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**NAGLE APARTMENTS CORP.**

Financial Statements and  
Supplementary Information for the  
Years Ended December 31, 2020 and 2019

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

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# NAGLE APARTMENTS CORP.

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

**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, 2020 and 2019, 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, 2020 and 2019, 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, Mellin, Unterlack + Co., LLP*

Plainview, New York  
June 22, 2021

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

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 7,912	\$ 29,186
Accounts receivable	92,689	56,900
Prepaid expenses	46,052	54,040
Escrows and voluntary escrows	52,652	147,672
Total Current Assets	<u>199,305</u>	<u>287,798</u>
<b>Reserve Fund: (Note 3)</b>	816,086	66,222
Total Current Assets and Reserve Fund	<u>1,015,391</u>	<u>354,020</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	5,465,267	5,327,824
Total	7,578,267	7,440,824
Accumulated depreciation	(3,846,083)	(3,655,090)
Net Property and Improvements	<u>3,732,184</u>	<u>3,785,734</u>
 <b>Other Assets:</b>		
Cash - security deposits	50,591	50,591
Cash - restricted (Notes 2 and 5)	10,000	-
Total Other Assets	<u>60,591</u>	<u>50,591</u>
Total Assets	<u><u>\$ 4,808,166</u></u>	<u><u>\$ 4,190,345</u></u>

The accompanying notes are an integral part of this statement.

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

	<u>2020</u>	<u>2019</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Accrued mortgage and line of credit interest	\$ 8,441	\$ 10,118
Mortgage payable - current portion (Note 5)	157,664	197,168
Line of credit payable - current portion (Note 5)	-	2,400
Accounts payable	213,832	189,689
Due to stockholders - real estate tax abatements	64,823	60,178
Insurance financing payable	25,355	25,316
Building improvements payable	22,634	-
Advance maintenance	10,803	4,501
Accrued wages and payroll taxes	2,303	3,880
Total Current Liabilities	505,855	493,250
<b>Long-Term and Other Liabilities:</b>		
Mortgage payable - net of current portion (Note 5)	2,778,229	530,630
Line of credit payable - net of current portion (Note 5)	-	1,341,000
Unamortized debt issuance costs (Note 2)	(130,616)	(24,003)
Net Long-Term Debt	2,647,613	1,847,627
Security deposits payable	50,591	50,591
Total Long-Term and Other Liabilities	2,698,204	1,898,218
Total Liabilities	3,204,059	2,391,468
<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	(1,524,002)	(1,329,232)
Treasury stock - at cost (Note 6)	(23,659)	(23,659)
Total Stockholders' Equity	1,604,107	1,798,877
Total Liabilities and Stockholders' Equity	\$ 4,808,166	\$ 4,190,345

The accompanying notes are an integral part of this statement.

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

	<u>2020</u>	<u>2019</u>
<b>Accounts Receivable:</b>		
Maintenance - Stockholders (Note 2)	\$ 55,206	\$ 34,580
Garage income (Note 8)	20,700	12,156
Electricity submetering (billed in subsequent year)	10,678	9,164
Real estate tax refund (Note 10)	3,105	-
Laundry income	3,000	1,000
	<u>          </u>	<u>          </u>
Total Accounts Receivable	<u>\$ 92,689</u>	<u>\$ 56,900</u>
 <b>Prepaid Expenses:</b>		
Insurance	\$ 34,088	\$ 43,580
Fuel	7,413	7,413
Real estate tax	3,188	2,034
Corporation taxes	1,363	1,013
	<u>          </u>	<u>          </u>
Total Prepaid Expenses	<u>\$ 46,052</u>	<u>\$ 54,040</u>
 <b>Escrows and Voluntary Escrows:</b>		
Water and sewer escrow - self-controlled	\$ 35,939	\$ 35,934
Insurance escrow - self-controlled	9,836	9,834
Mortgage and line of credit reserve	6,488	101,350
Real estate tax escrow - self-controlled	389	554
	<u>          </u>	<u>          </u>
Total Escrows and Voluntary Escrows	<u>\$ 52,652</u>	<u>\$ 147,672</u>

The accompanying notes are an integral part of this statement.

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

	<b>2020</b>	<b>2019</b>
<b>REVENUE</b>		
Maintenance - Stockholders	\$ 1,044,349	\$ 992,355
Garage income (Note 8)	121,200	115,700
Cable TV income	81,120	80,930
Electricity submetering	68,900	64,718
Stockholders' parking (Note 8)	57,000	66,100
Sublet, late and other fees	25,409	36,817
Rental income (Note 6)	23,714	23,316
Laundry income	12,000	12,100
Interest and dividends	8,041	3,947
	1,441,733	1,395,983
 <b>COST OF OPERATIONS</b>		
Administrative expenses	87,792	88,527
Operating expenses	652,506	613,429
Repairs and maintenance	129,085	166,236
Taxes	382,504	359,835
Financial expenses	120,369	143,995
	1,372,256	1,372,022
 <b>Income from operations before other items and depreciation expense</b>	 69,477	 23,961
Prior years' water and sewer credits, net of consulting fees	35,042	55,505
Prepayment penalty - mortgage refinancing (Note 5)	(108,296)	-
Capital assessment (Note 7)	-	99,302
Prior years' garage income	-	33,342
	(3,777)	212,110
 <b>(LOSS) INCOME BEFORE DEPRECIATION EXPENSE</b>		
Depreciation expense	(190,993)	(194,475)
	\$ (194,770)	\$ 17,635

The accompanying notes are an integral part of this statement.



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

	2020	2019
<b>Administrative Expenses:</b>		
Management fee	\$ 54,000	\$ 54,000
Professional fees	23,483	20,737
Other administrative	8,251	11,446
Telephone and communications	2,058	2,344
	\$ 87,792	\$ 88,527
	\$ 87,792	\$ 88,527
 <b>Operating Expenses:</b>		
Utilities		
Electricity and gas	\$ 92,251	\$ 86,601
Gas - heat	91,316	77,010
Water and sewer	56,650	56,927
	240,217	220,538
	240,217	220,538
 Payroll		
Wages	159,018	148,900
Union benefits (Note 9)	62,888	59,566
Payroll taxes	12,244	11,734
Workers' compensation and disability insurance	7,215	11,980
	241,365	232,180
	241,365	232,180
 Other		
Cable TV	82,832	71,961
Insurance	79,140	79,222
Submetering billing services	6,068	5,621
Miscellaneous operating and permits	2,884	3,907
	170,924	160,711
	170,924	160,711
 Total Operating Expenses	 \$ 652,506	 \$ 613,429
	\$ 652,506	\$ 613,429

The accompanying notes are an integral part of this statement.

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

	<b>2020</b>	<b>2019</b>
<b>Repairs and Maintenance:</b>		
Elevator maintenance and repairs	\$ 36,743	\$ 37,734
Painting, plastering and flooring	25,050	41,897
Materials and supplies	17,763	17,727
Boiler, heating and water treatment	15,164	30,851
Plumbing	12,554	26,906
Grounds and landscaping	10,472	21,546
Exterminating	6,718	6,625
Equipment	1,684	2,014
Electrical and intercom	1,538	2,547
Doors, locks and windows	1,399	2,314
Less: Stockholder chargebacks	-	(23,925)
Total Repairs and Maintenance	\$ 129,085	\$ 166,236
 <b>Taxes:</b>		
New York City real estate tax (Note 10)	\$ 377,437	\$ 354,718
Corporation taxes (Note 11)	5,067	5,117
Total Taxes	\$ 382,504	\$ 359,835
 <b>Financial Expenses:</b>		
Mortgage interest (Note 5)	\$ 72,822	\$ 51,016
Line of credit interest (Note 5)	32,646	82,003
Line of credit facility maintenance fees (Note 5)	3,750	3,750
Amortization of debt issuance costs (Note 2)	11,151	7,226
Total Financial Expenses	\$ 120,369	\$ 143,995
 <b>Depreciation Expense:</b>		
Building improvements	\$ 180,938	\$ 184,420
Building equipment	10,055	10,055
Total Depreciation Expense	\$ 190,993	\$ 194,475

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>2020</u>	<u>2019</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,	\$ (1,329,232)	\$ (1,346,867)
Net (loss) income for the year	(194,770)	17,635
Balance - December 31,	<u>\$ (1,524,002)</u>	<u>\$ (1,329,232)</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,**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (loss) income for the year	\$ (194,770)	\$ 17,635
<b>Adjustments to reconcile net (loss) income to cash provided by operating activities:</b>		
Revenue allocated to financing activities	-	(99,302)
Depreciation expense	190,993	194,475
Amortization of debt issuance costs	11,151	7,226
(Increase) decrease in accounts receivable	(35,789)	2,895
Decrease (increase) in prepaid expenses	7,988	(11,181)
Decrease in escrows and voluntary escrows	95,020	154,068
Increase (decrease) in accounts payable	24,143	(31,961)
Increase in other current liabilities	7,732	3,038
Total Adjustments	<u>301,238</u>	<u>219,258</u>
Cash Provided By Operating Activities	<u>106,468</u>	<u>236,893</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase) in reserve fund	(749,864)	(63,135)
(Increase) in building improvements and equipment	(137,443)	(63,695)
Increase in building improvements payable	22,634	-
Cash (Used) By Investing Activities	<u>(864,673)</u>	<u>(126,830)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from new mortgage payable	3,000,000	-
Repayment of former mortgage payable	(630,755)	-
Repayment of former line of credit payable	(1,342,200)	-
Amortization of mortgage payable	(161,150)	(185,215)
Amortization of line of credit payable	(1,200)	(2,400)
(Increase) in unamortized debt issuance costs	(117,764)	-
Capital assessment	-	99,302
Cash Provided (Used) By Financing Activities	<u>746,931</u>	<u>(88,313)</u>
Net (decrease) increase in cash, cash equivalents and restricted cash	(11,274)	21,750
Cash, cash equivalents and restricted cash at beginning of year	<u>29,186</u>	<u>7,436</u>
Cash, Cash Equivalents and Restricted Cash at End of Year	<u>\$ 17,912</u>	<u>\$ 29,186</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest paid (including prepayment penalty in 2020)	\$ 215,441	\$ 134,740
Income taxes paid	\$ 5,417	\$ 5,400

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.

##### **Revenue Recognition and Accounts Receivable**

In accordance with Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, the Corporation recognizes revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for those goods or services.

## NAGLE APARTMENTS CORP.

### Notes to Financial Statements

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#### Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Revenue Recognition and Accounts Receivable (continued)

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, 2020 and 2019, the Corporation's accounts receivable from stockholders were \$55,206 and \$34,580, respectively. Based upon past experience and other factors, the Corporation considers all accounts receivable at December 31, 2020 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) with a maturity of three months or less at the date of purchase to be cash equivalents.

Effective January 1, 2020, the Corporation adopted Accounting Standards Update 2016-18, *Statement of Cash Flows: Restricted Cash* ("ASU 2016-18"). ASU 2016-18 required that the Corporation change the presentation of restricted cash in the Statements of Cash Flows. Under the new method, ASU 2016-18 requires that entities include restricted cash and restricted cash equivalents with cash and cash equivalents in the beginning and end of period total amounts shown in the Statements of Cash Flows.

The retrospective transition method was applied to each period presented. The following table presents a reconciliation of cash, cash equivalents and restricted cash reported within the Balance Sheets that sum to the total of the same such amounts in the Statements of Cash Flows.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 7,912	\$ 29,186
Restricted cash (Note 5)	<u>10,000</u>	<u>-</u>
Balance - December 31,	<u>\$ 17,912</u>	<u>\$ 29,186</u>

**NAGLE APARTMENTS CORP.**

**Notes to Financial Statements**

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**Note 3 - RESERVE FUND**

During 2020 and 2019, the following transactions have taken place in the Corporation's reserve fund.

	<u>2020</u>	<u>2019</u>
Balance - January 1,	\$ 66,222	\$ 3,087
Excess proceeds from mortgage refinancing (Note 5)	793,473	-
Transfers from operations and escrow accounts	353,891	264,000
Interest and dividends - net of service charges	1,964	246
Transfers (to) operations and escrow accounts	<u>( 399,464)</u>	<u>( 201,111)</u>
Balance - December 31,	<u>\$ 816,086</u>	<u>\$ 66,222</u>

The reserve fund is held as follows:

Apple Bank for Savings - Savings Account (Note 5)	\$ 730,970	\$ -
BankUnited - Money Market Account	85,116	-
Signature Bank - Savings Account	<u>-</u>	<u>66,222</u>
Balance - December 31,	<u>\$ 816,086</u>	<u>\$ 66,222</u>

**Note 4 - PROPERTY AND IMPROVEMENTS**

During 2020 and 2019, the following building improvements and equipment have been capitalized.

	<u>2020</u>	<u>2019</u>
Boiler replacement	\$ 63,218	\$ -
Elevator upgrades	56,585	-
LED lighting	17,640	-
Intercom system replacement	-	55,473
Courtyard furniture	<u>-</u>	<u>8,222</u>
Total	<u>\$ 137,443</u>	<u>\$ 63,695</u>

During 2021, the Corporation anticipates spending approximately \$530,000 on the boiler replacement project and \$11,000 on elevator upgrades. These projects are subject to change orders and professional fees as work progresses and will be paid for with proceeds from the Corporation's reserve fund (Note 3).

## NAGLE APARTMENTS CORP.

### Notes to Financial Statements

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#### Note 5 - MORTGAGE PAYABLE AND LINE OF CREDIT

##### Mortgage Payable

On June 29, 2020, the Corporation consolidated and refinanced its mortgage payable and line of credit payable into a new mortgage payable. The new loan, in the original principal amount of \$3,000,000, is held by Apple Bank for Savings. It requires monthly installments of \$21,373, applied first to interest at a rate of 3.45% per annum with the balance as a reduction of principal. The loan is secured by the land and buildings owned by the Corporation. It has a 15 year self-amortizing term, which is scheduled to mature on July 1, 2035.

The mortgage may be prepaid in whole, subject to a declining scale prepayment penalty as defined in the loan documents. However, the Corporation may also prepay up to 10% of the outstanding principal balance one time per annum, without penalty. During the last year of the term, the loan may be prepaid without penalty.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 157,664	\$ 98,811	\$ 256,475
2022	163,190	93,285	256,475
2023	168,910	87,565	256,475
2024	174,831	81,644	256,475
2025	180,959	75,516	256,475

Pursuant to the loan documents, the Corporation is required to maintain a reserve account, in a minimum amount of \$10,000, with Apple Bank for Savings for the duration of the loan term. As of December 31, 2020, this account had a balance of \$740,970 which was allocated as \$10,000 of restricted cash and \$730,970 of unrestricted reserve cash (Note 4).

A \$108,296 prepayment penalty was incurred as a part of the refinancing transaction. During 2020, this amount was expensed for both financial reporting and income tax purposes.

Prior to the refinancing, the Corporation had a mortgage payable, in the original principal amount of \$2,700,000, which was held by National Cooperative Bank ("NCB"). It required 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 was self-amortizing and scheduled to mature on May 1, 2023. At the refinancing, the outstanding principal balance of \$630,755 was repaid in full.

##### Line of Credit

At the refinancing, the Corporation established an unsecured revolving line of credit in a maximum draw amount of \$500,000 with Apple Bank for Savings. When funds are drawn, payments consisting of interest only will be required based on an interest rate equal to the greater of the 30-day LIBOR plus 3.50% per annum, or 5.00%. The line of credit is scheduled to mature upon the earlier to occur of July 1, 2034, or the repayment or refinancing of the mortgage payable. As of December 31, 2020, no draws had been made from the line of credit.



**NAGLE APARTMENTS CORP.**

**Notes to Financial Statements**

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Note 5 - **MORTGAGE PAYABLE AND LINE OF CREDIT** (continued)

**Line of Credit** (continued)

Prior to the refinancing, the Corporation had a secured revolving line of credit, in the maximum amount of \$1,500,000, with NCB. When funds were 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 on April 1, 2017, the line of credit required monthly payments of interest and principal in a minimum amount of \$200. The line of credit was 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 was 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. At the refinancing, the loan's outstanding balance of \$1,342,200 was repaid in full.

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>

Any gains on sales are recorded as paid-in capital from treasury stock. As of December 31, 2020 and 2019, the Corporation held 300 shares of treasury stock appurtenant to three apartments. It is the Board of Directors' intent to sell the treasury stock apartments as they become available for sale. As of December 31, 2020, 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 ASSESSMENT**

During 2019 the Corporation implemented a capital assessment of \$0.7001 per share of outstanding stock per month, which generated \$99,302.

**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>
2021	\$ 198,000
2022	198,000
2023	198,000
2024	198,000
2025 (ten months)	165,000

**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 2020 and 2019, the Corporation contributed \$62,888 and \$59,566, respectively, to the Plan of which \$12,656 and \$11,828, 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, 2020, 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, 2020 and its actuary has determined that the Fund has an accumulated funding deficiency in its current plan year.

## NAGLE APARTMENTS CORP.

### Notes to Financial Statements

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#### Note 9 - UNION BENEFITS (continued)

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, 2021, the contribution rate was \$122.75 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>
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
2020/21	3,218,500	12.267	394,813

The Corporation routinely protests the assessed valuation of its Property used for real estate taxation purposes. During 2020, protests were settled to reduce the actual assessed valuations for the 2019/20 and 2020/21 tax years. The settlements resulted in refunds and credits of \$4,039 plus future benefits of approximately \$40,000 due to reduced assessed valuations. Professional fees of \$6,299 were incurred in connection with the settlements. Currently, there are no "open" tax protests.

#### 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, 2020 is patronage income within the meaning of Subchapter T.

For the year ended December 31, 2020, the corporation sustained an operating loss and will not be liable for Federal Income tax. As of December 31, 2020, 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 \$479,600 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 carryforward losses is uncertain, no related deferred tax assets have been recognized in the accompanying financial statements.

## NAGLE APARTMENTS CORP.

### Notes to Financial Statements

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

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 2017 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. As of December 31, 2020, the Corporation held approximately \$491,000 of cash in excess of federally insured limits. The Corporation has not experienced any losses due to concentration of credit risk in such accounts.

#### Note 13 - **CLAIMS OR LITIGATIONS**

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, 2020 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 - **CONTINGENCIES**

During March 2020, 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 tenant 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 June 22, 2021, 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, 2020 and 2019 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, 2021, 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 22, 2021 for Historical Statements  
December 21, 2020 for Forecast

**NAGLE APARTMENTS CORP.**

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

	For The Year		Prior Year	Next Year
	January 1, 2020 - December 31, 2020		January 1, 2019 - December 31, 2019	January 1, 2021 - December 31, 2021
	Budget (Unaudited)	Actual	Actual	Forecast (Unaudited)
<b>REVENUE</b>				
Maintenance - Stockholders (1)	\$ 1,042,700	\$ 1,044,349	\$ 992,355	\$ 1,058,300
Garage income	120,000	121,200	115,700	120,000
Cable TV income	85,800	81,120	80,930	85,800
Electricity submetering	68,900	68,900	64,718	63,600
Stockholders' parking	75,600	57,000	66,100	75,600
Sublet, late and other fees	43,500	25,409	36,817	43,500
Rental income	22,700	23,714	23,316	22,900
Laundry income	12,000	12,000	12,100	12,000
Interest and dividends	-	8,041	3,947	-
Capital assessment	-	-	99,302	-
<b>TOTAL REVENUE</b>	<b>1,471,200</b>	<b>1,441,733</b>	<b>1,495,285</b>	<b>1,481,700</b>
<b>EXPENDITURES</b>				
Management fee	54,000	54,000	54,000	55,000
Professional fees	17,500	23,483	20,737	23,700
Other administrative and telephone	11,900	10,309	13,790	10,700
Electricity and gas	85,400	92,251	86,601	78,900
Gas - heat	78,100	91,316	77,010	75,000
Water and sewer	51,900	56,650	56,927	33,200
Wages and related costs	241,700	241,365	232,180	245,000
Cable TV	86,400	82,832	71,961	86,400
Insurance	80,000	79,140	79,222	80,000
Submetering billing service	5,000	6,068	5,621	5,000
Miscellaneous operating and permits	4,000	2,884	3,907	4,800
Repairs and maintenance	119,700	129,085	166,236	134,100
New York City real estate tax	384,300	377,437	354,718	388,900
Corporation taxes	4,500	5,067	5,117	4,500
Mortgage interest and amortization	246,800	233,972	236,231	256,500
Transfers to reserve fund	-	-	99,302	-
<b>TOTAL EXPENDITURES</b>	<b>1,471,200</b>	<b>1,485,859</b>	<b>1,563,560</b>	<b>1,481,700</b>
Budgeted Surplus	<u>\$ -</u>			<u>\$ -</u>
<b>ACTUAL OPERATING LOSS</b>		<b>(44,126)</b>	<b>(68,275)</b>	
Mortgage amortization		161,150	185,215	
Prior years' water and sewer credits, net of consulting fees		35,042	55,505	
Prepayment penalty - mortgage refinancing		(108,296)	-	
Line of credit interest, amortization and fees (2)		(36,396)	(85,753)	
Amortization of debt issuance costs		(11,151)	(7,226)	
Transfers to reserve fund		-	99,302	
Prior years' garage income		-	33,342	
<b>(LOSS) INCOME BEFORE DEPRECIATION EXPENSE</b>		<u>\$ (3,777)</u>	<u>\$ 212,110</u>	

(1) Effective January 1, 2021, maintenance was increased from \$7.35 to \$7.46 per share of outstanding stock, per month.

(2) In addition to interest, the principal portion of the line of credit was previously paid from reserves with proceeds from apartment sales. See Notes 3, 5 and 6 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, 2021**

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The 2021 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 21, 2020, 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 \$7.46 per share of outstanding stock, per month, which reflects an approximately 1.5% increase effective January 1, 2021. 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 an estimated tax rate. A 3.04% real estate tax expenses increase has been anticipated for 2021. Debt service is based upon the payments required by the Corporation's outstanding mortgage payable. 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.