

NAGLE APARTMENTS CORP.

Financial Statements and
Supplementary Information for the
Years Ended December 31, 2002 and 2001



NAGLE APARTMENTS CORP.

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors and Shareholders
Nagle Apartments Corp.
31, 37 Nagle Avenue
14 Bogardus Place
New York, NY 10040

We have audited the accompanying balance sheet of Nagle Apartments Corp. as of December 31, 2002 and 2001, 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 Corporation'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, 2002 and 2001, 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.

Nagle Apartments Corp. has not presented the supplementary information on future major repairs and replacements that the American Institute of Certified Public Accountants has determined is required to supplement, although not required to be a part of, the basic financial statements.

Newman, Newman & Kaufman LLP.

Newman, Newman & Kaufman, LLP
Certified Public Accountants

January 29, 2003 (except for Note 4
which is dated April 16, 2003)

NAGLE APARTMENTS CORP.

BALANCE SHEET

December 31,	2002	2001
Assets		
Current Assets:		
Cash and cash equivalents:		
Operating account	\$ 52,227	\$ 35,581
Working capital	95,017	78,107
Mortgage escrow	<u>28,977</u>	<u>25,770</u>
	<u>176,221</u>	<u>139,458</u>
Receivables:		
Maintenance - apartments	12,565	34,628
Due from vendors	4,183	2,500
Garage income	-	63,294
Real estate tax refund	<u>-</u>	<u>97,466</u>
	<u>16,748</u>	<u>197,888</u>
Prepaid expenses:		
Real estate tax	36,996	29,306
Water and sewer	23,901	21,902
Insurance	16,208	4,280
Fuel inventory	2,856	3,407
Corporate taxes	<u>-</u>	<u>480</u>
	<u>79,961</u>	<u>59,375</u>
Line of credit escrow (Note 5)	<u>-</u>	<u>53,739</u>
Total Current Assets	<u>272,930</u>	<u>450,460</u>
Property and Improvements: (Notes 2 and 4)		
Land	316,950	316,950
Building	1,796,050	1,796,050
Building improvements	<u>696,967</u>	<u>621,571</u>
Total	<u>2,809,967</u>	<u>2,734,571</u>
Less: accumulated depreciation	<u>(1,260,009)</u>	<u>(1,185,994)</u>
Net Property and Improvements	<u>1,549,958</u>	<u>1,548,577</u>
Other Assets:		
Notes receivable (Note 3)	44,261	48,464
Unamortized mortgage costs	26,849	20,678
Investment in NCB Class B Stock	<u>3,000</u>	<u>3,000</u>
Total Other Assets	<u>74,110</u>	<u>72,142</u>
Total Assets	<u>\$ 1,896,998</u>	<u>\$ 2,071,179</u>

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.

BALANCE SHEET

December 31,	2002	2001
Liabilities		
Current Liabilities:		
Accounts payable	\$ 40,088	\$ 34,934
Building improvements payable	48,829	-
Due to shareholders - real estate tax abatements	17,868	13,363
Accrued mortgage interest	11,500	11,667
Insurance loan payable	8,015	-
Advance maintenance	2,946	1,141
Accrued line of credit interest	1,594	1,328
Corporation taxes	<u>310</u>	<u>-</u>
Total Current Liabilities	<u>131,150</u>	<u>62,433</u>
Long-Term Liabilities:		
Mortgage payable (Note 5)	1,725,000	1,750,000
NCB line of credit (Note 5)	450,000	300,000
Security deposits payable	<u>6,451</u>	<u>10,737</u>
Total Long-Term Liabilities	<u>2,181,451</u>	<u>2,060,737</u>
Total Liabilities	<u>2,312,601</u>	<u>2,123,170</u>
Stockholders' Equity		
Common stock - \$1.00 par value, 15,000 shares authorized, 12,120 shares issued	12,120	12,120
Paid-in capital in excess of par value	175,880	175,880
Paid-in capital from treasury stock (Note 6)	159,408	159,408
Accumulated deficit	(595,926)	(382,314)
Less: Treasury stock at cost (2,085 and 540 shares) (Note 6)	<u>(167,085)</u>	<u>(17,085)</u>
Total Stockholders' Equity	<u>(415,603)</u>	<u>(51,991)</u>
Total Liabilities and Stockholders' Equity	<u>\$ 1,896,998</u>	<u>\$ 2,071,179</u>

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.

STATEMENT OF OPERATIONS

Year Ended December 31,	2002	2001
Revenue		
Maintenance	\$ 655,943	\$ 655,943
Other shareholder fees	14,630	15,611
Laundry	8,100	8,100
Shareholder interest income	3,725	4,047
Interest and dividend income	2,732	3,393
Garage income	<u>-</u>	<u>40,000</u>
Total Revenue	<u>685,130</u>	<u>727,094</u>
Cost of Operations		
Administrative expenses	Schedule 1 138,414	56,474
Operating expenses	Schedule 2 283,985	266,194
Repairs and maintenance	Schedule 3 77,594	49,447
Interest expense	152,440	161,601
Real estate tax	120,231	115,050
Corporation taxes	<u>1,390</u>	<u>569</u>
Total Cost of Operations	<u>774,054</u>	<u>649,335</u>
(Loss) income from operations before special items and depreciation and amortization expense	(88,924)	77,759
Unsold unit expenses	Schedule 4 (9,400)	(3,375)
Write-down of garage rental arrears (Note 7)	(32,294)	-
Prior years' real estate tax refund (net of \$20,076 certiorari fees)	<u>-</u>	<u>77,390</u>
(Loss) Income Before Depreciation and Amortization Expense	(130,618)	151,774
Depreciation and amortization expense	<u>(82,994)</u>	<u>(79,967)</u>
Net (Loss) Income For The Year	<u>(\$ 213,612)</u>	<u>\$ 71,807</u>

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.

SUPPORTING SCHEDULES - STATEMENT OF OPERATIONS

Year Ended December 31,	2002	2001
<hr/>		
Administrative Expenses:	Schedule 1	
Legal and other professional	\$ 94,377	\$ 15,306
Management fee	32,500	30,000
Other administrative	7,916	8,615
Telephone and communications	<u>3,621</u>	<u>2,553</u>
Total Administrative Expenses	<u>\$ 138,414</u>	<u>\$ 56,474</u>
Operating Expenses:	Schedule 2	
Utilities		
Water and sewer	\$ 46,029	\$ 43,358
Fuel	41,772	39,935
Gas	26,163	37,936
Electricity	<u>13,524</u>	<u>16,800</u>
	<u>127,488</u>	<u>138,029</u>
Payroll		
Wages	95,565	91,982
Union benefits	11,214	10,668
Payroll taxes	7,610	7,373
Workers' compensation and disability insurance	<u>5,780</u>	<u>2,668</u>
	<u>120,169</u>	<u>112,691</u>
Other		
Insurance	31,334	12,618
Permits and miscellaneous operating	<u>4,994</u>	<u>2,856</u>
	<u>36,328</u>	<u>15,474</u>
Total Operating Expenses	<u>\$ 283,985</u>	<u>\$ 266,194</u>
Repairs and Maintenance:	Schedule 3	
Elevator contract and repair	\$ 16,826	\$ 11,572
Materials and supplies	15,073	16,555
Plumbing	11,968	457
Exterior repairs	6,848	216
Grounds and landscaping	6,600	-
Painting, plastering and flooring	5,491	6,000
Exterminating	4,880	4,174
Equipment repair	3,565	950
Doors, locks and windows	3,022	-
Heating and boiler repairs	2,376	6,509
Intercom and miscellaneous	<u>945</u>	<u>3,014</u>
Total Repairs and Maintenance	<u>\$ 77,594</u>	<u>\$ 49,447</u>

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.

SUPPORTING SCHEDULES - STATEMENT OF OPERATIONS

<u>Year Ended December 31,</u>	<u>2002</u>	<u>2001</u>
Unsold Unit Expenses:		
	Schedule 4	
Rental income	\$ 68,680	\$ 25,880
Maintenance on unsold units	(<u>78,080</u>)	(<u>29,255</u>)
Total Unsold Unit Expenses	(<u>\$ 9,400</u>)	(<u>\$ 3,375</u>)

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

<u>Year Ended December 31,</u>	<u>2002</u>	<u>2001</u>
Common Stock		
Balance - January 1,	\$ 12,120	\$ 12,120
Transactions during the year	<u>-</u>	<u>-</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>-</u>	<u>-</u>
Balance - December 31,	<u>\$ 175,880</u>	<u>\$ 175,880</u>
Paid-In Capital From Treasury Stock		
Balance - January 1,	\$ 159,408	\$ 159,408
Transactions during the year	<u>-</u>	<u>-</u>
Balance - December 31,	<u>\$ 159,408</u>	<u>\$ 159,408</u>
Accumulated Deficit		
Balance - January 1,	(\$ 382,314)	(\$ 454,121)
Net (loss) income for the year	<u>(213,612)</u>	<u>71,807</u>
Balance - December 31,	<u>(\$ 595,926)</u>	<u>(\$ 382,314)</u>
Treasury Stock		
Balance - January 1, (540 shares)	(\$ 17,085)	(\$ 17,085)
Acquisition of 1,545 shares at cost (See Note 6)	<u>(150,000)</u>	<u>-</u>
Balance - December 31, (2,085 and 540 shares)	<u>(\$ 167,085)</u>	<u>(\$ 17,085)</u>

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.

STATEMENT OF CASH FLOWS

Year Ended December 31,	2002	2001
Cash Flows From Operating Activities		
Net (loss) income for the year	(\$ 213,612)	\$ 71,807
Adjustments to reconcile net (loss) income to cash provided by operating activities:		
Depreciation and amortization	82,994	79,967
Other changes that provided (used) cash:		
Receivables	181,140	(108,891)
Prepaid expenses	(20,586)	3,465
Escrow account	53,739	(1,276)
Accounts payable	5,154	(7,692)
Other current liabilities	14,734	(3,410)
Security deposits	(4,286)	-
Total Adjustments	<u>312,889</u>	<u>(37,837)</u>
Cash Provided By Operating Activities	<u>99,277</u>	<u>33,970</u>
Cash Flows From Investing Activities		
Proceeds from notes receivable	4,203	3,881
Increase in building improvements (Note 4)	(75,396)	-
Increase in building improvements payable	<u>48,829</u>	<u>-</u>
Cash (Used) Provided By Investing Activities	<u>(22,364)</u>	<u>3,881</u>
Cash Flows From Financing Activities		
Increase in unamortized mortgage costs	(15,150)	-
Principal payment of mortgage	(25,000)	-
Proceeds from line of credit	450,000	-
Repayment of line of credit	(300,000)	-
Acquisition of treasury stock	<u>(150,000)</u>	<u>-</u>
Cash Used By Financing Activities	<u>(40,150)</u>	<u>-</u>
Net change in cash and cash equivalents	36,763	37,851
Cash and cash equivalents at beginning of year	<u>139,458</u>	<u>101,607</u>
Cash and cash equivalents at end of year	<u>\$ 176,221</u>	<u>\$ 139,458</u>

Supplemental Disclosures

Interest paid	\$ 154,737	\$ 162,809
Corporation taxes paid	\$ 600	\$ 260

The accompanying notes are an integral part of this statement.

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, 37 Nagle Avenue, 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 apartments. The primary purpose of the Corporation is to manage the operations of the property and maintain the common elements.

At December 31, 2002 and 2001, Ellwood Gardens Company (the "Sponsor") owned 0 and 1,655 shares which represent 0% and 13.7% of the total shares issued, respectively. (See Note 6.)

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 are depreciated on the straight-line method over estimated lives of twenty-seven and one-half years. Maintenance and repairs that do not increase the useful life of an asset are expensed as incurred.

Deferred Mortgage Financing Costs

Mortgage financing costs incurred as part of the Corporation's refinancing transactions have been deferred and are being amortized over the original life of the respective loan.

Revenue Recognition

Shareholder maintenance is based on an annual budget determined by the Board of Directors. Shareholders are billed monthly based on their respective share ownership. This income is recognized when due and payable. The Corporation retains excess operating funds at the end of the operating year, if any, for use in future periods.

Corporation Taxes

The financial statements do not contain a provision for Federal income tax due to cumulative net operating losses for tax purposes which are available to be carried forward to future tax periods. Federal income tax is computed pursuant to Subchapter T of the Internal Revenue Code. 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.

Statement of Cash Flows

Cash and cash equivalents are stated at cost which approximates market. The Corporation considers all highly liquid investments with a maturity of three months or less at date of purchase to be cash equivalents.

Concentration of Credit Risk

The Corporation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts.

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 to finance estimated future major repairs and replacements. The Corporation has not promulgated a study to determine the remaining useful lives of the components of the building and estimates of the costs of major repairs and replacements that may be required. When funds are required for major repairs and replacements, the Corporation has the right to utilize available cash reserves and/or borrow, increase maintenance and/or impose assessments, or delay repairs and replacements until funds are available.

Note 3. NOTES RECEIVABLE

On sales of treasury stock shares appurtenant to three units, the Corporation financed notes receivable in the amount of \$62,806. During 2002 and 2001, principal payments of \$4,203 and \$3,881 were received reducing the outstanding notes receivable to \$44,261 and \$48,464, respectively, at the balance sheet date. Terms of the notes financed by the Corporation require equal monthly installments applied to interest at the rate of 8% per annum and the balance as a reduction of principal pursuant to seven, fifteen and twenty year amortization schedules.

Note 4. PROPERTY AND IMPROVEMENTS

The following improvements were capitalized during the year ended December 31, 2002:

Elevator upgrade (in progress)	\$ 41,911
Water and sewer lines	26,800
Storage lockers	<u>6,685</u>
Total	<u>\$ 75,396</u>

Improvement Commitment

The elevator upgrade contract total is \$264,200 exclusive of engineering fees. In addition to building improvements payable at December 31, 2002, the outstanding balance of the contract was \$228,533.

Note 5. MORTGAGE PAYABLE

The wrap-around mortgage payable to Ellwood Gardens Company and 20-20 Realty Corp. in the original principal balance of \$1,850,000 bears interest at the rate of 8% per annum. At December 31, 2002 and 2001, the mortgage payable balance was \$1,725,000 and \$1,750,000. The Corporation has the right to prepay a maximum of \$25,000 in each year of the mortgage. Prepayments may be cumulative so that if such right is not exercised in any one or more loan years, the amount may be carried forward and added to the amount that may be prepaid in a future loan year. Terms of the loan require interest only payments on the outstanding principal balance. The loan matures August 31, 2006.

Credit Lines

On January 29, 1999, the Corporation established a secured line of credit with National Cooperative Bank ("NCB") with a maximum draw of \$300,000. Terms of the loan require payments of interest only (on funds drawn from the credit line) for the first year at the interest rate of 3% over the Libor rate adjusted monthly. During the second year, monthly payments were to include both interest and principal pursuant to a ten year amortization schedule. On October 30, 2002, the \$300,000 outstanding balance was repaid with the proceeds from a new line of credit established with NCB.

Notes to Financial Statements

Note 5. **MORTGAGE PAYABLE/SUBSEQUENT EVENT** (continued)

Credit Lines (continued)

On October 30, 2002, the Corporation established a new line of credit with NCB with a maximum draw of \$800,000. Terms of the new loan require interest at a rate per annum equal to the Base Rate (Prime), from time to time in effect, but in no event to exceed the maximum rate permitted by applicable law. Interest only shall be paid monthly in arrears commencing on December 1, 2002 and on the first day of each and every calendar month thereafter until maturity date. As of December 31, 2002, the outstanding balance on the line of credit was \$450,000.

Subsequent Events/Mortgage Refinancing

On April 16, 2003, the Corporation refinanced its mortgage payable. The new mortgage is held by National Cooperative Bank ("NCB") in the original principal amount of \$2,700,000. It requires equal monthly installments of \$19,767 applied first to interest at the rate of 6.27% per annum and the balance as a reduction of principal based on a twenty year amortization schedule. The mortgage matures on May 1, 2023 at which time the mortgage will be satisfied in full.

Prepayment Terms

No prepayment shall be allowed prior to May 1, 2010. Thereafter, the loan may be prepaid in whole only and will be subject to a prepayment penalty as set forth in the loan documents. Prepayment in whole may be made without penalty during the ninety day period preceding maturity.

Credit Line/Refinancing

On April 16, 2003, as part of the mortgage refinancing transaction, the Corporation repaid the existing line of credit in the amount of \$450,000 plus accrued interest and established a new \$250,000 revolving line of credit. Terms of the line require interest only payments at the rate of 2% over the NCB Base Rate Index. The credit line matures on May 1, 2023.

Note 6. **ACQUISITION AND SALE OF TREASURY STOCK**

On May 29, 2002, the Corporation acquired the Sponsor's remaining 1,545 shares appurtenant to twelve apartments for a purchase price of \$150,000.

The following schedule summarizes the acquisition and sales of treasury stock shares:

Acquisition:

	<u>Shares</u>	<u>Cost</u>
Prior	105	\$ 17,449
1995	595	24,174
1996	260	1,905
1997	500	32,825
1998	210	18,447
2000	110	18,454
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/Closing Costs</u>	<u>Acquisition Costs</u>	<u>Gain on Sales</u>
1997	685	\$ 120,500	\$ 26,824	\$ 47,424	\$ 46,252
1998	130	30,000	724	1,905	27,371
1999	315	103,500	15,349	28,386	59,765
2000	<u>110</u>	<u>46,000</u>	<u>1,526</u>	<u>18,454</u>	<u>26,020</u>
	<u>1,240</u>	<u>\$ 300,000</u>	<u>\$ 44,423</u>	<u>\$ 96,169</u>	<u>\$ 159,408</u>

The gain on sales is recorded as paid-in capital from treasury stock. At December 31, 2002 and 2001, the Corporation held 2,085 and 540 shares of treasury stock appurtenant to 17 and 5 occupied apartments, respectively. The monthly shortfall on the seventeen apartments is approximately \$1,137.

Note 7. GARAGE SETTLEMENT

On December 17, 2002, the Corporation agreed to a settlement of all disputes with the garage tenant. Terms of the settlement provide for the following:

- A waiver of all outstanding arrears due from the garage as of December 31, 2002.
- The garage will pay \$100,000 rent for 2003.
- The garage tenant will voluntarily vacate the premise on December 31, 2003.

Pursuant to the garage settlement, the Corporation wrote off \$32,294 of prior year garage arrears. The Corporation anticipates executing a new garage lease during 2003 for a commencement date of January 1, 2004.

Note 8. LEGAL MATTERS

The Corporation is involved in legal proceedings arising in the ordinary course of business. Management believes that the final outcome of these proceedings will not result in any significant liability.

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

To The Board of Directors and Shareholders
Nagle Apartments Corp.
31, 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, 2002 and 2001 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 Budget 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 expressed no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We also have compiled the accompanying budget forecast of Nagle Apartments Corp. for the year ending December 31, 2003, in accordance with guidelines established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of forecasted data information that is the representation of management and does not include evaluation of the support for the assumptions underlying the presentation. We have not examined the presentation and, accordingly, do not express an opinion or any other form of assurance in the accompanying presentation or assumptions. Furthermore, there will usually be differences between the forecast and actual results, because events and circumstances frequently do not occur as expected, and these differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Newman, Newman & Kaufman LLP.

Newman, Newman & Kaufman, LLP
Certified Public Accountants

January 29, 2003 for Historical Statements
December 19, 2002 for Budget Forecast

SUPPLEMENTARY AND PROSPECTIVE INFORMATION

NAGLE APARTMENTS CORP.

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

	For The Year		Prior Year	Next Year
	January 1, 2002 - December 31, 2002		January 1, 2001 - December 31, 2001	January 1, 2003 - December 31, 2003
	Budget (Unaudited)	Actual	Actual	Budget Forecast (Unaudited)
REVENUE				
Maintenance	\$ 656,000	\$ 655,943	\$ 655,943	\$ 656,000
Other shareholder fees	11,300	14,630	15,611	14,400
Laundry	8,100	8,100	8,100	7,900
Shareholder interest income	-	3,725	4,047	-
Interest and dividend income	-	2,732	3,393	2,800
Garage income	<u>130,000</u>	<u>-</u>	<u>40,000</u>	<u>100,000</u>
TOTAL REVENUE	<u>805,400</u>	<u>685,130</u>	<u>727,094</u>	<u>781,100</u>
EXPENDITURES				
Professional fees	30,800	94,377	15,306	41,400
Management fee	33,000	32,500	30,000	30,000
Other administrative	8,000	7,916	8,615	12,100
Telephone and communications	2,700	3,621	2,553	3,300
Water and sewer	24,000	46,029	43,358	24,000
Fuel	32,000	41,772	39,935	40,000
Gas and electricity	85,000	39,687	54,736	28,000
Wages	82,000	95,565	91,982	84,500
Union benefits	13,400	11,214	10,668	12,600
Payroll taxes	9,800	7,610	7,373	9,400
Workers' comp. & disability insurance	5,200	5,780	2,668	5,200
Insurance	15,600	31,334	12,618	31,900
Permits and miscellaneous operating	3,000	4,994	2,856	3,000
Repairs and maintenance	48,300	77,594	49,447	46,900
Mortgage interest and amortization	165,000	138,189	140,000	223,700
Line of credit interest and amortization	24,000	14,251	21,601	-
Real estate tax	119,200	120,231	115,050	153,000
Corporation taxes	1,900	1,390	569	1,600
Contingency/reserve funding	<u>102,500</u>	<u>-</u>	<u>-</u>	<u>29,300</u>
TOTAL EXPENDITURES	<u>805,400</u>	<u>774,054</u>	<u>649,335</u>	<u>779,900</u>
Budgeted Surplus	-0-			\$ <u>1,200</u>
ACTUAL OPERATING (LOSS) INCOME		(88,924)	77,759	
Add: Prior year real estate tax refund	-	-	77,390	
Mortgage pay-down	25,000	-	-	
Unsold unit expenses	-	(9,400)	(3,375)	
Write-down of garage rental arrears (Note 7)	<u>-</u>	<u>(32,294)</u>	<u>-</u>	
(LOSS) INCOME BEFORE DEPRECIATION	<u>\$ 25,000</u>	<u>(\$ 130,618)</u>	<u>\$ 151,774</u>	

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

**Summary of Significant Accounting Policies and Budget Forecast Assumptions
Year Ended December 31, 2003**

This financial budget forecast presents, to the best of management's knowledge and belief, the Corporation's expected results of operations for the budget forecast period. Accordingly, the budget forecast reflects management's judgment, as of the date of this budget forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the budget 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. The comparative historical information for 2002 and 2001 is extracted from the Corporation's financial statements for those years. Those financial statements should be read for additional information.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The budget 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 \$4.52 per share per month and remains unchanged from the previous year. Garage income is based upon settlement agreement with garage operator.

Expenses

Fuel

Based upon anticipated consumption of 40,000 gallons at an estimated cost of \$1.00 per gallon.

Utilities and Other Expenses

Assumes increases based upon industry consensus usually ranging from 3% to 5%.

Labor

The Corporation's labor union is under contract with Local 32E. Labor costs are forecasted based upon similar increases in the current contract.

Repairs and Maintenance

Based upon historical experience and expected maintenance requirements.

Real Estate Tax

Based upon the tax rate of 12.517% for the first half of the year and an estimated tax rate of 13% for the second half applied to the 2002/03 assessed value increased by approximately 6%.