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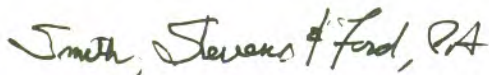
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Board of Directors
Bethel Colony of Mercy, Inc.
Lenoir, North Carolina

Management is responsible for the accompanying financial statements of Bethel Colony of Mercy, Inc. (a non-profit organization), which comprise the Statements of Assets, Liabilities and Net Assets - modified cash basis as of October 31, 2020, and the related Statements of Revenues, Expenses and Other Changes in Net Assets - Modified Cash Basis for the year then ended, and the related notes to the financial statements in accordance with the modified cash basis of accounting, and for determining that the modified cash basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.



Certified Public Accountants
Lenoir, North Carolina

February 11, 2021

BETHEL COLONY OF MERCY, INC.
Lenoir, North Carolina
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS – MODIFIED CASH BASIS
October 31, 2020

	<u>2020</u>
ASSETS	
Cash and cash equivalents	\$ 139,816
Investments – at cost (Note 2)	<u>718,160</u>
TOTAL CURRENT ASSETS	857,976
 Property and Equipment (Note 1):	
Land and building	\$ 2,408,337
Equipment	<u>139,626</u>
	2,547,963
Accumulated Depreciation	<u>(83,503)</u>
	2,464,459
 Other Assets:	
Closing costs, net	<u>2,463</u>
TOTAL ASSETS	<u>\$ 3,324,899</u>
 LIABILITIES AND NET ASSETS	
Current portion of note payable (Note 3)	<u>\$ -0-</u>
Total Current Liabilities	-0-
 Long-Term Liabilities:	
Noncurrent portion of note payable (Note 3)	<u>263,096</u>
TOTAL LIABILITIES	263,096
Net Assets without donor restrictions	<u>3,061,803</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,324,899</u>

BETHEL COLONY OF MERCY, INC.
 Lenoir, North Carolina
 STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN NET ASSETS
 MODIFIED CASH BASIS
 Year Ended October 31, 2020

	<u>2020</u>
RECEIPTS	
Contributions	\$ 734,356
Entry fees	85,389
Dividends and interest	42,782
Net realized gains on sale of securities	10,773
Client service income	43,034
Other income	<u>59,352</u>
Total Receipts	<u>975,686</u>
DISBURSEMENTS	
Salaries and wages	378,985
Payroll taxes and employee benefits	80,302
Food and supplies	30,268
Maintenance and repairs	30,057
Utilities	126,947
Professional fees	3,923
Insurance	36,840
Office expense	30,026
Public relations	32,912
Education	14,319
Depreciation and amortization	21,535
Interest expense	16,401
Vehicle expense	35,975
Other expenses	<u>36,913</u>
Total Disbursements	<u>875,403</u>
Increase in Net Assets without Donor Restrictions	100,283
Net Assets without Donor Restrictions - Beginning of Year	<u>2,961,520</u>
Net Assets without Donor Restrictions - End of Year	<u>\$ 3,061,803</u>

BETHEL COLONY OF MERCY, INC.
Lenoir, North Carolina
NOTES TO FINANCIAL STATEMENTS
Year Ended October 31, 2020

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

Organization and Purpose – Bethel Colony of Mercy, Inc. (Company) was organized as a nonprofit entity for the purpose of transforming drug addicted and alcoholic men and women in western North Carolina through religious, faith and biblical principles.

Modified Cash Basis of Accounting – The accompanying financial statements have been prepared on the modified cash basis of accounting. That basis differs from accounting principles generally accepted in the United States of America primarily because the Company has not recognized balances and the related effects on the changes in net assets of fees and contributions receivable and of accounts payable to vendors.

Donated Services and Assets – Donations are recorded when received rather than when pledged. All assets are valued at the fair market value at the date of gift. Bethel Colony of Mercy, Inc. does not place a value on food, supplies, labor and building supplies donated due to the difficulty in determining the value of the gift. However, these donations are considered essential to the operation of Bethel Colony of Mercy, Inc.

Investments - Investments consist primarily of money market accounts, securities, and mutual funds. Investments are measured at cost in the statement of assets, liabilities, and net assets. The realized gain or loss on investments is reflected in the statement of revenues, expenses, and other changes in net assets. Unrealized gains and investments are valued at fair market value in Note 2.

Property and Equipment – Property and equipment are stated at cost except for donated items which are recorded on the books at its fair value on the date of the gift. Prior to December 31, 2011, no provision for accumulated depreciation or depreciation expense was made. For assets placed in service after December 31, 2011, depreciation is provided over the estimated useful lives of the related property and equipment using the straight-line method. Purchases of equipment with a unit cost exceeding \$500 are capitalized.

Income Taxes – The Company is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state taxes has been made on the accompanying financial statements. The Company has been classified as an organization that is not a private foundation under section 509(a)(3) of the Internal Revenue Code. The Company is open to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The Company's open audit periods are 2017 through 2020. The Company's policy is to classify income tax related interest and penalties in interest expense and penalties, respectively. For the year ended October 31, 2020, there were no interest or penalty amounts incurred. No uncertain tax positions were noted for the year ended October 31, 2020.

Functional Expenses – The Company shares certain expenses between its various programs. The shared expenses are allocated based on specific identification, wages paid or another reasonable basis. Management evaluates the allocations on a periodic basis and adjusts the allocations accordingly.

BETHEL COLONY OF MERCY, INC.
Lenoir, North Carolina
NOTES TO FINANCIAL STATEMENTS
Year Ended October 31, 2020

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Classification of Net Assets – Net assets of the Company are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets with Donor Restrictions – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Company. Certain restrictions may need to be maintained in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor-restrictions unless specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

Adoption of Accounting Pronouncement – In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two – net assets with donor restrictions and net assets without donor restrictions. ASU 2016-14 will also require changes in the way certain information is aggregated and reported by the Company, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for the Company's year ending October 31, 2019 and thereafter and must be applied on retrospective basis. The Company adopted ASU 2016-14 effective November 1, 2018. Adoption did not result in any reclassifications or restatements to net assets or changes in net assets.

Estimates and Assumptions - The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk – The Company's invested cash balances, at times, may exceed federally insured limits. On October 31, 2020, no bank balances exceeded insured limits. Investments in money market accounts and securities held in brokerage accounts are not covered by federal insurance.

BETHEL COLONY OF MERCY, INC.
 Lenoir, North Carolina
 NOTES TO FINANCIAL STATEMENTS
 Year Ended October 31, 2020

NOTE 2 – INVESTMENTS:

Investments, at cost and market, as of October 31, are summarized as follows and are available-for-sale:

	<u>2020</u>	
	<u>Cost</u>	<u>Market</u>
Money market	\$ 43,954	\$ 43,954
Common stocks	80,151	93,066
Mutual funds	594,055	654,064
	\$ 718,160	\$ 791,084

Net realized gains of \$10,773 were reported for the year ended October 31, 2020. The cost of marketable securities sold is determined on the specific asset method. Gross proceeds from sales of securities available for sale totaled \$87,660 for the year ended October 31, 2020. Net unrealized gains amount to \$72,924 at October 31, 2020.

NOTE 3 – NOTE PAYABLE:

Note payable consists of the following obligations at October 31, 2020:

An installment note payable to a bank in monthly installments of \$2,668 including interest at 4.35%, with balance due March 2023, collateralized by real property.	\$ 263,096
Noncurrent maturities	263,096
Current maturities at October 31, 2020	\$ -0-

Aggregate maturities under this agreement for the five years subsequent to October 31, 2020 are as follow:

For the years ended:	
October 31, 2021	\$ -0-
October 31, 2022	-0-
October 31, 2023	263,096
October 31, 2024	-0-
October 31, 2025	-0-

The Company has been making extra principal payments since inception of the note, and therefore, they are ahead on the amortization of principal with no current maturities.

BETHEL COLONY OF MERCY, INC.
 Lenoir, North Carolina
 NOTES TO FINANCIAL STATEMENTS
 Year Ended October 31, 2020

NOTE 4 – FUNCTIONAL EXPENSES:

Below is the statement of functional expenses for the year ended October 31, 2020.

	<u>Program Services</u>	<u>Fundraising</u>	<u>Support Services, Management & General</u>	<u>Total</u>
Salaries and wages	\$ 378,985			\$ 378,985
Payroll taxes and employee benefits	80,302			80,302
Food and supplies	30,268			30,268
Maintenance and repairs	30,057			30,057
Utilities	126,947			126,947
Professional fees			\$ 3,923	3,923
Insurance	36,840			36,840
Office supplies			30,026	30,026
Public relations	32,912			32,912
Education	14,319			14,319
Depreciation and amortization	21,535			21,535
Interest expense	16,401			16,401
Vehicle expenses	35,975			35,975
Other expenses	36,913			36,913
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	<u>\$ 841,454</u>	<u>\$ -0-</u>	<u>\$ 33,949</u>	<u>\$ 875,403</u>

NOTE 5 – LIQUIDITY:

At October 31, 2020, the Company has \$139,817 cash and equivalents available to meet needs for general expenditures. All such funds are available to meet the cash needs of the project in the next 12 months. The Company manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of the Company are expected to be met monthly from contributions. The Company has investments which could be liquidated, if necessary, to meet operating needs. In general, the Company maintains sufficient financial assets on hand to meet 30 days' worth of normal operating expenses.

BETHEL COLONY OF MERCY, INC.
Lenoir, North Carolina
NOTES TO FINANCIAL STATEMENTS
Year Ended October 31, 2020

NOTE 6– PAYCHECK PROTECTION PROGRAM FUNDS:

On April 29, 2020 the Company has received a loan of \$80,200 pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title 1 of the CARES Act, which was enacted March 27, 2020. The loan, dated April 29, 2020, matures on April 29, 2025 and bears interest at 1% per annum, payable monthly beginning on August 17, 2021. The loan funds may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities and interest on other debt obligations incurred before February 15, 2020. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

The Company qualified and applied for complete forgiveness by the lender prior to October 31, 2020. The full conditional grant of \$80,200 has been reported included as a contribution in the financial statements for the year ended October 31, 2020. Subsequent to year end, on November 4, 2020, the Small Business Association approved the complete forgiveness of the loan.

NOTE 7 – SUBSEQUENT EVENTS:

Subsequent events have been evaluated through February 11, 2021 which is the date the financial statements were available to be issued. On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (Covid-19) pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact net income as the stock market has been significantly affected. Other financial impact could occur though such potential impact is unknown at this time. See Note 6.