
NAGLE APARTMENTS CORP.

Financial Statements and
Supplementary Information for the
Years Ended December 31, 2011 and 2010

NAGLE APARTMENTS CORP.

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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, 2011 and 2010, 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, 2011 and 2010 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, 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.

Prisand, Mellina, Unterlack + Co., LLP

March 12, 2012

NAGLE APARTMENTS CORP.
BALANCE SHEETS
AS OF DECEMBER 31,

	2011	2010
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 14,999	\$ 8,843
Accounts receivable	62,000	101,638
Prepaid expenses	197,152	207,940
Escrows and voluntary escrows	235,146	231,959
 Total Current Assets	 509,297	 550,380
 Reserve Fund: (Note 3)	 526,397	 610,609
 Total Current Assets and Reserve Fund	 1,035,694	 1,160,989
 Property and Improvements: (Notes 2 and 4)		
Land	316,950	316,950
Building	1,796,050	1,796,050
Building improvements and equipment	3,092,779	2,462,931
 Total	 5,205,779	 4,575,931
Less: Accumulated depreciation	2,306,077	2,155,340
 Net Property and Improvements	 2,899,702	 2,420,591
 Other Assets and Deferred Charges:		
Cash - security deposits	36,870	36,779
Deferred treasury stock costs (Note 6)	52,899	75,139
Deferred mortgage and loan closing costs (Note 2)	50,091	56,424
Deferred leasing costs (Note 2)	21,519	28,692
 Total Other Assets and Deferred Charges	 161,379	 197,034
 Total Assets	 \$ 4,096,775	 \$ 3,778,614

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.
BALANCE SHEETS
AS OF DECEMBER 31,

	2011	2010
LIABILITIES		
Current Liabilities:		
Accrued mortgage and loan interest	\$ 12,408	\$ 13,660
Mortgage payable - current portion (Note 5)	119,553	112,306
First loan payable - current portion (Note 5)	56,195	55,636
Second loan payable - current portion (Note 5)	60,995	54,905
Accounts payable	76,597	60,802
Building improvements payable	163,627	-
Due to stockholders - real estate tax abatements	68,995	66,589
Accrued wages and payroll taxes	1,657	2,754
Advance maintenance	2,901	1,040
<hr/>		
Total Current Liabilities	562,928	367,692
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Long-Term and Other Liabilities:		
Mortgage payable - net of current portion (Note 5)	1,810,946	1,930,499
First loan payable - net of current portion (Note 5)	289,540	345,735
Second loan payable - net of current portion (Note 5)	264,711	349,252
Security deposits payable	36,870	36,779
<hr/>		
Total Long-Term and Other Liabilities	2,402,067	2,662,265
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Total Liabilities	2,964,995	3,029,957
<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	2,157,919	1,703,873
Accumulated deficit	(1,141,221)	(1,058,104)
Treasury stock - at cost (Note 6)	(53,626)	(74,918)
Unrealized loss on investments (Note 14)	(19,292)	(10,194)
<hr/>		
Total Stockholders' Equity	1,131,780	748,657
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Total Liabilities and Stockholders' Equity	\$ 4,096,775	\$ 3,778,614
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The accompanying notes are an integral part of this statement.

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

	2011	2010
Accounts Receivable:		
Maintenance - Shareholders (Note 2)	\$ 47,357	\$ 58,052
Electricity submetering (billed in subsequent year)	12,261	11,608
Laundry income	2,382	1,986
Rents receivable	-	29,992
 Total Accounts Receivable	 \$ 62,000	 \$ 101,638
 Prepaid Expenses:		
Real estate tax	\$ 124,286	\$ 119,367
Water and sewer	46,360	58,446
Insurance	21,364	22,846
Fuel	3,606	6,122
Corporation taxes	1,536	1,159
 Total Prepaid Expenses	 \$ 197,152	 \$ 207,940
 Escrows and Voluntary Escrows:		
Real estate tax - self escrow	\$ 102,969	\$ 100,121
Mortgage reserve fund (Note 5)	82,208	71,524
Water and sewer - self escrow	28,834	49,184
Insurance - self escrow	21,135	11,130
 Total Escrows and Voluntary Escrows	 \$ 235,146	 \$ 231,959

The accompanying notes are an integral part of this statement.

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

	2011	2010
REVENUE		
Maintenance - Shareholders	\$ 835,511	\$ 798,127
Garage income (Note 7)	135,463	128,655
Electricity submetering	66,981	67,441
Rental income	43,000	50,832
Sublet, late and other fees	42,997	40,007
Stockholders' parking	30,530	33,112
Laundry income	27,576	22,164
Interest and dividends (Note 14)	9,388	14,594
 Total Revenue	 1,191,446	 1,154,932
COST OF OPERATIONS		
Administrative expenses	87,172	71,694
Operating expenses	489,741	478,743
Repairs and maintenance	111,539	126,160
Taxes	246,008	230,854
Mortgage interest (Note 5)	124,306	131,150
Loan interest (Note 5)	31,373	37,848
 Total Cost Of Operations	 1,090,139	 1,076,449
Income before special items and depreciation and amortization	 101,307	 78,483
Bad debt expense - rental apartment	(20,178)	-
Realized gain on sale of investments	-	1,634
 INCOME BEFORE DEPRECIATION AND AMORTIZATION	 81,129	 80,117
Less: Depreciation and amortization	164,246	167,715
 Net Loss For The Year	 \$ (83,117)	 \$ (87,598)

The accompanying notes are an integral part of this statement.

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

	2011	2010
Administrative Expenses:		
Management fee	\$ 44,700	\$ 43,000
Professional fees	30,403	17,668
Other administrative	9,517	8,126
Telephone and communications	2,552	2,900
 Total Administrative Expenses	 \$ 87,172	 \$ 71,694
 Operating Expenses:		
Utilities		
Gas heat and fuel	\$ 92,010	\$ 93,480
Electricity and gas	80,949	80,158
Water and sewer	60,739	75,404
 233,698	 249,042	
Payroll		
Wages	128,492	120,044
Union benefits (Note 8)	35,791	28,708
Payroll taxes	10,963	10,155
Workers' compensation and disability insurance	6,518	3,024
 181,764	 161,931	
Other		
Insurance	43,888	40,661
Laundry contract	20,894	20,518
Submetering billing service	5,230	4,640
Miscellaneous operating and permits	4,267	1,951
 74,279	 67,770	
 Total Operating Expenses	 \$ 489,741	 \$ 478,743

The accompanying notes are an integral part of this statement.

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

	2011	2010
Repairs and Maintenance:		
Painting, plastering and flooring	\$ 42,883	\$ 33,563
Elevator maintenance and repairs	23,194	25,667
Materials and supplies	14,773	18,436
Boiler, heating and water treatment	11,082	2,940
Grounds and landscaping	8,150	13,143
Exterminating	5,720	5,448
Electrical and intercom repairs	2,482	3,481
Plumbing	1,368	10,153
Doors, locks and windows	1,210	2,540
Equipment repairs	677	3,789
Exterior repairs	-	7,000
 Total Repairs and Maintenance	 \$ 111,539	 \$ 126,160
 Taxes:		
New York City real estate tax (Note 9)	\$ 243,533	\$ 228,830
Corporation taxes (Note 10)	2,475	2,024
 Total Taxes	 \$ 246,008	 \$ 230,854
 Depreciation and Amortization:		
Building	\$ 51,316	\$ 51,316
Building improvements	89,369	92,838
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	6,333
 Total Depreciation and Amortization	 \$ 164,246	 \$ 167,715

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,

	2011	2010
COMMON STOCK		
Balance - January 1,	\$ 12,120	\$ 12,120
Transactions during the year	-	-
Balance - December 31,	\$ 12,120	\$ 12,120
PAID-IN CAPITAL IN EXCESS OF PAR VALUE		
Balance - January 1,	\$ 175,880	\$ 175,880
Transactions during the year	-	-
Balance - December 31,	\$ 175,880	\$ 175,880
PAID-IN CAPITAL FROM TREASURY STOCK		
Balance - January 1,	\$ 1,703,873	\$ 1,174,144
Sale of 270 and 275 shares of treasury stock in excess of allocated costs	454,046	529,729
Balance - December 31,	\$ 2,157,919	\$ 1,703,873
ACCUMULATED DEFICIT		
Balance - January 1,	\$ (1,058,104)	\$ (970,506)
Net loss for the year	(83,117)	(87,598)
Balance - December 31,	\$ (1,141,221)	\$ (1,058,104)
TREASURY STOCK - AT COST		
Balance - January 1, (950 and 1,225 shares)	\$ (74,918)	\$ (96,605)
Sale of 270 and 275 shares at allocated cost	21,292	21,687
Balance - December 31, (680 and 950 shares)	\$ (53,626)	\$ (74,918)
UNREALIZED (LOSS) GAIN ON INVESTMENTS		
Balance - January 1,	\$ (10,194)	\$ (1,532)
Unrealized loss on investments	(9,098)	(8,662)
Balance - December 31,	\$ (19,292)	\$ (10,194)

The accompanying notes are an integral part of this statement.

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

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (83,117)	\$ (87,598)
Adjustments to reconcile net loss to cash provided (used) by operating activities:		
Depreciation and amortization	164,246	167,715
Decrease (increase) in accounts receivable	39,638	(14,514)
Decrease (increase) in prepaid expenses	10,788	(21,144)
(Increase) in cash portion of escrows	(5,979)	(59,415)
Increase (decrease) in accounts payable	15,795	(11,613)
Increase in other current liabilities	1,915	12,263
Total Adjustments	226,403	73,292
Cash Provided (Used) By Operating Activities	143,286	(14,306)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in cash portion of reserve fund	77,906	(277,972)
(Increase) in building improvements	(629,848)	(24,220)
Increase in building improvements payable	163,627	-
Cash (Used) By Investing Activities	(388,315)	(302,192)
CASH FLOWS FROM FINANCING ACTIVITIES		
Amortization of mortgage payable	(112,306)	(105,498)
Amortization of loans payable	(134,087)	(127,756)
Paid-in capital - treasury stock transactions	454,046	529,729
Sale of treasury stock	21,292	21,687
Decrease in deferred treasury stock costs	22,240	746
Cash Provided By Financing Activities	251,185	318,908
Net increase in cash and cash equivalents	6,156	2,410
Cash and cash equivalents at beginning of year	8,843	6,433
Cash and Cash Equivalents at End of Year	<u>\$ 14,999</u>	<u>\$ 8,843</u>

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, 2011 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 each obligation on a 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. 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.

Note 3 - RESERVE FUND

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

	<u>2011</u>	<u>2010</u>
Balance - January 1,	\$ 610,609	\$ 337,846
Add: Transfers from operations	1,975,755	1,060,172
Proceeds from sale of treasury stock apartments	454,046	529,729
Repayment of loan used to prepay real estate taxes	-	48,750
Interest and dividends - net of service charges	5,844	6,423
Realized gain on sale of investments	-	1,634
Less: Transfers to operations	(2,377,133)	(1,231,221)
Loan payments	(142,724)	(142,724)
Balance - December 31,	<u>\$ 526,397</u>	<u>\$ 610,609</u>

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

Vanguard Funds	\$ 510,538	\$ 617,151
JP Morgan Chase	25,638	-
Hudson Valley Bank	<u>3,069</u>	<u>-</u>
 Total	 539,245	 617,151
Less: Unrealized loss on investments	(12,848)	(6,542)
Balance - December 31,	<u>\$ 526,397</u>	<u>\$ 610,609</u>

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 4 - PROPERTY AND IMPROVEMENTS

During the years ended December 31, 2011 and 2010, the following building improvements and equipment were capitalized.

	<u>2011</u>	<u>2010</u>
Residential roofs	\$ 477,320	\$ 21,700
Window replacement project	95,236	-
Sidewalk replacement	52,162	-
Storage lockers	<u>5,130</u>	<u>2,520</u>
 Total	 <u>\$ 629,848</u>	 <u>\$ 24,220</u>

During the year ending December 31, 2012, in addition to the \$163,627 balance due on the residential roofs that has been accrued in the accompanying financial statements, the Corporation anticipates spending approximately \$50,000 on a garage roof and interior project and \$50,000 on other projects. These projects are 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 the remainder of these projects (See Notes 3 and 6).

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>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2016	153,532	83,672	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, 2011, this amount was approximately \$83,600 and the general operating and replacement reserve account had a balance of \$82,209. 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

Subsequent to May 1, 2010, 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 payments of interest only at a rate of 2% over NCB's base rate index. The line of credit will mature at the earlier of May 1, 2023 or the refinancing of the underlying first mortgage. As of December 31, 2011, 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>
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
2016	58,488	908	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 2010 and 2011, the Corporation elected to make these payments. The loan matures on December 1, 2017, but is expected to be paid in full in approximately August 2016.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 60,995	\$ 22,334	\$ 83,329
2013	65,731	17,598	83,329
2014	70,833	12,496	83,329
2015	76,332	6,997	83,329
2016	51,815	1,373	53,188

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>Selling/Renovation</u>	<u>Acquisition</u>	<u>Gain on Sales</u>
		<u>Price</u>	<u>Closing Costs</u>	<u>Costs</u>	
1997 - 2005	1,745	\$ 646,700	\$ 65,082	\$ 138,653	\$ 442,965
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	275	672,000	120,584	21,687	529,729
2011	<u>270</u>	<u>673,390</u>	<u>198,052</u>	<u>21,292</u>	<u>454,046</u>
	<u>2,645</u>	<u>\$ 2,823,090</u>	<u>\$ 455,544</u>	<u>\$ 209,627</u>	<u>\$ 2,157,919</u>

The gain on sales is recorded as paid-in capital from treasury stock. At December 31, 2011 and 2010, the Corporation held 680 and 950 shares of treasury stock appurtenant to 6 and 8 apartments, respectively. It is the Corporation's intention to sell additional treasury stock apartments. During 2011, the Corporation incurred \$52,899 of renovation costs on one unit, which has been deferred until it is ultimately sold. During 2012, the Corporation anticipates selling 2 of these apartments for a gross sales prices of approximately \$450,000 to \$600,000. After selling, renovation, recovery of vacancy loss and closing costs, the net proceeds will be transferred to the reserve fund.

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 two years as indicated below.

<u>Year</u>	<u>Amount</u>
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 \$7,406 and \$6,718 for the years ended December 31, 2011 and 2010.

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>
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
2011/12	1,878,980	13.433	252,403

The Corporation routinely protests the taxable assessed valuation of its Property for real estate taxation purposes. During 2011, the Corporation reached a settlement with New York City to reduce the assessed valuation for tax year 2010/11 and tax year 2009/10 was confirmed. This settlement resulted in current and future tax savings of approximately \$10,900. Professional fees of approximately \$2,200 were incurred in connection with this matter. A Protest is currently "open" for the tax year 2011/12.

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, 2011, 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, the deferred tax assets have not been recognized since they are offset by a valuation allowance.

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 2008 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, 2011 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.

Note 13 - STATEMENTS OF CASH FLOWS - SUPPLEMENTAL DISCLOSURES

	<u>2011</u>	<u>2010</u>
Interest paid	\$ 156,930	\$ 170,070
Income taxes paid - net of refunds	2,852	1,683
Non-Cash Transactions		
Unrealized loss on reserve fund investments	(\$ 6,306)	(\$ 5,209)
Unrealized loss on escrow investments	(2,792)	(3,453)

Note 14 - OTHER MATTERS

The Corporation has recorded the following portfolio activity.

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 9,388	\$ 14,594
Realized gain on sale of investments	-	1,634
Unrealized loss on investments	(9,098)	(10,194)
Total	(\$ 290)	\$ 6,034

The unrealized loss on investments listed above is expected to be realized in 2012 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 March 12, 2012, 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 COMPILED REPORT
ON SUPPLEMENTARY AND PROSPECTIVE INFORMATION**

Board of Directors and Stockholders
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, 2011 and 2010 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 operating budget forecast of NAGLE APARTMENTS CORP. for the year ending December 31, 2012, 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

March 12, 2012 for Historical Statements

December 8, 2011 for Forecast

NAGLE APARTMENTS CORP.

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

	For The Year		Prior Year		Next Year	
	January 1, 2011 - December 31, 2011		January 1, 2010 - December 31, 2010		January 1, 2012 - December 31, 2012	
	Budget (Unaudited)	Actual	Actual	Forecast (Unaudited)		
REVENUE						
Maintenance - Shareholders (1)	\$ 842,600	\$ 835,511	\$ 798,127	\$ 855,000		
Garage income	124,000	135,463	128,655	136,000		
Electricity submetering	66,900	66,981	67,441	66,800		
Rental income	33,500	43,000	50,832	38,400		
Sublet, late and other fees	61,000	42,997	40,007	49,000		
Stockholders' parking	27,600	30,530	33,112	32,500		
Laundry income	26,400	27,576	22,164	25,400		
Interest and dividends	5,500	9,388	14,594	16,600		
Capital assessment	-	-	-	-		
Vacancy loss recovery	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>-</u>		
TOTAL REVENUE	<u>1,227,500</u>	<u>1,191,446</u>	<u>1,154,932</u>	<u>1,259,200</u>		
EXPENDITURES						
Management fee	44,700	44,700	43,000	48,000		
Professional fees	38,300	30,403	17,668	32,300		
Other administrative and telephone	11,000	12,069	11,026	11,300		
Gas heat and fuel	112,400	92,010	93,480	113,300		
Electricity and gas	79,400	80,949	80,158	78,500		
Water and sewer	108,400	60,739	75,404	57,100		
Wages and related costs	182,400	181,764	161,931	190,200		
Insurance	37,300	43,888	40,661	45,000		
Laundry contract	17,300	20,894	20,518	21,100		
Submetering billing service	4,300	5,230	4,640	5,200		
Miscellaneous operating and permits	4,900	4,267	1,951	5,200		
Repairs and maintenance	105,000	111,539	126,160	110,100		
New York City real estate tax	242,000	243,533	228,830	260,100		
Corporation taxes	2,900	2,475	2,024	4,500		
Mortgage interest and amortization	237,200	236,612	236,648	237,200		
Transfer to reserve fund (3)	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,400</u>		
TOTAL EXPENDITURES	<u>1,227,500</u>	<u>1,171,072</u>	<u>1,144,099</u>	<u>1,240,500</u>		
Budgeted Surplus	<u>\$ -</u>				<u>\$ 18,700</u>	
ACTUAL OPERATING INCOME		20,374	10,833			
Mortgage amortization		112,306	105,498			
Bad debt expense - rental apartment		(20,178)	-			
Loan interest (2)		(31,373)	(37,848)			
Realized gain on sale of investments		<u>-</u>	<u>1,634</u>			
INCOME BEFORE DEPRECIATION AND AMORTIZATION	<u>\$ 81,129</u>	<u>\$ 80,117</u>				

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

(2) In addition to interest, the principal portion of the loan payments is being paid from reserves with proceeds of apartment sales. See Notes 3 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, 2012

The 2012 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 8, 2011, 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 the same level as in the previous year and assumes the sale of treasury stock during 2012. 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 \$0.155 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 approximately 6.8% has been anticipated for 2012. 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. It is anticipated that \$21,400 of cash flow 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.