Revenue from the treasury stock apartments is treated as rental income. Maintenance is reduced accordingly.

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 2014, the Corporation implemented a capital assessment of \$0.445 per share of outstanding stock, per month commencing in January 2014 which generated \$62,398. During 2015, the Corporation implemented a new capital assessment of \$0.524 per share of outstanding stock, per month commencing in January 2015, which generated \$73,146. Effective January 1, 2016, the capital assessment was increased to \$0.535 per share of outstanding stock, per month. During 2016, the capital assessment is anticipated to generate approximately \$75,000.

Note 8 - **GARAGE LEASE**

The Corporation, was the lessor under a garage lease which initially expired on December 31, 2013 but was extended for an additional year. Pursuant to this 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 and portions of 2015, the garage was closed as the Corporation performed a garage roof and interior project (Note 4). During this time period, the Corporation has been utilizing other available corporate resources to compensate for lost revenue from the garage.

During August 2015, the Corporation leased the garage to a third party operator under a ten-year agreement which expires on October 31, 2025. On a monthly basis, the Corporation receives a contractual base rent from the garage operator less credits of \$200 per month for resident stockholders who park in the garage. The \$200 monthly parking fees of the resident stockholders are directly billed by the Corporation and are separately reported on the Statements of Operations.

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 8 - GARAGE LEASE (continued)

During the next five years, the following minimum contractual base rents are scheduled to be received.

<u>Year</u>	<u>Amount</u>
2016	\$ 198,000
2017	198,000
2018	198,000
2019	198,000
2020	198,000

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 2015 and 2014, the Corporation contributed \$46,387 and \$43,550, respectively, to the Plan of which \$9,023 and \$8,526, 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, 2015, 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, 2015 and its actuary has projected 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 per annum for each eligible employee. As of January 1, 2016, the contribution rate was \$102.75 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>
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
2015/16	2,297,810	12.883	296,027

The Corporation routinely protests the taxable assessed valuation of its Property for real estate taxation purposes. During 2015, the Corporation reached a settlement with New York City to reduce the assessed valuation for tax year 2015/16. This settlement resulted in a refund of \$3,221 plus future tax savings of approximately \$29,000. Professional fees of \$6,455 were incurred in connection with this matter. There are currently no "open" tax protests.

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 refund of \$1,793 plus future tax savings of approximately \$6,794. Professional fees of approximately \$1,717 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, 2015 is patronage income within the meaning of Subchapter T.

For the year ended December 31, 2015, the Corporation sustained an operating loss and will not be liable for Federal income tax. As of December 31, 2015, the Corporation had approximately \$2,930,000 of operating loss carryforwards from prior years for Federal income tax purposes, which will expire in various years through 2034. 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 2012 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>2015</u>	<u>2014</u>
Interest paid	\$ 136,452	\$ 124,537
Income taxes paid - net of refunds	\$ 2,435	\$ 6,019

NAGLE APARTMENTS CORP.

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 due to concentration of credit risk 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, 2015 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 March 28, 2016, 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, 2015 and 2014 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, 2016, 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
March 28, 2016 for Historical Statements
December 11, 2015 for Forecast

NAGLE APARTMENTS CORP.

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

	For The Year		Prior Year	Next Year
	January 1, 2015 - December 31, 2015		January 1, 2014 - December 31, 2014	January 1, 2016 - December 31, 2016
	Budget (Unaudited)	Actual	Actual	Forecast (Unaudited)
REVENUE				
Maintenance - Stockholders (1)	\$ 918,000	\$ 918,020	\$ 891,101	\$ 927,300
Electricity submetering	61,300	64,273	63,465	69,100
Garage income	144,000	44,775	11,355	198,000 (4)
Sublet, late and other fees	50,900	38,371	43,080	52,800
Rental income	32,400	32,410	32,076	29,300
Laundry income	12,000	12,000	12,000	12,000
Stockholders' parking	-	11,500	16,068	- (4)
Interest and dividends	5,200	1,615	908	1,500
Capital assessments	73,500	73,146	62,398	75,000
TOTAL REVENUE	1,297,300	1,196,110	1,132,451	1,365,000
EXPENDITURES				
Management fee	48,000	50,000	48,000	52,000
Professional fees	27,700	36,214	20,151	42,700
Other administrative and telephone	13,100	17,571	13,002	9,000
Electricity and gas	83,200	86,265	87,147	85,700
Gas - heat and fuel	89,600	64,530	80,804	76,800
Water and sewer	30,300	53,850	55,171	41,000
Wages and related costs	214,300	210,734	200,942	219,700
Insurance	54,000	58,125	54,206	58,000
Submetering billing service	2,900	5,443	5,443	2,900
Miscellaneous operating and permits	5,000	1,262	9,089	4,800
Laundry contract	-	-	1,836	-
Repairs and maintenance	133,100	129,454	135,682	150,200
New York City real estate tax	280,900	280,910	272,689	305,500
Corporation taxes	4,500	2,943	3,828	4,500
Mortgage interest and amortization	237,200	236,444	236,490	237,200
Transfer to reserve fund (3)	73,500	73,146	62,398	75,000
TOTAL EXPENDITURES	1,297,300	1,306,891	1,286,878	1,365,000
Budgeted Surplus	<u>\$ -</u>			<u>\$ -</u>
ACTUAL OPERATING LOSS		(110,781)	(154,427)	
Mortgage amortization		144,224	135,481	
Capital assessments		73,146	62,398	
Loan and line of credit interest and fees (2)		(45,878)	(27,348)	
Special repairs - sewer lines		(23,380)	-	
Prior year's workers compensation insurance		(3,086)	-	
Special repairs - lobby and hallway painting		-	(15,600)	
INCOME BEFORE DEPRECIATION AND AMORTIZATION		<u>\$ 34,245</u>	<u>\$ 504</u>	

(1) Effective January 1, 2016, maintenance has been increased from \$6.548 to \$6.613 per share of outstanding 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, and 4 for additional information.

(4) 2016 forecast does not reflect the reclassification of credits (\$200 per month) for resident stockholders who park in the garage.

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, 2016

The 2016 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 11, 2015, 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 \$6.613 per share of outstanding stock, per month, which reflects an approximately 1% increase effective January 1, 2016. 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 \$75,000, or \$0.535 per share of outstanding stock, 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 8.75% has been anticipated for 2016. 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 or proceeds 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 \$75,000 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.