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**NAGLE APARTMENTS CORP.**

Financial Statements and  
Supplementary Information for the  
Years Ended December 31, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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, Unterbach & Co, LLP*

Plainview, New York  
May 11, 2020

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

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 29,186	\$ 7,436
Accounts receivable	56,900	59,795
Prepaid expenses	54,040	42,859
Escrows and voluntary escrows	147,672	301,740
Total Current Assets	<u>287,798</u>	<u>411,830</u>
<b>Reserve Fund: (Note 3)</b>	66,222	3,087
Total Current Assets and Reserve Fund	<u>354,020</u>	<u>414,917</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	5,327,824	5,264,129
Total	7,440,824	7,377,129
Accumulated depreciation	<u>(3,655,090)</u>	<u>(3,460,615)</u>
Net Property and Improvements	<u>3,785,734</u>	<u>3,916,514</u>
 <b>Other Assets:</b>		
Cash - security deposits	50,591	83,889
Total Assets	<u>\$ 4,190,345</u>	<u>\$ 4,415,320</u>

The accompanying notes are an integral part of this statement.

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

	<b>2019</b>	<b>2018</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Accrued mortgage and line of credit interest	\$ 10,118	\$ 11,839
Mortgage payable - current portion (Note 5)	197,168	185,215
Line of credit payable - current portion (Note 5)	2,400	2,400
Accounts payable	189,689	221,650
Due to stockholders - real estate tax abatements	60,178	57,018
Insurance financing payable	25,316	22,874
Advance maintenance	4,501	5,424
Accrued wages and payroll taxes	3,880	3,800
Total Current Liabilities	493,250	510,220
<b>Long-Term and Other Liabilities:</b>		
Mortgage payable - net of current portion (Note 5)	530,630	727,798
Line of credit payable - net of current portion (Note 5)	1,341,000	1,343,400
Unamortized debt issuance costs (Note 2)	(24,003)	(31,229)
Net Long-Term Debt	1,847,627	2,039,969
Security deposits payable	50,591	83,889
Total Long-Term and Other Liabilities	1,898,218	2,123,858
Total Liabilities	2,391,468	2,634,078
<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	(1,329,232)	(1,346,867)
Treasury stock - at cost (Note 6)	(23,659)	(23,659)
Total Stockholders' Equity	1,798,877	1,781,242
Total Liabilities and Stockholders' Equity	\$ 4,190,345	\$ 4,415,320

The accompanying notes are an integral part of this statement.

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

	<u>2019</u>	<u>2018</u>
<b>Accounts Receivable:</b>		
Maintenance - Stockholders (Note 2)	\$ 34,580	\$ 38,743
Garage income (Note 8)	12,156	11,781
Electricity submetering (billed in subsequent year)	9,164	8,271
Laundry income	1,000	1,000
	<u>56,900</u>	<u>59,795</u>
Total Accounts Receivable	<u>\$ 56,900</u>	<u>\$ 59,795</u>
 <b>Prepaid Expenses:</b>		
Insurance	\$ 43,580	\$ 33,246
Fuel	7,413	7,413
Real estate tax	2,034	1,470
Corporation taxes	1,013	730
	<u>54,040</u>	<u>42,859</u>
Total Prepaid Expenses	<u>\$ 54,040</u>	<u>\$ 42,859</u>
 <b>Escrows and Voluntary Escrows:</b>		
Mortgage and line of credit reserve (Note 5)	\$ 101,350	\$ 100,636
Water and sewer escrow - self-controlled	35,934	120,346
Insurance escrow - self-controlled	9,834	32,055
Real estate tax escrow - self-controlled	554	48,703
	<u>147,672</u>	<u>301,740</u>
Total Escrows and Voluntary Escrows	<u>\$ 147,672</u>	<u>\$ 301,740</u>

The accompanying notes are an integral part of this statement.

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

	<u>2019</u>	<u>2018</u>
<b>REVENUE</b>		
Maintenance - Stockholders	\$ 992,355	\$ 981,097
Garage income (Note 8)	115,700	120,600
Cable TV income	80,930	71,275
Stockholders' parking (Note 8)	66,100	67,800
Electricity submetering	64,718	67,304
Sublet, late and other fees	36,817	37,477
Rental income (Note 6)	23,316	23,316
Laundry income	12,100	12,000
Interest and dividends	3,947	2,567
Total Revenue	<u>1,395,983</u>	<u>1,383,436</u>
 <b>COST OF OPERATIONS</b>		
Administrative expenses	88,527	81,879
Operating expenses	613,429	614,277
Repairs and maintenance	166,236	102,143
Taxes	359,835	334,567
Financial expenses	143,995	151,677
Total Cost of Operations	<u>1,372,022</u>	<u>1,284,543</u>
 <b>Income from operations before other items and depreciation expense</b>		
	23,961	98,893
Capital assessments (Note 7)	99,302	98,082
Prior years' water and sewer credits (net of consulting fees)	55,505	57,068
Prior years' garage income	33,342	-
Prior year's workers' compensation insurance	-	2,500
<b>INCOME BEFORE DEPRECIATION EXPENSE</b>	<u>212,110</u>	<u>256,543</u>
Depreciation expense	(194,475)	(192,342)
Net Income For The Year	<u>\$ 17,635</u>	<u>\$ 64,201</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>2019</u>	<u>2018</u>
<b>Administrative Expenses:</b>		
Management fee	\$ 54,000	\$ 52,000
Professional fees	20,737	18,599
Other administrative	11,446	8,785
Telephone and communications	2,344	2,495
	<u>88,527</u>	<u>81,879</u>
Total Administrative Expenses	<u>\$ 88,527</u>	<u>\$ 81,879</u>
 <b>Operating Expenses:</b>		
Utilities		
Electricity and gas	\$ 86,601	\$ 92,075
Gas - heat	77,010	82,123
Water and sewer	56,927	50,169
	<u>220,538</u>	<u>224,367</u>
 Payroll		
Wages	148,900	148,731
Union benefits (Note 9)	59,566	56,294
Workers' compensation and disability insurance	11,980	7,198
Payroll taxes	11,734	11,844
	<u>232,180</u>	<u>224,067</u>
 Other		
Insurance	79,222	74,775
Cable TV	71,961	80,806
Submetering billing services	5,621	4,989
Miscellaneous operating and permits	3,907	5,273
	<u>160,711</u>	<u>165,843</u>
Total Operating Expenses	<u>\$ 613,429</u>	<u>\$ 614,277</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>2019</u>	<u>2018</u>
<b>Repairs and Maintenance:</b>		
Painting, plastering and flooring	\$ 41,897	\$ 8,000
Elevator maintenance and repairs	37,734	31,357
Boiler, heating and water treatment	30,851	12,703
Plumbing	26,906	7,521
Grounds and landscaping	21,546	14,303
Materials and supplies	17,727	19,148
Exterminating	6,625	4,017
Electrical and intercom	2,547	803
Doors, locks and windows	2,314	4,291
Equipment	2,014	-
Less: Stockholder chargebacks	(23,925)	-
Total Repairs and Maintenance	<u>\$ 166,236</u>	<u>\$ 102,143</u>
<b>Taxes:</b>		
New York City real estate tax (Note 10)	\$ 354,718	\$ 330,281
Corporation taxes (Note 11)	5,117	4,286
Total Taxes	<u>\$ 359,835</u>	<u>\$ 334,567</u>
<b>Financial Expenses:</b>		
Mortgage interest (Note 5)	\$ 51,016	\$ 62,302
Line of credit interest (Note 5)	82,003	78,399
Line of credit facility maintenance fees (Note 5)	3,750	3,750
Amortization of debt issuance costs (Note 2)	7,226	7,226
Total Financial Expenses	<u>\$ 143,995</u>	<u>\$ 151,677</u>
<b>Depreciation Expense:</b>		
Building improvements	\$ 184,421	\$ 182,287
Building equipment	10,054	10,055
Total Depreciation Expense	<u>\$ 194,475</u>	<u>\$ 192,342</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,**

	<u>2019</u>	<u>2018</u>
<b>COMMON STOCK</b>		
Balance - January 1,	\$ 12,120	\$ 12,120
Transactions during the year	-	-
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	-	-
Balance - December 31,	<u>\$ 175,880</u>	<u>\$ 175,880</u>
<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,	<u>\$ 2,942,491</u>	<u>\$ 2,942,491</u>
<b>ADDITIONAL PAID-IN CAPITAL</b>		
Balance - January 1,	\$ 21,277	\$ 21,277
Transactions during the year	-	-
Balance - December 31,	<u>\$ 21,277</u>	<u>\$ 21,277</u>
<b>ACCUMULATED DEFICIT</b>		
Balance - January 1,	\$ (1,346,867)	\$ (1,411,068)
Net income for the year	17,635	64,201
Balance - December 31,	<u>\$ (1,329,232)</u>	<u>\$ (1,346,867)</u>
<b>TREASURY STOCK - AT COST (NOTE 6)</b>		
Balance - January 1,	\$ (23,659)	\$ (23,659)
Transactions during the year	-	-
Balance - December 31, (300 shares)	<u>\$ (23,659)</u>	<u>\$ (23,659)</u>

The accompanying notes are an integral part of this statement.

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

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	\$ 17,635	\$ 64,201
<b>Adjustments to reconcile net income to cash provided by operating activities:</b>		
Revenue allocated to financing activities	(99,302)	(98,082)
Depreciation expense	194,475	192,342
Amortization of debt issuance costs	7,226	7,226
Decrease (increase) in accounts receivable	2,895	(2,809)
(Increase) in prepaid expenses	(11,181)	(3,999)
Decrease in escrows and voluntary escrows	154,068	26,422
Decrease in utility deposits	-	450
(Decrease) in accounts payable	(31,961)	(34,259)
Increase in other current liabilities	3,038	4,084
Total Adjustments	219,258	91,375
Cash Provided By Operating Activities	236,893	155,576
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase) decrease in reserve fund	(63,135)	9,685
(Increase) in building improvements and equipment	(63,695)	(97,412)
(Decrease) in building improvements payable	-	(11,000)
Cash (Used) By Investing Activities	(126,830)	(98,727)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amortization of mortgage payable	(185,215)	(173,987)
Amortization of line of credit payable	(2,400)	(2,400)
Capital assessments	99,302	98,082
Cash (Used) By Financing Activities	(88,313)	(78,305)
Net increase (decrease) in cash and cash equivalents	21,750	(21,456)
Cash and cash equivalents at beginning of year	7,436	28,892
Cash and Cash Equivalents at End of Year	\$ 29,186	\$ 7,436
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest paid	\$ 134,740	\$ 140,475
Income taxes paid	\$ 5,400	\$ 4,700

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**

Stockholders are subject to monthly maintenance and operating assessments based on their respective share ownership in order to provide funds for the Corporation's operating expenses. Such amounts are recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Corporation's performance obligations related to its maintenance and operating assessments are satisfied over time on a daily pro-rata basis. Capital assessments, if any, provide funds for the Corporation's capital improvements and to replenish the reserve fund. The performance obligations related to capital assessments are satisfied when the funds are expended for their designated purpose.

Maintenance and assessments receivable at the balance sheet date are stated at the amounts expected to be collected from the stockholders. The Corporation's policy is to retain legal counsel and place liens on the shares of stock of tenant-stockholders whose assessments are unreasonably delinquent. Any excess assessments at year end are retained by the Corporation for use in future years. As of December 31, 2019 and 2018, the Corporation's accounts receivable from stockholders were \$34,580 and \$38,743, respectively. Based upon past experience and other factors, the Corporation considers all accounts receivable at December 31, 2019 to be collectible. Accordingly, no allowance for doubtful accounts is required.

##### **FASB ASC 606 New Accounting Guidance Implementation**

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, *Real Estate - Common Interest Realty Associations, Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services. The Corporation adopted the requirements of the new guidance as of January 1, 2019 with no adjustment to its financial statements for the year ended December 31, 2018 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.

**NAGLE APARTMENTS CORP.**

**Notes to Financial Statements**

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**Note 3 - RESERVE FUND**

During 2019 and 2018, the following transactions have taken place in the Corporation's reserve fund.

	<u>2019</u>	<u>2018</u>
Balance - January 1,	\$ 3,087	\$ 12,772
Transfers from operations and escrow accounts	264,000	46,558
Interest and dividends - net of service charges	246	( 267)
Transfers (to) operations and escrow accounts	( 201,111)	( 55,976)
Balance - December 31,	<u>\$ 66,222</u>	<u>\$ 3,087</u>

The reserve fund is held in a Signature Bank money market account.

**Note 4 - PROPERTY AND IMPROVEMENTS**

During 2019 and 2018, the following building improvements and equipment have been capitalized.

	<u>2019</u>	<u>2018</u>
Intercom system replacement	\$ 55,473	\$ -
Courtyard furniture	8,222	-
Playground renovation	-	61,095
Garage roof, rooftop garden and interior project	-	25,017
Plumbing upgrades	-	11,300
Total	<u>\$ 63,695</u>	<u>\$ 97,412</u>

**Note 5 - MORTGAGE PAYABLE, LINE OF CREDIT AND SUBSEQUENT EVENT**

**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 four years are allocated as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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

## NAGLE APARTMENTS CORP.

### Notes to Financial Statements

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#### Note 5 - MORTGAGE PAYABLE, LINE OF CREDIT AND SUBSEQUENT EVENT (continued)

##### Mortgage Payable (continued)

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, 2019, this amount was approximately \$99,300 and the general operating and replacement reserve account, which is part of the Corporation's escrows and voluntary escrows, had a balance of \$101,350. Additional general operating funds are maintained in the reserve fund (Note 3).

##### Line of Credit

The Corporation has 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, 2019, the line of credit had an outstanding balance of \$1,343,400.

##### Subsequent Event - Anticipated Mortgage Refinancing Transaction

Subsequent to year end, during March 2020, the Corporation paid a good faith deposit of \$75,000 and agreed to a term sheet to refinance and consolidate its mortgage payable and line of credit. The anticipated new loan, in the original principal amount of \$3,000,000, will be held by Apple Bank for Savings. The loan will have a fifteen year self-amortizing term which will require monthly payments of \$21,373 based on an interest rate of 3.45% per annum. In addition, the Corporation will establish a \$500,000 line of credit with Apple Bank for Savings. It is the Board of Directors' intent to complete the refinancing transaction during 2020. As of the date of issuance of the accompanying financial statements, Apple Bank for Savings was conducting its due diligence on the Corporation and the anticipated closing date of the refinancing transaction was not available.

#### 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>



**NAGLE APARTMENTS CORP.**

**Notes to Financial Statements**

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**Note 6 - TREASURY STOCK AND RENTAL INCOME (continued)**

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, 2019 and 2018, 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, 2019, the three treasury stock apartments were rented. Revenue from the treasury stock apartments is treated as rental income. Maintenance is reduced accordingly.

**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 2018, the Corporation implemented capital assessment of \$0.6915 per share of outstanding stock, per month which generated \$98,082. During 2019, the capital assessment was increased to \$0.7001 per share of outstanding stock per month, which generated \$99,302. For 2020, the Board of Directors eliminated this assessment.

**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>
2020	\$ 198,000
2021	198,000
2022	198,000
2023	198,000
2024	198,000

## NAGLE APARTMENTS CORP.

### Notes to Financial Statements

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#### 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 2019 and 2018, the Corporation contributed \$59,566 and \$56,294, respectively, to the Plan of which \$11,828 and \$11,054, 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.

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, 2019, 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, 2019 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, 2020, the contribution rate was \$118.75 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>
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
2019/20	2,951,490	12.473	368,139

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, 2018/19, and 2019/20.

## NAGLE APARTMENTS CORP.

### Notes to Financial Statements

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#### 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, 2019 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, 2019, 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.

As of December 31, 2019, the Corporation had approximately \$3,827,100 of operating loss carryforwards for Federal income tax purposes, which will expire in various years through 2037, and approximately \$210,300 of operating loss carryforwards, which may be carried forward indefinitely until the loss is fully recovered. Such loss carryforwards are fully deductible against 2019 and 2020 taxable income and are thereafter limited to 80% of the taxable income in any one tax period. 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 2016 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, 2019 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 - SUBSEQUENT EVENT - CONTINGENCIES

Subsequent to year end, a worldwide pandemic emerged which is known as the Coronavirus ("COVID-19"). COVID-19 has caused the New York metropolitan area to significantly curtail its economic and social activities. As of the date of issuance of the accompanying financial statements, the financial and operational impacts of COVID-19 on the Corporation, its stockholders and commercial tenants were uncertain and cannot be reasonably estimated.

#### 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 May 11, 2020, the date that the financial statements were available to be issued.

**SUPPLEMENTARY AND PROSPECTIVE  
INFORMATION**



Jayson Prisand, CPA  
Robert A. Mellina, CPA  
Evan J. Unterlack, 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, 2019 and 2018 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, 2020, 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  
May 11, 2020 for Historical Statements  
December 20, 2019 for Forecast

**NAGLE APARTMENTS CORP.**

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

	For The Year		Prior Year	Next Year
	January 1, 2019 - December 31, 2019		January 1, 2018 - December 31, 2018	January 1, 2020 - December 31, 2020
	Budget (Unaudited)	Actual	Actual	Forecast (Unaudited)
<b>REVENUE</b>				
Maintenance - Stockholders (1)	\$ 993,000	\$ 992,355	\$ 981,097	\$ 1,042,700
Garage income	126,000	115,700	120,600	120,000
Cable TV income	85,800	80,930	71,275	85,800
Stockholders' parking	69,600	66,100	67,800	75,600
Electricity submetering	75,600	64,718	67,304	68,900
Sublet, late and other fees	41,700	36,817	37,477	43,500
Rental income	22,700	23,316	23,316	22,700
Laundry income	12,000	12,100	12,000	12,000
Interest and dividends	-	3,947	2,567	-
Capital assessments	99,300	99,302	98,082	-
<b>TOTAL REVENUE</b>	<b>1,525,700</b>	<b>1,495,285</b>	<b>1,481,518</b>	<b>1,471,200</b>
<b>EXPENDITURES</b>				
Management fee	54,000	54,000	52,000	54,000
Professional fees	18,200	20,737	18,599	17,500
Other administrative and telephone	11,100	13,790	11,280	11,900
Electricity and gas	93,700	86,601	92,075	85,400
Gas - heat	83,900	77,010	82,123	78,100
Water and sewer	51,100	56,927	50,169	51,900
Wages and related costs	232,800	232,180	224,067	241,700
Insurance	76,000	79,222	74,775	80,000
Cable TV	86,400	71,961	80,806	86,400
Submetering billing service	5,000	5,621	4,989	5,000
Miscellaneous operating and permits	3,900	3,907	5,273	4,000
Repairs and maintenance	124,400	166,236	102,143	119,700
New York City real estate tax	344,200	354,718	330,281	384,300
Corporation taxes	4,500	5,117	4,286	4,500
Mortgage interest and amortization	237,200	236,231	236,289	246,800
Transfers to reserve fund (3)	99,300	99,302	98,082	-
<b>TOTAL EXPENDITURES</b>	<b>1,525,700</b>	<b>1,563,560</b>	<b>1,467,237</b>	<b>1,471,200</b>
Budgeted Surplus	<u>\$ -</u>			<u>\$ -</u>
<b>ACTUAL OPERATING (LOSS) INCOME</b>		(68,275)	14,281	
Mortgage amortization		185,215	173,987	
Transfers to reserve fund		99,302	98,082	
Prior years' water and sewer credits (net of consulting fees)		55,505	57,068	
Prior years' garage income		33,342	-	
Prior year's workers compensation insurance		-	2,500	
Line of credit and loan interest and fees (2)		(85,753)	(82,149)	
Amortization of debt issuance costs		(7,226)	(7,226)	
<b>INCOME BEFORE DEPRECIATION EXPENSE</b>		<u>\$ 212,110</u>	<u>\$ 256,543</u>	

(1) Effective January 1, 2020, maintenance has been increased from \$7.001 to \$7.350 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, 2020**

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The 2020 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, 2019, 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 \$7.35 per share of outstanding stock, per month, which reflects an approximately 5% increase effective January 1, 2020. Garage and rental income are based upon current lease terms. Electricity submetering is based upon monthly consumption reports generated by an independent consultant. Laundry income is based upon a contract. Other fees and income are based upon historical experience or contracts.

##### **Expenses**

Payroll expenses and benefits are based upon a union contract and anticipated staffing requirements. Utilities are based upon rates set by the appropriate regulatory agencies. Gas - heat reflects average consumption over several years and current market conditions for price. Real estate is computed based on the anticipated assessed valuation times and estimated tax rate. An 8.34% real estate tax expenses increase has been anticipated for 2020. Debt service is based upon the payments required by the Corporation's outstanding mortgage payable and anticipated mortgage refinancing. 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.

##### **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.