
NAGLE APARTMENTS CORP.

Financial Statements and
Supplementary Information for the
Years Ended December 31, 2013 and 2012

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

NAGLE APARTMENTS CORP.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of NAGLE APARTMENTS CORP., which comprise the balance sheets (with supporting schedules) as of December 31, 2013 and 2012, 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, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

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

Prisand, Mellina, Unterlock + Co., LLP

Plainview, New York
February 4, 2014

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

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 51,170	\$ 60,657
Accounts receivable	37,918	69,200
Prepaid expenses	170,724	185,502
Escrows and voluntary escrows	381,215	306,033
	<hr/>	<hr/>
Total Current Assets	641,027	621,392
Reserve Fund: (Note 3)	292,785	188,077
	<hr/>	<hr/>
Total Current Assets and Reserve Fund	933,812	809,469
	<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	3,276,943	3,163,803
	<hr/>	<hr/>
Total	5,389,943	5,276,803
Less: Accumulated depreciation	2,612,980	2,461,053
	<hr/>	<hr/>
Net Property and Improvements	2,776,963	2,815,750
	<hr/>	<hr/>
Other Assets and Deferred Charges:		
Cash - security deposits	36,387	36,870
Deferred mortgage and loan closing costs (Note 2)	39,825	43,758
Deferred leasing costs (Note 2)	7,172	14,346
Deferred treasury stock costs (Note 6)	-	81,464
	<hr/>	<hr/>
Total Other Assets and Deferred Charges	83,384	176,438
	<hr/>	<hr/>
Total Assets	<u>\$ 3,794,159</u>	<u>\$ 3,801,657</u>

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.
BALANCE SHEETS
AS OF DECEMBER 31,

	<u>2013</u>	<u>2012</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accrued mortgage and loan interest	\$ 9,927	\$ 11,209
Mortgage payable - current portion (Note 5)	135,481	127,268
First loan payable - current portion (Note 5)	57,330	56,760
Second loan payable - current portion (Note 5)	74,631	67,559
Accounts payable	177,571	142,154
Due to stockholders - real estate tax abatements	88,905	73,291
Advance maintenance	2,510	6,127
Accrued wages and payroll taxes	2,402	3,705
Building improvements payable	-	549
Total Current Liabilities	<u>548,757</u>	<u>488,622</u>
Long-Term and Other Liabilities:		
Mortgage payable - net of current portion (Note 5)	1,548,197	1,683,678
First loan payable - net of current portion (Note 5)	175,521	232,780
Second loan payable - net of current portion (Note 5)	76,030	173,605
Security deposits payable	36,387	36,870
Total Long-Term and Other Liabilities	<u>1,836,135</u>	<u>2,126,933</u>
Total Liabilities	<u>2,384,892</u>	<u>2,615,555</u>
Stockholders' Equity:		
Common stock - \$1.00 par value, 15,000 shares authorized, 12,120 shares issued	12,120	12,120
Paid-in capital in excess of par value	175,880	175,880
Paid in capital from treasury stock	2,556,911	2,324,449
Additional paid-in capital	64,872	21,277
Accumulated deficit	(1,366,211)	(1,302,278)
Treasury stock - at cost (Note 6)	(34,305)	(45,346)
Total Stockholders' Equity	<u>1,409,267</u>	<u>1,186,102</u>
Total Liabilities and Stockholders' Equity	<u>\$ 3,794,159</u>	<u>\$ 3,801,657</u>

The accompanying notes are an integral part of this statement.

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

	2013	2012
Accounts Receivable:		
Maintenance - Stockholders (Note 2)	\$ 20,016	\$ 42,705
Electricity submetering (billed in subsequent year)	13,357	9,230
Real estate tax refund (Note 10)	3,397	15,115
Laundry income	1,000	2,150
Accrued interest	148	-
	\$ 37,918	\$ 69,200
 Prepaid Expenses:		
Real estate tax	\$ 134,607	\$ 126,189
Insurance	21,548	20,746
Water and sewer	9,906	34,603
Fuel	3,606	3,606
Corporation taxes	1,057	358
	\$ 170,724	\$ 185,502
 Escrows and Voluntary Escrows:		
Mortgage reserve (Note 5)	\$ 84,979	\$ 93,496
Insurance - self escrow	46,817	28,939
Water and sewer - self escrow	135,296	79,198
Real estate tax - self escrow	114,123	104,400
	\$ 381,215	\$ 306,033

The accompanying notes are an integral part of this statement.

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

	2013	2012
REVENUE		
Maintenance - Stockholders	\$ 867,628	\$ 852,723
Garage income (Note 8)	144,775	141,804
Electricity submetering	73,040	62,456
Sublet, late and other fees	58,587	46,616
Rental income	30,386	31,395
Stockholders' parking	24,917	25,367
Laundry income	23,700	26,499
Interest and dividends (Note 14)	705	1,772
	1,223,738	1,188,632
COST OF OPERATIONS		
Administrative expenses	93,286	90,284
Operating expenses	491,282	489,228
Repairs and maintenance	123,713	140,666
Taxes	262,425	261,378
Mortgage interest (Note 5)	109,265	117,021
Loan interest (Note 5)	18,316	24,813
	1,098,287	1,123,390
Income before other items and depreciation and amortization	125,451	65,242
Special repairs - hallway painting	(23,950)	(27,300)
Realized loss on sale of investments	-	(17,847)
Bad debt expense - rental apartment	-	(12,670)
	101,501	7,425
INCOME BEFORE DEPRECIATION AND AMORTIZATION	101,501	7,425
Less: Depreciation and amortization	165,434	168,482
Net Loss For The Year	\$ (63,933)	\$ (161,057)

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>2013</u>	<u>2012</u>
Administrative Expenses:		
Management fee	\$ 48,000	\$ 48,000
Professional fees	33,743	31,581
Other administrative	9,636	8,607
Telephone and communications	1,907	2,096
	<u>93,286</u>	<u>90,284</u>
Total Administrative Expenses	<u>\$ 93,286</u>	<u>\$ 90,284</u>
 Operating Expenses:		
Utilities		
Electricity and gas	\$ 85,058	\$ 78,607
Gas heat and fuel	74,118	68,957
Water and sewer	68,698	68,333
	<u>227,874</u>	<u>215,897</u>
Payroll		
Wages	137,681	136,355
Union benefits (Note 9)	40,770	38,253
Payroll taxes	11,225	11,311
Workers' compensation and disability insurance	4,401	10,211
	<u>194,077</u>	<u>196,130</u>
Other		
Insurance	50,258	46,981
Laundry contract	12,657	17,841
Submetering billing service	5,385	5,294
Miscellaneous operating and permits	1,031	7,085
	<u>69,331</u>	<u>77,201</u>
Total Operating Expenses	<u>\$ 491,282</u>	<u>\$ 489,228</u>

The accompanying notes are an integral part of this statement.

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

	2013	2012
Repairs and Maintenance:		
Painting, plastering and flooring	\$ 32,392	\$ 45,320
Elevator maintenance and repairs	24,233	39,473
Materials and supplies	17,683	20,034
Plumbing	13,876	2,770
Boiler, heating and water treatment	11,219	6,610
Grounds and landscaping	10,735	14,030
Exterminating	6,139	6,395
Equipment repairs	4,203	2,656
Electrical and intercom repairs	2,218	2,659
Doors, locks and windows	1,015	719
	<u>\$ 123,713</u>	<u>\$ 140,666</u>
 Taxes:		
New York City real estate tax (Note 10)	\$ 260,517	\$ 257,747
Corporation taxes (Note 11)	1,908	3,631
	<u>\$ 262,425</u>	<u>\$ 261,378</u>
 Depreciation and Amortization:		
Building	\$ 51,316	\$ 51,316
Building improvements	90,557	93,605
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>\$ 165,434</u>	<u>\$ 168,482</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,

	2013	2012
COMMON STOCK		
Balance - January 1,	\$ 12,120	\$ 12,120
Transactions during the year	-	-
	\$ 12,120	\$ 12,120
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	-	-
	\$ 175,880	\$ 175,880
Balance - December 31,	\$ 175,880	\$ 175,880
PAID-IN CAPITAL FROM TREASURY STOCK		
Balance - January 1,	\$ 2,324,449	\$ 2,157,919
Sale of 140 and 105 shares of treasury stock in excess of allocated costs (Note 6)	232,462	166,530
	\$ 2,556,911	\$ 2,324,449
Balance - December 31,	\$ 2,556,911	\$ 2,324,449
ADDITIONAL PAID-IN CAPITAL		
Balance - January 1,	\$ 21,277	\$ -
Capital assessments (Note 7)	43,595	21,277
	\$ 64,872	\$ 21,277
Balance - December 31,	\$ 64,872	\$ 21,277
ACCUMULATED DEFICIT		
Balance - January 1,	\$ (1,302,278)	\$ (1,141,221)
Net loss for the year	(63,933)	(161,057)
	\$ (1,366,211)	\$ (1,302,278)
Balance - December 31,	\$ (1,366,211)	\$ (1,302,278)
TREASURY STOCK - AT COST (NOTE 6)		
Balance - January 1, (575 and 680 shares)	\$ (45,346)	\$ (53,626)
Sale of 140 and 105 shares at allocated cost	11,041	8,280
	\$ (34,305)	\$ (45,346)
Balance - December 31, (435 and 575 shares)	\$ (34,305)	\$ (45,346)

The accompanying notes are an integral part of this statement.

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

	2013	2012
	<hr/>	<hr/>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (63,933)	\$ (161,057)
	<hr/>	<hr/>
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization	165,434	168,482
Decrease (increase) in accounts receivable	31,282	(7,200)
Decrease in prepaid expenses	14,778	11,650
(Increase) in cash portion of escrows and voluntary escrows	(75,182)	(64,443)
Increase in accounts payable	35,417	65,557
Increase in other current liabilities	9,412	8,371
	<hr/>	<hr/>
Total Adjustments	181,141	182,417
	<hr/>	<hr/>
Cash Provided By Operating Activities	117,208	21,360
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in cash portion of reserve fund	(104,708)	351,168
(Increase) in building improvements and equipment	(113,140)	(71,024)
(Decrease) in building improvements payable	(549)	(163,078)
	<hr/>	<hr/>
Cash (Used) Provided By Investing Activities	(218,397)	117,066
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Amortization of mortgage payable	(127,268)	(119,553)
(Increase) in deferred mortgage closing costs	(2,400)	-
Amortization of loans payable	(147,192)	(140,737)
Increase in additional paid-in capital - capital assessments	43,595	21,277
Increase in paid-in capital - sale of treasury stock	232,462	166,530
Sale of treasury stock	11,041	8,280
Net decrease (increase) in deferred treasury stock costs	81,464	(28,565)
	<hr/>	<hr/>
Cash Provided (Used) By Financing Activities	91,702	(92,768)
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	(9,487)	45,658
Cash and cash equivalents at beginning of year	60,657	14,999
	<hr/>	<hr/>
Cash and Cash Equivalents at End of Year	\$ 51,170	\$ 60,657
	<hr/> <hr/>	<hr/> <hr/>

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, 2013 to be collectible. Accordingly, no allowance for doubtful accounts is required.

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.

NAGLE APARTMENTS CORP.

Notes to Financial Statements

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

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**

During 2013 and 2012, the following transactions have taken place in the Corporation's reserve fund.

	<u>2013</u>	<u>2012</u>
Balance - January 1,	\$ 188,077	\$ 526,397
Transfers from operations and escrows	1,143,637	309,058
Transfers (to) operations	(908,402)	(553,677)
Loan payments	(130,443)	(95,154)
Interest and dividends - net of service charges	(84)	1,453
Balance - December 31,	<u>\$ 292,785</u>	<u>\$ 188,077</u>

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

Merrill Lynch - Money Fund	\$ 289,716	\$ -
Hudson Valley Bank - Money Market Account	3,069	3,069
Vanguard Funds - Money Funds	-	<u>185,008</u>
Balance - December 31,	<u>\$ 292,785</u>	<u>\$ 188,077</u>

Note 4 - **PROPERTY AND IMPROVEMENTS**

During 2013 and 2012, the following building improvements and equipment have been capitalized.

	<u>2013</u>	<u>2012</u>
Residential roofs	\$ 66,672	\$ 52,221
Garage - engineering fees	46,468	12,500
Sidewalk and tree pit replacement	-	23,720
Roof deck	-	12,095
Storage lockers	-	3,918
Window replacement project (net of NYSERDA refund)	-	(33,430)
Total	<u>\$ 113,140</u>	<u>\$ 71,024</u>

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 4 - PROPERTY AND IMPROVEMENTS (continued)

During 2014, the Corporation anticipates spending approximately \$1,100,000 on a garage roof and interior project. This project is subject to change orders and professional fees as the work progresses. The Corporation plans to draw from its line of credit to fund this project. See Note 5 for additional information.

Note 5 - MORTGAGE, LOANS PAYABLE AND SUBSEQUENT EVENT

Mortgage Payable

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2018	173,987	63,217	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, 2013, this amount was approximately \$86,700 and the general operating and replacement reserve account had a balance of \$84,979. Additional general operating funds are maintained in the reserve fund (See Note 3).

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.

Line of Credit

The Corporation also has a \$250,000 unsecured 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, 2013, no balance was outstanding.

Subsequent Event

Subsequent to year-end, the Corporation plans to obtain a \$1,500,000 secured line of credit from NCB. When funds are borrowed, the Corporation will be required to make payments of interest only for the first three years of the loan term at a rate of 375 basis points above the 30 day LIBOR rate. Thereafter, the loan will require payments of interest and principal in the minimum amount of \$200. Draws from this line of credit will fund the garage roof and interior projects. See Note 4 for additional information.

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 5 - MORTGAGE, LOANS PAYABLE AND SUBSEQUENT EVENT (continued)

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 four years are allocated as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 57,330	\$ 2,066	\$ 59,396
2015	57,906	1,490	59,396
2016	58,488	908	59,396
2017 (includes maturity)	59,127	269	59,376

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 2012 and 2013, the Corporation elected to make these payments. The loan matures on December 1, 2017, but is expected to be paid in full in approximately November 2015.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 74,631	\$ 8,698	\$ 83,329
2015 (includes maturity)	76,030	2,904	78,934

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

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>

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 6 - ACQUISITION AND SALE OF TREASURY STOCK (continued)

Sales:

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

The gain on sales is recorded as paid-in capital from treasury stock. At December 31, 2013 and 2012, the Corporation held 435 and 575 shares of treasury stock, respectively, appurtenant to four and five apartments, respectively. It is the Board of Directors' intent to sell additional treasury stock apartments as they become available for sale.

Note 7 - CAPITAL ASSESSMENTS

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. The Corporation implemented a new capital assessment of \$0.310 per share, per month, starting January 2013. During 2013, \$43,595 was generated from the capital assessment. Effective January 1, 2014, this assessment was increased to \$0.445 per share, per month.

Note 8 - GARAGE LEASE

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

On January 1, 2014, the garage lease was extended for a period of one year with Impark HSW LLC. Pursuant to the new lease the Corporation will collect gross rent from the parking tenants and remit a management fee as well as operating expenses to the lessee. The Corporation anticipates receiving approximately \$137,700 in net revenue for 2014. During construction of the garage roof (Note 4) there will be vacancies in rental income. The Corporation anticipates utilizing other corporation resources during the vacancy.

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 2013 and 2012, the Corporation contributed \$40,770 and \$38,253, respectively, to the Plan of which \$8,068 and \$7,684, respectively, was for pension expense. The Corporation's contributions to the Plan were less than 5% of the Plan's total contributions.

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 9 - UNION BENEFITS (continued)

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, 2013, 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, 2013 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 tax has been originally assessed as follows:

<u>Fiscal Year</u>	<u>Taxable Valuation</u>	<u>Tax Rate</u>	<u>Tax</u>
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
2013/14	2,147,670	13.145	282,311

The Corporation routinely protests the taxable assessed valuation of its Property for real estate taxation purposes. During 2013, the Corporation reached a settlement with New York City to reduce the assessed valuation for tax year 2013/14. This settlement resulted in a current year refund of \$13,386 plus future tax savings of approximately \$44,000. Professional fees of \$8,802 were incurred in connection with this matter. There are currently no "open" tax protests.

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 refund of \$15,115 plus current and future tax savings of approximately \$38,600. Professional fees of approximately \$10,700 were incurred in connection with this matter.

NAGLE APARTMENTS CORP.

Notes to Financial Statements

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, 2013, the Corporation sustained an operating loss and will not be liable for Federal income tax. At December 31, 2013, the Corporation had approximately \$2,184,000 of operating loss carryforwards from prior years for Federal income tax purposes, which will expire in various years through 2033. Since the future utilization of these tax carryforward losses is uncertain, no related deferred tax assets have been recognized in the accompanying financial statements.

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

The Corporation's tax returns for all years since 2010 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 Merrill Lynch 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>2013</u>	<u>2012</u>
Interest paid	\$ 128,863	\$ 143,033
Income taxes paid - net of refunds	\$ 2,607	\$ 2,453

Non-Cash Transactions

Unrealized gain on reserve fund investments	\$ -	\$ 12,848
Unrealized gain on escrow investments	\$ -	\$ 6,444

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 14 - OTHER MATTERS

During 2013 and 2012, the Corporation recorded the following portfolio activity.

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 705	\$ 1,772
Unrealized gain on investments	<u>-</u>	<u>19,292</u>
Total	<u>\$ 705</u>	<u>\$ 21,064</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, 2013 are either without merit or the ultimate losses, if any, would not have a material adverse effect on the financial position or results of operations of the Corporation.

Note 16 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through February 4, 2014, 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, 2013 and 2012 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, 2014, 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
February 4, 2014 for Historical Statements
December 9, 2013 for Forecast

NAGLE APARTMENTS CORP.

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

	For The Year		Prior Year	Next Year
	January 1, 2013 - December 31, 2013		January 1, 2012 - December 31, 2012	January 1, 2014 - December 31, 2014
	Budget (Unaudited)	Actual	Actual	Forecast (Unaudited)
REVENUE				
Maintenance - Stockholders (1)	\$ 869,400	\$ 867,628	\$ 852,723	\$ 891,900
Garage income	150,600	144,775	141,804	137,700
Electricity submetering	69,900	73,040	62,456	77,000
Sublet, late and other fees	64,600	58,587	46,616	67,000
Rental income	29,600	30,386	31,395	29,500
Stockholders' parking	25,200	24,917	25,367	19,000
Laundry income	30,100	23,700	26,499	24,000
Interest and dividends	4,400	705	1,772	5,200
Capital assessments	43,500	43,595	21,277	62,400
Vacancy loss recovery	13,400	-	-	-
TOTAL REVENUE	1,300,700	1,267,333	1,209,909	1,313,700
EXPENDITURES				
Management fee	48,000	48,000	48,000	50,000
Professional fees	26,500	33,743	31,581	33,500
Other administrative and telephone	10,300	11,543	10,703	12,400
Electricity and gas	84,200	85,058	78,607	93,000
Gas heat and fuel	107,000	74,118	68,957	72,600
Water and sewer	56,300	68,698	68,333	55,300
Wages and related costs	197,800	194,077	196,130	200,700
Insurance	53,500	50,258	46,981	54,800
Laundry contract	20,400	12,657	17,841	-
Submetering billing service	5,200	5,385	5,294	5,300
Miscellaneous operating and permits	7,800	1,031	7,085	6,000
Repairs and maintenance	114,000	123,713	140,666	146,000
New York City real estate tax	284,500	260,517	257,747	280,000
Corporation taxes	4,500	1,908	3,631	4,500
Mortgage interest and amortization	237,200	236,533	236,574	237,200
Transfer to reserve fund (3)	43,500	43,595	21,277	62,400
TOTAL EXPENDITURES	1,300,700	1,250,834	1,239,407	1,313,700
Budgeted Surplus	\$ -			\$ -
ACTUAL OPERATING INCOME (LOSS)		16,499	(29,498)	
Mortgage amortization		127,268	119,553	
Loan interest (2)		(18,316)	(24,813)	
Special repairs - hallway painting		(23,950)	(27,300)	
Realized loss on sale of investments		-	(17,847)	
Bad debt expense - rental apartment		-	(12,670)	
INCOME BEFORE DEPRECIATION AND AMORTIZATION		\$ 101,501	\$ 7,425	

(1) Maintenance has been increased to \$6.36 per share of stock, per month, from \$6.20 per share effective January 1, 2014.

(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, 5 and 6 for additional information.

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

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

NAGLE APARTMENTS CORP.

Summary of Significant Accounting Policies and Forecast Assumptions For The Year Ending December 31, 2014

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 9, 2013, 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 \$6.36 per share of stock, per month, which reflects a 2.5% increase effective January 1, 2014. 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 \$62,400, or \$0.445 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 7.5% has been anticipated for 2014. 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 \$62,400 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.