

**KINGDOM KATALYST**  
*dba K2 Hawaii*  
**AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2020**  
**And Independent Accountant's Compilation Report**



**CW Associates**  
*A Hawaii Certified Public Accounting Corporation*



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*A Hawaii Certified Public Accounting Corporation*

## **INDEPENDENT ACCOUNTANT'S COMPILATION REPORT**

Kingdom Katalyst *dba* K2 Hawaii and Affiliates:

Management is responsible for the accompanying consolidated financial statements of Kingdom Katalyst *dba* K2 Hawaii and Affiliates, which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. 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 American Institute of Certified Public Accountants. We did not audit or review the consolidated financial statements, nor were we required to perform any procedures to verify the accuracy or the completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on these consolidated financial statements.

**CW ASSOCIATES, CPAs**

Honolulu, Hawaii  
July 14, 2021

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**KINGDOM KATALYST *dba K2 Hawaii***  
**AND AFFILIATES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**As of December 31, 2020**

ASSETS

CURRENT ASSETS

Cash (including interest-bearing accounts)	\$ 421,027
Accounts receivable – net	38,417
Prepaid expenses and other current assets	<u>37,665</u>
Total current assets	497,109

PROPERTY AND EQUIPMENT – Net	6,186
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DEPOSITS	<u>5,229</u>
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TOTAL ASSETS	<u>\$ 508,524</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	<u>\$ 58,053</u>
Total current liabilities	<u>58,053</u>

TOTAL LIABILITIES	<u>58,053</u>
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NET ASSETS

Net assets without donor restrictions	409,071
Net assets with donor restrictions	<u>41,400</u>
Total net assets	<u>450,471</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 508,524</u>
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See accompanying notes to the consolidated financial statements and  
independent accountant's compilation report.

**KINGDOM KATALYST *dba K2 Hawaii***  
**AND AFFILIATES**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**For the Year Ended December 31, 2020**

CHANGES IN NET ASSETS

WITHOUT DONOR RESTRICTIONS

Revenue and support

Professional service income	\$ 653,951
Church rental reimbursement	390,191
Contributions without donor restrictions	127,687
Net assets released from donor restrictions	89,623
Proceeds from SBA PPP loan	65,000
Other income	<u>6,462</u>
Total revenue and support	<u>1,332,914</u>

Expenses

Program services	857,698
Management and general	<u>278,579</u>
Total expenses	<u>1,136,277</u>

Increase in net assets without donor restrictions

196,637

CHANGES IN NET ASSETS

WITH DONOR RESTRICTIONS

Contributions with donor restrictions	41,400
Net assets released from donor restrictions	<u>(89,623)</u>
Decrease in net assets with donor restrictions	<u>(48,223)</u>

INCREASE IN NET ASSETS

148,414

NET ASSETS – Beginning of year

302,057

NET ASSETS – End of year

\$ 450,471

See accompanying notes to the consolidated financial statements and  
independent accountant's compilation report.

**KINGDOM KATALYST *dba K2 Hawaii*  
AND AFFILIATES**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended December 31, 2020**

	<u>Program Services</u>	Management and <u>General</u>	<u>Total</u>
Salaries and wages	\$ 366,139	\$ 122,046	\$ 488,185
Rent	390,191	10,857	401,048
Professional	-	86,410	86,410
Employee benefits	31,453	10,484	41,937
Payroll taxes	25,642	8,547	34,189
Computer supplies and services	19,121	6,373	25,494
Insurance	17,389	7,084	24,473
Office supplies	-	18,538	18,538
Other expenses	3,689	3,581	7,270
Telephone	3,049	2,324	5,373
Depreciation	-	2,335	2,335
Travel	<u>1,025</u>	<u>-</u>	<u>1,025</u>
Total expenses	<u>\$ 857,698</u>	<u>\$ 278,579</u>	<u>\$ 1,136,277</u>

See accompanying notes to the consolidated financial statements and  
independent accountant's compilation report.

**KINGDOM KATALYST *dba K2 Hawaii***  
**AND AFFILIATES**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**For the Year Ended December 31, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 148,414
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	2,335
Loss on disposal of property and equipment	1,113
(Increase) decrease in	
Accounts receivable – net	15,087
Prepaid expenses and other current assets	(12,306)
Increase in	
Accounts payable and accrued liabilities	<u>18,631</u>
Net cash provided by operating activities	<u>173,274</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	<u>(6,350)</u>
Net cash used by investing activities	<u>(6,350)</u>
 NET INCREASE IN CASH	166,924
 CASH – Beginning of year	<u>254,103</u>
 CASH – End of year	<u>\$ 421,027</u>

See accompanying notes to the consolidated financial statements and independent accountant's compilation report.

**KINGDOM KATALYST *dba K2 Hawaii*  
AND AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2020**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Activity

Kingdom Katalyst *dba K2 Hawaii* (K2) was incorporated in the State of Hawaii on August 14, 2012 to increase the effectiveness of Christian organizations by providing churches, ministries, and other non-profit organizations with a full range of affordable, professional-quality business and advancement services so that those organizations can more effectively focus on their own missions and ministries. K2 has three areas of emphasis in order to achieve its purpose: (1) offer below-cost administrative services to Christian organizations including, but not limited to, payroll support and tax and accounting assistance; (2) develop leaders in the church and religious non-profit community by hosting leadership forums and trainings; and (3) sponsor new charitable ventures within the church community.

K2 is the sole member of Path2Freedom LLC (P2F), a manager-managed Hawaii limited liability company organized in October 2017. K2 is not liable for the debts, obligations, and liabilities of P2F. P2F's mission is to promote and support Christian organizations by providing leadership development training with a Christian focus.

K2 is also the sole member of K2 Development LLC (K2D), a manager-managed Hawaii limited liability company organized in May 2019. K2 is not liable for the debts, obligations, and liabilities of K2D. K2D's mission is to promote and support Christian organizations by providing real estate leasing and development solutions.

The consolidated financial statements include the accounts of K2, P2F and K2D (collectively, K2 Hawaii), except that significant intercompany transactions have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require K2 Hawaii to report information regarding its consolidated financial position and activities according to the following net asset classifications.

*Net Assets without Donor Restrictions* consist of net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of K2 Hawaii. These net assets may be used at the discretion of K2 Hawaii's management and board of directors.

*Net Assets with Donor Restrictions* consist of net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of K2 Hawaii or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity (none in 2020).

**KINGDOM KATALYST *dba* K2 Hawaii  
AND AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the Year Ended December 31, 2020**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of changes in net assets during the reporting period. Actual results could differ from those estimates, it is reasonably possible that such estimates may change within the near term, and such differences could be material to the consolidated financial statements.

Concentrations of Credit Risk

Financial instruments that potentially subject K2 Hawaii to credit risk include cash and accounts receivable. At December 31, 2020, cash on deposit with financial institutions exceeded the related insurance by approximately \$87,200. Management evaluates the credit standing of these financial institutions to ensure that such deposits are adequately safeguarded. Accounts receivables are determined by management to be collectible or uncollectible based an assessment by management of the facts and circumstances related to the individual accounts, including historical experience, an assessment of economic conditions, and a review of subsequent collections, and have been reduced by estimated allowances for doubtful accounts (none at December 31, 2020).

Property and Equipment

Property and equipment is stated at cost or, if contributed, at estimated fair market value at the date of contribution. Depreciation is computed using the straight-line method over estimated useful lives of three to six years for computer equipment and seven years for furniture, fixtures, and equipment. Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Repairs and maintenance are expensed as incurred. Major improvements are capitalized.

Revenue and Expense Recognition

Revenue is recognized when the goods or services are provided to a customer. Revenue from performance obligations satisfied over time consist of professional services and church rental reimbursement. Revenue from sources other than performance obligations consists of proceeds from SBA PPP loan and other income. There was no revenue from performance obligations satisfied at a point in time.

Expenses are recognized when the related liability is incurred. K2 Hawaii allocates its expenses on a functional basis among its various programs and supporting services based on estimates by management. Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service using natural expense classifications. Other expenses that are common to several functions are allocated based on the estimates of time spent by personnel.



**KINGDOM KATALYST *dba* K2 Hawaii  
AND AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the Year Ended December 31, 2020**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

K2 Hawaii recognizes 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, which are 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.

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Support is considered to be available for unrestricted use unless restricted by the donor. Donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction is satisfied or expires, net assets with donor restrictions are released to net assets without donor restrictions.

Donated Goods and Services

In-kind contributions of goods and services are reflected as contributions at their estimated fair market value at the date of donation, and are recorded as assets or expenses in the same amount. Donated services are recognized as contributions if the services create or enhance nonfinancial assets, or require specialized skills that are performed by people with those skills and would otherwise be purchased K2 Hawaii. A number of unpaid volunteers have made contributions of their time to K2 Hawaii. The value of this time is not reflected in these consolidated financial statements because it does not meet the criteria for recognition.

Hawaii General Excise Tax

The State of Hawaii imposes a general excise tax of 4% on certain gross receipts of K2 Hawaii within Hawaii, plus an additional 0.5% on such gross receipts within the City and County of Honolulu. During the year ended December 31, 2020, Hawaii general excise tax amounted to \$428.

Income Taxes

K2 Hawaii is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and is not a private foundation. Accordingly, qualifying contributions to K2 Hawaii are tax deductible.

U.S. GAAP requires uncertain tax positions to be recognized in the consolidated financial statements if they are more likely than not to fail upon regulatory examination. Management has evaluated K2 Hawaii's tax positions as of December 31, 2020 and for the year then ended, and determined that it had no uncertain tax positions required to be reported in accordance with U.S. GAAP. K2 Hawaii is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any open tax periods.

**KINGDOM KATALYST *dba* K2 Hawaii  
AND AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the Year Ended December 31, 2020**

**NOTE B – LIQUIDITY**

K2 Hawaii monitors liquidity required to meet its operating needs and other contractual commitments. K2 Hawaii has various sources of liquidity available for use including cash and accounts receivable. In addition to financial assets available to meet general expenditures within 12 months of the consolidated statement of financial position date, K2 Hawaii anticipates collecting sufficient revenue to cover general operating expenditures.

At December 31, 2020, K2 Hawaii’s financial assets and amounts of those assets that are readily available within one year of the consolidated statement of financial position date to meet general expenditures are as follows:

Cash (including interest-bearing accounts)	\$ 421,027
Accounts receivable – net	<u>38,417</u>
Total financial assets	459,444
Net assets with donor restrictions	<u>(41,400)</u>
Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 418,044</u>

**NOTE C – PROPERTY AND EQUIPMENT**

At December 31, 2020, property and equipment consisted of the following:

Computer equipment	\$ 12,346
Furniture, fixtures, and equipment	<u>880</u>
Total	13,226
Accumulated depreciation	<u>(7,040)</u>
Property and equipment – net	 <u>\$ 6,186</u>

**NOTE D – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the leadership training program and services that are provided to church leaders and members.

**KINGDOM KATALYST *dba* K2 Hawaii  
AND AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the Year Ended December 31, 2020**

NOTE E – SBA PPP LOAN

In April 2020, K2 Hawaii applied for and received a \$65,000 Paycheck Protection Program (PPP) loan from American Savings Bank. The U.S. Small Business Administration (SBA) established the PPP loan program in response to the COVID-19 pandemic to fund an entity’s payroll and other applicable costs. All or a portion of the loan, which matures two years from the date of funding and bears interest at 1%, may be forgiven if K2 Hawaii meets the compliance requirements established by the SBA and other federal agencies. Management concluded that, as of December 31, 2020, K2 Hawaii had met the compliance requirements established by the SBA and other federal agencies and, accordingly, recognized the SBA PPP loan as other income in the accompanying consolidated financial statements. That conclusion was confirmed by the SBA with the forgiveness of the PPP loan effective April 27, 2021.

The federal Consolidated Appropriations Act, 2021, which was enacted on December 27, 2020, provides for other fiscal relief in 2021 for entities impacted by the COVID-19 pandemic. K2 Hawaii is evaluating its eligibility and need for such additional fiscal relief.

NOTE F – LEASES

K2 Hawaii leases office space under an operating lease that expires in December 2023. The office space is sublet from a company in which the Chairman of K2 Hawaii has a financial interest. Related party office rent expense amounted to \$10,857 for the year ended December 31, 2020.

In 2019, K2D was assigned facility leases expiring at various dates through December 2040 from churches that are branches of International Church of the Foursquare Gospel. K2D leased the space back to these churches under sublease agreements expiring through December 2022. The terms of certain of these subleases include provisions for taxes, insurance, maintenance, and other incidental expenses related to the property to be paid by the churches. Under these agreements, church rental reimbursement and rent expense amounted to \$390,191 for the year ended December 31, 2020.

At December 31, 2020, expected minimum future lease payments and future rent receipts approximated the following:

	<u>As Lessee</u>	<u>As Sublessor</u>
Years Ending December 31st		
2021	\$ 436,000	\$ 420,600
2022	\$ 449,200	\$ 309,500
2023	\$ 449,600	\$ -
2024	\$ 434,500	\$ -
2025	\$ 437,300	\$ -
Thereafter (cumulative)	\$6,301,600	\$ -

**KINGDOM KATALYST *dba K2 Hawaii***  
**AND AFFILIATES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the Year Ended December 31, 2020**

**NOTE G – CONTINGENCIES**

K2 Hawaii may be subject to legal proceedings, claims, or litigation arising in the ordinary course of business for which it may seek the advice of legal counsel. Management estimates that the cost to resolve such matters, if any, would not be material to the consolidated financial statements. However, it is reasonably possible that such estimates may change within the near term.

K2 Hawaii operates in the State of Hawaii. Local, national and international events (such as the COVID-19 pandemic) can have severe, adverse effects on economic conditions in Hawaii. These consolidated financial statements do not include the adjustments that would result if K2 Hawaii were to account for future losses or asset impairments, as the effects on the consolidated financial statements of K2 Hawaii from such changes in economic conditions are not presently determinable.

The COVID-19 pandemic has caused business disruption from government-mandated and voluntary closings or reductions in services for all industries. While the disruption is currently expected to be temporary, there is considerable uncertainty as to the duration of the economic impact from such disruption. K2 Hawaii expects that this matter will continue to impact its operating results; however, the related financial impact cannot be reasonably estimated at this time.

**NOTE H – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 14, 2021, which is the date the consolidated financial statements were available to be issued, and determined that K2 Hawaii did not have any subsequent events requiring adjustment to the consolidated financial statements or disclosure in the notes to the consolidated financial statement, except as disclosed in Note E to the consolidated financial statements.

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