
NAGLE APARTMENTS CORP.

Financial Statements and
Supplementary Information for the
Years Ended December 31, 2008 and 2007

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 sheets, with supporting schedules, of NAGLE APARTMENTS CORP. as of December 31, 2008 and 2007 and the related statements of operations, with supporting schedules, changes in stockholders' equity (deficiency) and cash flows for the years 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 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 audits 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, 2008 and 2007 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.

As discussed in Note 2, the Corporation has not estimated the remaining lives and replacement costs of the common property and, therefore, has not presented information on future major repairs and replacements that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Zeidman, Lackowitz, Prisand & Co., LLP

March 27, 2009

NAGLE APARTMENTS CORP.
BALANCE SHEETS
AS OF DECEMBER 31,

	2008	2007
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 41,435	\$ 50,133
Reserve fund (Note 3)	479,460	1,046,591
Accounts receivable	41,378	51,190
Prepaid expenses	68,670	117,756
Escrows and voluntary escrows	207,115	161,092
 Total Current Assets	 838,058	 1,426,762
 Property and Improvements: (Notes 2 and 5)		
Land	316,950	316,950
Building	1,796,050	1,796,050
Building improvements	2,307,732	1,460,157
 Total	 4,420,732	 3,573,157
Less: Accumulated depreciation	1,858,340	1,745,987
 Net Property and Improvements	 2,562,392	 1,827,170
 Other Assets and Deferred Charges:		
Cash - security deposits	37,206	38,757
Notes receivable (Note 6)	3,538	8,558
Deferred mortgage and loan closing costs (Note 2)	69,335	78,587
Deferred leasing costs (Note 2)	43,039	50,212
Deferred treasury stock costs (Note 8)	13,479	16,815
 Total Deferred Charges and Other Assets	 166,597	 192,929
 Total Assets	 \$ 3,567,047	 \$ 3,446,861

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.
BALANCE SHEETS
AS OF DECEMBER 31,

	2008	2007
LIABILITIES		
Current Liabilities:		
Mortgage payable - current portion (Note 7)	\$ 99,102	\$ 93,094
First loan payable - current portion (Note 7)	54,535	53,993
Second loan payable - current portion (Note 7)	44,009	40,838
Accounts payable	63,241	47,310
Due to stockholders - real estate tax abatements	17,534	31,263
Accrued mortgage interest	15,570	16,356
Accrued real estate tax	1,656	-
Advance maintenance	1,603	1,944
Accrued wages and payroll taxes	673	3,372
<hr/>		
Total Current Liabilities	297,923	288,170
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Long-Term and Other Liabilities:		
Mortgage payable - net of current portion (Note 7)	2,148,303	2,247,405
First loan payable - net of current portion (Note 7)	456,472	511,007
Second loan payable - net of current portion (Note 7)	500,153	544,162
Security deposits payable	37,206	38,757
<hr/>		
Total Long-Term and Other Liabilities	3,142,134	3,341,331
<hr/>		
Total Liabilities	3,440,057	3,629,501
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STOCKHOLDERS' EQUITY (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	937,289	675,772
Accumulated deficit	(910,208)	(930,881)
Less: Treasury stock at cost (Note 8)	(104,885)	(115,531)
Unrealized gain on investments (Note 15)	16,794	-
<hr/>		
Total Stockholders' Equity (Deficiency)	126,990	(182,640)
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Total Liabilities and Stockholders' Equity (Deficiency)	\$ 3,567,047	\$ 3,446,861
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The accompanying notes are an integral part of this statement.

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

	2008	2007
Accounts Receivable:		
Maintenance - Shareholders	\$ 26,599	\$ 31,889
Electricity submetering	10,826	9,000
Laundry income	1,863	1,757
Due from vendors	1,564	1,564
Rental income	526	3,473
Accrued interest	-	3,507
 Total Accounts Receivable	 \$ 41,378	 \$ 51,190
	<hr/> <hr/>	<hr/> <hr/>
Prepaid Expenses:		
Water and sewer charges	\$ 34,156	\$ 31,958
Insurance	33,879	41,934
Corporation taxes	635	553
Real estate tax	-	43,311
 Total Prepaid Expenses	 \$ 68,670	 \$ 117,756
	<hr/> <hr/>	<hr/> <hr/>
Escrows and Voluntary Escrows:		
Mortgage reserve fund (Note 7)	\$ 83,760	\$ 76,391
Water and sewer - self escrow	49,659	34,679
Insurance - self escrow	37,297	30,831
Mortgage escrow (Note 4)	36,399	19,191
 Total Escrows	 \$ 207,115	 \$ 161,092
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The accompanying notes are an integral part of this statement.

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

	2008	2007
REVENUE		
Maintenance - Shareholders	\$ 754,250	\$ 717,097
Garage income (Note 9)	118,238	122,885
Electricity submetering	65,079	54,049
Rental income	58,199	76,123
Sublet, late and other fees	45,718	30,169
Stockholders' parking	27,800	25,155
Interest and dividends	26,639	11,878
Laundry income	18,653	21,020
 Total Revenue	 1,114,576	 1,058,376
 COST OF OPERATIONS		
Administrative expenses	78,621	86,446
Operating expenses	474,390	458,143
Repairs and maintenance	84,880	87,794
Taxes	182,173	176,679
Mortgage interest (Note 7)	143,618	149,291
Loan interest (Note 7)	47,584	4,815
 Total Cost Of Operations	 1,011,266	 963,168
 Income before special items and depreciation and amortization		
	103,310	95,208
Realized gain on sale of investments	39,377	-
Adjustment of prior years' water and sewer expense	6,765	-
Adjustment of prior years' shareholder loan	-	(3,074)
Adjustment of prior years' rental income	-	(16,412)
 INCOME BEFORE DEPRECIATION AND AMORTIZATION	 149,452	 75,722
Less: Depreciation and amortization	128,779	122,060
 Net Income (Loss) For The Year	 \$ 20,673	 \$ (46,338)

The accompanying notes are an integral part of this statement.

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

	2008	2007
Administrative Expenses:		
Management fee	\$ 43,000	\$ 43,000
Professional fees	21,951	29,116
Other administrative	10,910	10,676
Telephone and communications	2,760	3,654
 Total Administrative Expenses	 \$ 78,621	 \$ 86,446
 Operating Expenses:		
Utilities		
Gas heat and fuel	\$ 120,997	\$ 130,583
Electricity and gas	80,142	68,485
Water and sewer	66,793	62,218
 267,932	 261,286	
Payroll		
Wages	107,516	92,282
Union benefits (Note 10)	15,161	18,767
Payroll taxes	8,860	6,543
Workers' compensation and disability insurance	7,509	5,016
 139,046	 122,608	
Other		
Insurance	39,773	43,923
Laundry contract	19,631	20,826
Submetering billing service	4,848	6,152
Miscellaneous operating and permits	3,160	3,348
 67,412	 74,249	
 Total Operating Expenses	 \$ 474,390	 \$ 458,143

The accompanying notes are an integral part of this statement.

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

	2008	2007
Repairs and Maintenance:		
Materials and supplies	\$ 18,864	\$ 13,052
Elevator maintenance and repairs	17,615	19,748
Painting, plastering and flooring	17,259	11,850
Equipment repairs	8,118	10,123
Doors, locks, and windows	5,467	2,473
Plumbing	4,506	13,638
Boiler, heating and water treatment	4,020	7,409
Exterminating	3,862	4,197
Electrical and intercom repairs	2,730	2,304
Miscellaneous repairs	2,089	-
Grounds and landscaping	350	3,000
 Total Repairs and Maintenance	 \$ 84,880	 \$ 87,794
 Taxes:		
New York City real estate tax (Note 11)	\$ 180,621	\$ 175,488
Corporation taxes (Note 12)	1,552	1,191
 Total Taxes	 \$ 182,173	 \$ 176,679
 Depreciation and Amortization:		
Building	\$ 51,316	\$ 51,316
Building improvements	50,983	47,872
Building equipment	10,055	10,055
Amortization of deferred mortgage and loan closing costs	9,252	5,644
Amortization of deferred leasing costs	7,173	7,173
 Total Depreciation and Amortization	 \$ 128,779	 \$ 122,060

The accompanying notes are an integral part of this statement.

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

	2008	2007
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,	\$ 675,772	\$ 675,772
Sale of 135 shares of treasury stock in excess of allocated costs	261,517	-
Balance - December 31,	<u><u>\$ 937,289</u></u>	<u><u>\$ 675,772</u></u>
ACCUMULATED DEFICIT		
Balance - January 1,	\$ (930,881)	\$ (884,543)
Net income (loss) for the year	20,673	(46,338)
Balance - December 31	<u><u>\$ (910,208)</u></u>	<u><u>\$ (930,881)</u></u>
TREASURY STOCK		
Balance - January 1, (1,465 shares)	\$ (115,531)	\$ (115,531)
Sale of 135 shares at allocated cost	10,646	-
Balance - December 31, (1,330 and 1,465 shares)	<u><u>\$ (104,885)</u></u>	<u><u>\$ (115,531)</u></u>
UNREALIZED GAIN ON INVESTMENTS		
Balance - January 1,	\$ -	\$ -
Unrealized gain on investments	16,794	-
Balance - December 31,	<u><u>\$ 16,794</u></u>	<u><u>\$ -</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,

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the year	\$ 20,673	\$ (46,338)
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation and amortization	128,779	122,060
Decrease in accounts receivable	9,812	45,048
Decrease (increase) in prepaid expenses	49,086	(27,025)
(Increase) in cash portion of escrows	(41,738)	(52,768)
Increase (decrease) in accounts payable	15,931	(1,599)
(Decrease) increase in other current liabilities	(15,900)	7,196
 Total Adjustments	 145,970	 92,912
 Cash Provided By Operating Activities	 166,643	 46,574
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in cash portion of reserve fund	579,640	(902,603)
(Increase) in building improvements	(847,575)	(112,161)
Decrease in notes receivable	5,020	17,424
(Decrease) in building improvements payable	-	(9,420)
 Cash (Used) By Investing Activities	 (262,915)	 (1,006,760)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Increase) in deferred mortgage and loan closing costs	(94,831)	(39,791)
Amortization of mortgage payable	(93,094)	(87,451)
Proceeds from sale of treasury stock	272,163	-
Decrease (increase) in deferred treasury stock costs	3,336	(16,815)
Proceeds from first loan payable	-	565,000
Proceeds from second loan payable	-	585,000
 Cash Provided By Financing Activities	 87,574	 1,005,943
 Net (decrease) increase in cash and cash equivalents	 (8,698)	 45,757
 Cash and cash equivalents - January 1,	 50,133	 4,376
 Cash and Cash Equivalents - December 31,	 \$ 41,435	 \$ 50,133

SUPPLEMENTAL DISCLOSURES - SEE NOTE 15

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 2 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, Use of Estimates and Reclassifications

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.

Certain 2007 current asset accounts have been reclassified to conform to year 2008 report presentation.

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 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.

Revenue Recognition/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, 2008, to be collectible. Accordingly, no allowance for doubtful accounts is required.

Deferred Expenses

Mortgage and loan closing costs are deferred and then amortized over the life of the obligation 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 from treasury stock apartment sales, or delay repairs and replacements until funds are available.

Note 3 - RESERVE FUND

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

	<u>2008</u>	<u>2007</u>
Balance - January 1,	\$1,046,591	\$ 143,988
Add: Proceeds from sale of treasury stock apartment	261,517	-
Realized gain on sale of investments	30,283	-
Interest and dividends - net of service charges	25,557	7,850
Transfers from operations	-	894,753
Less: Loan payments	(142,414)	-
Transfers to operations	(754,583)	-
Balance - December 31,	<u>\$ 466,951</u>	<u>\$1,046,591</u>

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

Vanguard Funds	\$ 466,477	\$ -
Hudson Valley Bank - Money Market Account	474	-
NCB - Victory Funds	-	1,016,591
NCB - Community Checking Account	-	30,000
 Total	 466,951	 1,046,591
 Add: Unrealized gain on investments	 12,509	 -
 Total	 <u>\$ 479,460</u>	 <u>\$1,046,591</u>

Note 4 - 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, 2008 and 2007, the mortgage escrow account had balances of \$36,399 and \$19,191, respectively.

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 5 - PROPERTY AND IMPROVEMENTS

Building improvements and equipment were capitalized as follows:

	<u>2008</u>	<u>2007</u>
Window replacement project	\$ 770,669	\$ 8,840
Air conditioners	55,061	55,061
Landscaping	13,555	-
Pumps	8,290	-
Roof	-	26,660
Fire escape restoration	-	16,500
Garage roof	-	6,100
Sidewalk replacement (contract adjustment)	—————	(1,000)
 Total	 \$ 847,575	 \$ 112,161

During 2009, the Corporation anticipates spending approximately \$80,000 to complete the window replacement project and \$20,000 to upgrade the security system. These projects are subject to change orders and professional fees as the work progresses. See Notes 3 and 7 for additional information concerning funding of capital improvements.

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 2008 and 2007, principal payments of \$5,020 and \$17,424 were received, reducing the outstanding amount receivable to \$3,538 at December 31, 2008. One note for the entire amount of \$3,538 remains outstanding at December 31, 2008.

Note 7 - MORTGAGE AND LOANS PAYABLE

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>
2009	\$ 99,102	\$ 138,102	\$ 237,204
2010	105,498	131,706	237,204
2011	112,306	124,898	237,204
2012	119,553	117,651	237,204
2013	127,268	109,936	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 \$72,000. As of December 31, 2008 this escrow account had a balance of \$83,760.

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 7 - MORTGAGE AND LOANS PAYABLE (continued)

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.

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, 2008, no balance is outstanding.

Loans Payable

The Corporation has two unsecured loans with Amalgamated Bank in the 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 and the balance as a reduction of principal. This loan matures on December 1, 2017 at which time it will be fully amortized. The original interest rate of 7.5% has been subsidized by the New York State Energy Research and Development Authority for the installation of approved windows in the buildings.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 54,535	\$ 4,861	\$ 59,396
2010	55,083	4,313	59,396
2011	55,636	3,760	59,396
2012	56,195	3,201	59,396
2013	56,760	2,636	59,396

The second loan in an original principal amount of \$585,000 requires monthly payments of \$6,944 applied first to interest at a rate of 7.5% per annum and the balance as a reduction of principal. This loan matures on December 1, 2017 at which time it will be fully amortized. In any November during the term of the loan the Corporation may prepay \$23,400 without any penalties or fees.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 44,009	\$ 39,320	\$ 83,329
2010	47,425	35,904	83,329
2011	51,107	32,222	83,329
2012	55,075	28,254	83,329
2013	59,350	23,979	83,329

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 8 - ACQUISITION AND SALE OF TREASURY STOCK AND SUBSEQUENT EVENT

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	115	265,000	23,124	9,069	232,807
2008	<u>135</u>	<u>290,000</u>	<u>17,837</u>	<u>10,646</u>	<u>261,517</u>
	<u>1,995</u>	<u>\$1,201,700</u>	<u>\$ 106,043</u>	<u>\$ 158,368</u>	<u>\$ 937,289</u>

The gain on sales is recorded as paid-in capital from treasury stock. At December 31, 2008 and 2007, the Corporation held 1,330 and 1,465 shares of treasury stock appurtenant to 11 and 12 apartments. It is the Corporation's intention to sell additional treasury stock apartments. During 2008, the Corporation incurred renovation costs of \$13,479 on one of these units which has been deferred until the unit is ultimately sold. In addition, another unit was sold in February 2009 for a gross sales price of \$276,000. The Corporation anticipates selling 2 more apartments in 2009.

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:

2009	\$ 152,733
2010	156,121
2011	157,522
2012	158,937
2013	165,366

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

Note 10 - PENSION CONTRIBUTIONS

The Corporation makes contributions to a union sponsored multi-employer pension plan, based on the number of weeks worked by each employee covered under the union contract. Pension expense which is a component of union benefits was \$3,405 and \$4,301 for the years ended December 31, 2008 and 2007.

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 11 - REAL ESTATE TAX

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

<u>Fiscal Year</u>	<u>Taxable Valuation</u>	<u>Tax Rate</u>	<u>Tax</u>
2005/06	\$ 1,450,800	12.396	\$ 179,841
2006/07	1,685,700	12.737	214,708
2007/08	1,452,400	11.928	173,242
2008/09 (1 st half)	1,569,400	12.139	95,255
2008/09 (2 nd half)	1,569,400	13.053	102,427

The Corporation routinely protests the taxable assessed valuation of its Property for real estate taxation purposes.

During 2008, the Corporation settled its protest for tax year 2008/09 and confirmed tax year 2007/08 resulting in current benefits of \$1,255 and future benefits of approximately \$10,500 due to reduced transitional assessed values. In connection with this settlement the Corporation incurred \$2,362 of legal fees. There are currently no tax years open for challenge or dispute.

Note 12 - CORPORATION TAXES

The Corporation is qualified to file its tax returns pursuant to the provisions of Subchapter T of the Internal Revenue Code. Subchapter T provides that expenses attributable to the generation of patronage income, i.e., income from business done with or for patrons (tenant-cooperators), are deductible only to the extent of patronage income.

The Corporation is subject to Federal income tax based on net income, and for the year ended December 31, 2008, the Corporation had taxable income. However, due to net operating losses from prior years, the Corporation is not currently liable for Federal income tax. The Corporation has also incurred cumulative net operating losses for tax purposes which are available to be carried forward to future tax periods. 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 13 - 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, 2008 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 14 - CONCENTRATION OF CREDIT RISK\SUBSEQUENT EVENT

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 has not experienced any losses in such accounts. In March 2009, the Corporation moved approximately \$562,000 of investments into FDIC insured certificates of deposit (including a portion of the funds received in February from the sale of a treasury stock unit). This action was taken to reduce the risk of loss of principal for the voluntary escrows and reserve fund investments and would likely alter future investment income expectations.

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 15 - STATEMENTS OF CASH FLOWS - SUPPLEMENTAL DISCLOSURES

	<u>2008</u>	<u>2007</u>
Interest paid	\$ 191,988	\$ 150,436
Income taxes paid (net of refunds)	\$ 1,634	\$ 1,193

Non-Cash Transactions

Unrealized gain on reserve fund investments	\$ 12,509	\$ -
Unrealized gain on escrow investments	\$ 4,285	\$ -

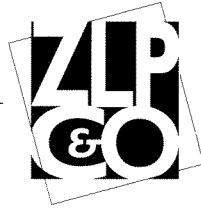
Note 16 - OTHER MATTERS

The Corporation has recorded the following portfolio activity:

	<u>2008</u>	<u>2007</u>
Interest and dividends	\$ 26,639	\$ 11,878
Realized gain on sale of investments	39,377	-
Unrealized gain on investment	<u>16,794</u>	<u>-</u>
 Total	 <u>\$ 82,810</u>	 <u>\$ 11,878</u>

The unrealized gain on investment listed above will be realized in 2009 when the securities are sold.

**S U P P L E M E N T A R Y A N D P R O S P E C T I V E
I N F O R M A T I O N**



Ted B. Lackowitz, CPA
Norman Prisand, CPA
Steven Battino, CPA
George L. Klueg, CPA
K. Steven Wegert, CPA
Robert A. Mellina, CPA
Evan J. Unterlack, CPA

David S. Zeidman, CPA (1944-2006)

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

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

Our report on our audits of the basic financial statements of NAGLE APARTMENTS CORP. for 2008 and 2007 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 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 audits 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, 2009, 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

March 27, 2009 for Historical Statements

December 15, 2008 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, 2008 - December 31, 2008</u>		<u>January 1, 2007 - December 31, 2007</u>	<u>January 1, 2009 - December 31, 2009</u>
	Budget (Unaudited)	Actual	Actual	Forecast (Unaudited)
REVENUE				
Maintenance - Shareholders (1)	\$ 761,100	\$ 754,250	\$ 717,097	\$ 797,200
Garage income	126,400	118,238	122,885	125,100
Electricity submetering	49,800	65,079	54,049	53,600
Rental income	66,700	58,199	76,123	54,200
Sublet, late, repair and other fees	60,000	45,718	30,169	50,500
Stockholders' parking	25,000	27,800	25,155	27,600
Interest and dividends	20,300	26,639	11,878	28,700
Laundry income	<u>29,100</u>	<u>18,653</u>	<u>21,020</u>	<u>20,100</u>
TOTAL REVENUE	<u>1,138,400</u>	<u>1,114,576</u>	<u>1,058,376</u>	<u>1,157,000</u>
EXPENDITURES				
Management fee	43,000	43,000	43,000	44,700
Professional fees	44,800	21,951	29,116	43,000
Other administrative and telephone	11,700	13,670	14,330	13,300
Gas heat and fuel	103,600	120,997	130,583	124,500
Electricity and gas	69,900	80,142	68,485	80,000
Water and sewer	73,700	66,793	62,218	91,900
Wages and related costs	128,400	139,046	122,608	130,500
Insurance	45,200	39,773	43,923	41,100
Laundry contract	19,700	19,631	20,826	20,500
Submetering billing service	5,300	4,848	6,152	5,700
Miscellaneous operating and permits	9,800	3,160	3,348	5,700
Repairs and maintenance	96,900	84,880	87,794	94,200
New York City real estate tax	175,300	180,621	175,488	202,600
Corporation taxes	1,200	1,552	1,191	2,400
Mortgage interest and amortization	<u>237,200</u>	<u>236,712</u>	<u>236,742</u>	<u>237,200</u>
TOTAL EXPENDITURES	<u>1,065,700</u>	<u>1,056,776</u>	<u>1,045,804</u>	<u>1,137,300</u>
Budgeted Surplus (2)	<u>\$ 72,700</u>			<u>\$ 19,700</u>
ACTUAL OPERATING INCOME				
	57,800		12,572	
Mortgage amortization	93,094		87,451	
Realized gain on sale of investments	39,377		-	
Adjustment of prior years' water and sewer expense	6,765		-	
Loan interest (3)	(47,584)		(4,815)	
Adjustment of prior years' rental income and shareholder loan	<u>-</u>		<u>(19,486)</u>	
INCOME BEFORE DEPRECIATION	<u>\$ 149,452</u>		<u>\$ 75,722</u>	

(1) Maintenance has been increased to \$6.05 per share of stock, per month, from \$5.85 per share effective January 1, 2009.

(2) It is anticipated that at least \$30,000 of operating surpluses will be transferred to the reserve fund for future capital projects.

(3) The loan payments of \$142,725 per year are being paid from reserves with funds generated by apartment sales.

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, 2009

The 2009 financial forecast was prepared by the Corporation's Treasurer with input from the management company (collectively "Management") 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 15, 2008, 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 \$6.05 per share of stock, per month, which reflects an increase of approximately 3.4% over the previous year. 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 staffing requirements. 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 assessed valuation times an estimated tax rate. An increase of approximately 12.2% has been anticipated for 2009. Debt service is based upon payments required by the Corporation's outstanding mortgage payable. 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.