

*NAGLE APARTMENTS CORP.*  
*(A Cooperative Housing Corporation)*

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*1999 Annual Report*

**NAGLE APARTMENTS CORP.****CONTENTS**

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**PRISAND•NEWMAN**

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

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, 1999 and 1998, 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 generally accepted auditing standards. 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, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

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.

Our audits were conducted for the purpose of forming an opinion on the financial statements referred to above. The budget information included in the comparative data on page 14 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

February 9, 2000

## NAGLE APARTMENTS CORP.

## BALANCE SHEET

December 31,	1999	1998
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents:		
Operating account	\$ 1,689	\$ 956
Working capital money market account	50,653	19,870
	<u>52,342</u>	<u>20,826</u>
Receivables:		
Garage income	49,551	7,219
Maintenance - apartments	16,362	17,233
Due from management	2,500	-
Rental income	992	3,482
Due from insurance company	-	1,042
	<u>69,405</u>	<u>28,976</u>
Prepaid expenses:		
Real estate tax	31,436	29,575
Water and sewer	21,053	19,842
Fuel inventory	3,341	2,826
Insurance	1,147	-
Corporate taxes	960	353
	<u>57,937</u>	<u>52,596</u>
Escrows:		
Line of credit escrow (Note 5)	51,168	-
Mortgage escrow	25,180	23,525
	<u>76,348</u>	<u>23,525</u>
Total Current Assets	<u>256,032</u>	<u>125,923</u>
Property and Improvements: (Note 2 and 3)		
Land	316,950	316,950
Building	1,796,050	1,796,050
Building improvements	621,571	347,647
Total	2,734,571	2,460,647
Less: accumulated depreciation	( 1,032,111)	( 961,267)
Net Property and Improvements	<u>1,702,460</u>	<u>1,499,380</u>
Other Assets:		
Notes receivable (Note 4)	55,929	59,238
Unamortized mortgage costs	26,516	6,000
Investment NCB Class B Stock	3,000	-
Total Other Assets	<u>85,445</u>	<u>65,238</u>
Total Assets	<u>\$ 2,043,937</u>	<u>\$ 1,690,541</u>

The accompanying notes are an integral part of this statement.

## NAGLE APARTMENTS CORP.

## BALANCE SHEET

December 31,	1999	1998
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	\$ 40,172	\$ 39,883
Building improvements payable	16,124	27,703
Accrued mortgage interest	11,833	12,000
Due to shareholders - real estate tax abatements	5,542	5,655
Accrued line of credit interest	2,448	-
Advance maintenance	<u>1,799</u>	<u>473</u>
Total Current Liabilities	<u>77,918</u>	<u>85,714</u>
Long-Term Liabilities:		
Mortgage payable (Note 5)	1,775,000	1,800,000
NCB line of credit (Note 5)	300,000	-
Security deposits payable	<u>10,737</u>	<u>14,187</u>
Total Long-Term Liabilities	<u>2,085,737</u>	<u>1,814,187</u>
Total Liabilities	<u>2,163,655</u>	<u>1,899,901</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 6)	133,388	73,623
Accumulated deficit	( 424,021)	( 425,512)
Less: Treasury stock at cost (540 shares) (Note 6)	<u>( 17,085)</u>	<u>( 45,471)</u>
Total Stockholders' Equity	<u>( 119,718)</u>	<u>( 209,360)</u>
Total Liabilities and Stockholders' Equity	<u>\$ 2,043,937</u>	<u>\$ 1,690,541</u>

The accompanying notes are an integral part of this statement.

## NAGLE APARTMENTS CORP.

## STATEMENT OF OPERATIONS

Year Ended December 31,	1999	1998
<b>REVENUE</b>		
Maintenance	\$ 620,228	\$ 620,228
Garage income	41,657	42,782
Late and other fees	6,972	6,942
Laundry	6,000	8,393
Shareholder interest income	4,619	5,023
Interest income	2,053	875
Workers' compensation dividend	-	1,043
Total Revenue	<u>681,529</u>	<u>685,286</u>
<b>COST OF OPERATIONS</b>		
Administrative expenses	Schedule 1 50,935	62,656
Operating expenses	Schedule 2 214,726	217,785
Repairs and maintenance	Schedule 3 36,088	73,663
Interest expense	164,790	145,333
Real estate tax	108,340	107,836
Corporation taxes	<u>593</u>	<u>2,457</u>
Total Cost Of Operations	<u>575,472</u>	<u>609,730</u>
<b>Income from operations before special items and depreciation and amortization expense</b>	106,057	75,556
Garage settlement income	-	22,000
Unsold unit expenses	Schedule 4 ( 15,861)	( 13,031)
Prior year water and sewer charges	<u>( 15,188)</u>	<u>-</u>
<b>INCOME BEFORE DEPRECIATION AND AMORTIZATION EXPENSE</b>	75,008	84,525
Depreciation and amortization expense	<u>( 73,517)</u>	<u>( 57,277)</u>
Net Income For The Year	<u>\$ 1,491</u>	<u>\$ 27,248</u>

The accompanying notes are an integral part of this statement.

## NAGLE APARTMENTS CORP.

## SUPPORTING SCHEDULES - STATEMENT OF OPERATIONS

Year Ended December 31,	1999	1998
<b>Administrative Expenses:</b>	<u>Schedule 1</u>	
Management fee	\$ 27,000	\$ 21,000
Professional fees	10,598	24,790
Other administrative	10,483	14,227
Telephone and communications	<u>2,854</u>	<u>2,639</u>
Total Administrative Expenses	<u>\$ 50,935</u>	<u>\$ 62,656</u>
<b>Operating Expenses:</b>	<u>Schedule 2</u>	
Energy		
Water and sewer	\$ 41,137	\$ 39,105
Gas	21,637	21,947
Fuel	17,750	26,437
Electricity	<u>15,678</u>	<u>13,504</u>
	<u>96,202</u>	<u>100,993</u>
Payroll		
Wages	76,707	74,993
Union benefits	12,017	10,016
Payroll taxes	6,715	6,108
Workers' compensation and disability insurance	<u>1,306</u>	<u>2,938</u>
	<u>96,745</u>	<u>94,055</u>
Other		
Insurance	14,108	14,850
Permits and miscellaneous operating	<u>7,671</u>	<u>7,887</u>
	<u>21,779</u>	<u>22,737</u>
Total Operating Expenses	<u>\$ 214,726</u>	<u>\$ 217,785</u>
<b>Repairs and Maintenance:</b>	<u>Schedule 3</u>	
Elevator contract and repair	\$ 9,259	\$ 11,155
Materials and supplies	6,800	19,387
Painting, plastering and flooring	4,500	15,480
Electrical repair	3,583	195
Rubbish removal	2,936	-
Heating and boiler repairs	2,559	10,594
Exterminating	2,078	2,809
Intercom and miscellaneous	2,444	2,321
Equipment repair	1,529	8,058
Doors, locks and windows	400	303
Grounds and plant maintenance	<u>-</u>	<u>3,361</u>
Total Repairs and Maintenance	<u>\$ 36,088</u>	<u>\$ 73,663</u>

The accompanying notes are an integral part of this statement.

## NAGLE APARTMENTS CORP.

## SUPPORTING SCHEDULES - STATEMENT OF OPERATIONS

Year Ended December 31,	1999	1998
<b>Unsold Unit Expenses:</b>		
	<u>Schedule 4</u>	
Rental income	\$ 18,040	\$ 28,592
Maintenance on unsold units	( 33,901)	( 41,623)
Total Unsold Unit Expenses	(\$ 15,861)	(\$ 13,031)

The accompanying notes are an integral part of this statement.

## NAGLE APARTMENTS CORP.

## STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Year Ended December 31,	1999	1998
<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,	\$ 73,623	\$ 46,252
Sale of 315 and 130 shares of treasury stock in excess of cost	<u>59,765</u>	<u>27,371</u>
Balance - December 31,	<u>\$ 133,388</u>	<u>\$ 73,623</u>
<b>ACCUMULATED DEFICIT</b>		
Balance - January 1,	(\$ 425,512)	(\$ 452,760)
Net income for the year	<u>1,491</u>	<u>27,248</u>
Balance - December 31,	<u>(\$ 424,021)</u>	<u>(\$ 425,512)</u>
<b>TREASURY STOCK</b>		
Balance - January 1, (855 and 775 shares)	(\$ 45,471)	(\$ 28,929)
Sale of 315 and 130 shares at cost	28,386	1,905
Acquisition of 210 shares at cost	<u>-</u>	<u>(18,447)</u>
Balance - December 31, (540 and 855 shares)	<u>(\$ 17,085)</u>	<u>(\$ 45,471)</u>

The accompanying notes are an integral part of this statement.

## NAGLE APARTMENTS CORP.

## STATEMENT OF CASH FLOWS

Year Ended December 31,	1999	1998
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	\$ 1,491	\$ 27,248
<u>Adjustments to reconcile net income to (used) cash provided by operating activities:</u>		
Depreciation and amortization	73,517	57,277
(Increase) decrease in receivables	( 40,429)	581
(Increase) decrease in prepaid expenses	( 5,341)	11,277
(Increase) decrease in escrow accounts	( 52,823)	51,124
(Increase) decrease in accounts payable	289	( 58,807)
Increase (decrease) in other current liabilities	3,494	( 59,651)
(Decrease) increase in security deposits payable	( 3,450)	5,286
Total Adjustments	( 24,743)	7,087
Cash (Used) Provided By Operating Activities	( 23,252)	34,335
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from notes receivable	3,309	3,120
Increase in building improvements	( 273,924)	( 130,106)
(Decrease) in building improvements payable	( 11,579)	( 23,363)
Increase in NCB stock	( 3,000)	-
Cash Used By Investing Activities	( 285,194)	( 150,349)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in unamortized mortgage costs	( 23,189)	( 6,000)
Decrease in mortgage payable	( 25,000)	( 25,000)
Proceeds of credit line	300,000	-
Proceeds from sale of treasury stock	88,151	29,276
Cash Provided (Used) By Financing Activities	339,962	( 1,724)
Net change in cash and cash equivalents	31,516	( 117,738)
Cash and cash equivalents at beginning of year	20,826	138,564
Cash and cash equivalents at end of year	\$ 52,342	\$ 20,826

The accompanying notes are an integral part of this statement.

**NAGLE APARTMENTS CORP.****STATEMENT OF CASH FLOWS**

<b>Year Ended December 31,</b>	<b>1999</b>	<b>1998</b>
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**SUPPLEMENTAL DISCLOSURES**

Interest paid	\$ 162,509	\$ 145,500
Corporation taxes paid	\$ 1,200	\$ 1,129

**NONCASH TRANSACTIONS**

At December 31, 1998, the cost of treasury stock includes a credit of outstanding arrears in the amount of \$18,447.

The accompanying notes are an integral part of this statement.

**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.

At December 31, 1999 and 1998, Ellwood Gardens Company (the "Sponsor") owned 1,655 and 1,790 shares which represent 11.9% and 14.8% of the total shares issued.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Basis of Presentation and Use of Estimates**

The financial statements have been prepared in accordance with generally accepted accounting principles on the accrual basis. 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.

**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.

**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.

**Statement of Cash Flows**

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

**NAGLE APARTMENTS CORP.****Notes to Financial Statements**

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**Note 3 - PROPERTY AND IMPROVEMENTS**

Capitalized building improvements are summarized on the schedule below:

	<u>1999</u>	<u>1998</u>
Garage reinforcement	\$ 234,825	\$ 39,651
Playground	23,971	-
Exterior restoration	6,139	78,930
Security cameras	4,714	-
Storage lockers	4,275	-
Asbestos removal and pipe insulation	<u>-</u>	<u>11,525</u>
Total	<u>\$ 273,924</u>	<u>\$ 130,106</u>

**Note 4 - NOTES RECEIVABLE**

On sales of treasury stock shares appurtenant to three units, the Corporation financed notes receivable in the amount of \$62,806. During 1999 and 1998, principal payments of \$3,309 and \$3,120 respectively, were received reducing the outstanding notes receivable to \$55,929 and \$59,238, respectively, at the balance sheet date.

Terms of the notes financed by the Corporation require equal monthly installments applied to interest at the rate of 8% per annum and the balance as a reduction of principal pursuant to seven, fifteen and twenty year amortization schedules.

**Note 5 - MORTGAGE PAYABLE**

The wrap-around mortgage payable to Ellwood Gardens Company and 20-20 Realty Corp. in the original principal balance of \$1,850,000 bears interest at the rate of 8% per annum. The Corporation has the right to prepay a maximum of \$25,000 in each year of the mortgage. Prepayments may be cumulative so that if such right is not exercised in any one or more loan years, the amount may be carried forward and added to the amount that may be prepaid in a future loan year. For the years ending December 31, 1999 and December 31, 1998, the Corporation paid down \$25,000 in each year. The mortgage may be fully prepaid at any time after September 1, 2003. Terms of the loan require interest only payments on the outstanding principal balance. The loan matures August 31, 2006.

On January 29, 1999, the Corporation established a secured line of credit with National Cooperative Bank ("NCB") with a maximum draw of \$300,000. Terms of the loan require payments of interest only (on funds drawn from the credit line) for the first year at the interest rate of 3% over the Libor rate adjusted monthly. During the second year, monthly payments will include both interest and principal pursuant to a ten year amortization schedule. The loan matures on the earlier of any prepayment or refinancing of the first mortgage or August 31, 2006. At December 31, 1999, the Corporation had borrowed \$300,000. NCB placed \$50,000 of the \$300,000 credit line proceeds into an escrow account to be released upon the sale of no less than six of nine apartments owned by an investor. The average interest rate for 1999 was 8.5%.

**NAGLE APARTMENTS CORP.****Notes to Financial Statements**

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**Note 6 - 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>
Prior	105	\$ 17,449
1995	595	24,174
1996	260	1,905
1997	500	32,825
1998	<u>210</u>	<u>18,447</u>
	<u>1,670</u>	<u>\$ 94,800</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	685	\$ 120,500	\$ 26,824	\$ 47,424	\$ 46,252
1998	130	30,000	724	1,905	27,371
1999	<u>315</u>	<u>103,500</u>	<u>15,349</u>	<u>28,386</u>	<u>59,765</u>
	<u>1,130</u>	<u>\$ 254,000</u>	<u>\$ 42,897</u>	<u>\$ 77,715</u>	<u>\$ 133,388</u>

The gain on sales is recorded as paid-in capital from treasury stock. At December 31, 1999, the Corporation holds 540 shares of treasury stock appurtenant 5 occupied apartments. The monthly shortfall on the five apartments is approximately \$251.

**Note 7 - CORPORATION TAXES**

The Corporation has incurred net operating losses for tax purposes since the date of inception. As a result, such losses are available to be carried forward to future tax periods. Federal income tax is computed pursuant to Subchapter T of the Internal Revenue Code. New York State Franchise tax and New York City Corporate Tax is calculated by utilizing special tax rates available to cooperative housing corporation based on the corporation's capital base.

**SUPPLEMENTARY INFORMATION**

## NAGLE APARTMENTS CORP.

Comparative Data: Actual vs. Budget

	For The Year		Prior Year	Next Year
	January 1, 1999 - December 31, 1999		January 1, 1998 -	January 1, 2000 -
	December 31, 1998		December 31, 1998	December 31, 2000
	Budget	Actual	Actual	Budget
	(Unaudited)			(Unaudited)
<b>REVENUE</b>				
Maintenance	\$ 620,230	\$ 620,228	\$ 620,228	\$ 620,230
Garage income	43,300	41,657	42,782	40,000
Late and other fees	500	6,972	7,985	8,500
Laundry	8,100	6,000	8,393	7,900
Shareholder interest income	4,600	4,619	5,023	4,600
Interest income	-	2,053	875	1,000
<b>TOTAL REVENUE</b>	<u>676,730</u>	<u>681,529</u>	<u>685,286</u>	<u>682,230</u>
<b>EXPENDITURES</b>				
Management fee	30,000	27,000	21,000	30,000
Professional fees	17,000	10,598	24,790	34,400
Other administrative	7,000	10,483	14,227	8,800
Telephone and communications	3,000	2,854	2,639	2,500
Water and sewer	40,500	41,137	39,105	40,000
Gas and electricity	25,600	37,315	35,451	23,000
Fuel	30,000	17,750	26,437	28,700
Wages	74,400	76,707	74,993	74,850
Union benefits	10,600	12,017	10,016	10,600
Payroll taxes	6,000	6,715	6,108	6,600
Workers' comp. & dbl insurance	3,800	1,306	2,938	2,100
Insurance	14,900	14,108	14,850	13,000
Permits and miscellaneous operating	4,800	7,671	7,887	3,500
Repairs and maintenance	52,050	36,088	73,663	66,800
Real estate tax	108,700	108,340	107,836	120,750
Mortgage interest and amortization	169,000	168,500	170,333	167,000
Line of credit interest and amortization	20,000	21,290	-	27,600
Corporation taxes	1,600	593	2,457	1,800
Contingency/reserve funding	37,200	-	-	30,000
<b>TOTAL EXPENDITURES</b>	<u>656,150</u>	<u>600,472</u>	<u>634,730</u>	<u>692,000</u>
Budgeted Surplus (Loss)	20,580			( 9,770)
<b>ACTUAL OPERATING INCOME</b>		81,057	50,556	
Add: Mortgage pay-down	25,000	25,000	25,000	25,000
Garage settlement income	-	-	22,000	49,300
Less: Prior year water and sewer charge	-	( 15,188)	-	-
Unsold unit expenses	( 10,235)	( 15,861)	( 13,031)	( 10,235)
<b>INCOME BEFORE DEPRECIATION</b>	<u>\$ 35,345</u>	<u>\$ 75,008</u>	<u>\$ 84,525</u>	<u>\$ 54,295</u>