

Freedom Hill Cooperative, Inc.

Financial Report
September 30, 2023

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INDEPENDENT AUDITORS' REPORT

To Hodges Development Corporation,
Financial Manager for Freedom Hill Cooperative, Inc.
Concord, New Hampshire

Opinion

We have audited the accompanying balance sheet of Freedom Hill Cooperative, Inc., which comprise the balance sheet as of September 30, 2023, and the related statements of revenues, expenses and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Freedom Hill Cooperative, Inc. as of September 30, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Freedom Hill Cooperative, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Freedom Hill Cooperative, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit 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 Freedom Hill Cooperative, Inc.'s internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Freedom Hill Cooperative, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

Management has omitted the schedule of 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, which considers it to be an essential part of the 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.

Other Information

We have previously audited the September 30, 2022 financial statements of Freedom Hill Cooperative, Inc. and we expressed an unmodified audit opinion on those financial statements in our report dated September 26, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it was derived.



Manchester, NH
September 24, 2024

FREEDOM HILL COOPERATIVE, INC.

BALANCE SHEETS
September 30, 2023 (by fund) and 2022 (totals only)

	2023			2022
	Operating Fund	Replacement Fund	Total	Total
ASSETS				
PROPERTY				
Land	\$ 448,201	\$ -	\$ 448,201	\$ 448,201
Infrastructure	3,188,153	-	3,188,153	3,153,250
Buildings	379,377	-	379,377	352,630
Vehicles and equipment	<u>238,533</u>	<u>-</u>	<u>238,533</u>	<u>233,985</u>
	\$ 4,254,264	\$ -	\$ 4,254,264	\$ 4,188,066
Less accumulated depreciation	<u>2,670,889</u>	<u>-</u>	<u>2,670,889</u>	<u>2,576,696</u>
	<u>\$ 1,583,375</u>	<u>\$ -</u>	<u>\$ 1,583,375</u>	<u>\$ 1,611,370</u>
CASH AND CASH EQUIVALENTS				
- UNRESTRICTED				
Operating	\$ 192,592	\$ -	\$ 192,592	\$ 237,312
Certificate of deposit	153,143	-	153,143	-
Savings	<u>164,396</u>	<u>-</u>	<u>164,396</u>	<u>99,271</u>
	<u>\$ 510,131</u>	<u>\$ -</u>	<u>\$ 510,131</u>	<u>\$ 336,583</u>
CASH - RESTRICTED				
Real estate tax escrow	\$ 34,566	\$ -	\$ 34,566	\$ 58,269
Capital improvement reserve	<u>-</u>	<u>335,782</u>	<u>335,782</u>	<u>277,161</u>
	<u>\$ 34,566</u>	<u>\$ 335,782</u>	<u>\$ 370,348</u>	<u>\$ 335,430</u>
LOT FEES RECEIVABLE	<u>\$ 5,206</u>	<u>\$ -</u>	<u>\$ 5,206</u>	<u>\$ 7,412</u>
OTHER ASSETS				
Goodwill	\$ 2,245,000	\$ -	\$ 2,245,000	\$ 2,245,000
Prepaid mortgage interest	523,359	-	523,359	573,839
Prepaid mortgage costs	27,046	-	27,046	29,660
Other receivables	1,806	-	1,806	1,862
Prepaid expenses	<u>542</u>	<u>-</u>	<u>542</u>	<u>14,290</u>
	<u>\$ 2,797,753</u>	<u>\$ -</u>	<u>\$ 2,797,753</u>	<u>\$ 2,864,651</u>
TOTAL ASSETS	<u>\$ 4,931,031</u>	<u>\$ 335,782</u>	<u>\$ 5,266,813</u>	<u>\$ 5,155,446</u>
LIABILITIES AND MEMBERS' EQUITY				
LIABILITIES				
Notes payable	\$ 4,923,269	\$ -	\$ 4,923,269	\$ 5,001,556
Accounts payable	14,317	-	14,317	21,237
Accrued expenses	5,745	-	5,745	6,005
Prepaid lot fees	<u>24,286</u>	<u>-</u>	<u>24,286</u>	<u>19,593</u>
	<u>\$ 4,967,617</u>	<u>\$ -</u>	<u>\$ 4,967,617</u>	<u>\$ 5,048,391</u>
MEMBERS' EQUITY				
Fund balance - Unrestricted	\$ (899,152)	\$ -	\$ (899,152)	\$ (1,053,375)
Fund balance - Restricted	<u>34,566</u>	<u>335,782</u>	<u>370,348</u>	<u>335,430</u>
	\$ (864,586)	\$ 335,782	\$ (528,804)	\$ (717,945)
Memberships, \$500 or \$1,000 each, 147 participating	119,000	-	119,000	116,000
Paid-in capital - USDA Grant	<u>709,000</u>	<u>-</u>	<u>709,000</u>	<u>709,000</u>
	<u>\$ (36,586)</u>	<u>\$ 335,782</u>	<u>\$ 299,196</u>	<u>\$ 107,055</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 4,931,031</u>	<u>\$ 335,782</u>	<u>\$ 5,266,813</u>	<u>\$ 5,155,446</u>

The accompanying notes are an integral part of these financial statements.

FREEDOM HILL COOPERATIVE, INC.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
Years Ended September 30, 2023 (by fund) and 2022 (totals only)

	2023			2022
	Operating Fund	Replacement Fund	Total	Total
REVENUES				
Member fees, net of credits	\$ 797,036	\$ 58,343	\$ 855,379	\$ 778,900
Non-member fees, net of credits	-	-	-	9,035
Late fees	3,875	-	3,875	3,535
Interest income	4,127	278	4,405	148
Gain on sale of property	66,511	-	66,511	-
Other income	<u>8,095</u>	<u>-</u>	<u>8,095</u>	<u>8,187</u>
	<u>\$ 879,644</u>	<u>\$ 58,621</u>	<u>\$ 938,265</u>	<u>\$ 799,805</u>
EXPENSES				
Interest	\$ 260,718	\$ -	\$ 260,718	\$ 296,421
Real estate taxes	76,481	-	76,481	55,780
Depreciation	110,431	-	110,431	139,698
Amortization	2,613	-	2,613	2,397
Property and liability insurance	16,001	-	16,001	14,681
Repairs and maintenance	55,980	-	55,980	71,210
Vehicle fuel and maintenance	7,564	-	7,564	2,784
Water and sewer systems	106,227	-	106,227	72,554
Snow and trash removal	17,942	-	17,942	14,663
Electricity	26,914	-	26,914	17,795
Management fees	21,960	-	21,960	21,300
Legal and accounting	41,981	-	41,981	18,207
Office and administrative	5,753	-	5,753	6,508
Bad debts (recoveries)	(2,875)	-	(2,875)	1,560
Corporate taxes	<u>1,434</u>	<u>-</u>	<u>1,434</u>	<u>1,779</u>
	<u>\$ 749,124</u>	<u>\$ -</u>	<u>\$ 749,124</u>	<u>\$ 737,337</u>
EXCESS OF REVENUES OVER EXPENSES	\$ 130,520	\$ 58,621	\$ 189,141	\$ 62,468
BEGINNING FUND BALANCE	<u>(995,106)</u>	<u>277,161</u>	<u>(717,945)</u>	<u>(780,413)</u>
ENDING FUND BALANCE	<u><u>\$(864,586)</u></u>	<u><u>\$ 335,782</u></u>	<u><u>\$(528,804)</u></u>	<u><u>\$(717,945)</u></u>

The accompanying notes are an integral part of these financial statements.

FREEDOM HILL COOPERATIVE, INC.

STATEMENTS OF CASH FLOWS
Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 189,141	\$ 62,468
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation	110,431	139,698
Amortization	2,613	2,397
Gain on sale of property	(66,511)	-
(Increase) decrease in:		
Park fees receivable	2,206	(2,371)
Other receivables	56	(11)
Prepaid mortgage interest	50,480	41,799
Prepaid expenses	13,748	(11,008)
Increase (decrease) in:		
Accounts payable	(6,920)	8,631
Accrued expenses	(261)	(2,484)
Prepaid lot fees	<u>4,693</u>	<u>7,438</u>
Net cash provided by operating activities	<u>\$ 299,676</u>	<u>\$ 246,557</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and improvements	\$ (82,435)	\$ (16,195)
Proceeds from sale of property	80,132	-
Expenditures to acquire home for resale	<u>(13,620)</u>	<u>-</u>
Net cash used in investing activities	<u>\$ (15,923)</u>	<u>\$ (16,195)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from new loan financing	\$ -	\$ 250,000
Payment of prepaid interest and financing costs	-	(256,225)
Net receipt (refund) of membership fees	3,000	(1,000)
Payments of notes principal	<u>(78,287)</u>	<u>(61,878)</u>
Net cash used in financing activities	<u>\$ (75,287)</u>	<u>\$ (69,103)</u>
Net increase in cash and cash equivalents	\$ 208,466	\$ 161,259
Cash and cash equivalents, beginning of year	<u>672,013</u>	<u>510,754</u>
Cash and cash equivalents, end of year	<u>\$ 880,479</u>	<u>\$ 672,013</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 210,332	\$ 257,185
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
None		

The accompanying notes are an integral part of these financial statements.

FREEDOM HILL COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization

Freedom Hill Cooperative, Inc. is incorporated under the New Hampshire Consumers' Cooperative Association Act. The Cooperative owns a 148 unit manufactured housing park, known as Pine Ridge Estates, that consists of approximately 200 acres of land and other common property in Loudon, NH. The Cooperative is responsible for operating and maintaining the common property on behalf of member households.

Note 2. Significant Accounting Policies

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

Fund accounting

To ensure observance of limitations and restrictions on the use of financial resources, the Cooperative maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating fund - This fund is used to account for financial resources available for the general operations of the Cooperative.

Replacement fund - This fund is used to accumulate financial resources designated for future major repairs and replacements.

Member and non-member assessments

Member and non-member households are subject to monthly assessments (lot fees) to provide funds for the Cooperative's operating expenses, future capital acquisitions, and repairs and replacements. These lot fees are charged for the use of land upon which the resident has placed a home and are due on the first of each month. The amount charged is based upon the Cooperative's budget and number of homes. Lot fees are earned and recognized as revenue, on the accrual basis of accounting, over the number of days in each month. Fees received before the due date are reported as prepaid lot fees on the balance sheet. Lot fees receivable at the balance sheet date represent fees due from member and non-member households. Lot fees outstanding 6 days beyond their due date result in an additional charge of \$25 to the delinquent account.

The Cooperative maintains an allowance for doubtful accounts to account for past due assessments which may prove to be uncollectible. The balance of this allowance is estimated by management on a case by case review of those receivables outstanding for more than 90 days. Lot fees receivable are recorded net of allowance for doubtful accounts totaling \$- and \$2,875 at September 30, 2023 and 2022, respectively. Receivables are charged off when the Board of Directors determines that the prospects of collection are remote. Legal costs incurred by the Cooperative, in collection matters, are charged to the delinquent member or non-member.

FREEDOM HILL COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2. Significant Accounting Policies (Continued)

Real estate taxes

Real estate taxes are recognized as expense when assessed amounts are due.

Common property and depreciation

The Cooperative capitalizes (at cost) assets acquired with Cooperative funds. Assets donated by members are recorded at fair market value. Depreciation is calculated using the straight-line method beginning on the date the property is placed into service. Infrastructure is depreciated over 7-25 years, buildings over 7-40 years, and vehicles and equipment over 5-7 years. Land is not depreciated.

Prepaid mortgage interest, mortgage costs, goodwill and amortization

Prepaid mortgage interest represents interest charged for the early retirement/refinancing of a mortgage loan and/or a rate modification. It represents interest incurred to obtain more favorable long-term interest rates. The amounts are presented net of accumulated amortization of \$319,567 and \$269,087 at September 30, 2023 and 2022, respectively. Amortization is calculated using the straight-line method over the 20 year term of the new loan.

Prepaid mortgage costs represents costs to obtain and/or modify mortgage financing and is presented net of accumulated amortization of \$21,068 and \$18,455 at September 30, 2023 and 2022, respectively. Amortization is calculated using the straight-line method over 20 years.

Goodwill represents the intangible value of the entity as a whole. The value of goodwill was initially determined by agreement between the Cooperative and the seller of the park. Goodwill is not amortized but is reduced if the market value of the Cooperative is lower than the carrying value of the assets.

Cash and cash equivalents

For purposes of reporting cash flows, the Cooperative considers all highly liquid debt instruments purchased with a maturity of three months or less and all certificates of deposit to be cash equivalents. At September 30, 2023 and 2022 the Cooperative had cash equivalents of \$153,143 and \$0, respectively.

Subsequent events

In preparing these financial statements, Cooperative management has evaluated events and transactions for potential recognition or disclosure through September 24, 2024, the date the financial report was available to be issued.

FREEDOM HILL COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 3. Notes Payable and Pledged Assets

Details of the Cooperative's notes payable are as follows:

	<u>9/30/23</u>	<u>9/30/22</u>
Mortgage note, secured by all assets, with interest at 4.00%, due in monthly principal and interest installments of \$21,480, balloon payment due February 2034	\$4,498,706	\$4,572,395
Mortgage note, secured by real property, with interest at 6.15%, due in monthly principal and interest installments of \$2,572, balloon payment due March 2034	<u>424,563</u>	<u>429,161</u>
	<u>\$4,923,269</u>	<u>\$5,001,556</u>

The primary mortgage note agreement requires that the Cooperative maintain a combined debt service coverage ratio of 1 to 1. The debt service coverage ratio is net income after reserve funding, plus interest expense, plus depreciation, divided by the annual debt service requirements. The agreement also requires the Cooperative to provide a minimum annual level of funding for its capital improvement reserve account, as determined by the lender.

The notes payable mature in the years ending September 30 as follows:

2024	\$ 80,444
2025	84,389
2026	87,995
2027	91,758
2028	95,649
Thereafter	<u>4,483,034</u>
	<u>\$4,923,269</u>

Note 4. Restricted Cash Accounts

Cash held in the capital improvement reserve has been designated for the payment of capital expenses and unanticipated contingencies. Withdrawals from the capital improvement reserve in excess of \$5,000 require written approval of the lender.

Cash held in real estate tax escrow is controlled by the lender. Amounts held therein have been designated for the payment of real property taxes.

Note 5. Related Party Transactions

During the year ended September 30, 2023 and 2022, the Cooperative voted to provide rent credits in the amount of \$3,247 and \$2,540, respectively, to residents.

For the years ended September 30, 2023 and 2022, \$3,247 and \$2,540 in rent credits are recorded net of member fees on the statements of revenues, expenses, and changes in fund balance, respectively.

FREEDOM HILL COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 6. Future Major Repairs and Replacements

The Cooperative has not completed a study to determine the estimates of remaining useful lives of the components of common property and estimates of the costs of major repairs and replacements that may be required in the future. Without such a study the board of directors is unable to develop a formal plan to fund the Cooperative's future repair and replacement needs. However, the Cooperative has accumulated \$335,782 in a capital improvement reserve account and is required to add a minimum annual amount of \$21,600 to this account as part of a mortgage loan agreement. In the event that such reserve funds are insufficient when funds are required for major repairs and replacements, the Cooperative will likely borrow, increase monthly assessments, or delay major repairs and replacements until funds are available.

Note 7. Corporate Taxes

For federal income tax purposes the Cooperative is defined as a homeowners association. As such, the Cooperative may elect (if certain tests are met) on an annual basis to be taxed as a homeowners association, in accordance with Internal Revenue Code Section 528, or as a membership organization, in accordance with Internal Revenue Code Section 277. For state income tax purposes the Cooperative is taxed as a corporation on its non-member income. The Cooperative is also subject to the New Hampshire Business Enterprise Tax which is a tax levied against the wages, interest, and dividends paid by the Cooperative.

For the years ended September 30, 2023 and 2022 the Cooperative was taxed as a membership organization for federal income tax purposes.

The Cooperative adopted ASC Topic 740-10, Accounting for Uncertainty in Income Taxes, which prescribes a recognition threshold and measurement attribute for financial statement reporting of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. For the years ended September 30, 2023 and 2022 the Cooperative had no material uncertain tax positions. Annual tax returns remain subject to examination by major tax jurisdictions for the three year statute of limitations.

Note 8. Memberships

The Cooperative had 147 member households at September 30, 2023, each of which represents one vote in Cooperative matters. The cost of each membership is \$500 before October 1, 2006 and \$1,000 thereafter. If no amounts are due to the Cooperative, member households are entitled to a refund of their membership fee upon vacating the park.

Note 9. Concentrations of Credit Risk

The Cooperative had concentrated its credit risk for cash by maintaining deposits in one bank in excess of the amount that was federally insured. The maximum loss that would have resulted from that risk totaled \$406,902 at September 30, 2023 and \$434,996 at September 30, 2022.