

FAITH PROMISE CHURCH

Financial Statements
With Independent Auditor's Report

June 30, 2025 and 2024



FAITH PROMISE CHURCH

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INDEPENDENT AUDITOR'S REPORT

Leadership Team
Faith Promise Church
Knoxville, Tennessee

Opinion

We have audited the accompanying financial statements of Faith Promise Church, which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities and cash flows for the years 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 Faith Promise Church as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Faith Promise Church and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Faith Promise Church's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Leadership Team
Faith Promise Church
Knoxville, Tennessee

Auditor's Responsibility 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 auditors'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 control. 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 control 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 Faith Promise Church's internal control. 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 Faith Promise Church'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.

Capin Crouse LLC

Lawrenceville, Georgia
October 28, 2025

FAITH PROMISE CHURCH

Statements of Financial Position

	June 30,	
	2025	2024
ASSETS:		
Cash and cash equivalents	\$ 1,635,992	\$ 1,361,336
Other assets	199,390	186,657
Operating lease right-of-use assets	1,534,807	1,903,322
Finance lease right-of-use asset	146,733	221,621
Property and equipment—net	25,360,325	26,149,085
Total Assets	\$ 28,877,247	\$ 29,822,021
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 587,677	\$ 683,263
Operating lease obligations	1,651,591	2,039,770
Finance lease obligation	151,889	221,621
Revolving credit loan	445,319	2,077,385
Total liabilities	2,836,476	5,022,039
Net assets:		
Without donor restrictions	23,191,477	21,837,368
With donor restrictions	2,849,294	2,962,614
Total net assets	26,040,771	24,799,982
Total Liabilities and Net Assets	\$ 28,877,247	\$ 29,822,021

See notes to financial statements

FAITH PROMISE CHURCH

Statements of Activities

	Year Ended June 30,					
	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 12,731,679	\$ 2,114,516	\$ 14,846,195	\$ 13,979,401	\$ 1,937,957	\$ 15,917,358
Program revenue	145,491	-	145,491	106,381	-	106,381
Other income (loss)	57,338	-	57,338	(1,392)	-	(1,392)
Total Support and Revenue	12,934,508	2,114,516	15,049,024	14,084,390	1,937,957	16,022,347
RECLASSIFICATIONS:						
Satisfaction of purpose restrictions	2,227,836	(2,227,836)	-	2,383,246	(2,383,246)	-
EXPENSES:						
Program activities	10,598,762	-	10,598,762	10,399,931	-	10,399,931
General and administrative	3,209,473	-	3,209,473	3,369,322	-	3,369,322
Total Expenses	13,808,235	-	13,808,235	13,769,253	-	13,769,253
Change in Net Assets	1,354,109	(113,320)	1,240,789	2,698,383	(445,289)	2,253,094
Net Assets, Beginning of Year	21,837,368	2,962,614	24,799,982	19,138,985	3,407,903	22,546,888
Net Assets, End of Year	\$ 23,191,477	\$ 2,849,294	\$ 26,040,771	\$ 21,837,368	\$ 2,962,614	\$ 24,799,982

See notes to financial statements

FAITH PROMISE CHURCH

Statements of Cash Flows

	Year Ended June 30,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,240,789	\$ 2,253,094
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gains on investments	-	(13,664)
Depreciation	1,810,357	1,743,240
Amortization of finance lease right-of-use asset	74,888	16,823
Loss on disposal of property and equipment	-	6,384
Change in value of interest rate swap	-	62,487
Contributions received for building fund	(1,370,211)	(1,295,980)
Changes in operating assets and liabilities:		
Other assets	(12,733)	60,712
Operating lease right-of-use assets	368,515	260,550
Accounts payable and accrued expenses	(165,947)	137,603
Operating lease right-of-use obligations	(388,179)	(140,240)
Deferred compensation obligation	-	(260,538)
Net Cash Provided by Operating Activities	1,557,479	2,830,471
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	-	274,202
Purchases of property and equipment	(951,236)	(1,141,252)
Net Cash Used by Investing Activities	(951,236)	(867,050)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions received for building fund	1,370,211	1,295,980
Payments on capital lease obligation	(69,732)	(16,823)
Payments on revolving credit loan	(1,632,066)	(2,304,624)
Net Cash Used by Financing Activities	(331,587)	(1,025,467)
Net Change in Cash and Cash Equivalents	274,656	937,954
Cash and Cash Equivalents, Beginning of Year	1,361,336	423,382
Cash and Cash Equivalents, End of Year	\$ 1,635,992	\$ 1,361,336

(continued)

See notes to financial statements

FAITH PROMISE CHURCH

Statements of Cash Flows

(continued)

	Year Ended June 30,	
	2025	2024
SUPPLEMENTAL DISCLOSURE:		
Total cash paid for interest	\$ 113,826	\$ 145,252
NONCASH INVESTING TRANSACTIONS:		
Right-of-use assets obtained in exchange for operating lease obligations	\$ -	\$ 1,062,883
Right-of-use assets obtained in exchange for finance lease obligations	\$ -	\$ 238,444
Property and equipment acquired with accounts payable	\$ 70,361	\$ 118,629
NONCASH FINANCING TRANSACTIONS:		
Repayment of revolving credit loan through refinance	\$ -	\$ 2,144,000

See notes to financial statements

FAITH PROMISE CHURCH

Notes to Financial Statements

June 30, 2025 and 2024

1. NATURE OF ORGANIZATION:

Faith Promise Church (the Church) was established in 1995. The Church is a nonprofit organization and is dedicated to reaching the unchurched for God through its various campuses across Tennessee and worldwide via the Internet. The Church strives to create relevant environments to lead people into experiencing God. The Church is supported primarily through contributions from the congregation. The mission of the Church is to help all people Love God, Love People, Discover Purpose, and Win their World. Each of the Church's program ministries (Student, Children, Group, Worship, and Next Steps) make this their primary focus with the ultimate goal of reaching 1% of the state of Tennessee.

The Church is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (Code) and comparable state law. Contributions to the Church are deductible from income taxes within the limitations prescribed by the Code. The Church is not a private foundation under Section 509(a)(1) of the Code. However, income from certain activities not directly related to the Church's tax-exempt purpose is subject to taxation as unrelated business income. The Church has concluded that it does not have any unrecognized tax benefits resulting from current or prior period tax positions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Church have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

ESTIMATES

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash held in checking, savings, and money market accounts. While the Church maintains cash and cash equivalents in bank deposit accounts which may, at times, exceed federally insured limits. The uninsured amount as of June 30, 2025 and 2024, was approximately \$1,386,000 and \$987,000, respectively.

INVESTMENTS HELD FOR RABBI TRUST

Investments in marketable securities with readily determinable fair values are recorded at fair value based on the last reported sales price on the valuation date. Donated investments are recorded at market value at the date of donation, and thereafter carried in accordance with the above provisions. Dividend and interest income as well as the realized and unrealized gains and losses on marketable securities are included in other income in the accompanying statements of activities.

OTHER ASSETS

Other assets consist of prepaid expenses, prepaid insurance, and other assets.

FAITH PROMISE CHURCH

Notes to Financial Statements

June 30, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY AND EQUIPMENT

Items capitalized as property and equipment are stated at cost or, if donated, at market value on the date of donation. The Church generally capitalizes and reports property and equipment acquisitions in excess of \$5,000. Expenditures for repairs and maintenance are charged to expense as incurred, and additions and improvements that significantly extend the lives of assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Buildings and building improvements	10-40 years
Leasehold improvements	5-15 years
Furniture, fixtures, and equipment	5-20 years

NET ASSETS

The financial statements report amounts separately by class of net assets.

Net assets without donor restrictions are currently available for operating purposes under the direction of the leadership team, designated by the leadership team for specific use, or invested in property and equipment, net of accumulated depreciation.

Net assets with donor restrictions are stipulated by donors for specific operating purposes or programs, with time restrictions, or not currently available for use until commitments regarding their use have been fulfilled.

REVENUES, EXPENSES, AND RECLASSIFICATIONS

Program revenue is recognized (point in time) when the performance obligation is met and contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

The Church reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as reclassifications.

The Church reports donations of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Church reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

FAITH PROMISE CHURCH

Notes to Financial Statements

June 30, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUES, EXPENSES, AND RECLASSIFICATIONS, continued

Donated goods (including securities, property, and equipment) are recorded at fair value at the date of the gift. Contributions of donated services that create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded in the financial statements at their fair values in the period received. Volunteers also provide services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. The value of those services has not been estimated.

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing the program services and supporting activities of the Church have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program activities and supporting activities benefited.

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects the Church's financial assets as of June 30, 2025 and 2024, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The Church considers general expenditures to be all expenditures related to its vision as well as the conduct of services undertaken to support those activities to be general expenditures.

	June 30,	
	2025	2024
Financial assets:		
Cash and cash equivalents	\$ 1,635,992	\$ 1,361,336
Less those not available for general expenditure within one year:		
Building fund*	(2,108,084)	(2,662,857)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ (472,092)</u>	<u>\$ (1,301,521)</u>

As part of the Church's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As of June 30, 2025 and 2024, the Church had \$741,210 and \$299,757 in assets with donor restrictions for project support.

*In addition to the financial assets noted above, the Church has a bank step down revolving note (see Note 5) which is reduced by cash in loan reserves. These reserves are available for drawing upon for general expenditures. As of June 30, 2025 and 2024, the Church had approximately \$6,997,000 and \$5,923,000, respectively, available in loan reserves.

FAITH PROMISE CHURCH

Notes to Financial Statements

June 30, 2025 and 2024

4. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net, consist of:

	June 30,	
	2025	2024
Land and improvements	\$ 4,011,450	\$ 4,011,450
Buildings and improvements	26,229,965	25,987,990
Leasehold improvements	4,968,428	4,119,931
Furniture, fixtures, and equipment	5,571,884	4,852,707
	40,781,727	38,972,078
Less accumulated depreciation	(15,677,982)	(13,983,039)
	25,103,745	24,989,039
Construction in progress	256,580	1,160,046
	<u>\$ 25,360,325</u>	<u>\$ 26,149,085</u>

5. REVOLVING CREDIT LOAN:

Revolving credit loan consists of:

	June 30,	
	2025	2024
Revolving credit loan with annual principal payments and monthly interest payments held by bank. The revolving credit loan matures October 31, 2028 and accrues interest at a variable rate (6.32% and 7.34% as of June 30, 2025 and 2024, respectively), with \$3,500,000 in principal subject to a rate cap of 6%. The revolving credit loan is secured by real property owned by the Church with total net book value of approximately \$14,490,000 as of June 30, 2025.	\$ 445,319	\$ 2,077,385

The revolving credit loan had a maximum loan availability of and \$7,442,000 and \$8,000,000 as of June 30, 2025 and 2024, respectively.

The Church is required to meet certain financial covenants related to its revolving credit loan. As of June 30, 2025 and 2024, the Church met the financial covenants.

FAITH PROMISE CHURCH

Notes to Financial Statements

June 30, 2025 and 2024

6. LEASES:

The Church leases meeting space under three noncancelable operating leases, expiring at various dates through the fiscal year ending June 30, 2030. The leases require monthly payments of ranging from approximately \$9,000 to \$17,000. The discount rate represents the Church's risk-free rate upon commencement of the leases. Total expenses incurred under these operating leases for the years ended June 30, 2025 and 2024, were \$524,292 and \$583,022, respectively.

	June 30,	
	2025	2024
Operating lease right-of-use assets	\$ 1,534,807	\$ 1,903,322
Operating lease obligations	\$ 1,651,591	\$ 2,039,770
Weighted-average discount rate	2.65%	2.67%
Weighted-average remaining lease term	3.95 years	4.94 years

Future minimum lease payments required under the operating leases that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

<u>Years Ending June 30,</u>	
2026	\$ 448,560
2027	448,560
2028	448,560
2029	322,089
2030	69,797
	<u>1,737,566</u>
Less imputed interest	<u>(85,975)</u>
	<u>\$ 1,651,591</u>

FAITH PROMISE CHURCH

Notes to Financial Statements

June 30, 2025 and 2024

6. LEASES, continued:

The Church also leases equipment under a noncancelable finance lease, expiring during the fiscal year ending June 30, 2027. The lease requires monthly payments of approximately \$6,700. The discount rate represents the Church's risk-free rate upon commencement of the lease.

	June 30,	
	2025	2024
Finance lease right-of-use asset	\$ 146,733	\$ 221,621
Finance lease obligation	\$ 151,889	\$ 221,621
Weighted-average discount rate	5.68%	5.68%
Weighted-average remaining lease term	2.00 years	3.00 years

Future minimum lease payments required under the finance leases that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

Years Ending June 30,	
2026	\$ 80,520
2027	80,520
	161,040
Less imputed interest	(9,151)
	\$ 151,889

7. NET ASSETS:

The following is a summary of the activity for net assets with donor restrictions:

	June 30, 2024	Contributions	Released from Restriction	June 30, 2025
Debt elimination	\$ 299,757	\$ 446,785	\$ (5,332)	\$ 741,210
Building fund	2,662,857	1,370,211	(1,924,984)	2,108,084
Missions	-	172,729	(172,729)	-
Mission trips	-	115,074	(115,074)	-
Camp scholarships	-	9,717	(9,717)	-
	\$ 2,962,614	\$ 2,114,516	\$ (2,227,836)	\$ 2,849,294

FAITH PROMISE CHURCH

Notes to Financial Statements

June 30, 2025 and 2024

7. NET ASSETS, continued:

	June 30, 2023	Contributions	Released from Restriction	June 30, 2024
Debt elimination	\$ 304,363	\$ 418,965	\$ (423,571)	\$ 299,757
Building fund	3,103,540	1,295,980	(1,736,663)	2,662,857
Missions	-	138,439	(138,439)	-
Mission trips	-	71,200	(71,200)	-
Camp scholarships	-	13,373	(13,373)	-
	<u>\$ 3,407,903</u>	<u>\$ 1,937,957</u>	<u>\$ (2,383,246)</u>	<u>\$ 2,962,614</u>

8. EXPENSES BY BOTH NATURE AND FUNCTION:

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Church. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Depreciation, interest, and office and occupancy are allocated on a square-footage basis. Payroll and benefits are allocated on employee time and effort.

Functional expenses by natural classification for the year ended June 30, 2025:

	Program Activities	General and Administrative	Total
Payroll and benefits	\$ 3,228,011	\$ 2,164,469	\$ 5,392,480
Ministry and office supplies	1,085,217	33,546	1,118,763
Office and occupancy	1,688,660	166,717	1,855,377
Depreciation	1,647,427	162,930	1,810,357
Interest	103,582	10,244	113,826
Mission grants	1,292,340	-	1,292,340
Missions travel and meals	199,431	-	199,431
Benevolence	89,942	-	89,942
Travel, meals, and entertainment	464,610	4,413	469,023
Computer and technology supplies	151,617	245,037	396,654
Marketing and telecommunications	205,644	103,422	309,066
Professional fees and dues	372,378	93,817	466,195
Credit card processing fees	1,755	218,138	219,893
Amortization	68,148	6,740	74,888
	<u>\$ 10,598,762</u>	<u>\$ 3,209,473</u>	<u>\$ 13,808,235</u>

FAITH PROMISE CHURCH

Notes to Financial Statements

June 30, 2025 and 2024

8. EXPENSES BY BOTH NATURE AND FUNCTION, continued:

Functional expenses by natural classification for the year ended June 30, 2024:

	Program Activities	General and Administrative	Total
Payroll and benefits	\$ 3,532,592	\$ 2,208,955	\$ 5,741,547
Ministry and office supplies	1,105,886	40,261	1,146,147
Office and occupancy	1,716,029	169,717	1,885,746
Depreciation	1,586,348	156,892	1,743,240
Interest	132,179	13,073	145,252
Mission grants	923,091	-	923,091
Missions travel and meals	214,914	-	214,914
Benevolence	69,599	-	69,599
Travel, meals, and entertainment	416,679	6,312	422,991
Computer and technology supplies	97,627	194,623	292,250
Marketing and telecommunications	117,878	139,227	257,105
Professional fees and dues	470,147	135,288	605,435
Credit card processing fees	1,376	228,961	230,337
Amortization	15,309	1,514	16,823
Other operating expenses	277	74,499	74,776
	<u>\$ 10,399,931</u>	<u>\$ 3,369,322</u>	<u>\$ 13,769,253</u>

9. RETIREMENT PLANS:

The Church sponsors an Internal Revenue Code Section 403(b) Tax Sheltered Annuity Plan. The plan covers all qualified employees. Employee contributions and investments are self directed, subject to annual limits established by the Internal Revenue Service. Participants are fully vested in their own deferrals and the Church's contributions. The Church contributions for the years ended June 30, 2025 and 2024, were \$147,088 and \$61,424, respectively.

10. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through October 28, 2025, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.