



Eastern Gardens Co-op

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www.easterngardenscoop.org

November 29, 2013

To: Eastern Gardens Membership

Subject: Annual Budget Report

The new Annual Budget Report ¹ informs the membership which contains all financial related items for the year 2013. For a more detailed report please go to EG's website at www.easterngardenscoop.org under the tab of "Members Section".

1. The Budget.² The operating budget is established with the anticipated income of the corporation and a sufficiently detailed estimate of expenses which will include separate estimates for administration expenses, operating expenses, maintenance expenses, utilities, hazard insurance, taxes and assessments, interest and amortization, mortgage insurance premium, replacement reserve and operative reserve. For simplicity, the budget for 2014 is illustrated in pie chart form. See attached charts.
2. A summary of the most recent restricted reserve funds, includes the following:³

• Mortgage escrow deposits	\$ 28,699.
• Reserve for replacements	\$240,642.
• Cash-general operative reserve	\$127,398.
• <u>Special equity account co-op</u>	<u>\$ 25,984.</u>
Total restricted funds	\$422,723
3. The Reserve Funding Plan.⁴ Eastern Gardens (EG) has established and maintains a Reserve Fund for Replacement Account and a Cash-General Operating Reserve Account by a monthly allocation to such reserve funds in separate responsible depositories under EG's control. Such funds are for the purpose of effecting replacements for structural elements and mechanical equipment of the corporation and for such other purposes. Disbursements from such funds may be made only after receiving the consent in writing of the HUD Commissioner.

¹ CA Civil Code §5300(b)

² EG Budget Approved 9.5.2013 by the Board of Directors

³ EG 2013 Financial Statement as of October 2013

⁴ EG Funding Plan is IAW HUD Regulatory Agreement, Members Handbook page 12

4. The Reserves are Funded and Calculated.⁵ in accordance with, Eastern Gardens Regulatory Agreement as established with the Housing Urban Department (HUD). The cash-general operating reserve is funded monthly of a sum equivalent not less than 3 percent of the total monthly amount received from the carrying charges. Upon accrual in said General Operating Reserve Account, of an amount equal to 15 percent of the current annual amount, the rate of such monthly allocations may, by appropriate action of Eastern Gardens, be reduced from 3 percent to 2 percent provided, however, that in the event withdrawals from such account reduce it below said 15 percent accrual, the rate of such monthly deposits shall immediately be restored to 3 percent; at anytime thereafter upon accrual in said General Operating Reserve Account of an amount equal to 25 percent of the current annual amount otherwise chargeable to the members pursuant to their occupancy agreement, such monthly deposits may, by appropriate action of Eastern Gardens, be discontinued and no further deposits need be made into such General Operating Reserve Account so long as said 25 percent level is maintained and provided, further, that upon any reduction of such reserve below said 25 percent level, monthly deposits shall forthwith be made at the 3 percent rate until the 25 percent level is restored. Monthly deposits are as follows:

- Reserve for replacements \$983.00.
- Cash-general operating reserve \$918.00.

The cumulative reserve is intended to provide a measure of financial stability during periods of special stress and may be used to meet deficiencies from time-to-time as a result of delinquent payments by individual cooperators/members, to provide funds for the re-purchase of stock of withdrawing members, and other contingencies.

5. Special assessments.⁶ The California Civil Code (DS Act) allows for the board to impose special assessments when our financial situation is stressed, that is, reserve funds have been depleted or low occupancy levels, for example, unplanned legal hardships, or an extraordinary expense necessary to repair or maintain a structural element. The Code limits board approved special assessments to 5% of the budget's gross operating expenses this includes reserve allocations. **For example:**

- Gross budget for estimated operating expenses for year 2013:

$$\begin{array}{r} \$571,364. \\ \underline{\quad \times 5\%} \\ \$ 28,568. \\ \underline{\quad \div 112 \text{ total occupied apartment units}} \\ \$ \quad 255. \text{ each apartment unit (i.e. household)} \end{array}$$

Eastern Gardens foresees no financial difficulties and, therefore, no assessments are scheduled for the year 2014.

⁵ EG Reserves are Funded & Calculated IAW HUD Regulatory Agreement, Members Handbook page 13

⁶ CA Civil Code §5600

6. Disclosure of outstanding loans.⁷
- CAPMARC Mortgage Company
 - Balance \$875,920
7. A summary of the Corporation's insurance.⁸
- Property & Liability Insurance
 - Limits of liability each claim - \$5m
 - Monthly expense - \$1,465.
 - Mortgage Insurance Premium
 - Monthly expense - \$395.
 - Directors and Officers Liability Coverage
 - Limits of liability each claim - \$1m
 - Monthly expense - \$247.

Sincerely,

Janice Hoberg, Director/President
Kathy Slotterback, Director/Treasurer
Shirley Brown, Director
Linda Manning, Alternate Director

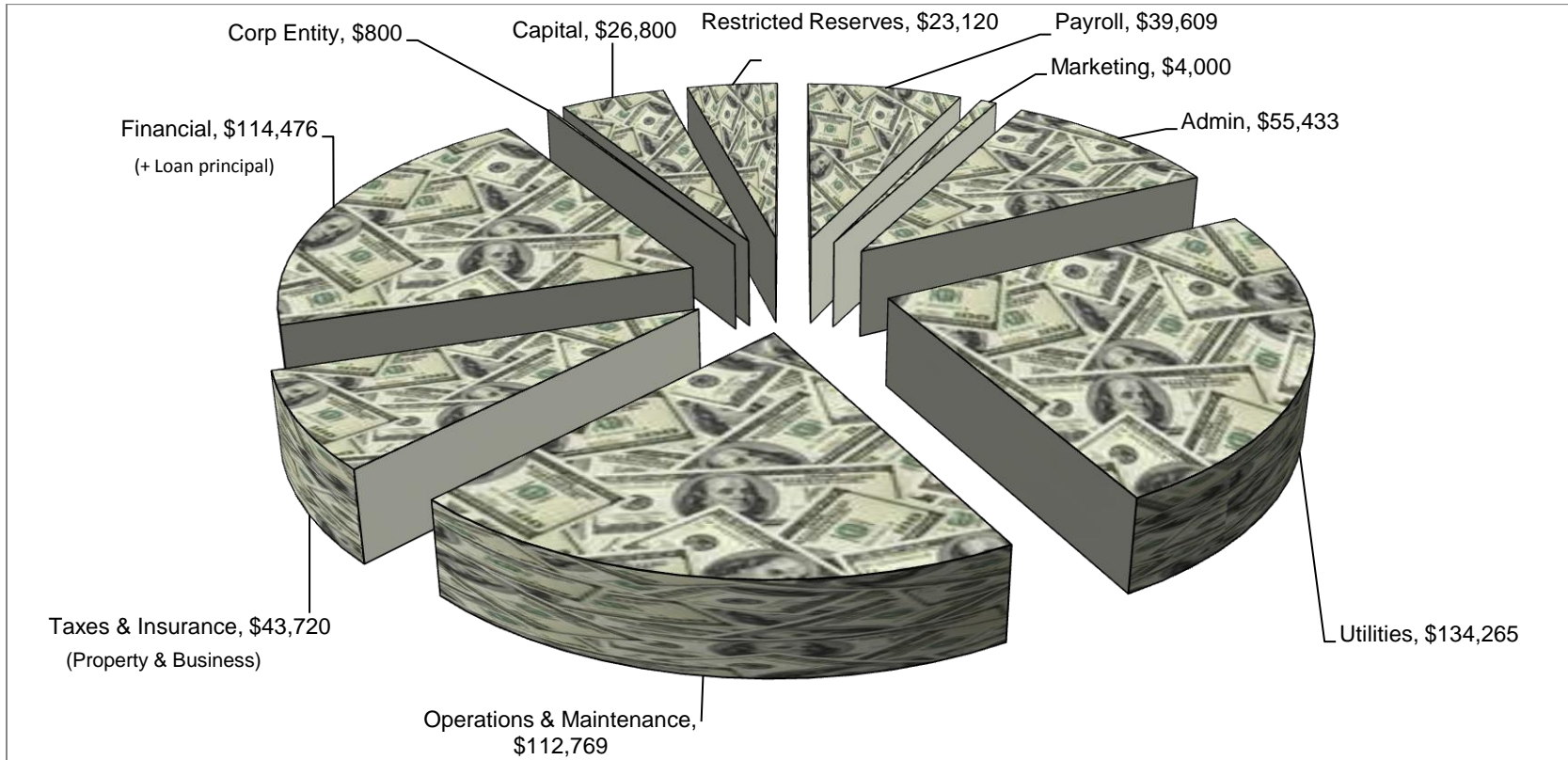
Jerry Ontiveros, Director/Vice President
Ed Healy, Director/Secretary
Lynette Haley, Alternate Director

Eastern Gardens Board of Directors

⁷ EG Financial Statement as of October 2013

⁸ EG Financial Statement as of October 2013

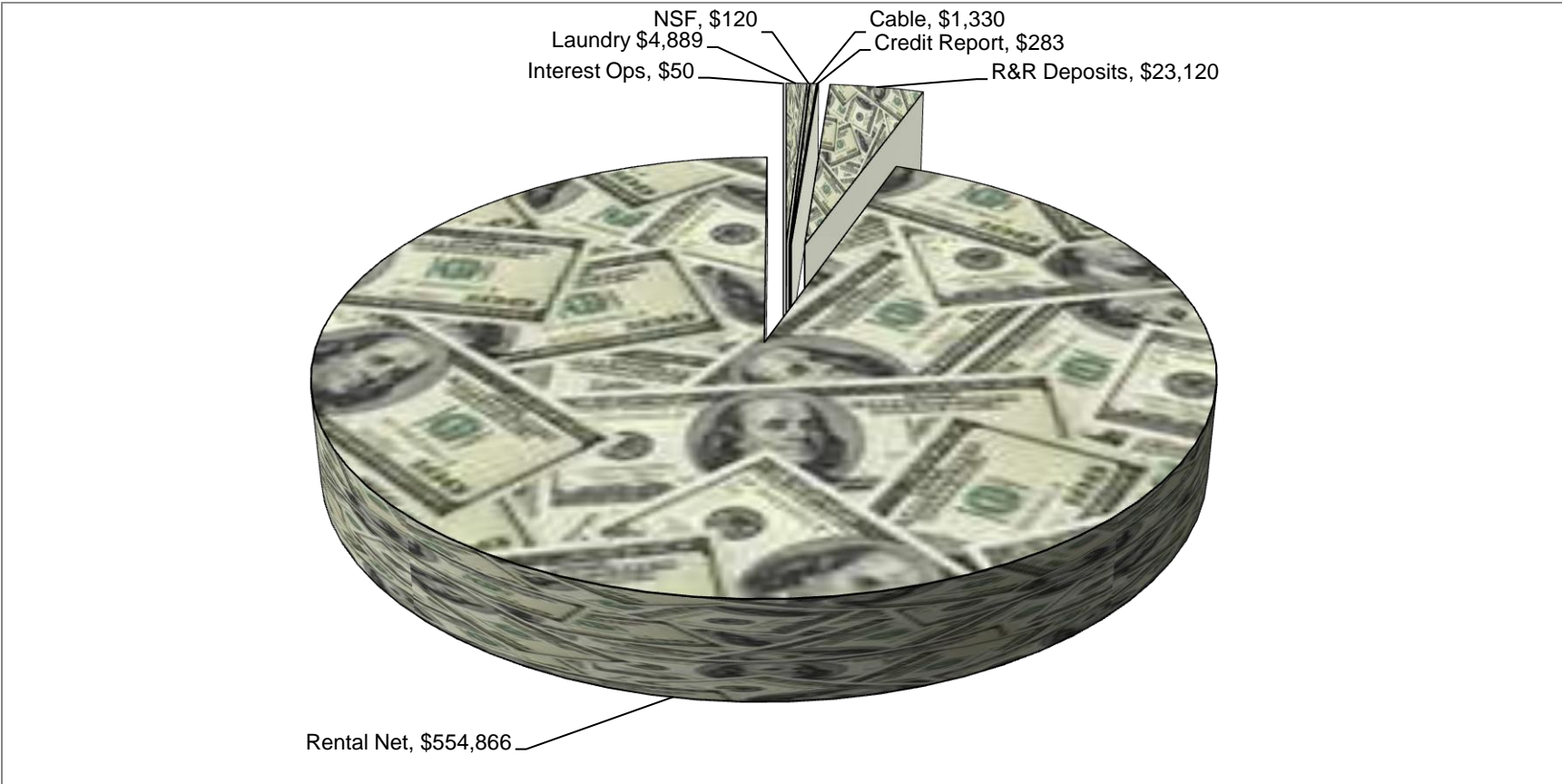
2014 ESTIMATED EXPENSES



Estimated Expenses

\$554,992.00

2014 ESTIMATED INCOME



Estimated Net Income \$561,538.00
Positive/(Negative) Cash Flow \$006,545.00