

EASTERN GARDENS COOPERATIVE, INC.
HUD PROJECT NO. 136-36110

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2012

EASTERN GARDENS COOPERATIVE, INC.
HUD PROJECT NO. 136-36110

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INDEPENDENT AUDITORS' REPORT

**The Board of Directors
Eastern Gardens Cooperative, Inc.**

Report on the Financial Statements

We have audited the accompanying financial statements of Eastern Gardens Cooperative, Inc., which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, changes in net deficit, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 Eastern Gardens Cooperative, Inc., as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other matters

Required Supplementary Information

Management has omitted disclosures on the estimated remaining lives and replacement costs of the common property and, therefore, has not presented information on future major repairs and replacements 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 this missing information.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information required by the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and the schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2013, on our consideration of Eastern Gardens Cooperative, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Eastern Gardens Cooperative, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in cursive that reads "Prezent & Company".

March 11, 2013

EASTERN GARDENS COOPERATIVE, INC.
HUD PROJECT NO. 136-36110

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

ASSETS

Cash		\$ 54,717
Prepaid expenses		<u>8,772</u>
		<u>63,489</u>
Restricted Deposits		
Escrow deposits		20,332
Replacement reserve		245,901
General operating reserve		118,233
Deposits to Coops		<u>25,976</u>
		<u>410,442</u>
Fixed Assets		
Land		156,092
Buildings and improvements		1,850,128
Office furniture and equipment		<u>2,970</u>
		<u>2,009,190</u>
Less accumulated depreciation		<u>(1,679,250)</u>
		<u>329,940</u>
Deferred financing costs, less accumulated amortization		15,559
Deferred income taxes		<u>22,235</u>
		<u>37,794</u>
		<u>\$ 841,665</u>

LIABILITIES AND NET ASSETS (DEFICIT)

Accounts payable		\$ 7,698
Accrued interest payable		4,938
Mortgage payable		<u>920,460</u>
		<u>933,096</u>
TOTAL LIABILITIES		<u>933,096</u>
Net Assets (Deficit)		
Certificates of initial capital value		15,873
Deficiency from operations		(155,915)
Paid-in surplus		<u>48,611</u>
		<u>(91,431)</u>
TOTAL NET ASSETS (DEFICIT)		<u>(91,431)</u>
		<u>\$ 841,665</u>

See notes to financial statements.

EASTERN GARDENS COOPERATIVE, INC.
HUD PROJECT NO. 136-36110

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012

REVENUES

Member carrying charges	\$ 551,802
Other	<u>8,043</u>
TOTAL REVENUE	<u>559,845</u>

EXPENSES - PROJECT SERVICES

Administrative	92,711
Utilities	111,579
Operating and maintenance	133,755
Taxes and insurance	51,704
Interest	63,875
Income taxes	<u>2,722</u>

TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	<u>456,346</u>
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CHANGE IN NET ASSETS BEFORE DEPRECIATION	<u>103,499</u>
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Depreciation expense	72,147
Amortization expense	<u>1,299</u>

TOTAL DEPRECIATION AND AMORTIZATION	<u>73,446</u>
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CHANGE IN DEFICIENCY FROM OPERATIONS	<u><u>\$ 30,053</u></u>
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See notes to financial statements.

EASTERN GARDENS COOPERATIVE, INC.
HUD PROJECT NO. 136-36110

STATEMENT OF CHANGES IN NET DEFICIT
YEAR ENDED DECEMBER 31, 2012

	Certificates of Initial Capital Value	Deficiency from Operations	Paid-In Surplus	Total
BALANCE AT BEGINNING OF YEAR	\$ 15,730	\$ (185,968)	\$ 30,269	\$ (139,969)
Current year change in deficiency from operations	-	30,053	-	30,053
Membership transfers	<u>143</u>	<u>-</u>	<u>18,342</u>	<u>18,485</u>
BALANCE AT END OF YEAR	<u>\$ 15,873</u>	<u>\$ (155,915)</u>	<u>\$ 48,611</u>	<u>\$ (91,431)</u>

See notes to financial statements.

EASTERN GARDENS COOPERATIVE, INC.
HUD PROJECT NO. 136-36110

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Carrying charge receipts	\$ 551,802
Other operating receipts	8,043
	<u>559,845</u>
Cash paid for administrative expenses	(60,504)
Cash paid for management fees	(33,600)
Cash paid for utilities	(111,579)
Cash paid for operating and maintenance	(141,755)
Cash paid for real estate taxes	(20,092)
Cash paid for property insurance	(19,047)
Cash paid for miscellaneous taxes and insurance	(12,575)
Cash paid for mortgage interest	(59,254)
Cash paid for mortgage insurance premium	(4,740)
Cash paid for income taxes	(2,722)

(465,868)

NET CASH PROVIDED BY OPERATING ACTIVITIES

93,977

CASH FLOWS FROM INVESTING ACTIVITIES

Net withdrawals (deposits) to escrow deposits	(60)
Net withdrawals (deposits) to replacement reserve	(11,910)
Net withdrawals (deposits) to operating reserve	(10,121)
Interest retained in deposits to cooperative	(13)
Purchase of fixed assets	(10,800)

NET CASH USED IN INVESTING ACTIVITIES

(32,904)

CASH FLOWS FROM FINANCING ACTIVITIES

Mortgage principal payments	(50,482)
Net membership transfers	18,485

NET CASH USED IN FINANCING ACTIVITIES

(31,997)

INCREASE IN CASH AND EQUIVALENTS

29,076

CASH AND EQUIVALENTS AT BEGINNING OF YEAR

25,641

CASH AND EQUIVALENTS AT END OF YEAR

\$ 54,717

See notes to financial statements.

EASTERN GARDENS COOPERATIVE, INC.
HUD PROJECT NO. 136-36110

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012

**RECONCILIATION OF CHANGE IN DEFICIENCY
FROM OPERATIONS TO NET CASH PROVIDED
BY OPERATING ACTIVITIES**

CHANGE IN DEFICIENCY FROM OPERATIONS	\$ 30,053
<i>Adjustments to reconcile change in deficiency from operations to net cash provided by operating activities</i>	
Depreciation	72,147
Amortization	1,299
Change in prepaid expenses	(10)
Change in deferred income taxes	(13,000)
Change in accounts payable	3,607
Change in accrued interest payable	<u>(119)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 93,977</u>

See notes to financial statements.

EASTERN GARDENS COOPERATIVE, INC.
HUD PROJECT NO. 136-36110

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Eastern Gardens Cooperative, Inc., (the Project) is a 112-unit apartment complex located in Sacramento, California. The Project is a cooperative housing corporation operated under Section 221(d)(3) of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods. The Project's major program is its Section 221(d)(3) insured loan.

The Project also is subject to a Section 8 Housing Assistance Payments agreement with HUD. The Project's nonmajor program is its Section 8 rent subsidy program.

Subsequent Events

The Project has evaluated subsequent events through March 11, 2013, the date which the financial statements were available to be issued.

Fixed Assets

Fixed assets are stated at cost. Depreciation is calculated using the straight-line method with estimated useful lives of 5 to 40 years. The Project capitalizes assets with costs of \$5,000 or more. The costs of normal maintenance and repairs are not capitalized.

Loan Fees

Loan fees incurred to obtain financing are being amortized over 20 years using the straight-line method.

Distributions

The Project's regulatory agreement with HUD stipulates, among other things, that the Project will not make distributions of assets or income to any of its officers, directors, or members.

Income Taxes

The Project is subject to income taxes under Subchapter T of the Internal Revenue Code. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the methods and lives used for depreciation for financial and tax reporting. The deferred taxes represent the future tax return consequences of those differences. Income tax returns for 2008 through 2012 are subject to examination by the Internal Revenue Service and the Franchise Tax Board, generally for four years after they were filed.

Cash Equivalents

For purposes of the statement of cash flows, management considers all unrestricted investments purchased with original maturities of three months or less to be cash equivalents. The Project has no cash equivalents at December 31, 2012.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

EASTERN GARDENS COOPERATIVE, INC.
HUD PROJECT NO. 136-36110

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 2 - HUD RESTRICTED DEPOSITS

The Project is required under the regulatory agreement to maintain a replacement reserve fund to set aside amounts for future major repairs and replacements. The funds are held in a separate account and may only be used for major repairs and replacements upon approval of HUD. The amount of monthly deposits are determined by HUD; therefore, the Project has not conducted a study to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future.

The regulatory agreement also requires the Project to maintain a general operating reserve to set aside amounts for the re-purchase of stock of withdrawing members and other contingencies. Monthly deposits may not be less than 2 percent of monthly member carrying charges until the reserve balance is equal to 25 percent of current annual member charges, at which time deposits may be discontinued so long as the 25 percent level is maintained.

NOTE 3- MORTGAGE PAYABLE

The mortgage note is payable in monthly installments of \$9,145, including interest at 6.25%, due in November 2024. The note is secured by the apartment project. The aggregate amount of required principal payments at December 31, 2012, is as follows:

Year ending December 31,	
2013	\$ 53,729
2014	57,185
2015	60,863
2016	64,778
2017	68,944
Thereafter	<u>614,961</u>
	\$ <u>920,460</u>

The fair value of the mortgage payable is estimated based on the current rates offered to the Project for debt of the same remaining maturities. At December 31, 2012, the fair value of the mortgage payable approximates the amounts recorded in the financial statements.

NOTE 4 - UNRESTRICTED NET ASSETS

None of the Project's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as unrestricted net assets.

EASTERN GARDENS COOPERATIVE, INC.
HUD PROJECT NO. 136-36110

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 5 - FUNCTIONAL ALLOCATION OF EXPENSES

Expenditures incurred in connection with Project operations and expenditures made for corporate purposes have been summarized on a functional basis in the statement of activities.

NOTE 6 - MANAGEMENT FEE

The Project pays a monthly management fee of \$2,800.

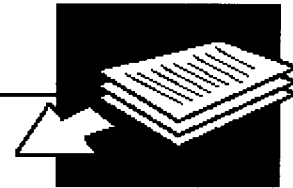
NOTE 7 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Project's principal asset is a 112-unit apartment complex. The Project's operations are concentrated in the multifamily real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Project are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

SUPPLEMENTARY INFORMATION

Annual Financial Statement
Electronic Submission

U.S. Department of Housing and Urban Development
 Public Indian Housing - Real Estate Assessment Center (PIH-REAC)



Owner: EASTERN GARDENS COOPERATIVE, INC. TIN: 942237391

Reporting From: 01/01/2012

Reporting To: 12/31/2012

FHA/Contract Number(s): Combined 13636110

Submission Type: AUD-A133

		Assets	
Account	Description		Value
1120	Cash - Operations		\$ 54,717
1200	Prepaid Expenses		\$ 8,772
1100T	Total Current Assets		\$ 63,489
1310	Escrow Deposits		\$ 20,332
1320	Replacement Reserve		\$ 245,901
1365	General Operating Reserve (Coops)		\$ 118,233
1370	Deposits to Coops		\$ 25,976
1300T	Total Deposits		\$ 410,442
1410	Land		\$ 156,092
1420	Buildings		\$ 1,850,128
1465	Office Furniture and Equipment		\$ 2,970
1400T	Total Fixed Assets		\$ 2,009,190
1495	Accumulated Depreciation		\$ 1,679,250
1400N	Net Fixed Assets		\$ 329,940
1520	Deferred Financing Costs		\$ 15,559
1590	Miscellaneous Other Assets		\$ 22,235

Detail - Miscellaneous Other Assets

Account	Description	Other	Value
	1590-005 - Type of Asset	Other	
	1590-010 - Description - Miscellaneous Detail for 1590	Deferred Income Taxes	
	1590-020 - Amount - Miscellaneous Detail for 1590	\$ 22,235	

		Assets	
Account	Description		Value
1500T	Total Other Assets		\$ 37,794
1000T	Total Assets		\$ 841,665

		Liabilities	
Account	Description		Value
2110	Accounts Payable - Operations		\$ 7,698
2131	Accrued Interest Payable - First Mortgage (or Bonds)		\$ 4,938
2170	Mortgage (or Bonds) Payable - First Mortgage (Bonds) (Short		\$ 53,729

	Term)	
2122T	Total Current Liabilities	\$ 66,365
2320	Mortgage (or Bonds) Payable - First Mortgage (or Bonds)	\$ 866,731
2300T	Total Long Term Liabilities	\$ 866,731
2000T	Total Liabilities	\$ 933,096

Equity/Net Asset Data - Cooperatives

Account	Description	Value
4100	Unrestricted Net Assets (Coops)	\$- 91,431
4200	Temporarily Restricted Net Assets (Coops)	\$ 0
4300	Permanently Restricted Net Assets (Coops)	\$ 0
4000T	Total Equity/Net Assets (Coops)	\$- 91,431
2040T	Total Liabilities and Members' Equity (Coops)	\$ 841,665

Rent Revenue

Account	Description	Value
5120	Rent Revenue - Gross Potential	\$ 516,438
5121	Tenant Assistance Payments	\$ 39,789
5100T	Total Rent Revenue	\$ 556,227

Vacancies

Account	Description	Value
5220	Apartments	\$ 4,425
5200T	Total Vacancies	\$ 4,425
5152N	Net Rental Revenue (Rent Revenue Less Vacancies)	\$ 551,802

Financial Revenue

Account	Description	Value
5410	Financial Revenue - Project Operations	\$ 68
5440	Revenue from Investments - Replacement Reserve	\$ 114
5400T	Total Financial Revenue	\$ 182

Other Revenue

Account	Description	Value
5910	Laundry and Vending Revenue	\$ 6,038
5920	Tenant Charges	\$ 1,823
5900T	Total Other Revenue	\$ 7,861
5000T	Total Revenue	\$ 559,845

Administrative Expenses

Account	Description	Value
6210	Advertising and Marketing	\$ 2,819
6311	Office Expenses	\$ 13,592
6320	Management Fee	\$ 33,600
6330	Manager or Superintendent Salaries	\$ 32,485

6331	Administrative Rent Free Unit	\$ 3,115
6350	Audit Expense	\$ 7,100
6263T	Total Administrative Expenses	\$ 92,711

Utilities Expenses

Account	Description	Value
6450	Electricity	\$ 12,336
6451	Water	\$ 23,957
6452	Gas	\$ 27,094
6453	Sewer	\$ 48,192
6400T	Total Utilities Expense	\$ 111,579

Operating & Maintenance Expenses

Account	Description	Value
6515	Supplies	\$ 38,996
6520	Contracts	\$ 74,569
6525	Garbage and Trash Removal	\$ 13,739
6546	Heating/Cooling Repairs and Maintenance	\$ 6,451
6500T	Total Operating and Maintenance Expenses	\$ 133,755

Taxes & Insurance

Account	Description	Value
6710	Real Estate Taxes	\$ 20,092
6711	Payroll Taxes (Project's Share)	\$ 3,158
6720	Property & Liability Insurance (Hazard)	\$ 19,047
6722	Workmen's Compensation	\$ 4,113
6723	Health Insurance and Other Employee Benefits	\$ 5,294
6700T	Total Taxes and Insurance	\$ 51,704

Financial Expenses

Account	Description	Value
6820	Interest on First Mortgage (or Bonds) Payable	\$ 59,135
6850	Mortgage Insurance Premium/ Service Charge	\$ 4,740
6800T	Total Financial Expenses	\$ 63,875

Operating Results

Account	Description	Value
6000T	Total Cost of Operations before Depreciation	\$ 453,624
5060T	Profit (Loss) before Depreciation	\$ 106,221
6600	Depreciation Expenses	\$ 72,147
6610	Amortization Expense	\$ 1,299
5060N	Operating Profit or (Loss)	\$ 32,775

Corporate or Mortgagor Revenue/Expenses

Account	Description	Value
7130	Federal, State, and Other Income Taxes	\$ 2,722
7100T	Net Entity Expenses	\$ 2,722

Change in Net Assets from Operations

Account	Description	Value
3250	Change in Unrestricted Net Assets	\$ 30,053

Part II

Account	Description	Value
S1000-010	Total first mortgage (or bond) principal payments required during the audit period (usually 12 months). This applies to all direct loans, HUD-held and HUD-insured first mortgages.	\$ 50,482
S1000-020	The total of all monthly reserve for replacement deposits (usually 12 months) required during the audit period even if deposits have been temporarily waived or suspended.	\$ 11,796

Equity Data

Account	Description	Value
S1100-200	Previous Year Unrestricted Net Assets (Coops)	\$- 139,969
S1100-205	Change in Unrestricted Net Assets (Coops)	\$ 48,538
4100	Unrestricted Net Assets (Coops)	\$- 91,431
S1100-210	Previous Year Temporarily Restricted Net Assets (Coops)	\$ 0
S1100-215	Change in Temporarily Restricted Net Assets (Coops)	\$ 0
4200	Temporarily Restricted Net Assets (Coops)	\$ 0
S1100-220	Previous Year Permanently Restricted Net Assets (Coops)	\$ 0
S1100-225	Change in Permanently Restricted Net Assets (Coops)	\$ 0
4300	Permanently Restricted Net Assets (Coops)	\$ 0
S1100-180	Total Equity/Net Assets (Coops) - Beginning Balance	\$- 139,969
S1100-185	Total Equity/Net Assets (Coops) - Change	\$ 48,538
4000T	Total Equity/Net Assets (Coops)	\$- 91,431
S1100-110	Certificates of Initial Capital Value (Coops) - Beginning Balance	\$ 15,730
S1100-115	Certificates of Initial Capital Value (Coops) - Change	\$ 143
4020	Certificates of Initial Capital	

	Value (Coops)	\$ 15,873
S1100-120	Surplus/Deficiency from Operations (Coops) - Beginning Balance	\$- 185,968
S1100-125	Surplus/Deficiency from Operations (Coops) - Change	\$ 30,053
4030	Surplus/Deficiency from Operations (Coops)	\$- 155,915
S1100-160	Paid-in Surplus (Coops) - Beginning Balance	\$ 30,269
S1100-165	Paid-in Surplus (Coops) - Change	\$ 18,342
4070	Paid-in Surplus (Coops)	\$ 48,611

Cash Flow from Operating Activities

Account	Description	Value
S1200-010	Rental Receipts	\$ 551,802
S1200-030	Other Operating Receipts	\$ 8,043
S1200-040	Total Receipts	\$ 559,845
S1200-050	Administrative	\$- 60,504
S1200-070	Management Fee	\$- 33,600
S1200-090	Utilities	\$- 111,579
S1200-110	Operating and Maintenance	\$- 141,755
S1200-120	Real Estate Taxes	\$- 20,092
S1200-140	Property Insurance	\$- 19,047
S1200-150	Miscellaneous Taxes and Insurance	\$- 12,575
S1200-180	Interest on First Mortgage	\$- 59,254
S1200-210	Mortgage Insurance Premium (MIP)	\$- 4,740
S1200-225	Entity/Construction Disbursements	\$- 2,722
	Details - Entity/Construction Disbursements	
	S1200-226 - Description	Income Taxes
	S1200-227 - Amount	\$- 2,722
S1200-230	Total Disbursements	\$- 465,868
S1200-240	Net Cash provided by (used in) Operating Activities	\$ 93,977

Cash Flow from Investing Activities

Account	Description	Value
S1200-245	Net Deposits to the Mortgage Escrow account	\$- 60
S1200-250	Net Deposits to the Reserve for Replacement account	\$- 11,910
S1200-280	Net Deposits to the General Operating Reserve (coops)	\$- 10,121
S1200-330	Net Purchase of Fixed Assets	\$- 10,800
S1200-340	Other Investing Activities	\$- 13
S1200-350	Net Cash used in Investing Activities	\$- 32,904

Cash Flow from Financing Activities

Account	Description	Value
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S1200-360	Principal Payments - First Mortgage (or Bonds)	\$- 50,482
S1200-455	Entity/Construction Financing Activities	\$ 18,485
	Details - Entity/Construction Financing Activities	
	S1200-456 - Description	Net Member Transfers
	S1200-457 - Amount	\$ 18,485
S1200-460	Net Cash used in Financing Activities	\$- 31,997
S1200-470	Net increase (decrease) in Cash and Cash Equivalents	\$ 29,076
	Cash and Cash Equivalents	

Account	Description	Value
S1200-480	Beginning of Period Cash	\$ 25,641
S1200T	End of Period Cash	\$ 54,717

Reconciliation of Net Profit (Loss) to Net Cash Provided by (Used in) Operating Activities

Account	Description	Value
3250	Change in Unrestricted Net Assets	\$ 30,053

Adjustments to Reconcile Net Profit (Loss) to Net Cash Provided by (Used in) Operating Activities

Account	Description	Value
6600	Depreciation Expenses	\$ 72,147
6610	Amortization Expense	\$ 1,299
S1200-520	Decrease (increase) in Prepaid Expenses	\$- 10
S1200-540	Increase (decrease) in Accounts Payable	\$ 3,607
S1200-570	Increase (decrease) in Accrued Interest Payable	\$- 119
S1200-600	Other adjustments to reconcile net profit (loss) to Net Cash provided by (used in) Operating Activities	\$- 13,000

Details - Other adjustments to reconcile net profit (loss) to Net Cash provided by (used in) Operating Activities

S1200-601 - Description -	Other adjustments to reconcile net profit (loss) to Net Cash provided by (used in) Operating Activities	Change in Deferred Income Taxes
S1200-602 - Amount - Other adjustments to reconcile net profit (loss) to Net Cash provided by (used in) Operating Activities		\$- 13,000

Net Cash provided by (used in) Operating Activities

Account	Description	Value
S1200-610	Net Cash provided by (used in) Operating Activities	\$ 93,977

Account	Description	Notes	Value
S3100-010	Organization and Presentation Note	Eastern Gardens Cooperative, Inc., (the Project) is a 112-unit apartment complex located in Sacramento, California. The Project is a cooperative housing corporation operated under Section 221(d)(3) of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods. The Project's major program is its Section 221(d)(3) insured loan. The Project also is subject to a Section 8 Housing Assistance Payments agreement with HUD. The Project's nonmajor program is its Section 8 rent subsidy program.	
S3100-040	Summary of Significant Accounting Policies Note	<p>Subsequent Events - The Project has evaluated subsequent events through March 11, 2013, the date which the financial statements were available to be issued. Fixed Assets - Fixed assets are stated at cost. Depreciation is calculated using the straight-line method with estimated useful lives of 5 to 40 years. The Project capitalizes assets with costs of \$5,000 or more. The costs of normal maintenance and repairs are not capitalized. Loan Fees - Loan fees incurred to obtain financing are being amortized over 20 years using the straight-line method. Distributions -The Project's regulatory agreement with HUD stipulates, among other things, that the Project will not make distributions of assets or income to any of its officers, directors, or members. Income Taxes - The Project is subject to income taxes under Subchapter T of the Internal Revenue Code. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the methods and lives used for depreciation for financial and tax reporting. The deferred taxes represent the future tax return consequences of those differences. Income tax returns for 2008 through 2012 are subject to examination by the Internal Revenue Service and the Franchise Tax Board, generally for four years after they were filed. Cash Equivalents - For purposes of the statement of cash flows, management considers all unrestricted investments purchased with original maturities of three months or less to be cash equivalents. The Project has no cash equivalents at December 31, 2012. Use of</p>	

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

S3100-050 Mortgages (or Bond) Payable Note

The mortgage note is payable in monthly installments of \$9,145, including interest at 6.25%, due in November 2024. The note is secured by the apartment project. The fair value of the mortgage payable is estimated based on the current rates offered to the Project for debt of the same remaining maturities. At December 31, 2012, the fair value of the mortgage payable approximates the amounts recorded in the financial statements.

Details - Mortgages Payable

S3100-060 - Principal Payments in the next 12 months - Year 1 \$ 53,729

S3100-070 - Principal Payments in the next 12 months - Year 2 \$ 57,185

S3100-080 - Principal Payments in the next 12 months - Year 3 \$ 60,863

S3100-090 - Principal Payments in the next 12 months - Year 4 \$ 64,778

S3100-100 - Principal Payments in the next 12 months - Year 5 \$ 68,944

S3100-110 - Principal Payments remaining after Year 5 \$ 614,961

S3100-230 Management Fee Note

The Project pays a monthly management fee of \$2,800.

Details - Related Party Transactions

S3100-240 Additional Note

HUD RESTRICTED DEPOSITS - The Project is required under the regulatory agreement to maintain a replacement reserve fund to set aside amounts for future major repairs and replacements. The funds are held in a separate account and may only be used for major repairs and replacements upon approval of HUD. The amount of monthly deposits are determined by HUD; therefore, the Project has not conducted a study to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and

replacements that may be required in the future. The regulatory agreement also requires the Project to maintain a general operating reserve to set aside amounts for the re-purchase of stock of withdrawing members and other contingencies. Monthly deposits may not be less than 2 percent of monthly member carrying charges until the reserve balance is equal to 25 percent of current annual member charges, at which time deposits may be discontinued so long as the 25 percent level is maintained.

S3100-240 Additional Note

UNRESTRICTED NET ASSETS - None of the Project's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as unrestricted net assets.

S3100-240 Additional Note

FUNCTIONAL ALLOCATION OF EXPENSES - Expenditures incurred in connection with Project operations and expenditures made for corporate purposes have been summarized on a functional basis in the statement of activities.

S3100-240 Additional Note

CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS - The Project's principal asset is a 112-unit apartment complex. The Project's operations are concentrated in the multifamily real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Project are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Report on the Financial Statement and on the Supplementary Schedule of Federal Awards

Account	Description	Value
S3400-020	Opinion	UNQUALIFIED
S3400-050	Going Concern" Issue	N

Report on Supplemental Data

Account	Description	Value
S3400-100	Opinion	UNQUALIFIED

Report on Compliance and on Internal Control over Financial Reporting

Account	Description	Value
S3500-020	Significant Deficiencies Indicator	N
S3500-030	Material Weakness Indicator	N
S3500-040	Material Non-Compliance	

Indicator N
**Report on Compliance Applicable to Each Major Program and on Internal Control over
 Compliance in Accordance with OMB Circular A-133**

Account	Description	Value	
S3600-015	Opinion		UNQUALIFIED
S3600-020	Significant Deficiencies Indicator		N
S3600-030	Material Weakness Indicator		N

Schedule of Findings and Questioned Costs

Account	Description	Value	
S3700-010	Indicator - Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133		N
S3700-020	Dollar threshold used to distinguish between type A and type B programs	\$ 300,000	
S3700-030	Low-Risk Auditee Indicator		Y

Schedule of Reserve for Replacement

Account	Description	Value	
1320P	Balance at Beginning of Year	\$ 233,991	
1320DT	Total Monthly Deposits	\$ 11,796	
1320INT	Interest on Replacement Reserve Accounts	\$ 114	
1320	Balance at End of Year, Confirmed by Mortgagee	\$ 245,901	
1320R	Deposits Suspended or Waived Indicator		N

Schedule of Changes in Fixed Asset Accounts

Account	Description	Value	
1410P	Beginning Balance for 1410	\$ 156,092	
1410	Land	\$ 156,092	
1420P	Beginning Balance for 1420	\$ 1,839,328	
1420AT	Additions for 1420	\$ 10,800	
	Details - Additions for 1420		
	1420A-010 - Item Purchased Pool replastering		
	1420A-030 - Total Amount	\$ 10,800	
1420	Buildings	\$ 1,850,128	
1465P	Beginning Balance for 1465	\$ 2,970	
1465	Office Furniture and Equipment	\$ 2,970	
1400PT	Total Beginning Balance for Fixed Assets	\$ 1,998,390	
1400AT	Total Asset Additions	\$ 10,800	
1400T	Total Fixed Assets	\$ 2,009,190	
1495P	Beginning Balance for 1495	\$ 1,607,103	
6600	Total Provisions	\$ 72,147	
1495	Ending Balance for Accumulated Depreciation	\$ 1,679,250	
1400N	Total Net Book Value	\$ 329,940	

Details - Schedule of Expenditures of Federal Awards

S3300-020	Program Number		1
	S3300-030 - Name of Federal Agency	U.S. Department of Housing and Urban Development	
	S3300-040 - Name of Federal Program	Section 221(d)(3) Mortgage Insurance-Rental and Cooperative Housing for Moderate Income Families and Elderly	
	S3300-050 - CFDA Number	14.135	
	S3300-080 - Federal Awards Expended	\$ 920,460	
	S3300-150 - Opinion	UNQUALIFIED	
S3300-020	Program Number		2
	S3300-030 - Name of Federal Agency	U.S. Department of Housing and Urban Development	
	S3300-040 - Name of Federal Program	Section 8 Housing Assistance Payments	
	S3300-050 - CFDA Number	14.195	
	S3300-080 - Federal Awards Expended	\$ 39,789	
	S3300-150 - Opinion	UNQUALIFIED	

Schedule of Expenditures of Federal Awards

Account	Description	Value
S3300-500	Total Federal Awards Expended	\$ 960,249

S3300-510 Note to the Schedule

BASIS OF PRESENTATION - The accompanying schedule of expenditures of federal awards includes the federal grant activity of Eastern Gardens Cooperative, Inc., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the schedule presents only a selected portion of the operations of Eastern Gardens Cooperative, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Eastern Gardens Cooperative, Inc. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Mortgagor's Certification

Account	Description	Value
S2900-010	Narrative	I/we hereby certify that I/we have examined the accompanying financial statements AND

supplemental data and, to the best of my/our knowledge and belief, the same is complete AND accurate.

S2900-020	Name of Signatory #1	Janice Hoberg
S2900-025	Title of Certifying Official #1	President
S2900-030	Name of Signatory #2	Kathleen A. Slotterback

Mortgagors Certification

Account	Description	Value
S2900-035	Title of Certifying Official #2	Treasurer

Mortgagor's Certification

Account	Description	Value
S2900-040	Auditee Telephone Number	(916) 357-3512
S2900-050	Date of Certification	03/11/2013
S2900-080	Auditee Name	Eastern Gardens Coopertive, Inc.
S2900-090	Auditee Street Address Line 1	3045 Eastern Avenue
S2900-110	Auditee City	Sacramento
S2900-120	Auditee State	CA
S2900-130	Auditee Zip Code	95821
S2900-150	Auditee Contact Name	Gary Haugstad
S2900-160	Auditee Contact Title	Property Manager

Managing Agent's Certification

Account	Description	Value
S3000-010	Narrative	I/we hereby certify that I/we have examined the accompanying financial statements AND supplemental data and, to the best of my/our knowledge and belief, the same is complete AND accurate.

S3000-020	Name of Managing Agent	FPI Management, Inc.
S3000-030	Name of Signatory	Mike Watembach
S3000-040	Managing Agent TIN	68-0217638
S3000-050	Name of Property Manager	Gary Haugstad

Auditor's Transmittal Letter

Account	Description	Value
S3200-005	Audit Firm ID (UII)	67521
S3200-010	Audit Firm	Pregent & Company
S3200-020	Lead Auditor First Name	Laura
S3200-040	Lead Auditor Last Name	Pregent
S3200-045	Auditor Contact Title	CPA
S3200-050	Auditor Street Address Line 1	3017 Douglas Blvd Ste 300
S3200-070	Auditor City	Roseville
S3200-080	Auditor State	CA
S3200-090	Auditor Zip Code	95661
S3200-100	Auditor Zip Code Extension	3850
S3200-110	Telephone Number	(916) 788-7220
S3200-120	Audit Firm TIN	203309197
S3200-130	Date of Independent Auditor's Report	03/11/2013
S3200-140	Auditor Contact FAX Number	(888) 788-7224
S3200-150	Auditor Contact E-mail	laura@pregent-cpa.com

- end of statement -

**EASTERN GARDENS COOPERATIVE, INC.
HUD PROJECT NO. 136-36110**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2012**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development		
Section 221(d)(3) Mortgage Insurance-Rental and Cooperative Housing for Moderate Income Families and Elderly	14.135	\$ 920,460
Section 8 Housing Assistance Payments	14.195	<u>39,789</u>
Total		<u>\$ 960,249</u>

**EASTERN GARDENS COOPERATIVE, INC
HUD PROJECT NO. 136-36110**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2012**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Eastern Gardens Cooperative, Inc., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Eastern Gardens Cooperative, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Eastern Gardens Cooperative, Inc.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**The Board of Directors
Eastern Gardens Cooperative, Inc.**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Eastern Gardens Cooperative, Inc., which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, changes in net deficit, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 11, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the entity's internal control over financial reporting (internal control) to determine the audit procedures that are appropriated in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eastern Gardens Cooperative, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Pregent & Company".

March 11, 2013



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**The Board of Directors
Eastern Gardens Cooperative, Inc.**

Report on Compliance for Major Federal Program

We have audited Eastern Gardens Cooperative, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Eastern Gardens Cooperative, Inc.'s major federal program for the year ended December 31, 2012. Eastern Gardens Cooperative, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Eastern Gardens Cooperative, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Eastern Gardens Cooperative, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Eastern Gardens Cooperative, Inc.'s compliance.

Opinion on Major Federal Program

In our opinion, Eastern Gardens Cooperative, Inc., complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of Eastern Gardens Cooperative, Inc., is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Eastern Gardens Cooperative, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

Pregent
& Company
Certified Public Accountants

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Pregent & Company

March 11, 2013

**EASTERN GARDENS COOPERATIVE, INC
HUD PROJECT NO. 136-36110**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2012**

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Eastern Gardens Cooperative, Inc.
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Eastern Gardens Cooperative, Inc., were disclosed during the audit.
4. No material weaknesses were identified during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for Eastern Gardens Cooperative, Inc., expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included: Mortgage Insurance-Rental and Cooperative Housing for Moderate Income Families and Elderly, CFDA 14.135.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Eastern Gardens Cooperative, Inc., was determined to be a low-risk auditee.

FINDINGS—FINANCIAL STATEMENTS AUDIT

NONE

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

EASTERN GARDENS COOPERATIVE, INC.
HUD PROJECT NO. 136-36110

COOPERATIVE'S CERTIFICATION

The books of account are being maintained in accordance with the Uniform System of Accounts for Cooperative Housing Corporations as required by the Department of Housing and Urban Development.

We hereby certify that we have examined the accompanying financial statements and supplemental data of Eastern Gardens Cooperative, Inc., and to the best of our knowledge and belief, the same are complete and accurate.

OFFICERS:

Janice Hoberg, President
Signature

Janice Hoberg
Name

3-11-2013
Date

Kathleen Stotterback - Treasurer
Signature

Kathleen Stotterback
Name

3-11-2013
Date

Employer Identification Number:
94-2237391

**EASTERN GARDENS COOPERATIVE, INC.
HUD PROJECT NO. 136-36110**

MANAGEMENT AGENT'S CERTIFICATION

We hereby certify that we have examined the accompanying financial statements and supplemental data of Eastern Gardens Cooperative, Inc., HUD Project No. 136-36110, and to the best of our knowledge and belief, the same are complete and accurate.

FPI MANAGEMENT, INC.



Mike Watembach for FPI Management, Inc.

3/11/13

Date

Property Manager: Gary Haugstad

Employer Identification Number:
68-0217638



**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURE**

**The Board of Directors
Eastern Gardens Cooperative, Inc.**

We have performed the procedure described in the second paragraph of this report, which was agreed to by Eastern Gardens Cooperative, Inc., and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the OMB Circular A-133 reporting package. Eastern Gardens Cooperative, Inc., is responsible for accuracy and completeness of the electronic submission. This agreed-upon procedure engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

We were engaged to perform an audit of the financial statements of Eastern Gardens Cooperative, Inc., as of and for the year ended December 31, 2012, and have issued our reports thereon dated March 11, 2013. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product of that audit. Further, our opinion on the fair presentation of the supplemental financial data templates dated March 11, 2013, was expressed in relation to the basic financial statements of Eastern Gardens Cooperative, Inc., taken as a whole.

A copy of the financial statement package required by OMB Circular A-133, which includes the auditor's reports, is available in its entirety from Eastern Gardens Cooperative, Inc. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

This report is intended solely for the information and use of Eastern Gardens Cooperative, Inc., and the U.S. Department of Housing and Urban Development, REAC, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive that reads "Pregent & Company".

March 16, 2013

**ATTACHMENT TO INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURE**

UFRS Rule Information	Hard Copy Document(s)	Findings
Balance Sheet, Revenue and Expense and Cash Flow Data (account numbers 1120 to 7100T and the S1200 series)	Supplemental Schedules with Financial Statement Data	Agrees
Footnotes (S3100 series of accounts)	Notes to the Financial Statements	Agrees
Type of Opinion on the Financial Statements and Auditor Reports (S3400, S3500 and S3600 series of accounts)	Auditor's Reports on the Financial Statements, Compliance and Internal Control	Agrees
Type of Opinion on Supplemental Data (account number S3400-100)	Auditor's Report on Supplemental Data	Agrees
Audit Findings Narrative (S3800 series of accounts)	Schedule of Findings and Questioned Costs	Agrees
General Information (S3300, S3700 and S3800 series of accounts)	Schedule of Findings and Questioned Costs and OMB Data Collection Form	Agrees