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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, 2022 and 2021, 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

January 11, 2023

BETHEL COLONY OF MERCY, INC.
 Lenoir, North Carolina
 STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS – MODIFIED CASH BASIS
 October 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents - unrestricted	\$ 253,974	\$ 220,991
Cash and cash equivalents – restricted	1,456	23,835
Investments -- at cost	<u>754,892</u>	<u>704,599</u>
TOTAL CURRENT ASSETS	1,010,322	949,425
Property and Equipment:		
Land and building	\$2,600,872	\$2,433,090
Equipment	194,766	148,477
Accumulated Depreciation	<u>(138,211)</u>	<u>(107,788)</u>
NET FIXED ASSETS	2,657,427	2,473,779
Other Assets:		
Closing costs, net	<u>352</u>	<u>1,408</u>
TOTAL ASSETS	<u>\$ 3,668,101</u>	<u>\$ 3,424,612</u>
LIABILITIES AND NET ASSETS		
Current portion of note payable	\$ -0-	\$ -0-
Total Current Liabilities	-0-	-0-
Long-Term Liabilities:		
Noncurrent portion of note payable	<u>-0-</u>	<u>242,280</u>
TOTAL LIABILITIES	<u>-0-</u>	<u>242,280</u>
NET ASSETS		
Without donor restrictions	3,666,645	3,158,497
With donor restrictions	<u>1,456</u>	<u>23,835</u>
TOTAL NET ASSETS	<u>3,668,101</u>	<u>3,182,332</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,668,101</u>	<u>\$ 3,424,612</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, 2022

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT:			
Contributions	\$ 1,212,097	\$ 1,456	\$ 1,213,553
Entry fees	120,835		120,835
Dividends and interest – net of investment expense	58,398		58,398
Net realized gains on sale of securities	4,338		4,338
Client service income	76,408		76,408
Other income	95,877		95,877
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>23,835</u>	<u>(23,835)</u>	<u> </u>
 TOTAL REVENUES AND OTHER SUPPORT	 <u>1,591,788</u>	 <u>(22,379)</u>	 <u>1,569,409</u>
EXPENSES:			
Salaries and wages	479,719		479,719
Payroll taxes and employee benefits	92,134		92,134
Food and supplies	28,720		28,720
Maintenance and repairs	46,727		46,727
Utilities	130,317		130,317
Professional fees	5,549		5,549
Insurance	45,437		45,437
Office expense	47,433		47,433
Public relations	44,735		44,735
Education	22,103		22,103
Depreciation and amortization	31,479		31,479
Interest expense	2,616		2,616
Vehicle expense	56,332		56,332
Other expenses	<u>50,339</u>	<u> </u>	<u>50,339</u>
 TOTAL EXPENSES	 <u>1,083,640</u>	 <u>-0-</u>	 <u>1,083,640</u>
 CHANGE IN NET ASSETS	 508,148	 (22,379)	 485,769
 NET ASSETS - BEGINNING OF YEAR	 <u>3,158,497</u>	 <u>23,835</u>	 <u>3,182,332</u>
 NET ASSETS – END OF YEAR	 <u>\$ 3,666,645</u>	 <u>\$ 1,456</u>	 <u>\$ 3,668,101</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

	Without Donor <u>Restrictions</u>	With Donor <u>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	96,694	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>

SEE NOTES TO FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

BETHEL COLONY OF MERCY, INC.
Lenoir, North Carolina
NOTES TO FINANCIAL STATEMENTS
Years Ended October 31, 2022 and 2021

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. The majority of the revenue of the Organization is through contributions.

Modified Cash Basis of Accounting – The accompanying financial statements have been prepared on the modified cash basis of accounting which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Under the modified cash basis of accounting, revenues are recognized when collected rather than when earned, and expenditures generally are recognized when paid rather than when incurred. Accrued expenses and grant commitments are not recorded in the financial statements.

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. 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, 2022 and 2021 were \$1,056 and \$1,056, respectively. Estimated future amortization expense is as follows: \$352 for the year ended October 31, 2023.

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, 2021 or 2022. 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, 2022 and 2021, there were no interest or penalty amounts incurred.

Property and Depreciation – Real estate and other depreciable assets greater than \$500 are recorded at cost. Depreciation over the estimated useful lives is determined on the straight-line method over 39-40 years for buildings, 5-7 years for equipment and 15 years for land improvements.

BETHEL COLONY OF MERCY, INC.
Lenoir, North Carolina
NOTES TO FINANCIAL STATEMENTS
Years Ended October 31, 2022 and 2021

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, 2022 and 2021, 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 \$44,735 and \$26,759 for the years ended October 31, 2022 and 2021, respectively.

BETHEL COLONY OF MERCY, INC.
 Lenoir, North Carolina
 NOTES TO FINANCIAL STATEMENTS
 Years Ended October 31, 2022 and 2021

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>2022</u>	<u>2021</u>
With donor restrictions	\$ <u>1,456</u>	\$ <u>23,835</u>
Total Cash Restricted	\$ <u>1,456</u>	\$ <u>23,835</u>

NOTE 3 – INVESTMENTS:

At October 31, 2022 and 2021, investments were composed of the following:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Common Stock	\$ 78,983	\$ 109,303	\$ 84,320	\$ 123,059
Mutual funds	<u>675,909</u>	<u>765,005</u>	<u>620,279</u>	<u>865,890</u>
	<u>\$ 754,892</u>	<u>\$ 874,308</u>	<u>\$ 704,599</u>	<u>\$ 988,949</u>

Net realized gains of \$4,338 were reported for the year ended October 31, 2022. The cost of marketable securities sold is determined on the specific asset method. Gross proceeds from sales of securities available for sale totaled \$9,675 for the year ended October 31, 2022. Net unrealized gains amount to \$119,416 at October 31, 2022. Market value is reported from data obtained from sources independent of the Organization.

NOTE 4 – NOTE PAYABLE:

Note payable consists of the following obligations at October 31, 2022 and 2021:

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>2022</u>	<u>2021</u>
Noncurrent maturities	\$ -0-	\$ 242,280
Current maturities	\$ -0-	\$ -0-

BETHEL COLONY OF MERCY, INC.
 Lenoir, North Carolina
 NOTES TO FINANCIAL STATEMENTS
 Years Ended October 31, 2022 and 2021

NOTE 5 – FUNCTIONAL EXPENSES:

Below is the statement of functional expenses for the year ended October 31, 2022.

	Program Services	Fundraising	Support Services, Management & General	Total
Salaries and wages	\$ 438,964		\$ 40,755	\$ 479,719
Payroll taxes and employee benefits	89,016		3,118	92,134
Food and supplies	28,720			28,720
Maintenance and repairs	46,727			46,727
Utilities	130,317			130,317
Professional fees			5,549	5,549
Insurance	45,437			45,437
Office supplies			47,433	47,433
Public relations	44,735			44,735
Education	22,103			22,103
Depreciation and amortization	31,479			31,479
Interest expense	2,616			2,616
Vehicle expenses	56,332			56,332
Other expenses	50,339			50,339
	<u>\$ 986,785</u>	<u>\$ -0-</u>	<u>\$ 96,855</u>	<u>\$ 1,083,640</u>

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

	Program Services	Fundraising	Support Services, Management & General	Total
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>

SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

BETHEL COLONY OF MERCY, INC.
Lenoir, North Carolina
NOTES TO FINANCIAL STATEMENTS
Years Ended October 31, 2022 and 2021

NOTE 6 - LIQUIDITY:

At October 31, 2022, the Organization has \$253,974 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 - SUBSEQUENT EVENTS:

Subsequent events have been evaluated through January 11, 2023 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 which continues through the current year. 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.