

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

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

YEAR ENDED DECEMBER 31, 2010

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

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INDEPENDENT AUDITORS' REPORT

The Board of Directors Eastern Gardens Cooperative, Inc.

We have audited the accompanying statement of financial position of Eastern Gardens Cooperative, Inc., as of December 31, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the project's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 16, 2011, on our consideration of the project'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* and should be considered in assessing the results of our audit.

As discussed in Note 2, the project has not estimated the 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 has determined is necessary to supplement, although not required to be part of, the financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information included in the report is presented for purposes of additional analysis as 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 is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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

Pregent
& Company
Certified Public Accountants

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.

Pregent & Company

Roseville, California
February 16, 2011

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

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010

ASSETS

| | | |
|---|-----------|-----------------------|
| Cash | \$ | 34,533 |
| Prepaid expenses | | 9,005 |
| | | <u>43,538</u> |
| Restricted Deposits | | |
| Escrow deposits | | 20,622 |
| Replacement reserve | | 221,951 |
| General operating reserve | | 97,991 |
| Deposits to Coops | | 25,950 |
| | | <u>366,514</u> |
| Fixed Assets | | |
| Land | | 156,092 |
| Buildings and improvements | | 1,839,328 |
| Office furniture and equipment | | 2,970 |
| | | <u>1,998,390</u> |
| Less accumulated depreciation | | <u>(1,547,298)</u> |
| | | <u>451,092</u> |
| Deferred financing costs, less accumulated amortization | | <u>18,157</u> |
| | \$ | <u><u>879,301</u></u> |

LIABILITIES AND NET ASSETS (DEFICIT)

| | | |
|---------------------------------------|-----------|-----------------------|
| Accounts payable | \$ | 13,261 |
| Accrued interest payable | | 5,754 |
| Mortgage payable | | <u>1,018,373</u> |
| TOTAL LIABILITIES | | <u>1,037,388</u> |
| Net Assets (Deficit) | | |
| Certificates of initial capital value | | 15,730 |
| Deficiency from operations | | (197,628) |
| Paid-in surplus | | <u>23,811</u> |
| TOTAL NET ASSETS (DEFICIT) | | <u>(158,087)</u> |
| | \$ | <u><u>879,301</u></u> |

See notes to financial statements.

EASTERN GARDENS COOPERATIVE, INC.

HUD PROJECT NO. 136-36110

**STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2010**

REVENUES

| | |
|-------------------------|--------------|
| Member carrying charges | \$ 545,265 |
| Other | <u>5,637</u> |

| | |
|---------------|----------------|
| TOTAL REVENUE | <u>550,902</u> |
|---------------|----------------|

EXPENSES - PROJECT SERVICES

| | |
|---------------------------|------------|
| Administrative | 89,328 |
| Utilities | 110,085 |
| Operating and maintenance | 150,083 |
| Taxes and insurance | 48,183 |
| Interest | 70,385 |
| Income taxes | <u>800</u> |

| | |
|--|----------------|
| TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION | <u>468,864</u> |
|--|----------------|

| | |
|--|---------------|
| CHANGE IN NET ASSETS BEFORE DEPRECIATION | <u>82,038</u> |
|--|---------------|

| | |
|----------------------|--------------|
| Depreciation expense | 75,192 |
| Amortization expense | <u>1,299</u> |

| | |
|-------------------------------------|---------------|
| TOTAL DEPRECIATION AND AMORTIZATION | <u>76,491</u> |
|-------------------------------------|---------------|

| | |
|--------------------------------------|-------|
| CHANGE IN DEFICIENCY FROM OPERATIONS | 5,547 |
|--------------------------------------|-------|

| | |
|-------------------------------------|------------------|
| NET DEFICIENCY AT BEGINNING OF YEAR | <u>(203,175)</u> |
|-------------------------------------|------------------|

| | |
|--------------------------------------|-----------------------------------|
| NET DEFICIENCY AT END OF YEAR | <u><u>\$ (197,628)</u></u> |
|--------------------------------------|-----------------------------------|

See notes to financial statements.

EASTERN GARDENS COOPERATIVE, INC.

HUD PROJECT NO. 136-36110

**STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2010**

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|------------------|
| Carrying charge receipts | \$ 545,265 |
| Other operating receipts | <u>5,637</u> |
| | <u>550,902</u> |
| Cash paid for administrative expenses | (52,855) |
| Cash paid for management fees | (33,600) |
| Cash paid for utilities | (110,085) |
| Cash paid for operating and maintenance | (150,083) |
| Cash paid for real estate taxes | (18,418) |
| Cash paid for property insurance | (18,003) |
| Cash paid for miscellaneous taxes and insurance | (12,735) |
| Cash paid for mortgage interest | (65,171) |
| Cash paid for mortgage insurance premium | (5,214) |
| Cash paid for income taxes | <u>(800)</u> |
| | <u>(466,964)</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>83,938</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|-----------------|
| Net withdrawals (deposits) to escrow deposits | (733) |
| Net withdrawals (deposits) to replacement reserve | (12,125) |
| Net withdrawals (deposits) to operating reserve | (11,022) |
| Interest retained in deposits to cooperative | <u>(13)</u> |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(23,893)</u> |

CASH FLOWS FROM FINANCING ACTIVITIES

| | |
|---------------------------------------|-----------------|
| Mortgage principal payments | (44,564) |
| Net member transfers | <u>(6,625)</u> |
| NET CASH USED IN FINANCING ACTIVITIES | <u>(51,189)</u> |

INCREASE IN CASH AND EQUIVALENTS 8,856

CASH AND EQUIVALENTS AT BEGINNING OF YEAR 25,677

CASH AND EQUIVALENTS AT END OF YEAR \$ 34,533

See notes to financial statements.

EASTERN GARDENS COOPERATIVE, INC.

HUD PROJECT NO. 136-36110

**STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2010**

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

| | |
|---|-------------------------|
| CHANGE IN DEFICIENCY FROM OPERATIONS | \$ 5,547 |
| <i>Adjustments to reconcile change in deficiency from operations to net cash provided by operating activities</i> | |
| Depreciation | 75,192 |
| Amortization | 1,299 |
| Change in prepaid expenses | (973) |
| Change in accounts payable | <u>2,873</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ <u>83,938</u> |

See notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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 February 16, 2011, 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 tax expense in 2010 was \$800.

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, 2010.

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, 2010

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, 2010, is as follows:

| | |
|--------------------------|---------------------|
| Year ending December 31, | |
| 2011 | \$ 47,431 |
| 2012 | 50,482 |
| 2013 | 53,729 |
| 2014 | 57,185 |
| 2015 | 60,863 |
| Thereafter | <u>748,683</u> |
| | \$ <u>1,018,373</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, 2010, 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, 2010

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.

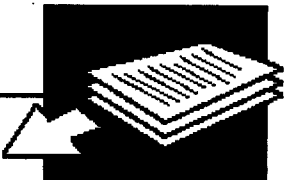
NOTE 6 - MANAGEMENT FEE

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.

SUPPLEMENTAL INFORMATION

| | |
|--|---|
| <p>Annual Financial Statement Electronic Submission</p> <p>U.S. Department of Housing and Urban Development Public Indian Housing - Real Estate Assessment Center (PIH-REAC)</p> |  |
|--|---|

Owner: EASTERN GARDENS COOPERATIVE, INC. TIN: 942237391

Reporting From: 01/01/2010

Reporting To: 12/31/2010

FHA/Contract Number(s): Combined 13636110

Submission Type: AUD-A133

| | | Assets | | |
|---|---|--------------------|--------------|--|
| Account | Description | | Value | |
| 1120 | Cash - Operations | | \$ 34,533 | |
| 1200 | Prepaid Expenses | | \$ 9,005 | |
| 1100T | Total Current Assets | | \$ 43,538 | |
| 1310 | Escrow Deposits | | \$ 20,622 | |
| 1320 | Replacement Reserve | | \$ 221,951 | |
| 1365 | General Operating Reserve (Coops) | | \$ 97,991 | |
| 1370 | Deposits to Coops | | \$ 25,950 | |
| 1300T | Total Deposits | | \$ 366,514 | |
| 1410 | Land | | \$ 156,092 | |
| 1420 | Buildings | | \$ 1,839,328 | |
| 1465 | Office Furniture and Equipment | | \$ 2,970 | |
| 1400T | Total Fixed Assets | | \$ 1,998,390 | |
| 1495 | Accumulated Depreciation | | \$ 1,547,298 | |
| 1400N | Net Fixed Assets | | \$ 451,092 | |
| 1520 | Deferred Financing Costs | | \$ 18,157 | |
| 1500T | Total Other Assets | | \$ 18,157 | |
| 1000T | Total Assets | | \$ 879,301 | |
| | | Liabilities | | |
| Account | Description | | Value | |
| 2110 | Accounts Payable - Operations | | \$ 13,261 | |
| 2131 | Accrued Interest Payable - First Mortgage (or Bonds) | | \$ 5,754 | |
| 2170 | Mortgage (or Bonds) Payable - First Mortgage (Bonds) (Short Term) | | \$ 47,431 | |
| 2122T | Total Current Liabilities | | \$ 66,446 | |
| 2320 | Mortgage (or Bonds) Payable - First Mortgage (or Bonds) | | \$ 970,942 | |
| 2300T | Total Long Term Liabilities | | \$ 970,942 | |
| 2000T | Total Liabilities | | \$ 1,037,388 | |
| Equity/Net Asset Data - Cooperatives | | | | |
| Account | Description | | Value | |
| 4100 | Unrestricted Net Assets (Coops) | | \$- 158,087 | |
| 4200 | Temporarily Restricted Net Assets (Coops) | | \$ 0 | |

| | | | |
|---|--|--------------|-------------|
| 4300 | Permanently Restricted Net Assets (Coops) | | \$ 0 |
| 4000T | Total Equity/Net Assets (Coops) | | \$- 158,087 |
| 2040T | Total Liabilities and Members' Equity (Coops) | | \$ 879,301 |
| Rent Revenue | | | |
| Account | Description | Value | |
| 5120 | Rent Revenue - Gross Potential | | \$ 505,643 |
| 5121 | Tenant Assistance Payments | | \$ 43,225 |
| 5100T | Total Rent Revenue | | \$ 548,868 |
| Vacancies | | | |
| Account | Description | Value | |
| 5220 | Apartments | | \$ 3,603 |
| 5200T | Total Vacancies | | \$ 3,603 |
| 5152N | Net Rental Revenue (Rent Revenue Less Vacancies) | | \$ 545,265 |
| Financial Revenue | | | |
| Account | Description | Value | |
| 5410 | Financial Revenue - Project Operations | | \$ 55 |
| 5440 | Revenue from Investments - Replacement Reserve | | \$ 328 |
| 5400T | Total Financial Revenue | | \$ 383 |
| Other Revenue | | | |
| Account | Description | Value | |
| 5910 | Laundry and Vending Revenue | | \$ 2,853 |
| 5920 | Tenant Charges | | \$ 2,401 |
| 5900T | Total Other Revenue | | \$ 5,254 |
| 5000T | Total Revenue | | \$ 550,902 |
| Administrative Expenses | | | |
| Account | Description | Value | |
| 6311 | Office Expenses | | \$ 12,281 |
| 6320 | Management Fee | | \$ 33,600 |
| 6330 | Manager or Superintendent Salaries | | \$ 31,379 |
| 6331 | Administrative Rent Free Unit | | \$ 5,268 |
| 6350 | Audit Expense | | \$ 6,800 |
| 6263T | Total Administrative Expenses | | \$ 89,328 |
| Utilities Expenses | | | |
| Account | Description | Value | |
| 6450 | Electricity | | \$ 15,240 |
| 6451 | Water | | \$ 23,437 |
| 6452 | Gas | | \$ 27,690 |
| 6453 | Sewer | | \$ 43,718 |
| 6400T | Total Utilities Expense | | \$ 110,085 |
| Operating & Maintenance Expenses | | | |
| Account | Description | Value | |
| 6515 | Supplies | | \$ 44,617 |
| 6520 | Contracts | | \$ 87,425 |

| | | |
|-------|--|------------|
| 6525 | Garbage and Trash Removal | \$ 11,817 |
| 6546 | Heating/Cooling Repairs and Maintenance | \$ 6,224 |
| 6500T | Total Operating and Maintenance Expenses | \$ 150,083 |

Taxes & Insurance

| Account | Description | Value |
|----------------|--|--------------|
| 6710 | Real Estate Taxes | \$ 18,418 |
| 6711 | Payroll Taxes (Project's Share) | \$ 3,281 |
| 6720 | Property & Liability Insurance (Hazard) | \$ 18,003 |
| 6722 | Workmen's Compensation | \$ 3,512 |
| 6723 | Health Insurance and Other Employee Benefits | \$ 4,969 |
| 6700T | Total Taxes and Insurance | \$ 48,183 |

Financial Expenses

| Account | Description | Value |
|----------------|---|--------------|
| 6820 | Interest on First Mortgage (or Bonds) Payable | \$ 65,171 |
| 6850 | Mortgage Insurance Premium/Service Charge | \$ 5,214 |
| 6800T | Total Financial Expenses | \$ 70,385 |

Operating Results

| Account | Description | Value |
|----------------|--|--------------|
| 6000T | Total Cost of Operations before Depreciation | \$ 468,064 |
| 5060T | Profit (Loss) before Depreciation | \$ 82,838 |
| 6600 | Depreciation Expenses | \$ 75,192 |
| 6610 | Amortization Expense | \$ 1,299 |
| 5060N | Operating Profit or (Loss) | \$ 6,347 |

Corporate or Mortgagor Revenue/Expenses

| Account | Description | Value |
|----------------|--|--------------|
| 7130 | Federal, State, and Other Income Taxes | \$ 800 |
| 7100T | Net Entity Expenses | \$ 800 |

Change in Net Assets from Operations

| Account | Description | Value |
|----------------|-----------------------------------|--------------|
| 3250 | Change in Unrestricted Net Assets | \$ 5,547 |

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. | \$ 44,564 |
| 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 |
| S1000-030 | Replacement Reserves, or Residual Receipts and Releases which are included as expense items on this Profit and Loss statement. | \$ 0 |
| S1000-040 | Project Improvement Reserve releases under the Flexible Subsidy Program that are included as expense items on this Profit and Loss statement. | \$ 0 |

Equity Data

| Account | Description | Value |
|-----------|---|-------------|
| S1100-200 | Previous Year Unrestricted Net Assets (Coops) | \$- 157,009 |
| S1100-205 | Change in Unrestricted Net Assets (Coops) | \$- 1,078 |
| 4100 | Unrestricted Net Assets (Coops) | \$- 158,087 |
| 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 | \$- 157,009 |
| S1100-185 | Total Equity/Net Assets (Coops) - Change | \$- 1,078 |
| 4000T | Total Equity/Net Assets (Coops) | \$- 158,087 |
| S1100-110 | Certificates of Initial Capital Value (Coops) - Beginning Balance | \$ 15,873 |
| S1100-115 | Certificates of Initial Capital Value (Coops) - Change | \$- 143 |
| 4020 | Certificates of Initial Capital Value (Coops) | \$ 15,730 |
| S1100-120 | Surplus/Deficiency from Operations (Coops) - Beginning Balance | \$- 203,175 |
| S1100-125 | Surplus/Deficiency from Operations (Coops) - Change | \$ 5,547 |

| | | |
|-----------|---|-------------|
| 4030 | Surplus/Deficiency from Operations (Coops) | \$- 197,628 |
| S1100-160 | Paid-in Surplus (Coops) - Beginning Balance | \$ 30,293 |
| S1100-165 | Paid-in Surplus (Coops) - Change | \$- 6,482 |
| 4070 | Paid-in Surplus (Coops) | \$ 23,811 |

Cash Flow from Operating Activities

| Account | Description | Value |
|-----------|---|--------------|
| S1200-010 | Rental Receipts | \$ 545,265 |
| S1200-020 | Interest Receipts | \$ 383 |
| S1200-030 | Other Operating Receipts | \$ 5,254 |
| S1200-040 | Total Receipts | \$ 550,902 |
| S1200-050 | Administrative | \$- 52,855 |
| S1200-070 | Management Fee | \$- 33,600 |
| S1200-090 | Utilities | \$- 110,085 |
| S1200-110 | Operating and Maintenance | \$- 150,083 |
| S1200-120 | Real Estate Taxes | \$- 18,418 |
| S1200-140 | Property Insurance | \$- 18,003 |
| S1200-150 | Miscellaneous Taxes and Insurance | \$- 12,735 |
| S1200-180 | Interest on First Mortgage | \$- 65,171 |
| S1200-210 | Mortgage Insurance Premium (MIP) | \$- 5,214 |
| S1200-225 | Entity/Construction Disbursements | \$- 800 |
| | Details - Entity/Construction Disbursements | |
| | S1200-226 - Description | Income Taxes |
| | S1200-227 - Amount | \$- 800 |
| S1200-230 | Total Disbursements | \$- 466,964 |
| S1200-240 | Net Cash provided by (used in) Operating Activities | \$ 83,938 |

Cash Flow from Investing Activities

| Account | Description | Value |
|-----------|---|------------|
| S1200-245 | Net Deposits to the Mortgage Escrow account | \$- 733 |
| S1200-250 | Net Deposits to the Reserve for Replacement account | \$- 12,125 |
| S1200-280 | Net Deposits to the General Operating Reserve (coops) | \$- 11,022 |
| S1200-340 | Other Investing Activities | \$- 13 |
| S1200-350 | Net Cash used in Investing Activities | \$- 23,893 |

Cash Flow from Financing Activities

| Account | Description | Value |
|-----------|---|----------------------|
| S1200-360 | Principal Payments - First Mortgage (or Bonds) | \$- 44,564 |
| S1200-455 | Entity/Construction Financing Activities | \$- 6,625 |
| | Details - Entity/Construction Financing Activities | |
| | S1200-456 - Description | Net Member Transfers |

| | | | |
|-----------|--|-----------|------------|
| | S1200-457 - Amount | \$- 6,625 | |
| S1200-460 | Net Cash used in Financing Activities | | \$- 51,189 |
| S1200-470 | Net increase (decrease) in Cash and Cash Equivalents | | \$ 8,856 |

Cash and Cash Equivalents

| Account | Description | Value | |
|-----------|--------------------------|-------|-----------|
| S1200-480 | Beginning of Period Cash | | \$ 25,677 |
| S1200T | End of Period Cash | | \$ 34,533 |

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

| Account | Description | Value | |
|---------|-----------------------------------|-------|----------|
| 3250 | Change in Unrestricted Net Assets | | \$ 5,547 |

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

| Account | Description | Value | |
|-----------|---|-------|-----------|
| 6600 | Depreciation Expenses | | \$ 75,192 |
| 6610 | Amortization Expense | | \$ 1,299 |
| S1200-520 | Decrease (increase) in Prepaid Expenses | | \$- 973 |
| S1200-540 | Increase (decrease) in Accounts Payable | | \$ 2,873 |

Net Cash provided by (used in) Operating Activities

| Account | Description | Value | |
|-----------|---|-------|-----------|
| S1200-610 | Net Cash provided by (used in) Operating Activities | | \$ 83,938 |

Notes

| 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 | Subsequent Events-The Project has evaluated subsequent events through February XX, 2011, 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 tax expense in 2010 was \$800. 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, 2010. 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.

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, 2010, 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 | \$ 47,431 |
| S3100-070 - Principal Payments in the next 12 months - Year 2 | \$ 50,482 |
| S3100-080 - Principal Payments in the next 12 months - Year 3 | \$ 53,729 |
| S3100-090 - Principal Payments in the next 12 months - Year 4 | \$ 57,185 |
| S3100-100 - Principal Payments in the next 12 months - Year 5 | \$ 60,863 |
| S3100-110 - Principal | |

| | | |
|-----------|---|---|
| | Payments remaining after Year 5 | \$ 748,683 |
| 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 | |
|-----------|------------------------------------|-------|---|
| S3600-020 | 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 | \$ 209,826 | |
| 1320DT | Total Monthly Deposits | \$ 11,796 | |
| 1320INT | Interest on Replacement Reserve Accounts | \$ 329 | |
| 1320 | Balance at End of Year, Confirmed by Mortgagee | \$ 221,951 | |
| 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 | |
| 1420 | Buildings | \$ 1,839,328 | |

| | | |
|--------|---|--------------|
| 1465P | Beginning Balance for 1465 | \$ 2,970 |
| 1465 | Office Furniture and Equipment | \$ 2,970 |
| 1400PT | Total Beginning Balance for Fixed Assets | \$ 1,998,390 |
| 1400T | Total Fixed Assets | \$ 1,998,390 |
| 1495P | Beginning Balance for 1495 | \$ 1,472,106 |
| 6600 | Total Provisions | \$ 75,192 |
| 1495 | Ending Balance for Accumulated Depreciation | \$ 1,547,298 |
| 1400N | Total Net Book Value | \$ 451,092 |

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 | \$ 1,018,373 | |
| | 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 | \$ 43,225 | |

Schedule of Expenditures of Federal Awards

| Account | Description | Value |
|-----------|-------------------------------|--------------|
| S3300-500 | Total Federal Awards Expended | \$ 1,061,598 |

S3300-510 Note to the Schedule

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.

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 | James R. Patrick |
| S2900-025 | Title of Certifying Official #1 | President |
| S2900-030 | Name of Signatory #2 | Donna Schmelz |

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 | 02/16/2011 |
| S2900-080 | Auditee Name | Eastern Gardens Cooperative, 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 | 02/16/2011 |
| 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, 2010**

| <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 | \$ 1,018,373 |
| Section 8 Housing Assistance Payments | 14.195 | <u>43,225</u> |
| Total | | <u>\$ 1,061,598</u> |

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

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2010**

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 the financial statements of Eastern Gardens Cooperative, Inc., as of and for the year ended December 31, 2010, and have issued our report thereon dated February 16, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Eastern Gardens Cooperative, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

This report is intended solely for the information and use of the board of directors, management, others within the organization, and the U.S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

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

Roseville, California
February 16, 2011



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

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

Compliance

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 each of Eastern Gardens Cooperative, Inc.'s major federal programs for the year ended December 31, 2010. Eastern Gardens Cooperative, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Eastern Gardens Cooperative, Inc.'s management. Our responsibility is to express an opinion on Eastern Gardens Cooperative, Inc.'s compliance based on our audit.

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. Our audit does not provide a legal determination on Eastern Gardens Cooperative, Inc.'s compliance with those requirements.

In our opinion, Eastern Gardens Cooperative, Inc., complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

Management of Eastern Gardens Cooperative, Inc., is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Eastern Gardens Cooperative, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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.

Pregent

CPA Company
Certified Public Accountants

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of directors, management, others within the organization, and the U.S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Pregent CPA Company

Roseville, California
February 16, 2011

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2010**

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

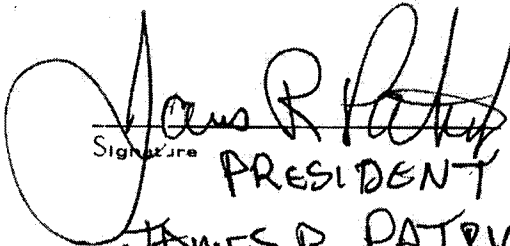
EASTERN GARDENS COOPERATIVE, INC.
HUD PROJECT NO. 136-36110

COOPERATIVE'S CERTIFICATION

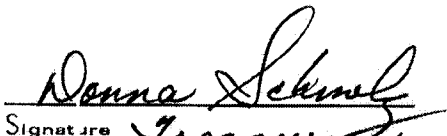
The books of account are being maintained in accordance with the Uniform System of Accounts for Cooperative Housing Corporations as required by the Department of Housing and Urban Development.

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:


Signature
PRESIDENT
JAMES R. PATRICK
Name

2-16-2011
Date


Signature
Treasurer
DONNA SCHMELZ
Name

2-16-2011
Date

Employer Identification Number:
94-2237391

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

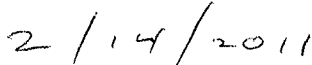
MANAGEMENT AGENT'S CERTIFICATION

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.



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, 2010, and have issued our reports thereon dated February 16, 2011. 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 February 16, 2011, 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 script that reads "Pregent & Company".

Roseville, California
March 2, 2011

**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 |