FAITH PROMISE CHURCH

Financial Statements
With Independent Auditors' Report

June 30, 2023 and 2022

CAPINCROUSE LLP

FAITH PROMISE CHURCH

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INDEPENDENT AUDITORS' 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, 2023 and 2022, 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, 2023 and 2022, 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 *Auditors' 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.

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Leadership Team
Faith Promise Church
Knoxville, Tennessee

Auditors' 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' 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 LLP

Lawrenceville, Georgia
September 15, 2023

FAITH PROMISE CHURCH

Statements of Financial Position

	June 30, 2023		June 30, 2022	
ASSETS:				
Cash and cash equivalents	$	423,382	$	868,503
Interest rate swap asset		62,487		56,712
Other assets		247,369		156,215
Investments held for Rabbi Trust		260,538		450,659
Operating lease right-of-use assets		509,087		-
Property and equipment–net		26,638,828		27,184,664
Total Assets	$	28,141,691	$	28,716,753
LIABILITIES AND NET ASSETS:				
Liabilities				
Accounts payable and accrued expenses	$	427,031	$	538,725
Rabbi Trust		260,538		450,659
Operating lease obligations		525,225		-
Revolving credit loan		4,382,009		6,385,175
Total liabilities		5,594,803		7,374,559
Net assets:				
Without donor restrictions		19,138,985		20,106,658
With donor restrictions		3,407,903		1,235,536
Total net assets		22,546,888		21,342,194
Total Liabilities and Net Assets	$	28,141,691	$	28,716,753

See notes to financial statements

FAITH PROMISE CHURCH

Statements of Activities

	Year Ended June 30,					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	$14,042,258	$ 2,544,885	$16,587,143	$14,106,427	$ 2,138,586	$16,245,013
Program revenue	89,161	-	89,161	114,195	-	114,195
Change in value of interest rate swap	5,775	-	5,775	294,578	-	294,578
Investment income (loss)	43,773	-	43,773	(86,172)	-	(86,172)
Other income	6,258	-	6,258	5,424	-	5,424
Loss on disposal of property and equipment	(6,438)	-	(6,438)	-	-	-
Total Support and Revenue	14,180,787	2,544,885	16,725,672	14,434,452	2,138,586	16,573,038
RECLASSIFICATIONS:						
Satisfaction of purpose restrictions	372,518	(372,518)	-	903,050	(903,050)	-
EXPENSES:						
Program activities	11,800,656	-	11,800,656	10,928,651	-	10,928,651
Supporting activities	3,720,322	-	3,720,322	3,426,006	-	3,426,006
Total Expenses	15,520,978	-	15,520,978	14,354,657	-	14,354,657
Change in Net Assets	(967,673)	2,172,367	1,204,694	982,845	1,235,536	2,218,381
Net Assets, Beginning of Year	20,106,658	1,235,536	21,342,194	19,123,813	-	19,123,813
Net Assets, End of Year	$19,138,985	$ 3,407,903	$22,546,888	$20,106,658	$ 1,235,536	$21,342,194

See notes to financial statements

FAITH PROMISE CHURCH

Statements of Cash Flows

	Year Ended June 30, 2023	Year Ended June 30, 2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 1,204,694	$ 2,218,381
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Unrealized/realized (gain) loss	(43,773)	86,172
Depreciation	1,728,557	1,674,951
Non-cash effect of change in accounting principle	16,138	-
Loss on disposal of property and equipment	6,438	-
Change in value of interest rate swap	(5,775)	(294,578)
Contributions received for building fund	(2,008,206)	(1,889,495)
Changes in operating assets and liabilities:		
Other assets	(91,154)	(87,245)
Accounts payable and accrued expenses	(111,694)	(191,030)
Rabbi Trust	(190,121)	(365,128)
Net Cash Provided (Used) by Operating Activities	505,104	1,152,028
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	233,894	278,956
Purchases of property and equipment	(1,189,709)	(1,426,916)
Proceeds from sale of property and equipment	550	-
Net Cash Used by Investing Activities	(955,265)	(1,147,960)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions received for building fund	2,008,206	1,889,495
Payments on capital lease obligation	-	(24,324)
Payments on revolving credit loan	(2,003,166)	(2,294,092)
Net Cash Provided (Used) by Financing Activities	5,040	(428,921)
Net Change in Cash and Cash Equivalents	(445,121)	(424,853)
Cash and Cash Equivalents, Beginning of Year	868,503	1,293,356
Cash and Cash Equivalents, End of Year	$ 423,382	$ 868,503

(continued)

See notes to financial statements

FAITH PROMISE CHURCH

Statements of Cash Flows

	Year Ended June 30, 2023	Year Ended June 30, 2022
SUPPLEMENTAL DISCLOSURE:		
Right-of-use assets obtained in exchange for operating lease obligations	$ 815,546	$ -
Total cash paid for interest	$ 242,801	$ 264,701

See notes to financial statements

FAITH PROMISE CHURCH

Notes to Financial Statements

June 30, 2023 and 2022

1. NATURE OF ORGANIZATION:

Faith Promise Church (FPC) was established in 1995. FPC is a nonprofit organization and is dedicated to reaching the unchurched for God through its various campuses across Tennessee and worldwide via the Internet. FPC strives to create relevant environments to lead people into experiencing God. FPC is supported primarily through contributions from the congregation.

FPC is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (Code) and comparable state law. Contributions to FPC are deductible from income taxes within the limitations prescribed by the Code. FPC is not a private foundation under Section 509(a)(1) of the Code. However, income from certain activities not directly related to FPC's tax-exempt purpose is subject to taxation as unrelated business income. FPC 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 FPC 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 FPC maintains cash and cash equivalents in bank deposit accounts which may, at times, exceed federally insured limits, FPC has not experienced any losses in such accounts. The uninsured amount as of June 30, 2023 and 2022, was $167,792 and $631,406, 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 investment income (loss) in the accompanying statements of activities.

OTHER ASSETS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

OPERATING LEASE RIGHT-OF-USE ASSETS AND OBLIGATIONS

FPC adopted Accounting Standards Update (ASU) No. 2016-02 (see recently adopted accounting standard below) and its related amendments as of July 1, 2022, which resulted in the recognition of operating lease right-of-use assets totaling $509,087 as of June 30, 2023, as well as operating lease obligations totaling $525,225. FPC elected to adopt the transition relief provisions from ASU 2018-11 and recorded the adoption as of July 1, 2022, without restating prior-year amounts. The additional lease disclosures can be found in Note 10.

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 Organization 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

INTEREST RATE SWAP ASSET

In 2017, FPC executed an interest rate swap which fixed the variable rate exposure associated with the $14,311,958 revolving credit loan.

The purpose of the interest swap agreements is to manage the economic effect of variable interest obligations associated with the debt instruments described in Note 6, so that the interest payable on the related indebtedness effectively becomes a fixed rate, thereby reducing the impact of future interest rate changes on future interest expense.

FPC adopted the disclosure requirements required by the *Derivatives and Hedging* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), and provided the appropriate disclosures described on the following page.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

INTEREST RATE SWAP ASSET, continued:

	June 30, 2023	June 30, 2022
2017 Interest rate swap:		
Fixed rate	3.98%	3.98%
Variable rate	6.95%	2.85%
Remaining term of contract in years	0.33	1.33
Maturity date	10/31/2023	10/31/2023
Original revolving credit loan balance covered by agreement (notional amount)	$ 7,000,000	$ 7,000,000
Notional amount outstanding	$ 4,920,000	$ 5,321,000

The agreement was accounted for as a fair value hedge. The change in fair value of interest rate swap is in the statements of activities and the corresponding fair value asset is included in the interest rate swap asset in the statements of financial position.

The effects of derivative instruments on the financial statements were as follows as of June 30, 2023 and 2022, and for the years then ended:

Fair value of derivative instruments in statements of financial position:

	Statement Location	Fair Value 2023	Fair Value 2022
Fair value hedge:			
Interest rate swap	Interest rate swap asset	$ 62,487	$ 56,712

Effects of derivative instruments in statements of activities:

	Statement Location	Gain (Loss) 2023	Gain (Loss) 2022
Fair value hedge:			
Interest rate swap	Change in value of interest rate swap	$ 5,775	$ 294,578

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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
Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to FPC. Conditional promises to give 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.

FPC reports gifts of cash and other assets as restricted revenue if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. All contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor.

FPC reports gifts of land, buildings, 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 restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, FPC reports expirations of donor restrictions when donated or acquired assets have been placed in service.

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 be estimated. During the years ended June 30, 2023 and 2022, there were no qualifying donated services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUES, EXPENSES, AND RECLASSIFICATIONS, continued:

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing the program services and supporting activities of FPC 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.

RECENTLY ISSUED ACCOUNTING STANDARDS

In 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases* (Topic 842 of the FASB Accounting Standards Codification). The amendments in this update require organizations that lease assets to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by the leases. The amendments are effective for fiscal years beginning after December 15, 2021. FPC adopted this update for the year ended June 30, 2023. Some of FPC's contracts contain the right to control the use of property or assets and are therefore considered leases. FPC elected to adopt the transition relief provisions from ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements* and recorded the impact of adoption as of July 1, 2022, without restating any prior-year amounts. FPC also elected the practical expedient accounting policy election to exclude short-term leases with lease terms of 12 months or less. The additional lease disclosure can be found in Note 10. The effect of the adjustment to the opening balance of net assets totaled $16,138. As it was deemed immaterial, the net asset difference was adjusted through office and occupancy expenses on the statement of activities and Note 8. This amount is reported as a non-cash effect of change in accounting principle on the statement of cash flows.

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects FPC's financial assets as of June 30, 2023 and 2022, 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. FPC 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,	
	2023	2022
Financial assets:		
Cash and cash equivalents	$ 423,382	$ 868,503
Investments	260,538	450,659
Less those not available for general expenditure within one year:		
Rabbi Trust	(260,538)	(450,659)
Financial assets available to meet cash needs for general expenditures within one year	$ 423,382	$ 868,503

3. LIQUIDITY AND FUNDS AVAILABLE, continued:

As part of FPC'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, 2023, FPC had $3,407,903 in assets with donor restrictions for project support. The cash related to this amount is netted against the revolving credit loan daily as part of a sweep account.

In addition to the financial assets noted above, FPC has a bank step down revolving note (see Note 6) which is available for drawing upon for general expenditures.

4. INVESTMENTS:

Investments consist of:

	June 30,	
	2023	2022
At fair value:		
Mutual funds:		
Value funds	$12,813	$ 22,124
Target date funds	37,924	66,681
Growth funds	76,534	123,997
Emerging markets funds	7,485	13,595
International equity funds	15,521	26,348
Fixed income funds	110,261	197,914
	$ 260,538	$ 450,659

Assets held in perpetuity and for long-term purposes consist of endowed balances, amounts held for future annuity payments, and assets designated by the board for long-term purposes.

The *Fair Value Measurements and Disclosure* topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. FPC uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, FPC measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. At June 30, 2023 and 2022, all FPC investments are considered Level 1 investments.

Investment income (loss) consists of $43,773 and ($86,172) of realized and unrealized gains (losses) for the years ended June 30, 2023 and 2022, respectively. There were no investment fees incurred during the years ended June 30, 2023 and 2022.

5. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net, consist of:

	June 30, 2023	June 30, 2022
Land and improvements	$ 4,011,450	$ 4,011,450
Buildings and improvements	25,898,677	25,042,574
Leasehold improvements	4,132,821	3,821,802
Furniture, fixtures, and equipment	4,949,969	5,016,965
	38,992,917	37,892,791
Less accumulated depreciation	(12,395,952)	(10,766,244)
	26,596,965	27,126,547
Construction in progress	41,863	58,117
	$ 26,638,828	$ 27,184,664

6. REVOLVING CREDIT LOAN:

Revolving credit loan consists of:

	June 30, 2023	June 30, 2022
Revolving credit loan with interest only payments held by bank. The revolving credit loan matures at October 31, 2023. The agreement is subject to an interest rate swap (see Note 2). The revolving credit loan is secured by real property owned by FPC. As of June 30, 2023, the amount of available credit was $5,761,991.	$ 4,382,009	$ 6,385,175

The revolving credit loan has a maximum loan availability of $10,144,000 as of June 30, 2023.

FPC is required to meet certain financial covenants related to its revolving credit loan. As of June 30, 2023 and 2022, FPC either met the financial covenants or obtained a letter of waiver from the financial institution, which waives the penalties associated with non-compliance of the financial covenant.

FAITH PROMISE CHURCH

Notes to Financial Statements

June 30, 2023 and 2022

7. NET ASSETS:

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

	June 30, 2022	Contributions	Released from Restriction	June 30, 2023
Debt elimination	$ -	$ 306,712	$ (2,349)	$ 304,363
Building fund	1,235,536	2,008,206	(140,202)	3,103,540
Missions	-	147,946	(147,946)	-
Mission trips	-	75,200	(75,200)	-
Camp scholarships	-	6,821	(6,821)	-
	$ 1,235,536	$ 2,544,885	$ (372,518)	$ 3,407,903

	June 30, 2021	Contributions	Released from Restriction	June 30, 2022
Building fund	$ -	$ 1,889,495	$ (653,959)	$ 1,235,536
Missions	-	187,428	(187,428)	-
Mission trips	-	53,091	(53,091)	-
Camp scholarships	-	8,572	(8,572)	-
	$ -	$ 2,138,586	$ (903,050)	$ 1,235,536

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 FPC. 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 as of June 30, 2023:

	Program Activities	Supporting Activities	Total
Payroll and benefits	$ 4,089,310	$ 2,621,455	$ 6,710,765
Ministry and office supplies	1,321,869	43,756	1,365,625
Office and occupancy	1,627,988	161,010	1,788,998
Depreciation	1,572,987	155,570	1,728,557
Interest	220,949	21,852	242,801
Mission grants	1,314,456	-	1,314,456
Missions travel and meals	255,333	-	255,333
Benevolence	109,632	-	109,632
Travel, meals, and entertainment	696,100	7,156	703,256
Computer and technology supplies	140,678	262,849	403,527
Marketing and telecommunications	133,187	154,006	287,193
Professional fees and dues	316,058	59,467	375,525
Credit card processing fees	1,700	232,037	233,737
Other operating expenses	409	1,164	1,573
	$ 11,800,656	$ 3,720,322	$ 15,520,978

8. EXPENSES BY BOTH NATURE AND FUNCTION, continued:

Functional expenses by natural classification as of June 30, 2022:

	Program Activities	Supporting Activities	Total
Payroll and benefits	$ 3,615,906	$ 2,317,140	$ 5,933,046
Ministry and office supplies	1,603,339	35,883	1,639,222
Office and occupancy	1,445,031	142,915	1,587,946
Depreciation	1,524,205	150,746	1,674,951
Interest	240,878	23,823	264,701
Mission grants	248,652	-	248,652
Missions travel and meals	863,773	-	863,773
Benevolence	97,371	-	97,371
Travel, meals, and entertainment	615,234	12,700	627,934
Computer and technology supplies	87,535	315,031	402,566
Marketing and telecommunications	326,957	134,258	461,215
Professional fees and dues	234,772	64,541	299,313
Credit card processing fees	1,392	228,969	230,361
Other operating expenses	23,606	-	23,606
	$ 10,928,651	$ 3,426,006	$ 14,354,657

9. RETIREMENT PLANS:

FPC 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. FPC contributes 5% of each participant's qualified compensation. Participants are fully vested in their own deferrals and FPC's contributions. FPC contributions for the years ended June 30, 2023 and 2022, were $261,496 and $90,883, respectively.

During the fiscal year ended June 30, 2021, FPC established a Rabbi Trust for the purpose of paying certain staff upon retirement, death, or disability. The trust is revocable by FPC. As of June 30, 2023 and 2022, the portfolio was invested in 100% in mutual funds. All holdings are Level 1 assets in accordance with fair value disclosure requirements. Rabbi Trust assets are offset by a liability included in accrued expenses in the statements of financial position.

10. OPERATING LEASE RIGHT-OF-USE ASSETS AND OBLIGATIONS:

FPC leases meeting space under three noncancelable operating leases, expiring at various dates through the fiscal year ending June 30, 2026. The leases require monthly payments of approximately $31,000. The discount rate represents FPC's risk-free rate upon commencement of the leases. Total expenses incurred under these operating leases for the year ended June 30, 2023, was $476,792.

	Amounts
Operating lease right-of-use assets	$ 509,087
Operating lease liabilities	$ 525,225
Weighted-average discount rate	3.98%
Weighted-average remaining lease term	1.5 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:

Years Ending June 30,	
2024	$ 371,437
2025	155,788
2026	15,516
	542,741
Less imputed interest	(17,516)
	$ 525,225

Prior to the adoption of ASUs 2016-02 and 2018-11 under Topic 842 as described in Note 2, FPC was applying Topic 840 in relation to operating leases. During the year ended June 30, 2022, FPC had operating lease expenses of $457,183.

11. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through September 15, 2023, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.