

INDEX

	<u>Page</u>
Independent Accountants' Compilation Report	
Statement of Assets, Liabilities and Net Assets - Modified Cash Basis	1
Statement of Revenues, Expenses and Other Changes in Net Assets - Modified Cash Basis	2-3
Notes to Financial Statements	4-9

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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, 2021 and 2020, and the related statements of revenues, expenses and other changes in net assets - modified cash basis for the years 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 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 3, 2022

BETHEL COLONY OF MERCY, INC.
 Lenoir, North Carolina
 STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS – MODIFIED CASH BASIS
 October 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents - unrestricted	\$ 220,991	\$ 183,770
Cash and cash equivalents – restricted	23,835	
Investments – at cost	<u>704,599</u>	<u>674,206</u>
TOTAL CURRENT ASSETS	949,425	857,976
Property and Equipment:		
Land and building	\$2,433,090	\$2,408,337
Equipment	148,477	139,626
Accumulated Depreciation	<u>(107,788)</u>	<u>(83,503)</u>
NET FIXED ASSETS	2,473,779	2,464,459
Other Assets:		
Closing costs, net	<u>1,408</u>	<u>2,463</u>
TOTAL ASSETS	<u>\$ 3,424,612</u>	<u>\$ 3,324,899</u>
LIABILITIES AND NET ASSETS		
Current portion of note payable	\$ <u>-0-</u>	\$ <u>-0-</u>
Total Current Liabilities	-0-	-0-
Long-Term Liabilities:		
Noncurrent portion of note payable	<u>242,280</u>	<u>263,096</u>
TOTAL LIABILITIES	<u>242,280</u>	<u>263,096</u>
NET ASSETS		
Without donor restrictions	3,158,497	3,061,803
With donor restrictions	<u>23,835</u>	<u>-0-</u>
TOTAL NET ASSETS	<u>3,182,332</u>	<u>3,061,803</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,424,612</u>	<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, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
RECEIPTS			
Contributions	\$ 742,966	\$ 23,835	\$ 766,801
Entry fees	84,745		84,745
Dividends and interest	29,378		29,378
Net realized gains on sale of securities	4,535		4,535
Client service income	56,551		56,551
Other income	<u>67,175</u>		<u>67,175</u>
TOTAL RECEIPTS	<u>985,350</u>	<u>23,835</u>	<u>1,009,185</u>
DISBURSEMENTS			
Salaries and wages	391,211		391,211
Payroll taxes and employee benefits	80,432		80,432
Food and supplies	28,445		28,445
Maintenance and repairs	30,788		30,788
Utilities	124,391		124,391
Professional fees	4,418		4,418
Insurance	45,645		45,645
Office expense	27,610		27,610
Public relations	26,759		26,759
Education	8,702		8,702
Depreciation and amortization	25,340		25,340
Interest expense	16,925		16,925
Vehicle expense	42,987		42,987
Other expenses	<u>35,003</u>		<u>35,003</u>
TOTAL DISBURSEMENTS	<u>888,656</u>	<u>-0-</u>	<u>888,656</u>
CHANGE IN NET ASSETS	96,69	23,835	120,529
NET ASSETS - BEGINNING OF YEAR	<u>3,061,803</u>	<u>-0-</u>	<u>3,061,803</u>
NET ASSETS - END OF YEAR	<u>\$ 3,158,497</u>	<u>\$ 23,835</u>	<u>\$ 3,182,332</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>Without Donor Restrictions</u>
RECEIPTS	
Contributions	\$ 609,442
Entry fees	85,131
Dividends and interest	45,364
Net realized losses on sale of securities	(1,152)
Client service income	36,620
Other income	<u>61,440</u>
 TOTAL RECEIPTS	 <u>836,845</u>
 DISBURSEMENTS	
Salaries and wages	332,246
Payroll taxes and employee benefits	66,129
Food and supplies	24,737
Maintenance and repairs	17,998
Utilities	112,953
Professional fees	4,574
Insurance	60,318
Office expense	30,501
Public relations	22,600
Education	5,467
Depreciation and amortization	16,446
Interest expense	5,473
Vehicle expense	45,388
Other expenses	<u>42,165</u>
 TOTAL DISBURSEMENTS	 <u>786,995</u>
 CHANGE IN NET ASSETS	 49,850
 NET ASSETS - BEGINNING OF YEAR	 <u>2,911,670</u>
 NET ASSETS - END OF YEAR	 <u>\$2,961,520</u>

BETHEL COLONY OF MERCY, INC.
Lenoir, North Carolina
NOTES TO FINANCIAL STATEMENTS
Years Ended October 31, 2021 and 2020

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

Organization and Purpose – Bethel Colony of Mercy, Inc. (Organization) 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 Organization 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 3.

Intangible Assets – Intangible assets subject to amortization include closing costs of \$5,279, which are amortized on a straight-line basis over five years. Amortization expense for the years ended October 31, 2021 and 2020 were \$1,056 and \$1,056, respectively. Estimated future amortization expense is as follows: \$1,056 and \$352 for the years ended October 31, 2022 and 2023, respectively.

Income Taxes – Bethel Colony of Mercy, Inc. has been recognized by the IRS as exempt from federal income taxes under IRC 501(c)(3), which qualifies it to accept charitable contributions from donors. Additionally, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. We have determined that the Organization is not subject to unrelated business income tax and, accordingly, we have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS for the years ended October 31, 2020 or 2021. The Organization's policy is to classify income tax related interest and penalties in interest expense and penalties, respectively. For the years ended October 31, 2021 and 2020, there were no interest or penalty amounts incurred.

BETHEL COLONY OF MERCY, INC.
Lenoir, North Carolina
NOTES TO FINANCIAL STATEMENTS
Years Ended October 31, 2021 and 2020

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

Functional Expenses – The Organization 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.

Classification of Net Assets – Net assets of the Organization 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 Organization. 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.

Estimates and Assumptions - Preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect some of the amounts reported and disclosures. Actual results could differ from those estimates.

Concentration of Credit Risk – The Organization's invested cash balances, at times, may exceed federally insured limits. On October 31, 2021 and 2020, no bank balances exceeded insured limits. Investments in money market accounts and securities held in brokerage accounts are not covered by federal insurance.

Reclassification of certain items – Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Advertising – The Organization expenses all advertising costs when incurred as public relations costs. Advertising costs were \$26,759 and \$32,912 for the years ended October 31, 2021 and 2020, respectively.

BETHEL COLONY OF MERCY, INC.
 Lenoir, North Carolina
 NOTES TO FINANCIAL STATEMENTS
 Years Ended October 31, 2021 and 2020

NOTE 2 – CASH AND CASH EQUIVALENTS:

Cash and cash equivalents include cash in banks, cash on hand and highly liquid investments with an original maturity date of three months or less.

Cash Restricted is as follows:	<u>2021</u>	<u>2020</u>
With donor restrictions	\$ <u>23,835</u>	\$ <u>-0-</u>
Total Cash Restricted	\$ <u>23,835</u>	\$ <u>-0-</u>

NOTE 3 – INVESTMENTS:

At October 31, 2021 and 2020, investments were composed of the following:

	<u>2021</u>		<u>2020</u>	
	Cost	Market	Cost	Market
Common stock	\$ 84,320	\$ 123,059	\$ 80,151	\$ 93,066
Mutual funds	<u>620,279</u>	<u>865,890</u>	<u>594,055</u>	<u>654,064</u>
	<u>\$ 704,599</u>	<u>\$ 988,949</u>	<u>\$ 674,206</u>	<u>\$ 747,130</u>

Net realized gains of \$4,535 were reported for the year ended October 31, 2021. The cost of marketable securities sold is determined on the specific asset method. Gross proceeds from sales of securities available for sale totaled \$12,860 for the year ended October 31, 2021. Net unrealized gains amount to \$284,350 at October 31, 2021.

NOTE 4 – NOTE PAYABLE:

Note payable consists of the following obligations at October 31, 2021 and 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.

	<u>2021</u>	<u>2020</u>
Noncurrent maturities	\$ 242,280	\$ 263,096
Current maturities	\$ -0-	\$ -0-

BETHEL COLONY OF MERCY, INC.
 Lenoir, North Carolina
 NOTES TO FINANCIAL STATEMENTS
 Years Ended October 31, 2021 and 2020

NOTE 4 - NOTE PAYABLE (CONTINUED):

Aggregate maturities under this agreement for the five years subsequent to October 31, 2021 and 2020 are as follows:

For the years ended:

October 31, 2021	\$	-0-
October 31, 2022		-0-
October 31, 2023		242,280
October 31, 2024		-0-
October 31, 2025		-0-
October 31, 2026		-0-

The Organization 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.

NOTE 5 - FUNCTIONAL EXPENSES:

Below is the statement of functional expenses for the year ended October 31, 2021.

	<u>Program Services</u>	<u>Fundraising</u>	<u>Support Services, Management & General</u>	<u>Total</u>
Salaries and wages	\$ 391,211			\$ 391,211
Payroll taxes and employee benefits	80,432			80,432
Food and supplies	28,445			28,445
Maintenance and repairs	30,788			30,788
Utilities	124,391			124,391
Professional fees			\$ 4,418	4,418
Insurance	45,645			45,645
Office supplies			27,610	27,610
Public relations	26,759			26,759
Education	8,702			8,702
Depreciation and amortization	25,340			25,340
Interest expense	16,925			16,925
Vehicle expenses	42,987			42,987
Other expenses	35,003			35,003
	<u>\$ 856,628</u>	<u>\$ -0-</u>	<u>\$ 32,028</u>	<u>\$ 888,656</u>

BETHEL COLONY OF MERCY, INC.
 Lenoir, North Carolina
 NOTES TO FINANCIAL STATEMENTS
 Years Ended October 31, 2021 and 2020

NOTE 5 – FUNCTIONAL EXPENSES (CONTINUED):

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
 Total Expenses	 <u>\$ 841,454</u>	 <u>\$ -0-</u>	 <u>\$ 33,949</u>	 <u>\$ 875,403</u>

NOTE 6 – LIQUIDITY:

At October 31, 2021, the Organization has \$220,991 cash and equivalents available to meet needs for general expenditures. All such funds are available to meet the cash needs of the Organization in the next 12 months. The Organization 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 Organization are expected to be met monthly from contributions. The Organization has investments which could be liquidated, if necessary, to meet operating needs. In general, the Organization maintains sufficient financial assets on hand to meet 30 days' worth of normal operating expenses.

NOTE 7 – PAYCHECK PROTECTION PROGRAM FUNDS:

On April 29, 2020 the Organization 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,

BETHEL COLONY OF MERCY, INC.
Lenoir, North Carolina
NOTES TO FINANCIAL STATEMENTS
Years Ended October 31, 2021 and 2020

NOTE 7 – PAYCHECK PROTECTION PROGRAM FUNDS (CONTINUED):

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 Organization 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. On November 4, 2020, the Small Business Association approved the complete forgiveness of the loan.

NOTE 8 – SUBSEQUENT EVENTS:

Subsequent events have been evaluated through February 3, 2022 which is the date the financial statements were available to be issued.