
NAGLE APARTMENTS CORP.

Financial Statements and
Supplementary Information for the
Years Ended December 31, 2017 and 2016

Prisand, Mellina, Unterlack & Co., LLP
Certified Public Accountants

NAGLE APARTMENTS CORP.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of NAGLE APARTMENTS CORP., which comprise the balance sheets (with supporting schedules) as of December 31, 2017 and 2016, and the related statements of operations (with supporting schedules), changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

As discussed in Note 2, NAGLE APARTMENTS CORP. has omitted the supplementary information on future major repairs and replacements of common property that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Risland, Mellina, Untchach & Co., LLP

Plainview, New York
March 16, 2018

NAGLE APARTMENTS CORP.
BALANCE SHEETS
AS OF DECEMBER 31,

	2017	2016
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 28,892	\$ 22,844
Accounts receivable	56,986	47,946
Prepaid expenses	38,860	29,815
Escrows and voluntary escrows	328,162	329,297
Total Current Assets	452,900	429,902
Reserve Fund: (Note 3)	12,772	8,852
Total Current Assets and Reserve Fund	465,672	438,754
 Property and Improvements: (Notes 2 and 4)		
Land	316,950	316,950
Buildings	1,796,050	1,796,050
Building improvements and equipment	5,166,717	5,091,833
Total	7,279,717	7,204,833
Accumulated depreciation	(3,268,273)	(3,075,718)
Net Property and Improvements	4,011,444	4,129,115
 Other Assets:		
Cash - security deposits	83,889	83,889
Utility deposits	450	1,350
Total Other Assets	84,339	85,239
Total Assets	\$ 4,561,455	\$ 4,653,108

The accompanying notes are an integral part of this statement.

**NAGLE APARTMENTS CORP.
BALANCE SHEETS
AS OF DECEMBER 31,**

	2017	2016
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accrued mortgage, line of credit and loan interest	\$ 11,613	\$ 11,932
Mortgage payable - current portion (Note 5)	173,987	163,440
Line of credit payable - current portion (Note 5)	2,400	1,800
Loans payable - current portion (Note 5)	-	59,141
Accounts payable	255,909	238,280
Due to stockholders - real estate tax abatements	71,031	70,342
Building improvements payable	11,000	-
Accrued wages and payroll taxes	8,865	2,563
Advance maintenance	5,362	2,561
Accrued real estate tax	-	110
	<u>540,167</u>	<u>550,169</u>
Long-Term and Other Liabilities:		
Mortgage payable - net of current portion (Note 5)	913,013	1,087,001
Line of credit payable - net of current portion (Note 5)	1,345,800	1,348,200
Unamortized debt issuance costs (Note 2)	(38,455)	(49,290)
	<u>2,220,358</u>	<u>2,385,911</u>
Net Long-Term Debt	2,220,358	2,385,911
Security deposits payable	83,889	83,889
	<u>2,304,247</u>	<u>2,469,800</u>
Total Long-Term and Other Liabilities	2,304,247	2,469,800
	<u>2,844,414</u>	<u>3,019,969</u>
Total Liabilities	2,844,414	3,019,969
Stockholders' Equity:		
Common stock - \$1.00 par value, 15,000 shares authorized, 12,120 shares issued	12,120	12,120
Paid-in capital in excess of par value	175,880	175,880
Paid-in capital from treasury stock (Note 6)	2,942,491	2,942,491
Additional paid-in capital	21,277	21,277
Accumulated deficit	(1,411,068)	(1,494,970)
Treasury stock - at cost (Note 6)	(23,659)	(23,659)
	<u>1,717,041</u>	<u>1,633,139</u>
Total Stockholders' Equity	1,717,041	1,633,139
Total Liabilities and Stockholders' Equity	<u>\$ 4,561,455</u>	<u>\$ 4,653,108</u>

The accompanying notes are an integral part of this statement.

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

	2017	2016
Accounts Receivable:		
Maintenance - Stockholders (Note 2)	\$ 32,755	\$ 15,101
Real estate tax refund (Note 10)	12,621	11,665
Electricity submetering (billed in subsequent year)	7,901	8,080
Workers' compensation dividend	2,709	-
Laundry income	1,000	1,000
Garage income (Note 8)	-	12,100
Total Accounts Receivable	\$ 56,986	\$ 47,946
 Prepaid Expenses:		
Insurance	\$ 28,948	\$ 27,869
Fuel	7,413	1,656
Real estate tax	2,183	-
Corporation taxes	316	290
Total Prepaid Expenses	\$ 38,860	\$ 29,815
 Escrows and Voluntary Escrows:		
Water and sewer escrow - self-controlled	\$ 141,672	\$ 163,734
Mortgage and line of credit reserve (Note 5)	100,582	100,432
Insurance escrow - self-controlled	45,119	30,242
Real estate tax escrow - self-controlled	40,789	34,889
Total Escrows and Voluntary Escrows	\$ 328,162	\$ 329,297

The accompanying notes are an integral part of this statement.

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

	<u>2017</u>	<u>2016</u>
REVENUE		
Maintenance - Stockholders	\$ 956,824	\$ 930,774
Garage income (Note 8)	124,800	137,200
Stockholders' parking (Note 8)	67,000	58,800
Electricity submetering	63,206	60,321
Sublet, late and other fees	40,141	40,016
Cable income	28,808	-
Rental income (Note 6)	23,008	26,219
Laundry income	12,000	12,000
Interest and dividends	6,262	2,615
	<u>1,322,049</u>	<u>1,267,945</u>
COST OF OPERATIONS		
Administrative expenses	75,471	89,134
Operating expenses	528,279	474,449
Repairs and maintenance	130,337	114,368
Taxes	316,694	300,424
Financial expenses	150,047	158,922
	<u>1,200,828</u>	<u>1,137,297</u>
Income from operations before other items and depreciation expense	121,221	130,648
Capital assessments (Note 7)	94,559	93,172
Prior years' water and sewer credits (net of consulting fees)	54,914	60,586
Prior year's workers' compensation insurance	5,763	-
	<u>276,457</u>	<u>284,406</u>
INCOME BEFORE DEPRECIATION EXPENSE	276,457	284,406
Depreciation expense	(192,555)	(155,519)
Net Income For The Year	<u>\$ 83,902</u>	<u>\$ 128,887</u>

The accompanying notes are an integral part of this statement.

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

	2017	2016
Administrative Expenses:		
Management fee	\$ 52,000	\$ 52,000
Professional fees	12,637	21,615
Other administrative	8,565	13,137
Telephone and communications	2,269	2,382
	\$ 75,471	\$ 89,134
 Operating Expenses:		
Utilities		
Electricity and gas	\$ 86,476	\$ 79,586
Gas - heat and fuel	69,079	57,752
Water and sewer	50,377	50,481
	205,932	187,819
Payroll		
Wages	143,577	140,346
Union benefits (Note 9)	53,197	51,361
Payroll taxes	11,499	11,793
Workers' compensation and disability insurance	8,543	10,752
	216,816	214,252
Other		
Insurance	66,431	61,091
Cable TV	28,650	1,416
Miscellaneous operating and permits	5,461	3,457
Submetering billing services	4,989	6,414
	105,531	72,378
 Total Operating Expenses	\$ 528,279	\$ 474,449

The accompanying notes are an integral part of this statement.

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

	<u>2017</u>	<u>2016</u>
Repairs and Maintenance:		
Elevator maintenance and repairs	\$ 40,249	\$ 32,442
Grounds and landscaping	20,590	16,267
Painting, plastering and flooring	17,050	20,844
Plumbing	15,617	8,829
Materials and supplies	15,109	13,021
Exterminating	9,140	3,674
Boiler, heating and water treatment	7,551	14,098
Equipment repairs	2,052	-
Electrical and intercom repairs	1,596	293
Doors, locks and windows	1,383	4,900
	<u> </u>	<u> </u>
Total Repairs and Maintenance	<u>\$ 130,337</u>	<u>\$ 114,368</u>
 Taxes:		
New York City real estate tax (Note 10)	\$ 312,220	\$ 295,413
Corporation taxes (Note 11)	4,474	5,011
	<u> </u>	<u> </u>
Total Taxes	<u>\$ 316,694</u>	<u>\$ 300,424</u>
 Financial Expenses:		
Mortgage interest (Note 5)	\$ 72,904	\$ 82,864
Line of credit interest and fees (Note 5)	66,029	63,994
Amortization of debt issuance costs (Note 2)	10,835	11,205
Loan interest	279	859
	<u> </u>	<u> </u>
Total Financial Expenses	<u>\$ 150,047</u>	<u>\$ 158,922</u>
 Depreciation Expense:		
Building improvements	\$ 182,500	\$ 145,464
Building equipment	10,055	10,055
	<u> </u>	<u> </u>
Total Depreciation Expense	<u>\$ 192,555</u>	<u>\$ 155,519</u>

The accompanying notes are an integral part of this statement.

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

	2017	2016
COMMON STOCK		
Balance - January 1,	\$ 12,120	\$ 12,120
Transactions during the year	-	-
Balance - December 31,	\$ 12,120	\$ 12,120
PAID-IN CAPITAL IN EXCESS OF PAR VALUE		
Balance - January 1,	\$ 175,880	\$ 175,880
Transactions during the year	-	-
Balance - December 31,	\$ 175,880	\$ 175,880
PAID-IN CAPITAL FROM TREASURY STOCK (NOTE 6)		
Balance - January 1,	\$ 2,942,491	\$ 2,556,911
Sale of 135 shares of treasury stock in excess of cost	-	385,580
Balance - December 31,	\$ 2,942,491	\$ 2,942,491
ADDITIONAL PAID-IN CAPITAL		
Balance - January 1,	\$ 21,277	\$ 21,277
Transactions during the year	-	-
Balance - December 31,	\$ 21,277	\$ 21,277
ACCUMULATED DEFICIT		
Balance - January 1,	\$ (1,494,970)	\$ (1,623,857)
Net income for the year	83,902	128,887
Balance - December 31,	\$ (1,411,068)	\$ (1,494,970)
TREASURY STOCK (NOTE 6)		
Balance - January 1, (300 and 435 shares)	\$ (23,659)	\$ (34,305)
Sale of 135 shares at cost	-	10,646
Balance - December 31, (300 and 300 shares)	\$ (23,659)	\$ (23,659)

The accompanying notes are an integral part of this statement.

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

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	\$ 83,902	\$ 128,887
Adjustments to reconcile net income to cash provided by operating activities:		
Revenue allocated to financing activities	(94,559)	(93,172)
Depreciation expense	192,555	155,519
Amortization of debt issuance costs	10,835	11,205
(Increase) in accounts receivable	(9,040)	(11,686)
(Increase) decrease in prepaid expenses	(9,045)	9,200
Decrease in escrows and voluntary escrows	1,135	37,923
Decrease in utility deposits	900	-
Increase (decrease) in accounts payable	17,629	(34,874)
Increase in other current liabilities	9,362	3,174
Total Adjustments	<u>119,772</u>	<u>77,289</u>
Cash Provided By Operating Activities	<u>203,674</u>	<u>206,176</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in reserve fund	(3,920)	37,368
(Increase) in building improvements and equipment	(74,884)	(523,028)
Increase (decrease) in building improvements payable	11,000	(128,367)
Cash (Used) By Investing Activities	<u>(67,804)</u>	<u>(614,027)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Amortization of mortgage payable	(163,440)	(153,532)
Amortization of loans payable	(59,141)	(58,488)
Amortization of line of credit payable	(1,800)	-
Draws on line of credit payable	-	128,000
Sale of treasury stock at cost	-	10,646
Sale of treasury stock in excess of cost	-	385,580
Capital assessments	94,559	93,172
Cash (Used) Provided By Financing Activities	<u>(129,822)</u>	<u>405,378</u>
Net increase (decrease) in cash and cash equivalents	6,048	(2,473)
Cash and cash equivalents at beginning of year	<u>22,844</u>	<u>25,317</u>
Cash and Cash Equivalents at End of Year	<u>\$ 28,892</u>	<u>\$ 22,844</u>

SUPPLEMENTAL DISCLOSURES (NOTE 12)

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 located 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 two 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 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 accordance 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 2016 accounts have been reclassified to conform to the 2017 report presentation. Such reclassifications had no effect on the previously reported net income for the year.

Property and Improvements

Property and improvements are stated at cost. The buildings have been fully depreciated. Building improvements and equipment are depreciated on the straight-line method over estimated lives ranging from 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.

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. Consistent with general practice in New York City, the Corporation has not promulgated a study to determine the remaining useful lives of the components of the buildings 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, implement special assessments, sell treasury stock units, or delay repairs and replacements until funds are available.

Debt Issuance Costs

In accordance with FASB ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs related to a recognized debt liability are required to be presented in the accompanying balance sheets as a direct deduction from the carrying amount of the debt liability. Previously, such costs had been reported as an asset on the Corporation's balance sheets. This change is effective for the 2017 financial statements with retroactive adjustment made to the 2016 financial statements. Debt issuance costs are being amortized over the life of the related debt obligation on the straight-line basis. The amortization of debt issuance costs is reported as a financial expense in the Statements of Operations.

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition and 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, 2017 to be collectible. Accordingly, no allowance for doubtful accounts is required.

Income Taxes

The Corporation accounts for certain income items differently for financial reporting and income tax purposes. The principal differences are permanent in nature and relate to assessments used for capital improvements and any portion of maintenance charges used for mortgage amortization, which are accounted for as revenue for financial reporting purposes and as contributions to additional paid-in capital for income tax purposes.

Statement of Cash Flows

The Corporation considers all highly liquid investments (not allocated to the reserve fund or escrow accounts) with a maturity of three months or less at the date of purchase to be cash equivalents.

Note 3 - RESERVE FUND

During 2017 and 2016, the following transactions have taken place in the Corporation's reserve fund.

	<u>2017</u>	<u>2016</u>
Balance - January 1,	\$ 8,852	\$ 46,218
Transfers from operations and escrow accounts	190,000	337,917
Transfers (to) operations and escrow accounts	(185,811)	(374,994)
Interest and dividends - net of service charges	(269)	(289)
Balance - December 31,	<u>\$ 12,772</u>	<u>\$ 8,852</u>
Reserve funds are invested as follows:		
Merrill Lynch - Bank Deposit and Preferred Deposit Accounts	\$ 9,698	\$ 5,778
Sterling National Bank - Money Market Account	<u>3,074</u>	<u>3,074</u>
Balance - December 31,	<u>\$ 12,772</u>	<u>\$ 8,852</u>

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 4 - PROPERTY AND IMPROVEMENTS

During 2017 and 2016, the following building improvements and equipment have been capitalized.

	<u>2017</u>	<u>2016</u>
Garage roof, rooftop garden and interior project	\$ 31,927	\$ 490,929
Basement improvements	26,800	-
Plumbing upgrades	11,000	-
Security system	5,157	10,333
Equipment	<u>-</u>	<u>21,766</u>
Total	<u>\$ 74,884</u>	<u>\$ 523,028</u>

Note 5 - MORTGAGE PAYABLE, LINE OF CREDIT AND FORMER LOANS PAYABLE

Mortgage Payable

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 173,987	\$ 63,217	\$ 237,204
2019	185,215	51,989	237,204
2020	197,168	40,036	237,204
2021	209,892	27,312	237,204
2022	223,437	13,767	237,204

Subsequent to May 1, 2010, the mortgage payable 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. During the last ninety days of the term, the mortgage payable may be prepaid without penalty.

In connection with the mortgage payable, the Corporation is required to maintain a general operating and replacement reserve in an 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. As of December 31, 2017, this amount was approximately \$95,700 and the general operating and replacement reserve account, which is part of the Corporation's escrows and voluntary escrows, had a balance of \$100,582. Additional general operating funds are maintained in the reserve fund (Note 3).

Line of Credit

On February 20, 2014, the Corporation obtained a secured revolving line of credit, in the maximum amount of \$1,500,000, with NCB. Advances must be drawn in a minimum amount of \$25,000. When funds are drawn, the Corporation will be required to make monthly payments of interest only for the first three years of the term at the greater of the 30 day LIBOR rate plus 3.75%, or 4.00%. Commencing April 1, 2017, the line of credit will require monthly payments of interest and principal in a minimum amount of \$200. The line of credit is scheduled to mature at the earlier of May 1, 2023 or upon the refinancing or repayment of the mortgage payable. In connection with the line of credit, the Corporation is required to maintain a cash reserve account with NCB in a minimum amount of \$100,000 and pay an annual facility maintenance fee of \$3,750. As of December 31, 2017, the line of credit had an outstanding balance of \$1,348,200.

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 5 - MORTGAGE PAYABLE, LINE OF CREDIT AND FORMER LOANS PAYABLE (continued)

Former Loans Payable

The Corporation previously had two unsecured loans with Amalgamated Bank in a total original principal amount of \$1,150,000. During 2015, one of the loans matured. The other loan, in the original principal amount of \$565,000, required monthly payments of \$4,950, applied first to interest at a rate of 1.00% per annum with the balance as a reduction of principal based on a ten year amortization schedule. This loan matured on December 1, 2017, at which time it was fully amortized. The original interest rate of 7.50% had been subsidized by the New York State Energy Research and Development Authority for the installation of approved windows in the buildings.

Note 6 - TREASURY STOCK AND RENTAL INCOME

The following schedule summarizes the Corporation's acquisition and sale of treasury stock shares.

Acquisitions:

	<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/Renovation Closing Costs</u>	<u>Acquisition Costs</u>	<u>Gain on Sales</u>
1997 - 2008	1,995	\$ 1,201,700	\$ 106,043	\$ 158,368	\$ 937,289
2009	105	276,000	30,865	8,280	236,855
2010	275	672,000	120,584	21,687	529,729
2011	270	673,390	198,052	21,292	454,046
2012	105	245,000	70,190	8,280	166,530
2013	140	350,000	106,498	11,040	232,462
2016	<u>135</u>	<u>422,000</u>	<u>25,774</u>	<u>10,646</u>	<u>385,580</u>
	<u>3,025</u>	<u>\$ 3,840,090</u>	<u>\$ 658,006</u>	<u>\$ 239,593</u>	<u>\$ 2,942,491</u>

The gain on sales is recorded as paid-in capital from treasury stock. As of December 31, 2017 and 2016, the Corporation held 300 shares of treasury stock appurtenant to three apartments. It is the Board of Directors' intent to sell additional treasury stock apartments as they become available for sale. As of December 31, 2017, the three treasury stock apartments were rented. Revenue from the treasury stock apartments is treated as rental income. Maintenance is reduced accordingly.

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 7 - CAPITAL ASSESSMENTS

In order to fund a portion of its capital improvements projects (Note 4) and replenish the reserve fund (Note 3), the Corporation has implemented a series of capital assessments. During 2016, the Corporation implemented a capital assessment of \$0.6613 per share of outstanding stock, per month commencing in January 2016, which generated \$93,172. Effective January 1, 2017, the capital assessment was increased to \$0.6746 per share of outstanding stock, per month which generated \$94,559. During 2018, the capital assessment is anticipated to generate approximately \$98,000.

Note 8 - GARAGE LEASE

During August 2015, the Corporation leased the garage to a third party operator under a ten-year agreement which expires on October 31, 2025. On a monthly basis, the Corporation receives a contractual base rent from the garage operator less credits of \$200 per month for resident stockholders who park in the garage. The \$200 monthly parking fees of the resident stockholders are directly billed by the Corporation and are separately reported on the Statements of Operations.

During the next five years, the following minimum contractual base rents (before residential stockholder credits) are scheduled to be received.

<u>Year</u>	<u>Amount</u>
2018	\$ 198,000
2019	198,000
2020	198,000
2021	198,000
2022	198,000

Note 9 - UNION BENEFITS

Substantially all of the Corporation's employees are members of the Service Employees International Union ("SEIU") Local 32BJ and covered by a union sponsored, collectively bargained, multiemployer defined benefit pension, annuity and health insurance plan (the "Plan"). The union agreement expires on April 20, 2018. The Corporation makes contributions to the Plan based on the number of weeks worked by each employee covered under the union contract. During 2017 and 2016, the Corporation contributed \$53,197 and \$51,361, respectively, to the Plan of which \$10,331 and \$9,928, respectively, was for pension expense. The Corporation's contributions to the Plan were less than 5% of the Plan's total contributions.

Contributions to the Building Service 32BJ Pension Fund (Employer Identification Number 13-1879376, Plan 001) (the "Fund") are not segregated or otherwise restricted to provide benefits only to the Corporation's employees. The risks of participating in a multiemployer pension plan are different from a single-employer pension plan in the following aspects: 1) assets contributed to a multiemployer pension plan by one employer may be used to provide benefits to employees of other participating employers, 2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers, and 3) if the Corporation chooses to stop participating in its multiemployer pension plan, the Corporation may be required to pay the plan an amount based on the underfunded status of the plan, which is referred to as a withdrawal liability.

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 9 - UNION BENEFITS (continued)

In accordance with the Pension Protection Act of 2006, the Fund receives an annual certified zone status from its actuary, which summarizes its funding status. Plans in the "red zone" are generally less than 65% funded, plans in the "yellow zone" are 65% to 80% funded, and plans in the "green zone" are at least 80% funded. As of July 1, 2017, the Fund's most recently available certified zone status was "red". The Fund is considered to be in critical status for the plan year beginning July 1, 2017 and its actuary has projected that there will be an accumulated funding deficiency within the next four plan years.

As part of the Fund's efforts to achieve yellow and/or green funding status, the Trustees of the Fund adopted a rehabilitation plan which terms have been incorporated into the collective bargaining agreement between the Realty Advisory Board On Labor Relations, Incorporated and the SEIU Local 32BJ. The current union agreement (the "2014 Apartment Building Agreement") provides for increased employer contributions of \$4.00 per week per annum for each eligible employee. As of January 1, 2018, the contribution rate was \$110.75 per week per employee. Information as to the Corporation's portion of the unfunded vested benefits and Plan assets has not been determined and normally will not be calculated without a withdrawal from the Plan. The Corporation has no intention of withdrawing from the Plan.

Note 10 - REAL ESTATE TAX

New York City real estate tax has been originally assessed as follows:

<u>Fiscal Year</u>	<u>Taxable Valuation</u>	<u>Tax Rate</u>	<u>Tax</u>
2014/15	\$ 2,165,790	12.855	\$ 278,412
2015/16	2,297,810	12.883	296,027
2016/17	2,438,950	12.892	314,429
2017/18	2,523,730	12.719	320,993

The Corporation routinely protests the taxable assessed valuation of its Property for real estate taxation purposes. During 2016, the Corporation reached a settlement with New York City to reduce the assessed valuation for tax year 2016/17. This settlement resulted in a refund of \$5,678 plus future tax savings of approximately \$35,000. Professional fees of \$8,768 were incurred in connection with this matter. A protest is currently "open" for tax year 2017/18.

Note 11 - 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 believes that all of its income for the year ended December 31, 2017 is patronage income within the meaning of Subchapter T.

The Corporation is subject to Federal income tax based on net taxable income. For the year ended December 31, 2017, the Corporation had net income for financial reporting purposes. However, due to permanent reporting differences between financial and tax reporting (Note 2), the Corporation is not currently liable for federal income tax.

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 11 - CORPORATION TAXES (continued)

As of December 31, 2017, the Corporation had approximately \$3,592,000 of operating loss carryforwards from prior years for Federal income tax purposes, which will expire in various years through 2036. Since the future utilization of these tax carryforward losses is uncertain, no related deferred tax assets have been recognized in the accompanying financial statements.

New York State Franchise and New York City Corporation taxes are calculated at the higher of tax based on the Corporation's net taxable income, capital base or prescribed minimum amounts.

The Corporation's tax returns for all years since 2014 remain open to examination by the respective taxing authorities. There are currently no tax examinations in progress.

Note 12 - STATEMENTS OF CASH FLOWS - SUPPLEMENTAL DISCLOSURES

	<u>2017</u>	<u>2016</u>
Interest paid	\$ 139,552	\$ 143,679
Income taxes paid - net of refunds	\$ 4,500	\$ 3,700

Note 13 - CONCENTRATION OF CREDIT RISK

The Corporation maintains its cash in bank deposit accounts at financial institutions which, at times, may exceed federally insured limits. The Corporation makes every effort to maintain its cash in FDIC insured accounts or government backed investments. The Corporation has not experienced any losses due to concentration of credit risk in such accounts.

Note 14 - CONTINGENCIES

From time to time, claims or matters of litigation may arise in the ordinary conduct of the Corporation's business. In the opinion of management, claims or litigation outstanding against the Corporation at December 31, 2017 are either without merit or the ultimate losses, if any, would not have a material adverse effect on the financial position or results of operations of the Corporation.

Note 15 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through March 16, 2018, the date that the financial statements were available to be issued.

**SUPPLEMENTARY AND PROSPECTIVE
INFORMATION**



Norman Prisand, CPA
Robert A. Mellina, CPA
Evan J. Unterlack, CPA
Jayson Prisand, CPA
David V. Agoglia, CPA

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

To the Board of Directors and Stockholders of
NAGLE APARTMENTS CORP.
31 and 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, 2017 and 2016 appears on Pages 1 and 2, 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 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 operating budget forecast of NAGLE APARTMENTS CORP. for the year ending December 31, 2018, in accordance with attestation standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of a forecast, information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast. We have not examined the forecast and, accordingly, do not express an opinion or any other form of assurance on the accompanying forecast 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.

Prisand, Mellina, Unterlack & Co., LLP

Plainview, New York
March 16, 2018 for Historical Statements
December 20, 2017 for Forecast

NAGLE APARTMENTS CORP.

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

	For The Year		Prior Year	Next Year
	January 1, 2017 - December 31, 2017		January 1, 2016 - December 31, 2016	January 1, 2018 - December 31, 2018
	Budget (Unaudited)	Actual	Actual	Forecast (Unaudited)
REVENUE				
Maintenance - Stockholders (1)	\$ 954,500	\$ 956,824	\$ 930,774	\$ 980,700
Garage income	138,000	124,800	137,200	126,000
Stockholders' parking	60,000	67,000	58,800	69,600
Electricity submetering	61,000	63,206	60,321	66,100
Sublet, late and other fees	47,000	40,141	40,016	44,700
Cable income	-	28,808	-	85,800
Rental income	22,500	23,008	26,219	22,700
Laundry income	12,000	12,000	12,000	12,000
Interest and dividends	1,500	6,262	2,615	-
Capital assessments	95,000	94,559	93,172	98,100
TOTAL REVENUE	1,391,500	1,416,608	1,361,117	1,505,700
EXPENDITURES				
Management fee	52,000	52,000	52,000	52,000
Professional fees	43,000	12,637	21,615	32,700
Other administrative and telephone	16,400	10,834	15,519	11,600
Electricity and gas	75,400	86,476	79,586	81,900
Gas - heat and fuel	65,200	69,079	57,752	66,500
Water and sewer	50,000	50,377	50,481	50,700
Wages and related costs	216,700	216,816	214,252	224,800
Insurance	65,000	66,431	61,091	67,000
Cable TV	-	28,650	1,416	86,400
Miscellaneous operating and permits	5,100	5,461	3,457	5,200
Submetering billing service	4,000	4,989	6,414	5,000
Repairs and maintenance	145,000	130,337	114,368	132,600
New York City real estate tax	317,000	312,220	295,413	322,000
Corporation taxes	4,500	4,474	5,011	4,500
Mortgage interest and amortization	237,200	236,344	236,396	237,200
Transfers to reserve fund (3)	95,000	94,559	93,172	98,100
TOTAL EXPENDITURES	1,391,500	1,381,684	1,307,943	1,478,200
Budgeted Surplus	<u>\$ -</u>			<u>\$ 27,500</u>
ACTUAL OPERATING INCOME		34,924	53,174	
Mortgage amortization		163,440	153,532	
Capital assessments		94,559	93,172	
Prior years' water and sewer credits (net of consulting fees)		54,914	60,586	
Prior year's workers compensation insurance		5,763	-	
Line of credit and loan interest and fees (2)		(66,308)	(64,853)	
Unamortized debt issuance costs		(10,835)	(11,205)	
INCOME BEFORE DEPRECIATION EXPENSE		<u>\$ 276,457</u>	<u>\$ 284,406</u>	

(1) Effective January 1, 2018, maintenance has been increased from \$6.746 to \$6.914 per share of outstanding stock, per month.

(2) In addition to interest, the principal portion of the line of credit and loan payments is being paid from reserves with proceeds from apartment sales. See Notes 3, 5 and 6 for additional information.

(3) See Notes 2, 3, and 4 for additional information.

See Independent 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, 2018

The 2018 operating budget forecast was prepared by the Corporation's Finance Committee and the management company (collectively "Management") and approved by the Board of Directors. The operating budget 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 20, 2017, 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 \$6.914 per share of outstanding stock, per month, which reflects an approximately 2.5% increase effective January 1, 2018. 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. A capital assessment of approximately \$98,100, or \$0.6914 per share of outstanding stock, per month has been anticipated. 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 reflects 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. A real estate tax increase of 3.13% has been anticipated for 2018. Debt service is based upon the payments required by the Corporation's outstanding mortgage payable. Line of credit payments are not forecast because they are paid from reserves or proceeds generated by apartment sales. Repairs and maintenance is based upon historical experience and anticipated maintenance requirements. Insurance reflects anticipated renewal premiums. Other expenses are based upon historical experience or contracts. It is anticipated that \$98,100 of cash flow from the capital assessment will be transferred to the reserve fund.

Income Tax

The Corporation is subject to Federal income tax based on net taxable 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 taxable income, capital base or prescribed minimum amounts.