

**NAGLE APARTMENTS CORP.**

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Financial Statements and  
Supplementary Information for the  
Years Ended December 31, 2005 and 2004



**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, 2005 and 2004, 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, 2005 and 2004, 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

February 3, 2006

**NAGLE APARTMENTS CORP.**

**BALANCE SHEET**

December 31,	2005	2004
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**Assets**

Current Assets:

Cash and cash equivalents	\$ 14,249	\$ 14,765
Mortgage escrow	4,048	4,179
Receivables (Note 3)	50,548	35,153
Prepaid expenses (Note 4)	<u>82,941</u>	<u>79,487</u>
 Total Current Assets	 <u>151,786</u>	 <u>133,584</u>

Property and Improvements: (Notes 2 and 6)

Land	316,950	316,950
Building	1,796,050	1,796,050
Building improvements	<u>1,267,268</u>	<u>1,254,848</u>
Total	3,380,268	3,367,848
Less: accumulated depreciation	<u>1,530,547</u>	<u>1,430,430</u>
 Net Property and Improvements	 <u>1,849,721</u>	 <u>1,937,418</u>

Other Assets:

Cash - security deposits	41,649	5,406
Notes receivable (Note 5)	142,530	139,279
Deferred lease costs (Note 2)	64,558	49,954
Unamortized mortgage costs (Note 2)	49,714	54,986
Investment in NCB Class B1 Stock (Note 2)	<u>-</u>	<u>20,783</u>
 Total Other Assets	 <u>298,451</u>	 <u>270,408</u>
 Total Assets	 <u>\$ 2,299,958</u>	 <u>\$ 2,341,410</u>

The accompanying notes are an integral part of these financial statements.

**NAGLE APARTMENTS CORP.**

**BALANCE SHEET**

December 31,	2005	2004
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable	\$ 70,638	\$ 40,599
Mortgage payable - current portion	82,149	77,169
Due to shareholders - real estate tax abatements	24,034	25,567
Advance maintenance/rental income	18,233	14,538
Accrued mortgage interest	13,115	13,518
Building improvements payable	8,420	10,145
Insurance loan payable	4,308	6,188
Accrued corporation taxes	-	773
Cash operating - overdraft	-	<u>14,107</u>
Total Current Liabilities	<u>220,897</u>	<u>202,604</u>
Long-Term Liabilities:		
Mortgage payable - net of current portion (Note 7)	2,427,951	2,510,100
Security deposits payable	<u>41,119</u>	<u>5,406</u>
Total Long-Term Liabilities	<u>2,469,070</u>	<u>2,515,506</u>
Total Liabilities	<u>2,689,967</u>	<u>2,718,110</u>
<b>Stockholders' Equity</b>		
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 8)	442,965	414,599
Accumulated deficit	( 896,373)	( 841,106)
Less: treasury stock at cost (1,580 and 1,720 shares) (Note 8)	( 124,601)	( 138,193)
Total Stockholders' Equity	( 390,009)	( 376,700)
Total Liabilities and Stockholders' Equity	<u>\$ 2,299,958</u>	<u>\$ 2,341,410</u>

The accompanying notes are an integral part of these financial statements.

**NAGLE APARTMENTS CORP.**

**STATEMENT OF OPERATIONS**

<u>Year Ended December 31,</u>	<u>2005</u>	<u>2004</u>
<b>Revenues</b>		
Maintenance	\$ 727,200	\$ 674,056
Garage income	103,550	65,167
Electricity rebilling	45,209	9,328
Shareholders' parking	30,863	26,749
Operating assessment	26,208	-
Other shareholder fees	25,809	20,302
Shareholder interest income	9,873	5,792
Laundry income	8,100	10,100
Interest and dividend income	1,187	<u>22,265</u>
 Total Revenues	 <u>977,999</u>	 <u>833,759</u>
 <b>Cost of Operations</b>		
Administrative expenses	Schedule 1	79,264
Operating expenses	Schedule 2	426,895
Repairs and maintenance	Schedule 3	67,191
Real estate tax		167,596
Mortgage interest		159,626
Corporation taxes		<u>1,930</u>
 Total Cost of Operations	 <u>902,502</u>	 <u>835,405</u>
 <b>Income (loss) from operations before special item and depreciation and amortization</b>		
	75,497	( 1,646)
Unsold unit expenses	( 18,200)	( 11,730)
 <b>Income (Loss) Before Depreciation and Amortization</b>	 57,297	( 13,376)
Depreciation and amortization	( 112,564)	( 105,165)
 Net Loss For The Year	 <u>(\$ 55,267)</u>	 <u>(\$ 118,541)</u>

The accompanying notes are an integral part of these financial statements.

**NAGLE APARTMENTS CORP.**

**SUPPORTING SCHEDULES - STATEMENT OF OPERATIONS**

<b>Year Ended December 31,</b>	<b>2005</b>	<b>2004</b>
<b>Administrative Expenses:</b>		
Management fee	\$ 41,000	\$ 39,000
Professional fees	28,024	47,954
Other administrative	6,489	7,886
Telephone and communications	<u>3,751</u>	<u>3,580</u>
 Total Administrative Expenses	 <u>\$ 79,264</u>	 <u>\$ 98,420</u>
 <b>Operating Expenses:</b>		
<b>Schedule 2</b>		
Utilities		
Fuel and gas heat	\$ 114,665	\$ 92,904
Gas and electricity	64,652	28,823
Water and sewer	<u>54,635</u>	<u>51,532</u>
	<u>233,952</u>	<u>173,259</u>
Labor		
Wages	108,710	99,245
Union benefits	15,126	12,660
Payroll taxes	8,683	7,301
Workers' compensation and disability insurance	<u>6,332</u>	<u>5,080</u>
	<u>138,851</u>	<u>124,286</u>
Other		
Insurance and related interest	44,355	42,801
Submeter service	6,807	467
Permits and other operating	<u>2,930</u>	<u>3,465</u>
	<u>54,092</u>	<u>46,733</u>
 Total Operating Expenses	 <u>\$ 426,895</u>	 <u>\$ 344,278</u>
 <b>Repairs and Maintenance:</b>		
<b>Schedule 3</b>		
Materials and supplies	\$ 13,830	\$ 15,215
Elevator contract and repair	12,844	12,197
Plumbing	9,752	5,099
Grounds, landscaping and exterior repairs	8,742	6,402
Exterminating	4,929	5,171
Electrical repairs	4,330	3,507
Heating and boiler repairs	4,322	4,972
Painting, plastering and flooring	4,075	11,650
Equipment repair	3,627	3,166
Intercom and miscellaneous	740	668
Doors, locks and windows	<u>-</u>	<u>2,907</u>
 Total Repairs and Maintenance	 <u>\$ 67,191</u>	 <u>\$ 70,954</u>

The accompanying notes are an integral part of these financial statements.

**NAGLE APARTMENTS CORP.**

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

<b>Year Ended December 31,</b>	<b>2005</b>	<b>2004</b>
<b>Common Stock</b>		
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>
<b>Paid-In Capital in Excess of Par Value</b>		
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>
<b>Paid-In Capital From Treasury Stock</b>		
Balance - January 1,	\$ 414,599	\$ 159,408
Sale of 140 and 365 shares of treasury stock in excess of allocated cost	<u>28,366</u>	<u>255,191</u>
Balance - December 31,	<u>\$ 442,965</u>	<u>\$ 414,599</u>
<b>Accumulated Deficit</b>		
Balance - January 1,	(\$ 841,106)	(\$ 722,565)
Net loss for the year	<u>(55,267)</u>	<u>(118,541)</u>
Balance - December 31,	<u>(\$ 896,373)</u>	<u>(\$ 841,106)</u>
<b>Treasury Stock</b>		
Balance - January 1, (1,720 and 2,085 shares)	(\$ 138,193)	(\$ 167,085)
Sale of 140 and 365 shares at allocated cost	<u>13,592</u>	<u>28,892</u>
Balance - December 31, (1,580 and 1,720 shares)	<u>(\$ 124,601)</u>	<u>(\$ 138,193)</u>

The accompanying notes are an integral part of these financial statements.

**NAGLE APARTMENTS CORP.**

**STATEMENT OF CASH FLOWS**

<u>Year Ended December 31,</u>	<u>2005</u>	<u>2004</u>
<b>Cash Flows From Operating Activities</b>		
Net loss for the year	(\$ 55,267)	(\$ 118,541)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:		
Depreciation	100,117	94,342
Amortization	12,447	10,823
Other changes in operating assets and liabilities that provided (used) cash:		
Mortgage escrow	131	( 1,108)
Receivables	( 15,395)	( 3,884)
Prepaid expenses	( 3,454)	( 9,723)
Security deposits	( 36,243)	544
Deferred lease costs	( 21,779)	( 8,276)
Accounts payable	30,039	( 45,692)
Other current liabilities	( 15,001)	31,685
Security deposits payable	35,713	( 7)
Total Adjustments	<u>86,575</u>	<u>68,704</u>
Cash Provided By (Used In) Operating Activities	<u>31,308</u>	<u>( 49,837)</u>
<b>Cash Flows From Investing Activities</b>		
Increase in notes receivable (Note 5)	( 3,251)	( 99,500)
Increase in building improvements (Note 6)	( 12,420)	( 167,056)
NCB stock repurchase	20,783	-
Decrease in building improvements payable	( 1,725)	( 40,057)
Cash Provided By (Used In) Investing Activities	<u>3,387</u>	<u>( 306,613)</u>
<b>Cash Flows From Financing Activities</b>		
Amortization of mortgage payable	( 77,169)	( 72,491)
Proceeds from sale of treasury stock	<u>41,958</u>	<u>284,083</u>
Cash (Used In) Provided By Financing Activities	<u>( 35,211)</u>	<u>211,592</u>
Net change in cash and cash equivalents	( 516)	( 144,858)
Cash and cash equivalents at beginning of year	<u>14,765</u>	<u>159,623</u>
Cash and cash equivalents at end of year	<u>\$ 14,249</u>	<u>\$ 14,765</u>
<b>Supplemental Disclosures</b>		
Interest paid	\$ 160,029	\$ 164,707
Corporation taxes paid	\$ 2,784	\$ 1,345

The accompanying notes are an integral part of these financial statements.

## NAGLE APARTMENTS CORP.

### Notes to Financial Statements

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#### 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.

#### 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.

##### **Investment in NCB Stock**

As part of a refinancing transaction, the Corporation purchased \$20,783 of Class B1 stock of the bank. Each year, NCB distributes its surplus income to its members/borrowers as a return on the one percent of stock purchase. During 2005, NCB repurchased the stock.

##### **Deferred Expenses**

Deferred lease costs associated with the garage lease are amortized over the terms of the lease. 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**

At December 31, 2005, the Corporation had approximately \$786,000 of operating loss carryforwards available for federal income tax purposes which will expire through 2025. Since the Corporation does not anticipate significant taxable income, no related deferred tax asset accounts have been reflected in the accompanying financial statements.

Federal income tax is computed pursuant to Subchapter T of the Internal Revenue Code. Under Subchapter T, income from non-patronage sources, such as interest and commercial rents, in excess of expenses properly attributable thereto may be subject to tax. The Corporation believes that all of its income is effectively patronage sourced and/or expenses allocable to potential non-patronage sourced income would equal or exceed such income. Accordingly, no provision for taxes, if any, that could result from the application of Subchapter T to the Corporation's income has been reflected 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.

# NAGLE APARTMENTS CORP.

## Notes to Financial Statements

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### Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Statement of Cash Flows

Cash and cash equivalents are stated at cost which approximate 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.

#### 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. RECEIVABLES

	<u>2005</u>	<u>2004</u>
Maintenance and rental income	\$ 43,902	\$ 30,607
Due from vendors	3,456	4,546
Laundry income	2,025	-
Accrued shareholder interest income	<u>1,165</u>	<u>-</u>
 Total	<u>\$ 50,548</u>	<u>\$ 35,153</u>

### Note 4. PREPAID EXPENSES

	<u>2005</u>	<u>2004</u>
Real estate tax	\$ 46,475	\$ 40,062
Water and sewer	26,741	26,157
Insurance	9,704	13,268
Corporation taxes	<u>21</u>	<u>-</u>
 Total	<u>\$ 82,941</u>	<u>\$ 79,487</u>

### Note 5. NOTES RECEIVABLE

On sales of treasury stock shares appurtenant to three units, the Corporation financed notes receivable in the original principal amount of \$62,806. During 2005 and 2004, principal payments of \$3,910 and \$3,345 were received, reducing the outstanding notes receivable to \$32,525 and \$36,434, respectively, at the balance sheet date. Terms of the two remaining notes financed by the Corporation for the above units require equal monthly installments applied to interest at the rate of 8% per annum and the balance as a reduction of principal pursuant to five and fifteen year amortization schedules.

During 2004, the Corporation financed the sale of an additional treasury stock unit in the amount of \$100,000. Terms do not require any monthly payments. Interest accrues at the rate of 6.75% per annum compounded monthly until maturity on July 9, 2019. The balance, as of December 31, 2005 and 2004 was \$110,005 and \$102,845, respectively.

# NAGLE APARTMENTS CORP.

## Notes to Financial Statements

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### Note 6. PROPERTY AND IMPROVEMENTS

Building improvements and equipment were capitalized as follows:

	<u>2005</u>	<u>2004</u>
Window project - consultant	\$ 12,420	\$ -
Submetering	-	44,215
Fuel storage tank	-	40,000
ADA ramp project (consultant)	-	20,973
Fencing	-	17,145
Emergency lighting system	-	16,908
CCTV installation	-	12,872
Mailbox installation	-	12,569
Gym room and equipment	-	2,374
Total	<u>\$ 12,420</u>	<u>\$ 167,056</u>

### Note 7. MORTGAGE PAYABLE

The mortgage is held by National Cooperative Bank ("NCB") in the original principal amount of \$2,700,000. Terms require 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.

Principal payments due on the mortgage payable over the next five years are as follows:

2006	\$ 82,149
2007	87,451
2008	93,094
2009	99,102
2010	105,498

#### 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 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 day period preceding maturity.

#### Line of Credit

The Corporation maintains a \$250,000 revolving line of credit with NCB. Terms of the credit line require interest only payments at the rate of 2% over the NCB Base Rate Index. The credit line will mature at the earlier of May 1, 2023 or a refinance of the underlying first mortgage. As of the balance sheet date, no funds had been drawn.

# NAGLE APARTMENTS CORP.

## Notes to Financial Statements

### Note 8. ACQUISITION AND SALE OF TREASURY STOCK

The following schedule summarizes the acquisition and sales 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/Closing Costs</u>	<u>Acquisition Costs</u>	<u>Gain on Sales</u>
1997 - 2003	1,240	\$ 300,000	\$ 44,423	\$ 96,169	\$ 159,408
2004	365	302,500	18,417	28,892	255,191
2005	<u>140</u>	<u>44,200</u>	<u>2,242</u>	<u>13,592</u>	<u>28,366</u>
	<u>1,745</u>	<u>\$ 646,700</u>	<u>\$ 65,082</u>	<u>\$ 138,653</u>	<u>\$ 442,965</u>

The gain on sales is recorded as paid-in capital from treasury stock. At December 31, 2005 and 2004, the Corporation held 1,580 and 1,720 shares of treasury stock appurtenant to 13 and 14 apartments, respectively. The monthly shortfall on these apartments is approximately \$1,426. It is the Corporation's intention to sell additional treasury stock apartments.

### Note 9. GARAGE LEASE

The Corporation, as lessor under the lease, will receive minimum base rents over each of the next five years as follows:

2006	\$ 148,653
2007	149,998
2008	151,360
2009	152,733
2010	156,121

The above rents will be reduced by the aggregate monthly charges billed to monthly resident parkers which shall be collected directly by the Corporation. The lease also contains a real estate tax escalation clause allowing for additional rents.

### Note 10. UNION AGREEMENT

Substantially all of the Corporation's employees are covered by a union sponsored, collectively bargained, multiemployer defined benefit pension and health insurance plan. Contributions to the plan are determined in accordance with the provisions of the negotiated labor contract and amounted to \$15,126 and \$12,660 for the years ended December 31, 2005 and 2004, respectively. Pursuant to the Employee Retirement Income Security Act ("ERISA"), as amended, an employer, upon withdrawal from a multiemployer plan, is required to pay its proportionate share of the plan's unfunded vested benefits. The Corporation has no intention of withdrawing from the plan.

**SUPPLEMENTARY AND PROSPECTIVE INFORMATION**

**INDEPENDENT AUDITORS' 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, 2005 and 2004 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 Revenues 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, 2006, 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

February 3, 2006 for Historical Statements  
December 6, 2005 for Budget Forecast

**NAGLE APARTMENTS CORP.**

**Comparative Schedule of Revenues and Expenditures - Budget, Historical and Budget Forecast**

	For The Year		Prior Year	Next Year
	January 1, 2005 - December 31, 2005		January 1, 2004 - December 31, 2004	January 1, 2006 - December 31, 2006
	Budget (Unaudited)	Actual	Actual	Budget Forecast (Unaudited)
<b>REVENUES</b>				
Maintenance	\$ 726,400	\$ 727,200	\$ 674,056	\$ 756,300
Garage income	133,300	103,550	65,167	138,700
Electricity rebilling	50,000	45,209	9,328	48,000
Shareholders' parking	-	30,863	26,749	-
Operating assessment	-	26,208	-	30,000
Other shareholder fees	19,400	25,809	20,302	34,000
Shareholder interest income	-	9,873	5,792	5,500
Laundry income	7,900	8,100	10,100	11,100
Interest and dividend income	-	1,187	22,265	-
Fuel surcharge	-	-	-	29,100
<b>TOTAL REVENUES</b>	<b>937,000</b>	<b>977,999</b>	<b>833,759</b>	<b>1,052,700</b>
<b>EXPENDITURES</b>				
Management fee	39,000	41,000	39,000	41,000
Professional fees	34,000	28,024	47,954	30,900
Other administrative	5,800	6,489	7,886	4,700
Telephone and communications	3,200	3,751	3,580	3,600
Fuel and gas heat	96,600	114,665	92,904	85,000
Gas and electricity	70,000	64,652	28,823	137,000
Water and sewer	53,000	54,635	51,532	56,000
Wages	91,800	108,710	99,245	106,600
Union benefits	13,800	15,126	12,660	16,400
Payroll taxes	7,000	8,683	7,301	8,800
Workers' comp. & disability insurance	7,000	6,332	5,080	5,000
Insurance and related interest	57,500	44,355	42,801	50,000
Permits, submeter and other operating	3,300	9,737	3,932	13,800
Repairs and maintenance	50,700	67,191	70,954	64,300
Mortgage interest and amortization	237,200	236,795	236,819	237,200
Real estate tax	159,600	167,596	155,648	186,000
Corporation taxes	3,000	1,930	1,777	1,200
<b>TOTAL EXPENDITURES</b>	<b>932,500</b>	<b>979,671</b>	<b>907,896</b>	<b>1,047,500</b>
Budgeted Surplus	<u>\$ 4,500</u>			<u>\$ 5,200</u>
<b>ACTUAL OPERATING LOSS</b>		( 1,672)	( 74,137)	
Mortgage amortization		77,169	72,491	
Unsold unit expenses		( 18,200)	( 11,730)	
<b>INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION</b>		<u>\$ 57,297</u>	<u>(\$ 13,376)</u>	

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

## NAGLE APARTMENTS CORP.

### **Summary of Significant Accounting Policies and Budget Forecast Assumptions Year Ended December 31, 2006**

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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 2005 and 2004 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**

#### **Revenues**

Maintenance charges have been computed based on \$5.20 per share per month reflecting an increase of 4% over the previous year. An operating assessment roughly equivalent to the real estate tax abatement received by eligible shareholders will be imposed as additional operating revenue. A fuel surcharge of approximately \$29,100 will provide additional operating revenue. Garage income is based upon existing lease terms.

#### **Expenses**

##### **Utilities**

Reflect increases, if any, based upon industry consensus and rates set by appropriate regulatory agencies.

##### **Labor and Union Benefits**

The Corporation's labor union contract with Local 32E covers substantially all building employees. Labor costs and union benefits are forecasted based upon the current contract.

##### **Repairs and Maintenance**

Based upon historical experience and expected maintenance requirements.

##### **Real Estate Tax**

Based upon an approximate 11% increase over 2005.