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**NAGLE APARTMENTS CORP.**

Financial Statements and  
Supplementary Information for the  
Years Ended December 31, 2018 and 2017

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

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# 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, 2018 and 2017, 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, 2018 and 2017, 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.

*Russell, Mellin, Unterbach + Co., LLP*

Plainview, New York

June 10, 2019

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

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 7,436	\$ 28,892
Accounts receivable	59,795	56,986
Prepaid expenses	42,859	38,860
Escrows and voluntary escrows	301,740	328,162
Total Current Assets	<u>411,830</u>	<u>452,900</u>
<b>Reserve Fund: (Note 3)</b>	<u>3,087</u>	<u>12,772</u>
Total Current Assets and Reserve Fund	<u>414,917</u>	<u>465,672</u>
 <b>Property and Improvements: (Notes 2 and 4)</b>		
Land	316,950	316,950
Buildings	1,796,050	1,796,050
Building improvements and equipment	5,264,129	5,166,717
Total	<u>7,377,129</u>	<u>7,279,717</u>
Accumulated depreciation	(3,460,615)	(3,268,273)
Net Property and Improvements	<u>3,916,514</u>	<u>4,011,444</u>
 <b>Other Assets:</b>		
Cash - security deposits	83,889	83,889
Utility deposits	-	450
Total Other Assets	<u>83,889</u>	<u>84,339</u>
Total Assets	<u>\$ 4,415,320</u>	<u>\$ 4,561,455</u>

The accompanying notes are an integral part of this statement.

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

	<b>2018</b>	<b>2017</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Accrued mortgage, line of credit and loan interest	\$ 11,839	\$ 11,613
Mortgage payable - current portion (Note 5)	185,215	173,987
Line of credit payable - current portion (Note 5)	2,400	2,400
Accounts payable	221,650	255,909
Due to stockholders - real estate tax abatements	57,018	71,031
Insurance financing payable	22,874	-
Advance maintenance	5,424	5,362
Accrued wages and payroll taxes	3,800	8,865
Building improvements payable	-	11,000
	<u>510,220</u>	<u>540,167</u>
<b>Long-Term and Other Liabilities:</b>		
Mortgage payable - net of current portion (Note 5)	727,798	913,013
Line of credit payable - net of current portion (Note 5)	1,343,400	1,345,800
Unamortized debt issuance costs (Note 2)	(31,229)	(38,455)
	<u>2,039,969</u>	<u>2,220,358</u>
Net Long-Term Debt	2,039,969	2,220,358
Security deposits payable	83,889	83,889
	<u>2,123,858</u>	<u>2,304,247</u>
Total Long-Term and Other Liabilities	2,123,858	2,304,247
Total Liabilities	<u>2,634,078</u>	<u>2,844,414</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)	2,942,491	2,942,491
Additional paid-in capital	21,277	21,277
Accumulated deficit	(1,346,867)	(1,411,068)
Treasury stock - at cost (Note 6)	(23,659)	(23,659)
	<u>1,781,242</u>	<u>1,717,041</u>
Total Stockholders' Equity	1,781,242	1,717,041
Total Liabilities and Stockholders' Equity	<u>\$ 4,415,320</u>	<u>\$ 4,561,455</u>

The accompanying notes are an integral part of this statement.

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

	2018	2017
<b>Accounts Receivable:</b>		
Maintenance - Stockholders (Note 2)	\$ 38,743	\$ 32,755
Garage income (Note 8)	11,781	-
Electricity submetering (billed in subsequent year)	8,271	7,901
Laundry income	1,000	1,000
Real estate tax refund (Note 10)	-	12,621
Workers' compensation dividend	-	2,709
	<u>\$ 59,795</u>	<u>\$ 56,986</u>
 <b>Prepaid Expenses:</b>		
Insurance	\$ 33,246	\$ 28,948
Fuel	7,413	7,413
Real estate tax	1,470	2,183
Corporation taxes	730	316
	<u>\$ 42,859</u>	<u>\$ 38,860</u>
 <b>Escrows and Voluntary Escrows:</b>		
Water and sewer escrow - self-controlled	\$ 120,346	\$ 141,672
Mortgage and line of credit reserve (Note 5)	100,636	100,582
Real estate tax escrow - self-controlled	48,703	40,789
Insurance escrow - self-controlled	32,055	45,119
	<u>\$ 301,740</u>	<u>\$ 328,162</u>

The accompanying notes are an integral part of this statement.

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

	2018	2017
<b>REVENUE</b>		
Maintenance - Stockholders	\$ 981,097	\$ 956,824
Garage income (Note 8)	120,600	124,800
Cable TV income	71,275	28,808
Stockholders' parking (Note 8)	67,800	67,000
Electricity submetering	67,304	63,206
Sublet, late and other fees	37,477	40,141
Rental income (Note 6)	23,316	23,008
Laundry income	12,000	12,000
Interest and dividends	2,567	6,262
	1,383,436	1,322,049
 <b>COST OF OPERATIONS</b>		
Administrative expenses	81,879	75,471
Operating expenses	614,277	528,279
Repairs and maintenance	102,143	130,337
Taxes	334,567	316,694
Financial expenses	151,677	150,047
	1,284,543	1,200,828
 <b>Income from operations before other items and depreciation expense</b>	98,893	121,221
Capital assessments (Note 7)	98,082	94,559
Prior years' water and sewer credits (net of consulting fees)	57,068	54,914
Prior year's workers' compensation insurance	2,500	5,763
	256,543	276,457
<b>INCOME BEFORE DEPRECIATION EXPENSE</b>		
Depreciation expense	(192,342)	(192,555)
	\$ 64,201	\$ 83,902
<b>Net Income For The Year</b>		

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>2018</u>	<u>2017</u>
<b>Administrative Expenses:</b>		
Management fee	\$ 52,000	\$ 52,000
Professional fees	18,599	12,637
Other administrative	8,785	8,565
Telephone and communications	2,495	2,269
	<u>          </u>	<u>          </u>
Total Administrative Expenses	<u>\$ 81,879</u>	<u>\$ 75,471</u>
 <b>Operating Expenses:</b>		
<b>Utilities</b>		
Electricity and gas	\$ 92,075	\$ 86,476
Gas - heat	82,123	69,079
Water and sewer	50,169	50,377
	<u>          </u>	<u>          </u>
	224,367	205,932
	<u>          </u>	<u>          </u>
 <b>Payroll</b>		
Wages	148,731	143,577
Union benefits (Note 9)	56,294	53,197
Payroll taxes	11,844	11,499
Workers' compensation and disability insurance	7,198	8,543
	<u>          </u>	<u>          </u>
	224,067	216,816
	<u>          </u>	<u>          </u>
 <b>Other</b>		
Cable TV	80,806	28,650
Insurance	74,775	66,431
Miscellaneous operating and permits	5,273	5,461
Submetering billing services	4,989	4,989
	<u>          </u>	<u>          </u>
	165,843	105,531
	<u>          </u>	<u>          </u>
Total Operating Expenses	<u>\$ 614,277</u>	<u>\$ 528,279</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,**

	<u>2018</u>	<u>2017</u>
<b>Repairs and Maintenance:</b>		
Elevator maintenance and repairs	\$ 31,357	\$ 40,249
Materials and supplies	19,148	15,109
Grounds and landscaping	14,303	20,590
Boiler, heating and water treatment	12,703	7,551
Painting, plastering and flooring	8,000	17,050
Plumbing	7,521	15,617
Doors, locks and windows	4,291	1,383
Exterminating	4,017	9,140
Electrical and intercom repairs	803	1,596
Equipment repairs	-	2,052
	<u>\$ 102,143</u>	<u>\$ 130,337</u>
 <b>Taxes:</b>		
New York City real estate tax (Note 10)	\$ 330,281	\$ 312,220
Corporation taxes (Note 11)	4,286	4,474
	<u>\$ 334,567</u>	<u>\$ 316,694</u>
 <b>Financial Expenses:</b>		
Mortgage interest (Note 5)	\$ 62,302	\$ 72,904
Line of credit interest (Note 5)	78,399	62,279
Line of credit facility maintenance fees (Note 5)	3,750	3,750
Loan interest (Note 5)	-	279
Amortization of debt issuance costs (Note 2)	7,226	10,835
	<u>\$ 151,677</u>	<u>\$ 150,047</u>
 <b>Depreciation Expense:</b>		
Building improvements	\$ 182,287	\$ 182,500
Building equipment	10,055	10,055
	<u>\$ 192,342</u>	<u>\$ 192,555</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,**

	2018	2017
<b>COMMON STOCK</b>		
Balance - January 1,	\$ 12,120	\$ 12,120
Transactions during the year	-	-
Balance - December 31,	\$ 12,120	\$ 12,120
<b>PAID-IN CAPITAL IN EXCESS OF PAR VALUE</b>		
Balance - January 1,	\$ 175,880	\$ 175,880
Transactions during the year	-	-
Balance - December 31,	\$ 175,880	\$ 175,880
<b>PAID-IN CAPITAL FROM TREASURY STOCK (NOTE 6)</b>		
Balance - January 1,	\$ 2,942,491	\$ 2,942,491
Transactions during the year	-	-
Balance - December 31,	\$ 2,942,491	\$ 2,942,491
<b>ADDITIONAL PAID-IN CAPITAL</b>		
Balance - January 1,	\$ 21,277	\$ 21,277
Transactions during the year	-	-
Balance - December 31,	\$ 21,277	\$ 21,277
<b>ACCUMULATED DEFICIT</b>		
Balance - January 1,	\$ (1,411,068)	\$ (1,494,970)
Net income for the year	64,201	83,902
Balance - December 31,	\$ (1,346,867)	\$ (1,411,068)
<b>TREASURY STOCK - AT COST (NOTE 6)</b>		
Balance - January 1,	\$ (23,659)	\$ (23,659)
Transactions during the year	-	-
Balance - December 31, (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>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	\$ 64,201	\$ 83,902
<b>Adjustments to reconcile net income to cash provided by operating activities:</b>		
Revenue allocated to financing activities	(98,082)	(94,559)
Depreciation expense	192,342	192,555
Amortization of debt issuance costs	7,226	10,835
(Increase) in accounts receivable	(2,809)	(9,040)
(Increase) in prepaid expenses	(3,999)	(9,045)
Decrease in escrows and voluntary escrows	26,422	1,135
Decrease in utility deposits	450	900
(Decrease) increase in accounts payable	(34,259)	17,629
Increase in other current liabilities	4,084	9,362
Total Adjustments	<u>91,375</u>	<u>119,772</u>
Cash Provided By Operating Activities	<u>155,576</u>	<u>203,674</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in reserve fund	9,685	(3,920)
(Increase) in building improvements and equipment	(97,412)	(74,884)
(Decrease) increase in building improvements payable	(11,000)	11,000
Cash (Used) By Investing Activities	<u>(98,727)</u>	<u>(67,804)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amortization of mortgage payable	(173,987)	(163,440)
Amortization of line of credit payable	(2,400)	(1,800)
Amortization of loans payable	-	(59,141)
Capital assessments	98,082	94,559
Cash (Used) By Financing Activities	<u>(78,305)</u>	<u>(129,822)</u>
Net (decrease) increase in cash and cash equivalents	(21,456)	6,048
Cash and cash equivalents at beginning of year	<u>28,892</u>	<u>22,844</u>
Cash and Cash Equivalents at End of Year	<u>\$ 7,436</u>	<u>\$ 28,892</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest paid	\$ 140,475	\$ 139,552
Income taxes paid	\$ 4,700	\$ 4,500

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 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.

##### **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. 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**

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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, 2018 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 2018 and 2017, the following transactions have taken place in the Corporation's reserve fund.

	<u>2018</u>	<u>2017</u>
Balance - January 1,	\$ 12,772	\$ 8,852
Transfers from operations and escrow accounts	46,558	190,000
Transfers (to) operations and escrow accounts	( 55,976)	( 185,811)
Interest and dividends - net of service charges	( 267)	( 269)
 Balance - December 31,	 <u>\$ 3,087</u>	 <u>\$ 12,772</u>

Reserve funds are held as follows:

Signature Bank - Money Market Account	\$ 3,087	\$ 9,698
Sterling National Bank - Money Market Account	-	<u>3,074</u>
 Balance - December 31,	 <u>\$ 3,087</u>	 <u>\$ 12,772</u>

**NAGLE APARTMENTS CORP.**

**Notes to Financial Statements**

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**Note 4 - PROPERTY AND IMPROVEMENTS**

During 2018 and 2017, the following building improvements and equipment have been capitalized.

	<u>2018</u>	<u>2017</u>
Playground renovation	\$ 61,095	\$ -
Garage roof, rooftop garden and interior project	25,017	31,927
Plumbing upgrades	11,300	11,000
Basement improvements	-	26,800
Security systems	-	5,157
Total	<u>\$ 97,412</u>	<u>\$ 74,884</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>
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
2023	97,301	1,537	98,838

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, 2018, this amount was approximately \$98,100 and the general operating and replacement reserve account, which is part of the Corporation's escrows and voluntary escrows, had a balance of \$100,636. 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 were originally drawn, the Corporation was 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 requires 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, 2018, the line of credit had an outstanding balance of \$1,345,800.

**NAGLE APARTMENTS CORP.**

**Notes to Financial Statements**

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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, 2018 and 2017, 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, 2018, 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**

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**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 2017, the Corporation implemented a capital assessment of \$0.6746 per share of outstanding stock, per month commencing in January 2017, which generated \$94,559. Effective January 1, 2018, the capital assessment was increased to \$0.6915 per share of outstanding stock, per month which generated \$98,082. During 2019, the capital assessment is anticipated to generate approximately \$99,300.

**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 each resident stockholder who parks 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>
2019	\$ 198,000
2020	198,000
2021	198,000
2022	198,000
2023	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, 2022. The Corporation makes contributions to the Plan based on the number of weeks worked by each employee covered under the union contract. During 2018 and 2017, the Corporation contributed \$56,294 and \$53,197, respectively, to the Plan of which \$11,054 and \$10,331, 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

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#### 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, 2018, 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, 2018 and its actuary has determined that the Fund has an accumulated funding deficiency in its current plan year.

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 "2018 Apartment Building Agreement") provides for increased employer contributions of \$4.00 per week per annum for each eligible employee. As of January 1, 2019, the contribution rate was \$114.75 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>
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
2018/19	2,747,440	12.612	346,507

The Corporation routinely protests the taxable assessed valuation of its Property for real estate taxation purposes. Protests are currently "open" for tax years 2017/18 and 2018/19.

#### 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, 2018 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, 2018, 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

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#### Note 11 - CORPORATION TAXES (continued)

As of December 31, 2018, the Corporation had approximately \$3,827,000 of operating loss carryforwards from prior years for Federal income tax purposes, which will expire in various years through 2037. 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 2015 remain open to examination by the respective taxing authorities. There are currently no tax examinations in progress.

#### Note 12 - 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 13 - 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, 2018 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 14 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through June 10, 2019, 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, 2018 and 2017 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, 2019, 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  
June 10, 2019 for Historical Statements  
December 17, 2018 for Forecast

**NAGLE APARTMENTS CORP.**

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

	For The Year		Prior Year	Next Year
	January 1, 2018 - December 31, 2018		January 1, 2017 - December 31, 2017	January 1, 2019 - December 31, 2019
	Budget (Unaudited)	Actual	Actual	Forecast (Unaudited)
<b>REVENUE</b>				
Maintenance - Stockholders (1)	\$ 980,700	\$ 981,097	\$ 956,824	\$ 993,000
Garage income	126,000	120,600	124,800	126,000
Cable TV income	85,800	71,275	28,808	85,800
Stockholders' parking	69,600	67,800	67,000	69,600
Electricity submetering	66,100	67,304	63,206	75,600
Sublet, late and other fees	44,700	37,477	40,141	41,700
Rental income	22,700	23,316	23,008	22,700
Laundry income	12,000	12,000	12,000	12,000
Interest and dividends	-	2,567	6,262	-
Capital assessments	98,100	98,082	94,559	99,300
<b>TOTAL REVENUE</b>	<b>1,505,700</b>	<b>1,481,518</b>	<b>1,416,608</b>	<b>1,525,700</b>
<b>EXPENDITURES</b>				
Management fee	52,000	52,000	52,000	54,000
Professional fees	32,700	18,599	12,637	18,200
Other administrative and telephone	11,600	11,280	10,834	11,100
Electricity and gas	81,900	92,075	86,476	93,700
Gas - heat	66,500	82,123	69,079	83,900
Water and sewer	50,700	50,169	50,377	51,100
Wages and related costs	224,800	224,067	216,816	232,800
Cable TV	86,400	80,806	28,650	86,400
Insurance	67,000	74,775	66,431	76,000
Miscellaneous operating and permits	5,200	5,273	5,461	3,900
Submetering billing service	5,000	4,989	4,989	5,000
Repairs and maintenance	132,600	102,143	130,337	124,400
New York City real estate tax	322,000	330,281	312,220	344,200
Corporation taxes	4,500	4,286	4,474	4,500
Mortgage interest and amortization	237,200	236,289	236,344	237,200
Transfers to reserve fund (3)	98,100	98,082	94,559	99,300
<b>TOTAL EXPENDITURES</b>	<b>1,478,200</b>	<b>1,467,237</b>	<b>1,381,684</b>	<b>1,525,700</b>
Budgeted Surplus	<u>\$ 27,500</u>			<u>\$ -</u>
<b>ACTUAL OPERATING INCOME</b>		14,281	34,924	
Mortgage amortization		173,987	163,440	
Transfers to reserve fund		98,082	94,559	
Prior years' water and sewer credits (net of consulting fees)		57,068	54,914	
Prior year's workers compensation insurance		2,500	5,763	
Line of credit and loan interest and fees (2)		(82,149)	(66,308)	
Amortization of debt issuance costs		(7,226)	(10,835)	
<b>INCOME BEFORE DEPRECIATION EXPENSE</b>		<u>\$ 256,543</u>	<u>\$ 276,457</u>	

(1) Effective January 1, 2019, maintenance has been increased from \$6.914 to \$7.001 per share of outstanding stock, per month.

(2) In addition to interest, the principal portion of the line of credit 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, 2019

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The 2019 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 17, 2018, 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 \$7.001 per share of outstanding stock, per month, which reflects an approximately 1.25% increase effective January 1, 2019. 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 \$99,300, or \$0.7001 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 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 4.2% has been anticipated for 2019. 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 \$99,300 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.