
NAGLE APARTMENTS CORP.

Financial Statements and
Supplementary Information for the
Years Ended December 31, 2006 and 2005

Zeidman, Lackowitz, Prisand & Co., LLP
Certified Public Accountants

NAGLE APARTMENTS CORP.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying balance sheet (with supporting schedules) of NAGLE APARTMENTS CORP. as of December 31, 2006 and the related statements of operations (with supporting schedules), changes in stockholders' deficiency and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of NAGLE APARTMENTS CORP. as of December 31, 2005, were audited by other auditors whose report dated February 3, 2006, expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides 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, 2006 and the results of its operations and its cash flows for the year 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.

Zeidman, Lackowitz, Prisand & Co., LLP

January 18, 2007

NAGLE APARTMENTS CORP.
BALANCE SHEETS
AS OF DECEMBER 31,

| | 2006 | 2005 |
|---|--------------|--------------|
| ASSETS | | |
| Current Assets: | | |
| | | |
| Cash and cash equivalents | \$ 251,670 | \$ 14,249 |
| Accounts receivable | 96,238 | 50,548 |
| Prepaid expenses | 90,731 | 82,941 |
| Mortgage escrow (Note 3) | 5,018 | 4,048 |
| | <hr/> | <hr/> |
| Total Current Assets | 443,657 | 151,786 |
| | <hr/> | <hr/> |
| Property and Improvements: (Notes 2 and 5) | | |
| | | |
| Land | 316,950 | 316,950 |
| Building | 1,796,050 | 1,796,050 |
| Building improvements | 1,347,996 | 1,267,268 |
| | <hr/> | <hr/> |
| Total | 3,460,996 | 3,380,268 |
| Less: Accumulated depreciation | 1,636,745 | 1,530,547 |
| | <hr/> | <hr/> |
| Net Property and Improvements | 1,824,251 | 1,849,721 |
| | <hr/> | <hr/> |
| Other Assets and Deferred Charges: | | |
| | | |
| Cash - security deposits | 38,757 | 41,649 |
| Notes receivable (Note 6) | 25,982 | 142,530 |
| Deferred leasing costs (Note 2) | 57,385 | 64,558 |
| Deferred mortgage closing costs (Note 2) | 44,440 | 49,714 |
| | <hr/> | <hr/> |
| Total Deferred Charges and Other Assets | 166,564 | 298,451 |
| | <hr/> | <hr/> |
| Total Assets | \$ 2,434,472 | \$ 2,299,958 |
| | <hr/> | <hr/> |

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.
BALANCE SHEETS
AS OF DECEMBER 31,

| | 2006 | 2005 |
|---|------------------|------------------|
| LIABILITIES | | |
| Current Liabilities: | | |
| Mortgage payable - current portion (Note 7) | \$ 87,451 | \$ 82,150 |
| Accounts payable | 48,908 | 68,521 |
| Due to stockholders - real estate tax abatements | 26,007 | 24,034 |
| Accrued mortgage interest | 12,686 | 13,115 |
| Building improvements payable | 9,420 | 8,420 |
| Insurance financing payable | 2,985 | 4,308 |
| Accrued wages and payroll taxes | 2,339 | 2,117 |
| Advance maintenance | 1,273 | 18,233 |
| Accrued corporation taxes | 449 | - |
| Total Current Liabilities | 191,518 | 220,898 |
| Long-Term and Other Liabilities: | | |
| Mortgage payable - net of current portion (Note 7) | 2,340,499 | 2,427,950 |
| Security deposits payable | 38,757 | 41,119 |
| Total Long-Term and Other Liabilities | 2,379,256 | 2,469,069 |
| Total Liabilities | 2,570,774 | 2,689,967 |
| STOCKHOLDERS' DEFICIENCY | | |
| 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 | 675,772 | 442,965 |
| Accumulated deficit | (884,543) | (896,373) |
| Less: Treasury stock at cost (Note 8) | (115,531) | (124,601) |
| Total Stockholders' Deficiency | (136,302) | (390,009) |
| Total Liabilities and Stockholders' Deficiency | \$ 2,434,472 | \$ 2,299,958 |

The accompanying notes are an integral part of this statement.

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

| | 2006 | 2005 |
|-------------------------------------|----------------|---------------|
| Cash and Cash Equivalents: | | |
| Operating account | \$ 4,376 | \$ 3,400 |
| Reserve fund (Note 4) | 217,240 | 10,849 |
| Water and sewer - self escrow | 30,054 | - |
| Total Cash and Cash Equivalents | \$ 251,670 | \$ 14,249 |
| Accounts Receivable: | | |
| Real estate tax refund (Note 10) | \$ 41,118 | \$ - |
| Maintenance - Apartments | 33,676 | 41,854 |
| Electricity submetering | 7,244 | - |
| Rental income | 7,152 | 2,048 |
| Accrued interest | 3,592 | 1,165 |
| Due from vendors | 3,456 | 3,456 |
| Laundry income | - | 2,025 |
| Total Accounts Receivable | \$ 96,238 | \$ 50,548 |
| Prepaid Expenses: | | |
| Real estate tax | \$ 43,075 | \$ 46,475 |
| Water and sewer charges | 29,254 | 26,741 |
| Insurance | 18,055 | 9,704 |
| Service contracts | 347 | - |
| Corporation taxes | - | 21 |
| Total Prepaid Expenses | \$ 90,731 | \$ 82,941 |

The accompanying notes are an integral part of this statement.

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

| | 2006 | 2005 |
|--|---------------|-----------------|
| REVENUE | | |
| Maintenance - Apartments | \$ 663,077 | \$ 628,535 |
| Garage income (Note 9) | 125,952 | 103,550 |
| Rental income | 78,932 | 80,468 |
| Electricity submetering | 44,221 | 45,209 |
| Sublet, late and other fees | 42,363 | 25,806 |
| Energy surcharge | 27,057 | - |
| Stockholders' parking | 26,702 | 30,863 |
| Operating assessments | 24,213 | 26,208 |
| Laundry income | 17,700 | 8,100 |
| Stockholder interest income | 7,930 | 9,873 |
| Interest and dividends | 2,380 | 1,187 |
| Total Revenue | 1,060,527 | 959,799 |
| COST OF OPERATIONS | | |
| Administrative expenses | 111,863 | 79,264 |
| Operating expenses | 420,586 | 426,895 |
| Repairs and maintenance | 82,489 | 67,192 |
| Taxes | 157,441 | 169,526 |
| Mortgage interest | 154,620 | 159,626 |
| Line of credit interest | 3,055 | - |
| Total Cost Of Operations | 930,054 | 902,503 |
| INCOME BEFORE DEPRECIATION AND AMORTIZATION | | |
| | 130,473 | 57,296 |
| Less: Depreciation and amortization | 118,643 | 112,563 |
| Net Income (Loss) For The Year | \$ 11,830 | \$ (55,267) |

The accompanying notes are an integral part of this statement.

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

| | 2006 | 2005 |
|--|-------------------|-------------------|
| Administrative Expenses: | | |
| Professional fees | \$ 59,470 | \$ 28,024 |
| Management fee | 41,000 | 41,000 |
| Other administrative | 6,929 | 6,489 |
| Telephone and communications | 4,464 | 3,751 |
| Total Administrative Expenses | \$ 111,863 | \$ 79,264 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Operating Expenses: | | |
| Utilities | | |
| Gas heat and fuel | \$ 110,252 | \$ 114,665 |
| Electricity and gas | 61,023 | 64,652 |
| Water and sewer | 59,955 | 54,635 |
| Total Utilities | 231,230 | 233,952 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Payroll | | |
| Wages | 91,079 | 108,710 |
| Union benefits | 16,878 | 15,126 |
| Payroll taxes | 7,491 | 8,683 |
| Workers' compensation and disability insurance | 5,166 | 6,331 |
| Total Payroll | 120,614 | 138,850 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Other | | |
| Insurance and related interest | 48,217 | 44,355 |
| Laundry contract | 12,641 | - |
| Submeter service | 4,938 | 6,807 |
| Miscellaneous operating and permits | 2,946 | 2,931 |
| Total Other | 68,742 | 54,093 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Total Operating Expenses | | |
| | <hr/> <hr/> | <hr/> <hr/> |
| | \$ 420,586 | \$ 426,895 |
| | <hr/> <hr/> | <hr/> <hr/> |

The accompanying notes are an integral part of this statement.

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

| | 2006 | 2005 |
|---|----------------|----------------|
| Repairs and Maintenance: | | |
| Elevator maintenance and repairs | \$ 22,986 | \$ 12,845 |
| Materials and supplies | 12,706 | 13,830 |
| Electrical and intercom repairs | 9,654 | 4,330 |
| Painting, plastering and flooring | 8,334 | 4,075 |
| Grounds and landscaping | 5,785 | 3,142 |
| Plumbing | 4,950 | 9,752 |
| Boiler, heating and water treatment | 4,930 | 4,322 |
| Exterminating | 3,961 | 4,929 |
| Miscellaneous repairs | 3,017 | 1,890 |
| Roof and exterior repairs | 2,601 | 5,600 |
| Doors, locks, and windows | 2,504 | - |
| Equipment repairs | 1,061 | 2,477 |
| Total Repairs and Maintenance | \$ 82,489 | \$ 67,192 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Taxes: | | |
| New York City real estate tax (Note 10) | \$ 156,157 | \$ 167,596 |
| Corporation taxes | 1,284 | 1,930 |
| Total Taxes | \$ 157,441 | \$ 169,526 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Depreciation and Amortization: | | |
| Building | \$ 51,316 | \$ 51,316 |
| Building improvements | 44,826 | 38,748 |
| Building equipment | 10,055 | 10,055 |
| Amortization of deferred leasing costs | 7,173 | 7,171 |
| Amortization of deferred mortgage closing costs | 5,273 | 5,273 |
| Total Depreciation and Amortization | \$ 118,643 | \$ 112,563 |
| | <hr/> <hr/> | <hr/> <hr/> |

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.
STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIENCY
FOR THE YEARS ENDED DECEMBER 31,

| | 2006 | 2005 |
|--|----------------------------|----------------------------|
| COMMON STOCK | | |
| Balance - January 1, | \$ 12,120 | \$ 12,120 |
| Transactions during the year | - | - |
| Balance - December 31, | <u><u>\$ 12,120</u></u> | <u><u>\$ 12,120</u></u> |
| PAID-IN CAPITAL IN EXCESS OF PAR VALUE | | |
| Balance - January 1, | \$ 175,880 | \$ 175,880 |
| Transactions during the year | - | - |
| Balance - December 31, | <u><u>\$ 175,880</u></u> | <u><u>\$ 175,880</u></u> |
| PAID-IN CAPITAL FROM TREASURY STOCK | | |
| Balance - January 1, | \$ 442,965 | \$ 414,599 |
| Sale of 115 and 140 shares of treasury stock in excess of allocated costs | 232,807 | 28,366 |
| Balance - December 31, | <u><u>\$ 675,772</u></u> | <u><u>\$ 442,965</u></u> |
| ACCUMULATED DEFICIT | | |
| Balance - January 1, | \$ (896,373) | \$ (841,106) |
| Net income (loss) for the year | 11,830 | (55,267) |
| Balance - December 31 | <u><u>\$ (884,543)</u></u> | <u><u>\$ (896,373)</u></u> |
| TREASURY STOCK | | |
| Balance - January 1, (1,580 and 1,720 shares) | \$ (124,601) | \$ (138,193) |
| Sale of 115 and 140 shares at allocated cost | 9,070 | 13,592 |
| Balance - December 31, (1,465 and 1,580 shares) | <u><u>\$ (115,531)</u></u> | <u><u>\$ (124,601)</u></u> |

The accompanying notes are an integral part of this statement.

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

| | 2006 | 2005 |
|---|-------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income (loss) for the year | \$ 11,830 | \$ (55,267) |
| Adjustments to reconcile net income (loss) to cash provided by operating activities: | | |
| Depreciation and amortization | 118,643 | 112,563 |
| (Increase) in accounts receivable | (45,690) | (15,395) |
| (Increase) in prepaid expenses | (7,790) | (3,454) |
| (Increase) decrease in mortgage escrow | (970) | 131 |
| (Decrease) increase in accounts payable | (19,613) | 30,039 |
| (Decrease) in other current liabilities | (16,066) | (15,000) |
| Increase in deferred leasing costs | - | (21,779) |
| Net change in security deposits transactions | 530 | (530) |
| Total Adjustments | 29,044 | 86,575 |
| Cash Provided By Operating Activities | 40,874 | 31,308 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| (Increase) in building improvements | (80,728) | (12,420) |
| Increase (decrease) in building improvements payable | 1,000 | (1,725) |
| Decrease (increase) in notes receivable | 116,548 | (3,251) |
| Decrease in investment in NCB stock | - | 20,783 |
| Cash Provided By Investing Activities | 36,820 | 3,387 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Amortization of mortgage payable | (82,150) | (77,169) |
| Proceeds from sale of treasury stock | 241,877 | 41,958 |
| Cash Provided (Used) By Financing Activities | 159,727 | (35,211) |
| Net increase (decrease) in cash and cash equivalents | 237,421 | (516) |
| Cash and cash equivalents - January 1, | 14,249 | 14,765 |
| Cash and Cash Equivalents - December 31, | \$ 251,670 | \$ 14,249 |
| SUPPLEMENTAL DISCLOSURES | | |
| Interest paid | \$ 158,105 | \$ 160,029 |
| Income taxes paid | \$ 814 | \$ 2,784 |

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 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.

Reclassification of Accounts

Certain 2005 accounts have been reclassified to conform with 2006 presentation. Such reclassifications had no effect on previously reported net loss.

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.

Revenue Recognition

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. The Corporation retains excess operating funds at the end of the operating year, if any, for use in future periods.

Deferred Expenses

Mortgage closing costs are deferred and then amortized over the life of the loan the straight-line basis. Costs associated with the garage lease are deferred and then amortized over the term of the lease.

Statement of Cash Flows

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

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Future Major Repairs and Replacements

The Corporation's governing documents do not require the accumulation of funds in advance of actual need to finance estimated future major repairs and replacements. 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, impose assessments, utilize proceeds of treasury stock apartment sales, or delay repairs and replacements until funds are available.

Note 3 - MORTGAGE ESCROW

The Corporation deposits a prorated monthly sum into an escrow account maintained by National Cooperative Bank ("NCB") for the payment of real estate tax. At December 31, 2006 and 2005, the mortgage escrow account had a balance of \$5,018 and \$4,048, respectively.

Note 4 - RESERVE FUND

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

| | <u>2006</u> |
|---|-------------------|
| Balance - January 1, | \$ 10,849 |
| Add: Interest and dividends (net of bank charges) | 921 |
| Transfers from operations - net | <u>205,470</u> |
| Balance - December 31, | <u>\$ 217,240</u> |

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

| | |
|--|-------------------|
| Hudson Valley Bank - Money Market Account (Capital reserve) | \$ 143,174 |
| Hudson Valley Bank - Money Market Account (NCB required reserve) | 73,252 |
| NCB - Money Market Account | <u>814</u> |
| Total | <u>\$ 217,240</u> |

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 5 - PROPERTY AND IMPROVEMENTS

Building improvements and equipment were capitalized as follows:

| | <u>2006</u> | <u>2005</u> |
|---|----------------------|----------------------|
| Window project - consultant | \$ 36,630 | \$ 12,420 |
| Sidewalk replacement | 30,538 | - |
| Heating system and fuel storage tank improvements | <u>13,560</u> | <u>-</u> |
| Total | <u>\$ 80,728</u> | <u>\$ 12,420</u> |

The Corporation anticipates commencing a window replacement project during 2007. As of the date of issuance of these financial statements a firm cost estimate is not available.

Note 6 - NOTES RECEIVABLE

In previous years, the Corporation sold shares of stock appurtenant to three treasury stock units, and financed notes receivable in the amount of \$162,806. During 2006 and 2005, principal payments of \$116,548 and \$3,251 were received, reducing the outstanding notes receivable to \$25,982 at December 31, 2006. One note was fully repaid during 2006. Terms of the two remaining notes financed by the Corporation require equal monthly installments applied to interest at the rate of 8% per annum with the balance as a reduction of principal pursuant to five and fifteen year amortization schedules. It is anticipated that one of the remaining notes will be fully repaid during 2007.

Note 7 - MORTGAGE PAYABLE

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

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

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------|------------------|-----------------|--------------|
| 2007 | \$ 87,451 | \$ 149,753 | \$ 237,204 |
| 2008 | 93,094 | 144,110 | 237,204 |
| 2009 | 99,102 | 138,102 | 237,204 |
| 2010 | 105,498 | 131,706 | 237,204 |
| 2011 | 112,306 | 124,898 | 237,204 |

In connection with the First Mortgage, the Corporation is obligated to maintain general operating and replacement reserves in a combined amount equal to at least ten percent of the amount paid to the Corporation during the previous year by its tenant-shareholders pursuant to their proprietary leases. The required balance is approximately \$69,000. See Note 4 for additional information.

Prepayment Terms

No prepayment is allowed prior to May 1, 2010. Thereafter, the loan may be prepaid in whole only, subject to a prepayment penalty in accordance with a yield maintenance formula as set forth in the loan documents. Prepayment in whole may be made without penalty during the ninety days preceding maturity.

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 7 - MORTGAGE PAYABLE (continued)

Line of Credit

The Corporation also has a \$250,000 revolving line of credit with NCB. Terms of the credit line require interest only payments at the rate of 2% over NCB's base rate index. The credit line will mature at the earlier of May 1, 2023 or refinancing of the underlying first mortgage. As of December 31, 2006, no balance is outstanding.

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> |
|-----------|---------------|--------------------------|------------------------------|--------------------------|----------------------|
| 1997-2004 | 1,605 | \$ 602,500 | \$ 62,840 | \$ 125,061 | \$ 414,599 |
| 2005 | 140 | 44,200 | 2,242 | 13,592 | 28,366 |
| 2006 | <u>115</u> | <u>265,000</u> | <u>23,124</u> | <u>9,069</u> | <u>232,807</u> |
| | <u>1,860</u> | <u>\$ 911,700</u> | <u>\$ 88,206</u> | <u>\$ 147,722</u> | <u>\$ 675,772</u> |

The gain on sales is recorded as paid-in capital from treasury stock. At December 31, 2006 and 2005, the Corporation held 1,465 and 1,580 shares of treasury stock appurtenant to 12 and 13 apartments, respectively. 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:

| | |
|------|------------|
| 2007 | \$ 163,998 |
| 2008 | 165,360 |
| 2009 | 166,733 |
| 2010 | 172,121 |
| 2011 | 173,522 |

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

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 10 - REAL ESTATE TAX

New York City real estate taxes have been originally assessed as follows:

| <u>Fiscal Year</u> | <u>Taxable Valuation</u> | <u>Tax Rate</u> | <u>Annual Tax</u> |
|--------------------|--------------------------|-----------------|-------------------|
| 2003/04 | \$ 1,235,700 | 12.6200 | \$ 155,945 |
| 2004/05 | 1,271,700 | 12.2160 | 155,351 |
| 2005/06 | 1,450,800 | 12.3960 | 179,841 |
| 2006/07 | 1,685,700 | 12.7370 | 214,708 |

The Corporation routinely protests the taxable assessed valuation of its Property for real estate taxation purposes. During 2006, the Corporation settled tax years 2005/06 and 2006/07 resulting in current benefits of \$41,118 and future benefits of approximately \$129,000 due to reduced transitional values. The \$ 41,118 is reported as an account receivable on the December 31, 2006 balance sheet. In connection with this settlement the Corporation incurred \$25,524 of legal fees. There are currently no open tax years.

Note 11 - CORPORATION TAXES

The financial statements do not contain a provision for Federal income tax due to net operating losses for tax purposes. 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.

Note 12 - CONTINGENCIES

From time to time matters of litigation or claims arise in the ordinary conduct of the Corporation's business. In the opinion of management, litigation or claims outstanding against the Corporation at December 31, 2006 are either without merit or the ultimate losses, if any, would not have a material adverse effect on the financial positions or results of operations of the Corporation.

Note 13 - CONCENTRATION OF CREDIT RISK

The Corporation maintains its cash in bank deposit accounts at high quality credit institutions which, at times, may exceed federally insured limits and in money market funds that are not FDIC insured. The Corporation has not experienced any losses in such accounts.

**SUPPLEMENTARY AND PROSPECTIVE
INFORMATION**



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

To The Board of Directors and Stockholders of
NAGLE APARTMENTS CORP.

Our report on our audit of the basic financial statements of NAGLE APARTMENTS CORP. for 2006 appears on Page 1 and was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The 2005 financial statements were audited by another firm of Certified Public Accountants who expressed an unqualified opinion on those statements dated February 3, 2006. 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 budget forecast of NAGLE APARTMENTS CORP. for the year ending December 31, 2007, 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 on the accompanying presentation 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.

Zeidman, Lackowitz, Prisand & Co., LLP

January 18, 2007 for Historical Statements

December 12, 2006 for Forecast

NAGLE APARTMENTS CORP.

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

| | For The Year | | Prior Year | Next Year |
|---|--|-------------------------|--|--|
| | <u>January 1, 2006 - December 31, 2006</u> | | <u>January 1, 2005 - December 31, 2005</u> | <u>January 1, 2007 - December 31, 2007</u> |
| | Budget (Unaudited) | Actual | Actual | Forecast (Unaudited) |
| REVENUE | | | | |
| Maintenance - Apartments (1) | \$ 676,300 | \$ 663,077 | \$ 628,535 | \$ 716,000 |
| Garage income | 108,700 | 125,952 | 103,550 | 124,000 |
| Rental income | 80,000 | 78,932 | 80,468 | 74,300 |
| Electricity submetering | 48,000 | 44,221 | 45,209 | 54,000 |
| Sublet, late, repair and other fees | 34,000 | 42,363 | 25,806 | 36,600 |
| Energy surcharge | 29,100 | 27,057 | - | - |
| Stockholders' parking | 30,000 | 26,702 | 30,863 | 30,000 |
| Operating assessment | 30,000 | 24,213 | 26,208 | - |
| Laundry income | 11,100 | 17,700 | 8,100 | 17,300 |
| Stockholder interest income | 5,500 | 7,930 | 9,873 | 2,800 |
| Interest and dividends | - | 2,380 | 1,187 | 13,500 |
| TOTAL REVENUE | <u>1,052,700</u> | <u>1,060,527</u> | <u>959,799</u> | <u>1,068,500</u> |
| EXPENDITURES | | | | |
| Professional fees | 30,900 | 59,470 | (2) | 28,024 |
| Management fee | 41,000 | 41,000 | 41,000 | 43,000 |
| Other administrative and telephone | 8,300 | 11,393 | 10,240 | 12,600 |
| Gas heat and fuel | 137,000 | 110,252 | 114,665 | 111,900 |
| Electricity and gas | 85,000 | 61,023 | 64,652 | 62,100 |
| Water and sewer | 56,000 | 59,955 | 54,635 | 65,000 |
| Wages | 106,600 | 91,079 | 108,710 | 85,000 |
| Payroll taxes, union benefits, workers' comp. | 30,200 | 29,535 | 30,140 | 33,300 |
| Insurance and related interest | 50,000 | 48,217 | 44,355 | 54,000 |
| Laundry contract | - | 12,641 | - | 19,000 |
| Submeter service | 5,000 | 4,938 | 6,807 | 5,000 |
| Miscellaneous operating and permits | 8,800 | 2,946 | 2,931 | 7,000 |
| Repairs and maintenance | 64,300 | 82,489 | 67,192 | 90,000 |
| New York City real estate tax | 186,000 | 156,157 | 167,596 | 167,000 |
| Corporation taxes | 1,200 | 1,284 | 1,930 | 1,200 |
| Mortgage interest and amortization | 237,200 | 236,769 | 236,795 | 237,200 |
| Credit line interest | - | 3,055 | - | - |
| TOTAL EXPENDITURES | <u>1,047,500</u> | <u>1,012,203</u> | <u>979,672</u> | <u>1,032,300</u> |
| Budgeted Surplus | <u>\$ 5,200</u> | | | <u>\$ 36,200</u> |
| ACTUAL OPERATING INCOME (LOSS) | | 48,324 | (19,873) | |
| Mortgage amortization | | 82,149 | 77,169 | |
| INCOME BEFORE DEPRECIATION | <u>\$ 130,473</u> | <u>\$ 57,296</u> | | |

(1) Maintenance has been increased to \$5.60 per share of stock from \$5.20 per share effective January 1, 2007, which is approximately 7.7%. In connection with this increase, the former energy surcharge and operating assessment have been eliminated.

(2) Includes \$25,524 of legal fees related to real estate tax reductions.

See 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, 2007

The 2007 financial forecast was prepared by the management company and approved by the Board of Directors. The financial 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 12, 2006, 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 \$5.60 per share of stock, per month which reflects an increase of approximately 7.7% over the previous year. In connection with this increase, the former energy surcharge and operating assessment have been eliminated. 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. Other fees and income are based upon historical experience or contracts.

Expenses

Payroll expenses and benefits are based upon a union contract and anticipated overtime reductions. Utilities are based upon rates set by the appropriate regulatory agencies. Gas heat and fuel reflect average consumption over several years and current market conditions for price. Real estate tax is computed based on the taxable valuation times an estimated tax rate. An average of a 6.9% expense increase has been anticipated for 2007. Debt service is based upon payments required by the Corporation's outstanding mortgage. Repairs and maintenance are based upon historical experience and expected maintenance requirements. Insurance has been increased to reflect anticipated premiums. Other expenses are based upon historical experience or contracts.

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.