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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 corporation), which comprise the statements of assets, liabilities and net assets - modified cash basis as of October 31, 2023 and 2022, 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 13, 2024

BETHEL COLONY OF MERCY, INC.
Lenoir, North Carolina
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS – MODIFIED CASH BASIS
October 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents - unrestricted	\$ 57,939	\$ 253,974
Cash and cash equivalents – restricted	102,550	1,456
Investments – at cost	775,842	754,892
Investments – Other	<u>167,000</u>	<u> </u>
TOTAL CURRENT ASSETS	1,103,331	1,010,322
Property and Equipment:		
Land and building	\$2,813,998	\$2,600,872
Equipment	224,278	194,766
Accumulated Depreciation	<u>(177,151)</u>	<u>(138,211)</u>
NET FIXED ASSETS	2,861,125	2,657,427
Other Assets:		
Closing costs, net	<u>-0-</u>	<u>352</u>
TOTAL ASSETS	<u>\$ 3,964,456</u>	<u>\$ 3,668,101</u>
LIABILITIES AND NET ASSETS		
NET ASSETS		
Without donor restrictions	\$ 3,861,906	\$ 3,666,645
With donor restrictions	<u>102,550</u>	<u>1,456</u>
TOTAL NET ASSETS	<u>3,964,456</u>	<u>3,668,101</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,964,456</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, 2023

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT:			
Contributions	\$ 849,539	\$ 102,550	\$ 952,089
Contribution – real estate	167,000		167,000
Entry fees	108,233		108,233
Dividends and interest – net of investment expense	37,572		37,572
Net realized gains on sale of securities	29,375		29,375
Client service income	72,122		72,122
Other income	125,754		125,754
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>1,456</u>	<u>(1,456)</u>	<u> </u>
 TOTAL REVENUES AND OTHER SUPPORT	 <u>1,391,051</u>	 <u>101,094</u>	 <u>1,492,145</u>
 EXPENSES:			
Salaries and wages	510,028		510,028
Payroll taxes and employee benefits	116,501		116,501
Food and supplies	31,822		31,822
Maintenance and repairs	59,079		59,079
Utilities	136,050		136,050
Professional fees	7,705		7,705
Insurance	55,007		55,007
Office expense	61,305		61,305
Public relations	55,881		55,881
Education	15,654		15,654
Depreciation and amortization	39,292		39,292
Vehicle expense	51,776		51,776
Other expenses	<u>55,690</u>	<u> </u>	<u>55,690</u>
 TOTAL EXPENSES	 <u>1,195,790</u>	 <u>-0-</u>	 <u>1,195,790</u>
 CHANGE IN NET ASSETS	 195,261	 101,094	 296,355
 NET ASSETS - BEGINNING OF YEAR	 <u>3,666,645</u>	 <u>1,456</u>	 <u>3,668,101</u>
 NET ASSETS – END OF YEAR	 <u>\$ 3,861,906</u>	 <u>\$ 102,550</u>	 <u>\$3,964,456</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>
 CHANGES 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
NOTES TO FINANCIAL STATEMENTS
Years Ended October 31, 2023 and 2022

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 \$5,278, which are amortized on a straight-line basis over five years. Amortization expense for the years ended October 31, 2023 and 2022 were \$352 and \$1,056, 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, 2023 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, 2023 and 2022, 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, 2023 and 2022

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, 2023 and 2022, no bank balances exceeded insured limits. Investments in money market accounts and securities held in brokerage accounts are not covered by federal insurance.

Advertising – The Organization expenses all advertising costs when incurred as public relations costs. Advertising costs were \$55,881 and \$44,735 for the years ended October 31, 2023 and 2022, respectively.

BETHEL COLONY OF MERCY, INC.
Lenoir, North Carolina
NOTES TO FINANCIAL STATEMENTS
Years Ended October 31, 2023 and 2022

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>2023</u>	<u>2022</u>
With donor restrictions	\$ <u>102,550</u>	\$ <u>1,456</u>
Total Cash Restricted	\$ <u>102,550</u>	\$ <u>1,456</u>

NOTE 3 – INVESTMENTS:

At October 31, 2023 and 2022, investments were composed of the following:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Common Stock	\$ 95,119	\$ 102,651	\$ 78,983	\$ 109,303
Mutual Funds	<u>680,723</u>	<u>771,417</u>	<u>675,909</u>	<u>765,005</u>
	<u>\$ 775,842</u>	<u>\$ 874,068</u>	<u>\$ 754,892</u>	<u>\$ 874,308</u>

Net realized gains of \$29,375 were reported for the year ended October 31, 2023. The cost of marketable securities sold is determined on the specific asset method. Gross proceeds from sales of securities available for sale totaled \$86,750 for the year ended October 31, 2023. Net unrealized gains amount to \$98,226 at October 31, 2023. Market value is reported from quoted values and is data obtained from sources independent of the Organization.

BETHEL COLONY OF MERCY, INC.
 Lenoir, North Carolina
 NOTES TO FINANCIAL STATEMENTS
 Years Ended October 31, 2023 and 2022

NOTE 4 – FUNCTIONAL EXPENSES:

Below is the statement of functional expenses for the year ended October 31, 2023.

	Program <u>Services</u>	<u>Fundraising</u>	Support Services, Management & General	<u>Total</u>
Salaries and wages	\$ 465,736		\$ 44,292	\$ 510,028
Payroll taxes and employee benefits	113,133		3,368	116,501
Food and supplies	31,822			31,822
Maintenance and repairs	59,079			59,079
Utilities	136,050			136,050
Professional fees			7,705	7,705
Insurance	55,007			55,007
Office supplies			61,305	61,305
Public relations	55,881			55,881
Education	15,654			15,654
Depreciation and amortization	39,292			39,292
Vehicle expenses	51,776			51,776
Other expenses	<u>55,690</u>			<u>55,690</u>
	<u>\$1,079,120</u>	<u>\$ -0-</u>	<u>\$116,670</u>	<u>\$1,195,790</u>

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

	Program <u>Services</u>	<u>Fundraising</u>	Support Services Management & General	<u>Total</u>
Salaries and wage	\$ 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	<u>50,339</u>			<u>50,339</u>
Total Expenses	<u>\$ 986,785</u>	<u>\$ -0-</u>	<u>\$ 96,855</u>	<u>\$1,083,640</u>

BETHEL COLONY OF MERCY, INC.
Lenoir, North Carolina
NOTES TO FINANCIAL STATEMENTS
Years Ended October 31, 2023 and 2022

NOTE 5 - LIQUIDITY:

At October 31, 2023, the Organization has \$57,939 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 6 - SUBSEQUENT EVENTS:

Subsequent events have been evaluated through January 13, 2024 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 continued into 2023. 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.