
NAGLE APARTMENTS CORP.

Financial Statements and
Supplementary Information for the
Years Ended December 31, 2012 and 2011

NAGLE APARTMENTS CORP.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of NAGLE APARTMENTS CORP., which comprise the balance sheets (with supporting schedules) as of December 31, 2012 and 2011, 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, 2012 and 2011, 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.

Other Matter

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.

Risand, Mellina, Waterbach + Co., LLP

Plainview, New York
March 5, 2013

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

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 60,657	\$ 14,999
Accounts receivable	69,200	62,000
Prepaid expenses	185,502	197,152
Escrows and voluntary escrows	306,033	235,146
	<hr/>	<hr/>
Total Current Assets	621,392	509,297
Reserve Fund: (Note 3)	188,077	526,397
	<hr/>	<hr/>
Total Current Assets and Reserve Fund	809,469	1,035,694
	<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	3,163,803	3,092,779
	<hr/>	<hr/>
Total	5,276,803	5,205,779
Less: Accumulated depreciation	2,461,053	2,306,077
	<hr/>	<hr/>
Net Property and Improvements	2,815,750	2,899,702
	<hr/>	<hr/>
Other Assets and Deferred Charges:		
Cash - security deposits	36,870	36,870
Deferred treasury stock costs (Note 6)	81,464	52,899
Deferred mortgage and loan closing costs (Note 2)	43,758	50,091
Deferred leasing costs (Note 2)	14,346	21,519
	<hr/>	<hr/>
Total Other Assets and Deferred Charges	176,438	161,379
	<hr/>	<hr/>
Total Assets	<u>\$ 3,801,657</u>	<u>\$ 4,096,775</u>

The accompanying notes are an integral part of this statement.

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

	<u>2012</u>	<u>2011</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accrued mortgage and loan interest	\$ 11,209	\$ 12,408
Mortgage payable - current portion (Note 5)	127,268	119,553
First loan payable - current portion (Note 5)	56,760	56,195
Second loan payable - current portion (Note 5)	67,559	60,995
Accounts payable	142,154	76,597
Due to stockholders - real estate tax abatements	73,291	68,995
Advance maintenance	6,127	2,901
Accrued wages and payroll taxes	3,705	1,657
Building improvements payable	549	163,627
	<hr/>	<hr/>
Total Current Liabilities	488,622	562,928
	<hr/>	<hr/>
Long-Term and Other Liabilities:		
Mortgage payable - net of current portion (Note 5)	1,683,678	1,810,946
First loan payable - net of current portion (Note 5)	232,780	289,540
Second loan payable - net of current portion (Note 5)	173,605	264,711
Security deposits payable	36,870	36,870
	<hr/>	<hr/>
Total Long-Term and Other Liabilities	2,126,933	2,402,067
	<hr/>	<hr/>
Total Liabilities	2,615,555	2,964,995
	<hr/>	<hr/>
Stockholders' Equity:		
Common stock - \$1.00 par value, 15,000 shares authorized, 12,120 shares issued	12,120	12,120
Paid-in capital in excess of par value	175,880	175,880
Paid in capital from treasury stock	2,324,449	2,157,919
Additional paid-in capital	21,277	-
Accumulated deficit	(1,302,278)	(1,141,221)
Treasury stock - at cost (Note 6)	(45,346)	(53,626)
Unrealized loss on investments (Note 14)	-	(19,292)
	<hr/>	<hr/>
Total Stockholders' Equity	1,186,102	1,131,780
	<hr/>	<hr/>
Total Liabilities and Stockholders' Equity	<u>\$ 3,801,657</u>	<u>\$ 4,096,775</u>

The accompanying notes are an integral part of this statement.

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

	2012	2011
Accounts Receivable:		
Maintenance - Stockholders (Note 2)	\$ 42,705	\$ 47,357
Real estate tax refund (Note 10)	15,115	-
Electricity submetering (billed in subsequent year)	9,230	12,261
Laundry income	2,150	2,382
	\$ 69,200	\$ 62,000
	\$ 69,200	\$ 62,000
 Prepaid Expenses:		
Real estate tax	\$ 126,189	\$ 124,286
Water and sewer	34,603	46,360
Insurance	20,746	21,364
Fuel	3,606	3,606
Corporation taxes	358	1,536
	\$ 185,502	\$ 197,152
	\$ 185,502	\$ 197,152
 Escrows and Voluntary Escrows:		
Real estate tax - self escrow	\$ 104,400	\$ 102,969
Mortgage reserve (Note 5)	93,496	82,208
Water and sewer - self escrow	79,198	28,834
Insurance - self escrow	28,939	21,135
	\$ 306,033	\$ 235,146
	\$ 306,033	\$ 235,146

The accompanying notes are an integral part of this statement.

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

	<u>2012</u>	<u>2011</u>
REVENUE		
Maintenance - Stockholders	\$ 852,723	\$ 835,511
Garage income (Note 8)	141,804	135,463
Electricity submetering	62,456	66,981
Sublet, late and other fees	46,616	42,997
Rental income	31,395	43,000
Laundry income	26,499	27,576
Stockholders' parking	25,367	30,530
Interest and dividends (Note 14)	1,772	9,388
	<hr/>	<hr/>
Total Revenue	1,188,632	1,191,446
	<hr/>	<hr/>
COST OF OPERATIONS		
Administrative expenses	90,284	87,172
Operating expenses	489,228	489,741
Repairs and maintenance	140,666	111,539
Taxes	261,378	246,008
Mortgage interest (Note 5)	117,021	124,306
Loan interest (Note 5)	24,813	31,373
	<hr/>	<hr/>
Total Cost Of Operations	1,123,390	1,090,139
	<hr/>	<hr/>
Income before special items and depreciation and amortization	65,242	101,307
Special repair - hallway painting	(27,300)	-
Realized loss on sale of investments	(17,847)	-
Bad debt expense - rental apartment	(12,670)	(20,178)
	<hr/>	<hr/>
INCOME BEFORE DEPRECIATION AND AMORTIZATION	7,425	81,129
Less: Depreciation and amortization	168,482	164,246
	<hr/>	<hr/>
Net Loss For The Year	\$ (161,057)	\$ (83,117)
	<hr/> <hr/>	<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,

	2012	2011
Administrative Expenses:		
Management fee	\$ 48,000	\$ 44,700
Professional fees	31,581	30,403
Other administrative	8,607	9,517
Telephone and communications	2,096	2,552
	\$ 90,284	\$ 87,172
	\$ 90,284	\$ 87,172
 Operating Expenses:		
Utilities		
Electricity and gas	\$ 78,607	\$ 80,949
Gas heat and fuel	68,957	92,010
Water and sewer	68,333	60,739
	215,897	233,698
	215,897	233,698
Payroll		
Wages	136,355	128,492
Union benefits (Note 9)	38,253	35,791
Payroll taxes	11,311	10,963
Workers' compensation and disability insurance	10,211	6,518
	196,130	181,764
	196,130	181,764
Other		
Insurance	46,981	43,888
Laundry contract	17,841	20,894
Miscellaneous operating and permits	7,085	4,267
Submetering billing service	5,294	5,230
	77,201	74,279
	77,201	74,279
Total Operating Expenses	\$ 489,228	\$ 489,741

The accompanying notes are an integral part of this statement.

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

	<u>2012</u>	<u>2011</u>
Repairs and Maintenance:		
Painting, plastering and flooring	\$ 45,320	\$ 42,883
Elevator maintenance and repairs	39,473	23,194
Materials and supplies	20,034	14,773
Grounds and landscaping	14,030	8,150
Boiler, heating and water treatment	6,610	11,082
Exterminating	6,395	5,720
Plumbing	2,770	1,368
Electrical and intercom repairs	2,659	2,482
Equipment repairs	2,656	677
Doors, locks and windows	719	1,210
	<u> </u>	<u> </u>
Total Repairs and Maintenance	<u>\$ 140,666</u>	<u>\$ 111,539</u>
 Taxes:		
New York City real estate tax (Note 10)	\$ 257,747	\$ 243,533
Corporation taxes (Note 11)	3,631	2,475
	<u> </u>	<u> </u>
Total Taxes	<u>\$ 261,378</u>	<u>\$ 246,008</u>
 Depreciation and Amortization:		
Building	\$ 51,316	\$ 51,316
Building improvements	93,605	89,369
Building equipment	10,055	10,055
Amortization of deferred mortgage and loan closing costs	6,333	6,333
Amortization of deferred leasing costs	7,173	7,173
	<u> </u>	<u> </u>
Total Depreciation and Amortization	<u>\$ 168,482</u>	<u>\$ 164,246</u>

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>2012</u>	<u>2011</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		
Balance - January 1,	\$ 2,157,919	\$ 1,703,873
Sale of 105 and 270 shares of treasury stock in excess of allocated costs (Note 6)	166,530	454,046
	<u>2,324,449</u>	<u>2,157,919</u>
Balance - December 31,	<u>\$ 2,324,449</u>	<u>\$ 2,157,919</u>
ADDITIONAL PAID-IN CAPITAL		
Balance - January 1,	\$ -	\$ -
Capital assessment (Note 7)	21,277	-
	<u>21,277</u>	<u>-</u>
Balance - December 31,	<u>\$ 21,277</u>	<u>\$ -</u>
ACCUMULATED DEFICIT		
Balance - January 1,	\$ (1,141,221)	\$ (1,058,104)
Net loss for the year	(161,057)	(83,117)
	<u>(1,302,278)</u>	<u>(1,141,221)</u>
Balance - December 31,	<u>\$ (1,302,278)</u>	<u>\$ (1,141,221)</u>
TREASURY STOCK - AT COST (NOTE 6)		
Balance - January 1, (680 and 950 shares)	\$ (53,626)	\$ (74,918)
Sale of 105 and 270 shares at allocated cost	8,280	21,292
	<u>(45,346)</u>	<u>(53,626)</u>
Balance - December 31, (575 and 680 shares)	<u>\$ (45,346)</u>	<u>\$ (53,626)</u>
UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Balance - January 1,	\$ (19,292)	\$ (10,194)
Unrealized gain (loss) on investments	19,292	(9,098)
	<u>-</u>	<u>(19,292)</u>
Balance - December 31,	<u>\$ -</u>	<u>\$ (19,292)</u>

The accompanying notes are an integral part of this statement.

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

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (161,057)	\$ (83,117)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization	168,482	164,246
(Increase) decrease in accounts receivable	(7,200)	39,638
Decrease in prepaid expenses	11,650	10,788
(Increase) in cash portion of escrows and voluntary escrows	(64,443)	(5,979)
Increase in accounts payable	65,557	15,795
Increase in other current liabilities	8,371	1,915
Total Adjustments	<u>182,417</u>	<u>226,403</u>
Cash Provided By Operating Activities	<u>21,360</u>	<u>143,286</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in cash portion of reserve fund	351,168	77,906
(Increase) in building improvements	(71,024)	(629,848)
(Decrease) increase in building improvements payable	(163,078)	163,627
Cash Provided (Used) By Investing Activities	<u>117,066</u>	<u>(388,315)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Amortization of mortgage payable	(119,553)	(112,306)
Amortization of loans payable	(140,737)	(134,087)
Capital assessment	21,277	-
Paid-in capital - treasury stock transactions	166,530	454,046
Sale of treasury stock	8,280	21,292
Net (increase) decrease in deferred treasury stock costs	(28,565)	22,240
Cash (Used) Provided By Financing Activities	<u>(92,768)</u>	<u>251,185</u>
Net increase in cash and cash equivalents	45,658	6,156
Cash and cash equivalents at beginning of year	14,999	8,843
Cash and Cash Equivalents at End of Year	<u>\$ 60,657</u>	<u>\$ 14,999</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 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.

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, 2012 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)

Deferred Costs

Mortgage and loan closing costs have been deferred and then amortized over the life of each obligation on a straight-line basis. Costs associated with the garage lease have been 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.

Note 3 - RESERVE FUND

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

	<u>2012</u>	<u>2011</u>
Balance - January 1,	\$ 526,397	\$ 610,609
Transfers from operations and escrows	309,058	1,975,755
Interest and dividends - net of service charges	1,453	5,844
Proceeds from sale of treasury stock apartments	-	454,046
Transfers (to) operations	(553,677)	(2,377,133)
Loan payments	(95,154)	(142,724)
Balance - December 31,	<u>\$ 188,077</u>	<u>\$ 526,397</u>

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

Vanguard Funds - Money Funds	\$ 185,008	\$ 430,392
Hudson Valley Bank - Money Market Account	3,069	3,069
Certificate of Deposit held at Vanguard	-	80,146
JP Morgan Chase - Savings Account	-	25,638
Total	188,077	539,245
Unrealized loss on investments	-	(12,848)
Balance - December 31,	<u>\$ 188,077</u>	<u>\$ 526,397</u>

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 4 - PROPERTY AND IMPROVEMENTS

During 2012 and 2011, the following building improvements and equipment were capitalized.

	<u>2012</u>	<u>2011</u>
Residential roofs	\$ 52,221	\$ 477,320
Sidewalk and tree pit replacement	23,720	52,162
Garage - consulting fees	12,500	-
Roof deck	12,095	-
Storage lockers	3,918	5,130
Window replacement project (net of NYSERDA refund)	(33,430)	95,236
Total	<u>\$ 71,024</u>	<u>\$ 629,848</u>

During 2013, the Corporation anticipates spending approximately \$1,200,000 on a garage roof and interior project. This project is subject to change orders and professional fees as the work progresses. As of the date of issuance of these financial statements, the Board of Directors was in the process of evaluating options for raising funds for this project.

Note 5 - MORTGAGE 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>
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
2017	163,442	73,762	237,204

In connection with the mortgage payable, the Corporation is required to maintain a general operating and replacement reserve in an amount equal to at least ten percent of the amount paid to the Corporation during the previous year by its tenant-shareholders pursuant to their proprietary leases. As of December 31, 2012, this amount was approximately \$85,300 and the general operating and replacement reserve account had a balance of \$93,496.

Prepayment Terms

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. 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, 2012, 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 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 7.5% 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>
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
2017	59,056	340	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 based on an original ten year amortization schedule. In any November during the loan term, the Corporation may prepay \$23,400 without any penalties or fees. During November 2011 and 2012, the Corporation elected to make these payments. The loan matures on December 1, 2017, but is expected to be paid in full in approximately April 2016.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 67,559	\$ 15,770	\$ 83,329
2014	72,803	10,526	83,329
2015	78,456	4,873	83,329
2016	22,346	294	22,640

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 6 - ACQUISITION AND SALE OF TREASURY STOCK

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

Acquisition:

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

Sales:

	<u>Shares</u>	<u>Gross Sales Price</u>	<u>Selling/Renovation Closing Costs</u>	<u>Acquisition Costs</u>	<u>Gain on Sales</u>
1997 - 2006	1,860	\$ 911,700	\$ 88,206	\$ 147,722	\$ 675,772
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	270	673,390	198,052	21,292	454,046
2012	<u>105</u>	<u>245,000</u>	<u>70,190</u>	<u>8,280</u>	<u>166,530</u>
	<u>2,750</u>	<u>\$ 3,068,090</u>	<u>\$ 525,734</u>	<u>\$ 217,907</u>	<u>\$ 2,324,449</u>

The gain on sales is recorded as paid-in capital from treasury stock. At December 31, 2012 and 2011, the Corporation held 575 and 680 shares of treasury stock, respectively, appurtenant to five and six apartments, respectively. It is the Board of Directors' intent to sell additional treasury stock apartments as they become available for sale.

During 2012, the Corporation incurred \$81,464 of renovation costs on one unit, which has been deferred until it is ultimately sold. During February 2013, the Corporation sold this unit for gross proceeds of \$350,000. After selling, renovation, recovery of vacancy loss and closing costs, the net proceeds will be transferred to the reserve fund.

Note 7 - CAPITAL ASSESSMENT

To fund part of its capital improvements (Note 4) and replenish the reserve fund (Note 3), the Corporation implemented a capital assessment of \$0.155 per share, per month, starting January 2012. During 2012, \$21,277 was generated from the capital assessment. Effective January 1, 2013, this assessment was increased to \$0.310 per share, per month.

Note 8 - GARAGE LEASE

The Corporation, as lessor under a garage lease which expires on December 31, 2013, will receive minimum contractual base rents during 2013 of \$165,366. The base rent 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 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, 2014. The Corporation makes contributions to the Plan based on the number of weeks worked by each employee covered under the union contract. During 2012 and 2011, the Corporation contributed \$38,253 and \$35,791, respectively, to the Plan of which \$7,684 and \$7,406, 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 risk of participating in a multiemployer pension plan is 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, 2012, 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, 2012 and its actuary has determined that there will be a funding deficiency within the next three plan years. A rehabilitation plan aimed at restoring the Fund's financial health has been adopted. This rehabilitation plan may involve a surcharge on employers or a reduction or elimination of certain employee adjustable benefits. Information as to the Corporation's portion of the unfunded vested benefits and Plan assets has not been determined. The Corporation has no intention of withdrawing from the Plan.

Note 10 - 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
2012/13	2,084,090	13.181	274,704

The Corporation routinely protests the taxable assessed valuation of its Property for real estate taxation purposes. During 2012, the Corporation reached a settlement with New York City to reduce the assessed valuation for tax year 2012/13. This settlement resulted in a current year refund of \$15,115 plus future tax savings of approximately \$38,600. Professional fees of \$10,742 were incurred in connection with this matter. As part of the settlement, tax year 2011/12 was confirmed. There are currently no "open" tax protests.

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 10 - REAL ESTATE TAX (continued)

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.

Note 11 - 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, 2012, 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 2009 remain open to examination by the respective taxing authorities. There are currently no tax examinations in progress.

Note 12 - CONCENTRATION OF CREDIT RISK

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. Money funds held at Vanguard are insured by the Securities Investor Protection Corporation, which protects customer accounts up to \$500,000, including \$250,000 of cash. The Corporation has not experienced any losses in such accounts.

Note 13 - STATEMENTS OF CASH FLOWS - SUPPLEMENTAL DISCLOSURES

	<u>2012</u>	<u>2011</u>
Interest paid	\$ 143,033	\$ 156,930
Income taxes paid - net of refunds	2,453	2,852

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 13 - **STATEMENTS OF CASH FLOWS - SUPPLEMENTAL DISCLOSURES** (continued)

	<u>2012</u>	<u>2011</u>
Non-Cash Transactions		
Unrealized gain (loss) on reserve fund investments	\$ 12,848	(\$ 6,306)
Unrealized gain (loss) on escrow investments	\$ 6,444	(2,792)

Note 14 - **OTHER MATTERS**

During 2012 and 2011, the Corporation recorded the following portfolio activity.

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 1,772	\$ 9,388
Unrealized gain (loss) on investments	<u>19,292</u>	<u>(9,098)</u>
Total	<u>\$ 21,064</u>	<u>\$ 290</u>

Note 15 - **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, 2012 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 16 - **DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through March 5, 2013, 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, 2012 and 2011 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, 2013, 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 5, 2013 for Historical Statements
December 11, 2012 for Forecast

NAGLE APARTMENTS CORP.

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

	For The Year		Prior Year	Next Year
	January 1, 2012 - December 31, 2012		January 1, 2011 - December 31, 2011	January 1, 2013 - December 31, 2013
	Budget (Unaudited)	Actual	Actual	Forecast (Unaudited)
REVENUE				
Maintenance - Stockholders (1)	\$ 855,000	\$ 852,723	\$ 835,511	869,400
Garage income	136,000	141,804	135,463	150,600
Electricity submetering	66,800	62,456	66,981	69,900
Sublet, late and other fees	49,000	46,616	42,997	64,600
Rental income	38,400	31,395	43,000	29,600
Laundry income	25,400	26,499	27,576	30,100
Stockholders' parking	32,500	25,367	30,530	25,200
Interest and dividends	16,600	1,772	9,388	4,400
Capital assessments	21,400	21,277	-	43,500
Vacancy loss recovery	18,100	-	-	13,400
TOTAL REVENUE	1,259,200	1,209,909	1,191,446	1,300,700
EXPENDITURES				
Management fee	48,000	48,000	44,700	48,000
Professional fees	32,300	31,581	30,403	26,500
Other administrative and telephone	11,300	10,703	12,069	10,300
Electricity and gas	78,500	78,607	80,949	84,200
Gas heat and fuel	113,300	68,957	92,010	107,000
Water and sewer	57,100	68,333	60,739	56,300
Wages and related costs	190,200	196,130	181,764	197,800
Insurance	45,000	46,981	43,888	53,500
Laundry contract	21,100	17,841	20,894	20,400
Miscellaneous operating and permits	5,200	7,085	4,267	7,800
Submetering billing service	5,200	5,294	5,230	5,200
Repairs and maintenance	110,100	140,666	111,539	114,000
New York City real estate tax	260,100	257,747	243,533	284,500
Corporation taxes	4,500	3,631	2,475	4,500
Mortgage interest and amortization	237,200	236,574	236,612	237,200
Transfer to reserve fund (3)	21,400	21,277	-	43,500
TOTAL EXPENDITURES	1,240,500	1,239,407	1,171,072	1,300,700
Budgeted Surplus	<u>\$ 18,700</u>			<u>\$ -</u>
ACTUAL OPERATING (LOSS) INCOME		(29,498)	20,374	
Mortgage amortization		119,553	112,306	
Special repairs - hallway painting		(27,300)	-	
Loan interest (2)		(24,813)	(31,373)	
Realized loss on sale of investments		(17,847)	-	
Bad debt expense - rental apartment		(12,670)	(20,178)	
INCOME BEFORE DEPRECIATION AND AMORTIZATION		<u>\$ 7,425</u>	<u>\$ 81,129</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 from 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, 2013

The 2013 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, 2012, 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 appurtenant to one apartment during 2013. 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 \$43,500, or \$0.310 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 10.4% has been anticipated for 2013. 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 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 \$43,500 of cash flow from the capital assessment will be transferred to the reserve fund.

Income Tax

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