
NAGLE APARTMENTS CORP.

Financial Statements and
Supplementary Information for the
Years Ended December 31, 2010 and 2009

NAGLE APARTMENTS CORP.

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying balance sheets (with supporting schedules) of NAGLE APARTMENTS CORP. as of December 31, 2010 and 2009, and the related statements of operations (with supporting schedules), changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2010 and 2009 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.

As discussed in Note 2, the Corporation has not estimated the remaining lives and replacement costs of the common property and, therefore, has not presented information on future major repairs and replacements that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Prisand, Mellina, Unterlack & Co., LLP

April 27, 2011

NAGLE APARTMENTS CORP.
BALANCE SHEETS
AS OF DECEMBER 31,

	2010	2009
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 8,843	\$ 6,433
Accounts receivable	101,638	87,124
Prepaid expenses	207,940	186,796
Escrows and voluntary escrows	231,959	175,997
<hr/>	<hr/>	<hr/>
Total Current Assets	550,380	456,350
Reserve Fund: (Note 3)	<hr/> 610,609	<hr/> 337,846
Total Current Assets and Reserve Fund	<hr/> 1,160,989	<hr/> 794,196
<hr/>	<hr/>	<hr/>
Property and Improvements: (Notes 2 and 4)		
Land	316,950	316,950
Building	1,796,050	1,796,050
Building improvements and equipment	2,462,931	2,438,711
<hr/>	<hr/>	<hr/>
Total	4,575,931	4,551,711
Less: Accumulated depreciation	2,155,340	2,001,130
<hr/>	<hr/>	<hr/>
Net Property and Improvements	2,420,591	2,550,581
<hr/>	<hr/>	<hr/>
Other Assets and Deferred Charges:		
Cash - security deposits	36,779	37,260
Deferred treasury stock costs (Note 6)	75,139	75,885
Deferred mortgage and loan closing costs (Note 2)	56,424	62,757
Deferred leasing costs (Note 2)	28,692	35,866
<hr/>	<hr/>	<hr/>
Total Other Assets and Deferred Charges	197,034	211,768
<hr/>	<hr/>	<hr/>
Total Assets	<hr/> \$ 3,778,614	<hr/> \$ 3,556,545
<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.
BALANCE SHEETS
AS OF DECEMBER 31,

	2010	2009
LIABILITIES		
Current Liabilities:		
Mortgage payable - current portion (Note 5)	\$ 112,306	\$ 105,498
First loan payable - current portion (Note 5)	55,636	55,083
Second loan payable - current portion (Note 5)	54,905	49,253
Due to stockholders - real estate tax abatements	66,589	54,300
Accounts payable	60,802	72,416
Accrued mortgage and loan interest	13,660	14,731
Accrued wages and payroll taxes	2,754	1,926
Advance maintenance	1,040	824
 Total Current Liabilities	 367,692	 354,031
 Long-Term and Other Liabilities:		
Mortgage payable - net of current portion (Note 5)	1,930,499	2,042,805
First loan payable - net of current portion (Note 5)	345,735	401,390
Second loan payable - net of current portion (Note 5)	349,252	427,558
Security deposits payable	36,779	37,260
 Total Long-Term and Other Liabilities	 2,662,265	 2,909,013
 Total Liabilities	 3,029,957	 3,263,044
 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	1,703,873	1,174,144
Accumulated deficit	(1,058,104)	(970,506)
Less: Treasury stock at cost (Note 6)	(74,918)	(96,605)
Unrealized loss on investments (Note 13)	(10,194)	(1,532)
 Total Stockholders' Equity	 748,657	 293,501
 Total Liabilities and Stockholders' Equity	 \$ 3,778,614	 \$ 3,556,545

The accompanying notes are an integral part of this statement.

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

	2010	2009
Accounts Receivable:		
Maintenance - Shareholders (Note 2)	\$ 58,052	\$ 69,329
Rents receivable	29,992	3,530
Electricity submetering (billed in subsequent year)	11,608	12,476
Laundry income	1,986	1,789
 Total Accounts Receivable	 \$ 101,638	 \$ 87,124
 Prepaid Expenses:		
Real estate tax	\$ 119,367	\$ 109,662
Water and sewer charges	58,446	40,574
Insurance	22,846	32,208
Fuel inventory	6,122	2,852
Corporation taxes	1,159	1,500
 Total Prepaid Expenses	 \$ 207,940	 \$ 186,796
 Escrows and Voluntary Escrows:		
Real estate tax - self escrow	\$ 100,121	\$ -
Mortgage reserve fund (Note 5)	71,524	81,682
Water and sewer - self escrow	49,184	52,840
Insurance - self escrow	11,130	41,475
 Total Escrows and Voluntary Escrows	 \$ 231,959	 \$ 175,997

The accompanying notes are an integral part of this statement.

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

	2010	2009
REVENUE		
Maintenance - Shareholders	\$ 798,127	\$ 790,977
Garage income (Note 7)	128,655	128,397
Electricity submetering	67,441	60,129
Rental income	50,832	54,873
Sublet, late and other fees	40,007	23,782
Stockholders' parking	33,112	28,074
Laundry income	22,164	20,860
Interest and dividends	14,594	12,491
 Total Revenue	 1,154,932	 1,119,583
 COST OF OPERATIONS		
Administrative expenses	71,694	70,970
Operating expenses	478,743	466,489
Repairs and maintenance	126,160	107,561
Taxes	230,854	214,992
Mortgage interest (Note 5)	131,150	137,579
Loan interest (Note 5)	37,848	43,918
 Total Cost Of Operations	 1,076,449	 1,041,509
 Income before special item and depreciation and amortization		
	78,483	78,074
Realized gain on sale of investments	1,634	18,169
 INCOME BEFORE DEPRECIATION AND AMORTIZATION		
	80,117	96,243
Less: Depreciation and amortization	167,715	156,541
 Net Loss For The Year	 \$ (87,598)	 \$ (60,298)

The accompanying notes are an integral part of this statement.

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

	2010	2009
Administrative Expenses:		
Management fee	\$ 43,000	\$ 43,000
Professional fees	17,668	18,064
Other administrative	8,126	7,080
Telephone and communications	2,900	2,826
 Total Administrative Expenses	 \$ 71,694	 \$ 70,970
 Operating Expenses:		
Utilities		
Gas heat and fuel	\$ 93,480	\$ 100,710
Electricity and gas	80,158	71,346
Water and sewer	75,404	76,221
 249,042	 248,277	
Payroll		
Wages	120,044	127,816
Payroll taxes	10,155	10,655
Union benefits (Note 8)	28,708	10,170
Workers' compensation and disability insurance	3,024	3,181
 161,931	 151,822	
Other		
Insurance	40,661	37,121
Laundry contract	20,518	20,054
Submetering billing service	4,640	5,295
Miscellaneous operating and permits	1,951	3,920
 67,770	 66,390	
 Total Operating Expenses	 \$ 478,743	 \$ 466,489

The accompanying notes are an integral part of this statement.

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

	2010	2009
Repairs and Maintenance:		
Painting, plastering and flooring	\$ 33,563	\$ 30,248
Elevator maintenance and repairs	25,667	18,929
Materials and supplies	18,436	15,062
Grounds and landscaping	13,143	9,838
Plumbing	10,153	6,459
Exterior repairs	7,000	-
Exterminating	5,448	4,576
Equipment repairs	3,789	6,336
Electrical and intercom repairs	3,481	1,396
Boiler, heating and water treatment	2,940	6,686
Doors, locks and windows	2,540	1,613
Metal maintenance	-	4,064
Miscellaneous repairs	-	2,354
 Total Repairs and Maintenance	 \$ 126,160	 \$ 107,561
 Taxes:		
New York City real estate tax (Note 9)	\$ 228,830	\$ 213,336
Corporation taxes (Note 10)	2,024	1,656
 Total Taxes	 \$ 230,854	 \$ 214,992
 Depreciation and Amortization:		
Building	\$ 51,316	\$ 51,316
Building improvements	92,838	81,419
Building equipment	10,055	10,055
Amortization of deferred leasing costs	7,173	7,173
Amortization of deferred mortgage and loan closing costs	6,333	6,578
 Total Depreciation and Amortization	 \$ 167,715	 \$ 156,541

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,

	2010	2009
COMMON STOCK		
Balance - January 1,	\$ 12,120	\$ 12,120
Transactions during the year	-	-
Balance - December 31,	<u><u>\$ 12,120</u></u>	<u><u>\$ 12,120</u></u>
PAID-IN CAPITAL IN EXCESS OF PAR VALUE		
Balance - January 1,	\$ 175,880	\$ 175,880
Transactions during the year	-	-
Balance - December 31,	<u><u>\$ 175,880</u></u>	<u><u>\$ 175,880</u></u>
PAID-IN CAPITAL FROM TREASURY STOCK		
Balance - January 1,	\$ 1,174,144	\$ 937,289
Sale of 275 and 105 shares of treasury stock in excess of allocated costs	529,729	236,855
Balance - December 31,	<u><u>\$ 1,703,873</u></u>	<u><u>\$ 1,174,144</u></u>
ACCUMULATED DEFICIT		
Balance - January 1,	\$ (970,506)	\$ (910,208)
Net loss for the year	(87,598)	(60,298)
Balance - December 31	<u><u>\$ (1,058,104)</u></u>	<u><u>\$ (970,506)</u></u>
TREASURY STOCK		
Balance - January 1, (1,225 and 1,330 shares)	\$ (96,605)	\$ (104,885)
Sale of 275 and 105 shares at allocated cost	21,687	8,280
Balance - December 31, (950 and 1,225 shares)	<u><u>\$ (74,918)</u></u>	<u><u>\$ (96,605)</u></u>
UNREALIZED (LOSS) GAIN ON INVESTMENTS		
Balance - January 1,	\$ (1,532)	\$ 16,794
Unrealized loss on investments	(8,662)	(18,326)
Balance - December 31,	<u><u>\$ (10,194)</u></u>	<u><u>\$ (1,532)</u></u>

The accompanying notes are an integral part of this statement.

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

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (87,598)	\$ (60,298)
Adjustments to reconcile net loss to cash (used) provided by operating activities:		
Depreciation and amortization	167,715	156,541
(Increase) in accounts receivable	(14,514)	(45,746)
(Increase) in prepaid expenses	(21,144)	(118,126)
(Increase) decrease in cash portion of escrows	(59,415)	31,118
(Decrease) increase in accounts payable	(11,613)	9,175
Increase in other current liabilities	12,263	34,745
 Total Adjustments	 73,292	 67,707
 Cash (Used) Provided By Operating Activities	 (14,306)	 7,409
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in cash portion of reserve fund	(277,972)	141,614
(Increase) in building improvements	(24,220)	(130,979)
Decrease in notes receivable	-	3,538
 Cash (Used) Provided By Investing Activities	 (302,192)	 14,173
CASH FLOWS FROM FINANCING ACTIVITIES		
Amortization of mortgage payable	(105,498)	(99,102)
Amortization of loans payable	(127,756)	(121,885)
Proceeds from sale of treasury stock	551,416	245,135
Decrease (increase) in deferred treasury stock costs	746	(80,732)
 Cash Provided (Used) By Financing Activities	 318,908	 (56,584)
 Net increase (decrease) in cash and cash equivalents	 2,410	 (35,002)
 Cash and cash equivalents - January 1,	 6,433	 41,435
 Cash and Cash Equivalents - December 31,	 \$ 8,843	 \$ 6,433

SUPPLEMENTAL DISCLOSURES - SEE NOTE 13

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 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 of 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.

Revenue Recognition/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, 2010 to be collectible. Accordingly, no allowance for doubtful accounts is required.

Deferred Expenses

Mortgage and loan closing costs are deferred and then amortized over the life of the obligation the straight-line basis. Costs associated with the garage lease are deferred and then amortized over the term of the lease.

Statement of Cash Flows

Cash and cash equivalents are stated at cost which approximates fair value. 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.

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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, impose assessments, utilize proceeds from treasury stock apartment sales, or delay repairs and replacements until funds are available.

Note 3 - RESERVE FUND

The following cash transactions have taken place in the Corporation's reserve fund:

	<u>2010</u>	<u>2009</u>
Balance - January 1,	\$ 337,846	\$ 466,951
Add: Transfers from operations	1,060,172	58,452
Proceeds from sale of treasury stock apartments	529,729	236,855
Repayment of loan used to prepay real estate taxes	48,750	71,250
Interest and dividends - net of service charges	6,423	8,933
Realized gain on sale of investments	1,634	13,725
Less: Transfers to operations	(1,231,221)	(232,196)
Loan payments	(142,724)	(166,124)
Loan to operations to prepay real estate taxes	_____	(120,000)
Balance - December 31,	<u>\$ 610,609</u>	<u>\$ 337,846</u>

Reserve funds are stated at fair value and are invested as follows:

Vanguard Funds	\$ 617,151	\$ 338,705
Hudson Valley Bank - Money Market Account	_____	474
Total	617,151	339,179
Less: Unrealized loss on investments	(6,542)	(1,333)
Balance - December 31,	<u>\$ 610,609</u>	<u>\$ 337,846</u>

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 4 - PROPERTY AND IMPROVEMENTS

Building improvements and equipment were capitalized as follows:

	<u>2010</u>	<u>2009</u>
Roof	\$ 21,700	\$ 10,000
Storage lockers	2,520	2,700
Window replacement project	-	78,276
Security cameras	-	21,703
Landscaping	-	12,800
Air conditioners	-	5,500
 Total	 <u>\$ 24,220</u>	 <u>\$ 130,979</u>

During 2011, the Corporation anticipates spending approximately \$600,000 on a residential building roof replacement project. This project is subject to change orders and professional fees as the work progresses. The Corporation anticipates using the reserve fund and proceeds from the sale of treasury stock apartments to fund this project.

Note 5 - MORTGAGE AND LOANS PAYABLE

Mortgage Payable

The mortgage payable is held by National Cooperative Bank ("NCB") in the original principal amount of \$2,700,000. 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>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 112,306	\$ 124,898	\$ 237,204
2012	119,553	117,651	237,204
2013	127,268	109,936	237,204
2014	135,481	101,723	237,204
2015	144,225	92,979	237,204

In connection with the mortgage payable, the Corporation is required to maintain general operating and replacement reserve accounts in a combined 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, 2010, this amount was approximately \$79,800 and the general operating and replacement reserve account had a balance of \$71,524. It is the Corporation's intention to replace the account shortfall within 180 days. Additional funds are held in the Corporation's reserve fund (See Note 3).

Prepayment Terms

No prepayment is allowed prior to May 1, 2010. Thereafter, the loan 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. Prepayment in whole may be made without penalty during the ninety days preceding maturity.

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 5 - MORTGAGE AND LOANS PAYABLE (continued)

Line of Credit

The Corporation also has a \$250,000 revolving line of credit with NCB. Terms of the line of credit require interest only payments at the rate of 2% over NCB's base rate index. The line of credit will mature at the earlier of May 1, 2023 or refinancing of the underlying first mortgage. As of December 31, 2010, no balance was outstanding.

Loans Payable

The Corporation has two unsecured loans with Amalgamated Bank in a total 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% per annum with the balance as a reduction of principal. This loan matures on December 1, 2017, at which time it will be fully amortized. The original interest rate of 7.5% 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 five years are allocated as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 55,636	\$ 3,760	\$ 59,396
2012	56,195	3,201	59,396
2013	56,760	2,636	59,396
2014	57,330	2,066	59,396
2015	57,906	1,490	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 7.5% per annum with the balance as a reduction of principal. In any November during the loan term, the Corporation may prepay \$23,400 without any penalties or fees. During November 2009 and 2010, the Corporation elected to make these payments. The loan matures on December 1, 2017, but is expected to be paid in full in approximately January 2017.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 54,905	\$ 28,424	\$ 83,329
2012	59,167	24,162	83,329
2013	63,761	19,568	83,329
2014	68,711	14,618	83,329
2015	74,045	9,284	83,329

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 6 - ACQUISITION AND SALE OF TREASURY STOCK

The following schedule summarizes the 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</u> <u>Price</u>	<u>Selling/Closing</u> <u>Costs</u>	<u>Acquisition</u> <u>Costs</u>	<u>Gain</u> <u>on Sales</u>
1997 - 2004	1,605	\$ 602,500	\$ 62,840	\$ 125,061	\$ 414,599
2005	140	44,200	2,242	13,592	28,366
2006	115	265,000	23,124	9,069	232,807
2008	135	290,000	17,837	10,646	261,517
2009	105	276,000	30,865	8,280	236,855
2010	<u>275</u>	<u>672,000</u>	<u>120,584</u>	<u>21,687</u>	<u>529,729</u>
	<u>2,375</u>	<u>\$ 2,149,700</u>	<u>\$ 257,492</u>	<u>\$ 188,335</u>	<u>\$ 1,703,873</u>

The gain on sales is recorded as paid-in capital from treasury stock. At December 31, 2010 and 2009, the Corporation held 950 and 1,225 shares of treasury stock appurtenant to 8 and 10 apartments, respectively. It is the Corporation's intention to sell additional treasury stock apartments. During 2010, the Corporation incurred \$75,139 of renovation costs on two units, which has been deferred until they are ultimately sold. The Corporation is in contract to sell 140 shares applicable to one unit for \$342,000 and anticipates selling the other unit in 2011.

Note 7 - GARAGE LEASE

The Corporation, as lessor under a garage lease which expires on December 31, 2013, will receive minimum base rents over each of the next three years as indicated below.

2011	\$ 157,522
2012	158,937
2013	165,366

The above rents will be 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 contains a real estate tax escalation clause allowing for possible additional rents.

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 8 - PENSION CONTRIBUTIONS

The Corporation makes contributions to a union sponsored multi-employer pension plan based on the number of weeks worked by each employee covered under the union contract. Pension expense, which is a component of union benefits, was \$6,718 and \$2,213 for the years ended December 31, 2010 and 2009.

Note 9 - REAL ESTATE TAX

New York City real estate taxes have been originally assessed as follows:

<u>Fiscal Year</u>	<u>Taxable Valuation</u>	<u>Tax Rate</u>	<u>Tax</u>
2006/07	\$ 1,685,700	12.737	\$ 214,708
2007/08	1,452,400	11.928	173,242
2008/09 (1 st half)	1,569,400	12.139	95,255
2008/09 (2 nd half)	1,569,400	13.053	102,427
2009/10	1,667,200	13.241	220,754
2010/11	1,784,900	13.353	238,338

The Corporation routinely protests the taxable assessed valuation of its Property for real estate taxation purposes. Protests are currently pending for the tax years 2009/10 and 2010/11.

Note 10 - CORPORATION TAXES

In accordance with ASC 740, *Income Taxes*, the Corporation is required to disclose and recognize any material tax provisions resulting from uncertain tax positions.

Federal income tax is computed pursuant to Subchapter T of the Internal Revenue Code. Under Subchapter T, a Cooperative is required to classify its income and expenses as patronage or non-patronage sourced. Income is patronage sourced if it is derived from an activity that is so closely intertwined with the main cooperative effort that it may be characterized as directly related to, and inseparable from, the Cooperative's principal business activity, and thus facilitates the accomplishment of the Cooperative's business purpose. Income from non-patronage sources in excess of allocable expenses may be subject to tax. The Corporation believes that all of its income is effectively patronage sourced and if this position is subjected to examination and settlement by a taxing authority, there will not be a significant change in the Corporation's financial position or results of operations.

For the year ended December 31, 2010, the Corporation had a net loss for both financial reporting and income tax purposes. The Corporation has also incurred cumulative net operating losses for tax purposes, which are available to be carried forward to future tax periods. It is believed that the Corporation will not benefit from any deferred tax benefits resulting from prior net operating losses, therefore, no deferred tax assets have been recognized.

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 2007 remain open to examination by the respective taxing authorities. There are currently no tax examinations in progress.

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 11 - 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, 2010 are either without merit or the ultimate losses, if any, would not have a material adverse effect on the financial positions or results of operations of the Corporation.

Note 12 - CONCENTRATION OF CREDIT RISK AND SUBSEQUENT EVENT

The Corporation maintains its cash in bank deposit accounts at financial institutions which, at times, may exceed federally insured limits and in money market funds that are not FDIC insured. The Corporation makes every effort to maintain its cash in FDIC insured accounts or government backed investments and has not experienced any losses in such accounts. Subsequent to year end, the Corporation sold its investments in government backed securities and is now investing in cash accounts at Hudson Valley Bank.

Note 13 - STATEMENTS OF CASH FLOWS - SUPPLEMENTAL DISCLOSURES

	<u>2010</u>	<u>2009</u>
Interest paid	\$ 170,070	\$ 182,335
Income taxes paid (net of refunds)	1,683	2,251
Non-Cash Transactions		
Unrealized loss on reserve fund investments	(\$ 6,542)	(\$ 1,333)
Unrealized loss on escrow investments	(3,652)	(199)

Note 14 - OTHER MATTERS

The Corporation has recorded the following portfolio activity:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 14,594	\$ 12,491
Realized gain on sale of investments	1,634	18,169
Unrealized loss on investments	(10,194)	(1,532)
 Total	 \$ 6,034	 \$ 29,128

The unrealized loss on investments listed above is expected to be realized in 2011 when the securities are sold.

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 27, 2011, the date that the financial statements were available to be issued.

**S U P P L E M E N T A R Y A N D P R O S P E C T I V E
I N F O R M A T I O N**



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

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

To The Board of Directors and Stockholders of
NAGLE APARTMENTS CORP.

Our report on our audits of the basic financial statements of NAGLE APARTMENTS CORP. for the years ended December 31, 2010 and 2009 appears on Page 1 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 budget forecast of NAGLE APARTMENTS CORP. for the year ending December 31, 2011, in accordance with guidelines established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of forecasted data information that is the representation of management and does not include evaluation of the support for the assumptions underlying the presentation. We have not examined the presentation and, accordingly, do not express an opinion or any other form of assurance on the accompanying presentation 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

April 27, 2011 for Historical Statements
December 12, 2010 for Forecast

NAGLE APARTMENTS CORP.

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

	For The Year		Prior Year	Next Year
	<u>January 1, 2010 - December 31, 2010</u>		<u>January 1, 2009 - December 31, 2009</u>	<u>January 1, 2011 - December 31, 2011</u>
	Budget (Unaudited)	Actual	Actual	Forecast (Unaudited)
REVENUE				
Maintenance - Shareholders (1)	\$ 800,100	\$ 798,127	\$ 790,977	\$ 842,600
Garage income	136,100	128,655	128,397	124,000
Electricity submetering	59,300	67,441	60,129	66,900
Rental income	52,000	50,832	54,873	33,500
Sublet, late and other fees	53,000	40,007	23,782	61,000
Stockholders' parking	27,600	33,112	28,074	27,600
Laundry income	20,000	22,164	20,860	26,400
Interest and dividends	14,900	14,594	12,491	5,500
Vacancy loss recovery	-	-	-	40,000
TOTAL REVENUE	1,163,000	1,154,932	1,119,583	1,227,500
EXPENDITURES				
Management fee	44,700	43,000	43,000	44,700
Professional fees	30,900	17,668	18,064	38,300
Other administrative and telephone	11,600	11,026	9,906	11,000
Gas heat and fuel	110,300	93,480	100,710	112,400
Water and sewer	89,000	75,404	76,221	108,400
Electricity and gas	72,300	80,158	71,346	79,400
Wages and related costs	159,300	161,931	151,822	182,400
Insurance	37,500	40,661	37,121	37,300
Laundry contract	20,400	20,518	20,054	17,300
Submetering billing service	4,900	4,640	5,295	4,300
Miscellaneous operating and permits	4,100	1,951	3,920	4,900
Repairs and maintenance	106,900	126,160	107,561	105,000
New York City real estate tax	230,300	228,830	213,336	242,000
Corporation taxes	2,900	2,024	1,656	2,900
Mortgage interest and amortization	237,200	236,648	236,681	237,200
Reserve funding (2)	-	-	-	-
TOTAL EXPENDITURES	1,162,300	1,144,099	1,096,693	1,227,500
Budgeted Surplus	<u>\$ 700</u>			<u>\$ -</u>
ACTUAL OPERATING (LOSS) INCOME		10,833	22,890	
Mortgage amortization		105,498	99,102	
Realized gain on sale of investments		1,634	18,169	
Loan interest (3)		(37,848)	(43,918)	
INCOME BEFORE DEPRECIATION	\$ 80,117	\$ 96,243		

(1) Maintenance has been increased to \$6.20 per share of stock, per month, from \$6.05 per share effective January 1, 2011.

(2) The Corporation intends to transfer \$300,000 to the reserve fund with the proceeds from apartment sales.

(3) In addition to interest, the principal portion of the loan payments is being paid from reserves with proceeds of apartment sales.

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

**Summary of Significant Accounting Policies and Forecast Assumptions
For The Year Ending December 31, 2011**

The 2011 financial forecast was prepared by the Corporation's Finance Committee and the management company (collectively "Management") and approved by the Board of Directors. The financial 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 12, 2010, 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 \$6.20 per share of stock, per month, which is an increase of \$0.15 per share of stock. 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. 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 approximately 5.8% has been anticipated for 2011. Debt service is based upon the payments required by the Corporation's outstanding mortgage payable. Loan payments are not forecast because they are paid from reserves generated by apartment sales. Repairs and maintenance are based upon historical experience and anticipated maintenance requirements. Insurance reflects anticipated renewal premiums. Other expenses are based upon historical experience or contracts.

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.