

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

**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2014**

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

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## INDEPENDENT AUDITOR'S 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, 2014, 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.

#### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eastern Gardens Cooperative, Inc., as of December 31, 2014, 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 February 25, 2015, 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.

*Pregent & Company*

February 25, 2015

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

**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2014**

**ASSETS**

Cash		\$ 87,648
Prepaid expenses		17,102
		<u>104,750</u>
Restricted Deposits		
Escrow deposits		21,923
Replacement reserve		200,622
General operating reserve		140,606
Deposits to Coops		25,993
		<u>389,144</u>
Fixed Assets		
Land		156,092
Buildings and improvements		1,841,362
		<u>1,997,454</u>
Less accumulated depreciation		<u>(1,730,689)</u>
		<u>266,765</u>
Deferred financing costs, less accumulated amortization		12,967
Deferred income taxes		23,000
		<u>35,967</u>
		<u>\$ 796,626</u>

**LIABILITIES AND NET DEFICIT**

Accounts payable		\$ 22,333
Accrued interest payable		4,216
Mortgage payable		809,547
		<u>836,096</u>
Total liabilities		<u>836,096</u>
Net Deficit		
Certificates of initial capital value		16,016
Deficiency from operations		(114,448)
Paid-in surplus		58,962
		<u>(39,470)</u>
Total net deficit		<u>(39,470)</u>
		<u>\$ 796,626</u>

See notes to financial statements.

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

**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2014**

**REVENUES**

Member carrying charges	\$ 564,979
Other	<u>8,042</u>
Total revenue	<u>573,021</u>

**EXPENSES - PROJECT SERVICES**

Administrative	84,992
Utilities	119,036
Operating and maintenance	201,694
Taxes and insurance	54,062
Interest	56,457
Income taxes	<u>4,053</u>
Total expenses before depreciation and amortization	<u>520,294</u>
Change in net assets before depreciation	<u>52,727</u>
Depreciation expense	38,167
Amortization expense	<u>1,296</u>
Total depreciation and amortization	<u>39,463</u>

**CHANGE IN DEFICIENCY FROM OPERATIONS** **\$ 13,264**

See notes to financial statements.

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

**STATEMENT OF CHANGES IN NET DEFICIT**  
**YEAR ENDED DECEMBER 31, 2014**

	Certificates of Initial Capital Value	Deficiency from Operations	Paid-In Surplus	Total
<b>BALANCE AT BEGINNING OF YEAR</b>	\$ 16,016	\$ (127,712)	\$ 58,962	\$ (52,734)
Current year change in deficiency from operations	<u>-</u>	<u>13,264</u>	<u>-</u>	<u>13,264</u>
<b>BALANCE AT END OF YEAR</b>	<u>\$ 16,016</u>	<u>\$ (114,448)</u>	<u>\$ 58,962</u>	<u>\$ (39,470)</u>

See notes to financial statements.

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

**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2014**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Carrying charge receipts	\$ 564,979
Other operating receipts	<u>8,042</u>
	<u>573,021</u>
Cash paid for administrative expenses	(47,687)
Cash paid for management fees	(33,600)
Cash paid for utilities	(116,338)
Cash paid for operating and maintenance	(192,844)
Cash paid for real estate taxes	(21,213)
Cash paid for property insurance	(20,033)
Cash paid for miscellaneous taxes and insurance	(12,816)
Cash paid for mortgage interest	(52,551)
Cash paid for mortgage insurance premium	(4,204)
Cash paid for income taxes	<u>(3,482)</u>
	<u>(504,768)</u>
Net cash provided by operating activities	<u>68,253</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Net withdrawals (deposits) to escrow deposits	(1,428)
Net withdrawals (deposits) to replacement reserve	42,003
Net withdrawals (deposits) to operating reserve	(11,368)
Interest retained in deposits to cooperative	<u>(8)</u>
	<u>29,199</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Mortgage principal payments	<u>(57,184)</u>
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Net increase in cash 40,268

**CASH AT BEGINNING OF YEAR** 47,380

**CASH AT END OF YEAR** \$ 87,648

See notes to financial statements.



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

**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2014**

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

<b>CHANGE IN DEFICIENCY FROM OPERATIONS</b>	\$ 13,264
<i>Adjustments to reconcile change in deficiency from operations to net cash provided by operating activities</i>	
Depreciation	38,167
Amortization	1,296
Change in prepaid expenses	(3,429)
Change in deferred income taxes	4,000
Change in accounts payable	15,253
Change in accrued interest payable	<u>(298)</u>
Net cash provided by operating activities	<u>\$ 68,253</u>

See notes to financial statements.

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

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**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 25, 2015, 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 2010 through 2014 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, 2014.

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, 2014**

**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.

The Project has made an appropriation of the paid-in surplus account for the replacement and general operating reserves.

**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, 2014, is as follows:

Year ending December 31,	
2015	\$ 60,863
2016	64,778
2017	68,944
2018	73,379
2019	78,099
Thereafter	<u>463,484</u>
	\$ <u>809,547</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, 2014, 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, 2014**

**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 VULNERABILITIES 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.

The Project maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Project has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash balances.

## **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: 01/01/2014

Reporting To: 12/31/2014

FHA/Contract Number(s): Combined 13636110

Submission Type: AUD-A133

**Assets**

Account	Description	Value
1120	Cash - Operations	\$ 87,648
1200	Prepaid Expenses	\$ 17,102
1100T	Total Current Assets	\$ 104,750
1310	Escrow Deposits	\$ 21,923
1320	Replacement Reserve	\$ 200,622
1365	General Operating Reserve (Coops)	\$ 140,606
1370	Deposits to Coops	\$ 25,993
1300T	Total Deposits	\$ 389,144
1410	Land	\$ 156,092
1420	Buildings	\$ 1,841,362
1400T	Total Fixed Assets	\$ 1,997,454
1495	Accumulated Depreciation	\$ 1,730,689
1400N	Net Fixed Assets	\$ 266,765
1520	Deferred Financing Costs	\$ 12,967
1590	Miscellaneous Other Assets	\$ 23,000

**Detail - Miscellaneous Other Assets**

Account	Description	Value
1590-005	Type of Asset Other	
1590-010	Description - Miscellaneous Detail for 1590	
1590-020	Amount - Miscellaneous Detail for 1590	\$ 23,000

**Assets**

Account	Description	Value
1500T	Total Other Assets	\$ 35,967
1000T	Total Assets	\$ 796,626

**Liabilities**

Account	Description	Value
2110	Accounts Payable - Operations	\$ 22,333
2131	Accrued Interest Payable - First Mortgage (or Bonds)	\$ 4,216
2170	Mortgage (or Bonds) Payable - First Mortgage	\$ 60,863

	(Bonds) (Short Term)	
2122T	Total Current Liabilities	\$ 87,412
2320	Mortgage (or Bonds)	
	Payable - First Mortgage (or Bonds)	\$ 748,684
2300T	Total Long Term Liabilities	\$ 748,684
2000T	Total Liabilities	\$ 836,096

#### Equity/Net Asset Data - Cooperatives

Account	Description	Value
4100	Unrestricted Net Assets (Coops)	\$- 39,470
4200	Temporarily Restricted Net Assets (Coops)	\$ 0
4300	Permanently Restricted Net Assets (Coops)	\$ 0
4000T	Total Equity/Net Assets (Coops)	\$- 39,470
2040T	Total Liabilities and Members' Equity (Coops)	\$ 796,626

#### Rent Revenue

Account	Description	Value
5120	Rent Revenue - Gross Potential	\$ 508,543
5121	Tenant Assistance Payments	\$ 57,291
5100T	Total Rent Revenue	\$ 565,834

#### Vacancies

Account	Description	Value
5220	Apartments	\$ 855
5200T	Total Vacancies	\$ 855
5152N	Net Rental Revenue (Rent Revenue Less Vacancies)	\$ 564,979

#### Financial Revenue

Account	Description	Value
5410	Financial Revenue - Project Operations	\$ 48
5440	Revenue from Investments - Replacement Reserve	\$ 101
5400T	Total Financial Revenue	\$ 149

#### Other Revenue

Account	Description	Value
5910	Laundry and Vending Revenue	\$ 6,310
5920	Tenant Charges	\$ 1,583
5900T	Total Other Revenue	\$ 7,893
5000T	Total Revenue	\$ 573,021

#### Administrative Expenses

Account	Description	Value
6210	Advertising and Marketing	\$ 2,304
6311	Office Expenses	\$ 12,749
6320	Management Fee	\$ 33,600

6330	Manager or Superintendent Salaries	\$ 26,084
6340	Legal Expense - Project	\$ 2,805
6350	Audit Expense	\$ 7,450
6263T	Total Administrative Expenses	\$ 84,992

#### Utilities Expenses

Account	Description	Value
6450	Electricity	\$ 14,026
6451	Water	\$ 21,407
6452	Gas	\$ 30,370
6453	Sewer	\$ 53,233
6400T	Total Utilities Expense	\$ 119,036

#### Operating & Maintenance Expenses

Account	Description	Value
6515	Supplies	\$ 24,608
6520	Contracts	\$ 150,196
6525	Garbage and Trash Removal	\$ 17,026
6546	Heating/Cooling Repairs and Maintenance	\$ 9,864
6500T	Total Operating and Maintenance Expenses	\$ 201,694

#### Taxes & Insurance

Account	Description	Value
6710	Real Estate Taxes	\$ 21,213
6711	Payroll Taxes (Project's Share)	\$ 3,026
6720	Property & Liability Insurance (Hazard)	\$ 20,033
6722	Workmen's Compensation	\$ 3,412
6723	Health Insurance and Other Employee Benefits	\$ 6,378
6700T	Total Taxes and Insurance	\$ 54,062

#### Financial Expenses

Account	Description	Value
6820	Interest on First Mortgage (or Bonds) Payable	\$ 52,253
6850	Mortgage Insurance Premium/ Service Charge	\$ 4,204
6800T	Total Financial Expenses	\$ 56,457

#### Operating Results

Account	Description	Value
6000T	Total Cost of Operations before Depreciation	\$ 516,241
5060T	Profit (Loss) before Depreciation	\$ 56,780
6600	Depreciation Expenses	\$ 38,167
6610	Amortization Expense	\$ 1,296
5060N	Operating Profit or (Loss)	\$ 17,317

#### Corporate or Mortgagor Revenue/Expenses



Account	Description	Value
7130	Federal, State, and Other Income Taxes	\$ 4,053
7100T	Net Entity Expenses	\$ 4,053

### Change in Net Assets from Operations

Account	Description	Value
3250	Change in Unrestricted Net Assets	\$ 13,264

### 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.	\$ 57,184
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.	\$ 53,900

### Equity Data

Account	Description	Value
S1100-200	Previous Year Unrestricted Net Assets (Coops)	\$- 52,734
S1100-205	Change in Unrestricted Net Assets (Coops)	\$ 13,264
4100	Unrestricted Net Assets (Coops)	\$- 39,470
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	\$ 0

	(Coops)	
4300	Permanently Restricted Net Assets (Coops)	\$ 0
S1100-180	Total Equity/Net Assets (Coops) - Beginning Balance	\$- 52,734
S1100-185	Total Equity/Net Assets (Coops) - Change	\$ 13,264
4000T	Total Equity/Net Assets (Coops)	\$- 39,470
S1100-110	Certificates of Initial Capital Value (Coops) - Beginning Balance	\$ 16,016
S1100-115	Certificates of Initial Capital Value (Coops) - Change	\$ 0
4020	Certificates of Initial Capital Value (Coops)	\$ 16,016
S1100-120	Surplus/Deficiency from Operations (Coops) - Beginning Balance	\$- 127,712
S1100-125	Surplus/Deficiency from Operations (Coops) - Change	\$ 13,264
4030	Surplus/Deficiency from Operations (Coops)	\$- 114,448
S1100-160	Paid-in Surplus (Coops) - Beginning Balance	\$ 58,962
S1100-165	Paid-in Surplus (Coops) - Change	\$ 0
4070	Paid-in Surplus (Coops)	\$ 58,962

### Cash Flow from Operating Activities

Account	Description	Value
S1200-010	Rental Receipts	\$ 564,979
S1200-030	Other Operating Receipts	\$ 8,042
S1200-040	Total Receipts	\$ 573,021
S1200-050	Administrative	\$- 47,687
S1200-070	Management Fee	\$- 33,600
S1200-090	Utilities	\$- 116,338
S1200-110	Operating and Maintenance	\$- 192,844
S1200-120	Real Estate Taxes	\$- 21,213
S1200-140	Property Insurance	\$- 20,033
S1200-150	Miscellaneous Taxes and Insurance	\$- 12,816
S1200-180	Interest on First Mortgage	\$- 52,551
S1200-210	Mortgage Insurance Premium (MIP)	\$- 4,204
S1200-225	Entity/Construction Disbursements	\$- 3,482
	<b>Details - Entity/Construction Disbursements</b>	
	S1200-226 - Description	Income Taxes
	S1200-227 - Amount	\$- 3,482

S1200-230	Total Disbursements	\$- 504,768
S1200-240	Net Cash provided by (used in) Operating Activities	\$ 68,253

### Cash Flow from Investing Activities

Account	Description	Value
S1200-245	Net Deposits to the Mortgage Escrow account	\$- 1,428
S1200-250	Net Deposits to the Reserve for Replacement account	\$ 42,003
S1200-280	Net Deposits to the General Operating Reserve (coops)	\$- 11,368
S1200-340	Other Investing Activities	\$- 8
S1200-350	Net Cash used in Investing Activities	\$ 29,199

### Cash Flow from Financing Activities

Account	Description	Value
S1200-360	Principal Payments - First Mortgage (or Bonds)	\$- 57,184
S1200-460	Net Cash used in Financing Activities	\$- 57,184
S1200-470	Net increase (decrease) in Cash and Cash Equivalents	\$ 40,268

### Cash and Cash Equivalents

Account	Description	Value
S1200-480	Beginning of Period Cash	\$ 47,380
S1200T	End of Period Cash	\$ 87,648

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

Account	Description	Value
3250	Change in Unrestricted Net Assets	\$ 13,264

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

Account	Description	Value
6600	Depreciation Expenses	\$ 38,167
6610	Amortization Expense	\$ 1,296
S1200-520	Decrease (increase) in Prepaid Expenses	\$- 3,429
S1200-540	Increase (decrease) in Accounts Payable	\$ 15,253
S1200-570	Increase (decrease) in Accrued Interest Payable	\$- 298
S1200-600	Other adjustments to reconcile net profit (loss) to Net Cash provided by (used in) Operating Activities	\$ 4,000

### 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	Change in Deferred Income Taxes
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Net Cash provided by (used in) Operating Activities  
 S1200-602 - Amount - Other adjustments to reconcile net profit (loss) to Net Cash provided by (used in) Operating Activities \$ 4,000

**Net Cash provided by (used in) Operating Activities**

<b>Account</b>	<b>Description</b>	<b>Value</b>
S1200-610	Net Cash provided by (used in) Operating Activities	\$ 68,253

**Notes**

<b>Account</b>	<b>Description</b>	<b>Value</b>
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	
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Subsequent Events-The Project has evaluated subsequent events through February 25, 2015, 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 2010 through 2014 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, 2014. 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, 2014, 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	\$ 60,863
S3100-070 - Principal Payments in the next 12 months - Year 2	\$ 64,778
S3100-080 - Principal Payments in the next 12 months - Year 3	\$ 68,944
S3100-090 - Principal Payments in the next 12 months - Year 4	\$ 73,379
S3100-100 - Principal Payments in the next 12 months - Year 5	\$ 78,099
S3100-110 - Principal Payments remaining after Year 5	\$ 463,484

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. The Project has made an appropriation of the paid-in surplus account for the replacement and general operating reserves.

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 VULNERABILITIES 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. The Project maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Project has not experienced any losses in such

accounts and does not believe it is exposed to any significant credit risk on cash balances.

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

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

### Report on Supplemental Data

Account	Description	Value
S3400-100	Opinion	UNQUALIFIED
S3400-110	Opinion Explanation	Non-Applicable

### 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	\$ 242,625
1320DT	Total Monthly Deposits	\$ 11,796
1320INT	Interest on Replacement Reserve Accounts	\$ 101
1320WT	Approved Withdrawals	\$ 53,900
1320	Balance at End of Year, Confirmed by Mortgagee	\$ 200,622
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	\$ 1,841,362
1420	Buildings	\$ 1,841,362
1400PT	Total Beginning Balance for Fixed Assets	\$ 1,997,454
1400T	Total Fixed Assets	\$ 1,997,454
1495P	Beginning Balance for 1495	\$ 1,692,522
6600	Total Provisions	\$ 38,167
1495	Ending Balance for Accumulated Depreciation	\$ 1,730,689
1400N	Total Net Book Value	\$ 266,765

#### 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	\$ 809,547	
	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	\$ 57,291	
	S3300-150 - Opinion	UNQUALIFIED	

#### Schedule of Expenditures of Federal Awards

Account	Description	Value
S3300-500	Total Federal Awards Expended	\$ 866,838

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-
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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	Jeff Lema
S2900-025	Title of Certifying Official #1	President
S2900-030	Name of Signatory #2	Lynette Haley

#### 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	02/25/2015
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	1540 Eureka Rd Ste 104
S3200-070	Auditor City	Roseville
S3200-080	Auditor State	CA
S3200-090	Auditor Zip Code	95661
S3200-110	Telephone Number	(916) 788-4422
S3200-120	Audit Firm TIN	203309197
S3200-130	Date of Independent Auditor's Report	02/25/2015
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, 2014**

<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	\$ 809,547
Section 8 Housing Assistance Payments	14.195	<u>57,291</u>
Total		\$ <u>866,838</u>

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

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2014**

**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 AUDITOR'S 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 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, 2014, 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 February 25, 2015.

**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 appropriate 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 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 the entity's financial statements are free from 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 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.

*Pregent & Company*

February 25, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

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

**Report on Compliance for the 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, 2014. 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.

***Auditor's 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 the 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, 2014.

**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.

*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.

A handwritten signature in black ink that reads "Pregent &amp; Company". The signature is written in a cursive style, similar to the company name in the logo.

February 25, 2015

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2014**

**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 program 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



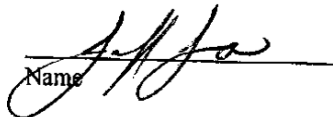
**EASTERN GARDENS COOPERATIVE, INC.**  
**HUD PROJECT NO. 136-36110**

**COOPERATIVE'S CERTIFICATION**

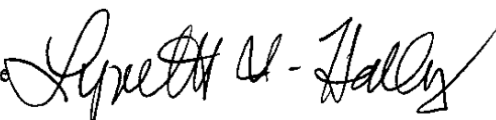
We hereby certify that we have read the accompanying financial statements and supplementary information of Eastern Gardens Cooperative, Inc., and to the best of our knowledge and belief, they are complete and accurate.

OFFICERS:

Signature

  
Name *Jeff Lema*  
Date *2/25/2015*

Signature

  
Name *Lynette Haley*  
Date *Feb 23, 2015*

Employer Identification Number:  
94-2237391

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

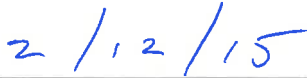
**MANAGEMENT AGENT'S CERTIFICATION**

We hereby certify that we have read the accompanying financial statements and supplementary information of Eastern Gardens Cooperative, Inc., and to the best of our knowledge and belief, they are complete and accurate.

FPI MANAGEMENT, INC.



Mike Watembach for FPI Management, Inc.



Date

Property Manager: Gary Haugstad

Employer Identification Number:  
68-0217638



**INDEPENDENT ACCOUNTANT'S 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 in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, of the financial statements of Eastern Gardens Cooperative, Inc., as of and for the year ended December 31, 2014, and have issued our reports thereon dated February 25, 2015. 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 supplementary information dated February 25, 2015, was expressed in relation to the basic financial statements of Eastern Gardens Cooperative, Inc., taken as a whole.

A copy of the reporting 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, PIH-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, PIH-REAC, and is not intended to be and should not be used by anyone other than these specified parties.

*Pregent & Company*

February 27, 2015

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

<b>UFRS Rule Information</b>	<b>Hard Copy Document(s)</b>	<b>Findings</b>
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