

KINGDOM KATALYST
dba K2 Hawaii
AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2021
And Independent Accountant's Compilation Report





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, 2021, 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

CW Associates, CPAs
Honolulu, Hawaii
July 18, 2022

KINGDOM KATALYST *dba K2 Hawaii*
AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2021

ASSETS

CURRENT ASSETS

Cash (including interest-bearing accounts)	\$ 472,040
Accounts receivable – net	55,353
Prepaid expenses and other current assets	<u>15,136</u>
Total current assets	542,529

PROPERTY AND EQUIPMENT – Net	3,572
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DEFERRED RENTAL INCOME	136,747
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DEPOSITS	<u>5,229</u>
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TOTAL ASSETS	<u>\$ 688,077</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	<u>\$ 53,828</u>
Total current liabilities	53,828

DEFERRED RENT EXPENSE	<u>140,753</u>
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TOTAL LIABILITIES	<u>194,581</u>
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NET ASSETS

Net assets without donor restrictions	375,570
Net assets with donor restrictions	<u>117,926</u>
Total net assets	<u>493,496</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 688,077</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, 2021

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	
Revenue and support	
Professional service income	\$ 766,552
Church rental reimbursement	598,095
Net assets released from donor restrictions	33,680
Contributions without donor restrictions	9,679
Other income	30,204
Total revenue and support	<u>1,438,210</u>
Expenses	
Program services	1,104,249
Management and general	367,462
Total expenses	<u>1,471,711</u>
Decrease in net assets without donor restrictions	<u>(33,501)</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS	
Contributions with donor restrictions	110,206
Net assets released from donor restrictions	<u>(33,680)</u>
Increase in net assets with donor restrictions	<u>76,526</u>
INCREASE IN NET ASSETS	43,025
NET ASSETS – Beginning of year	<u>450,471</u>
NET ASSETS – End of year	<u>\$ 493,496</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 FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Rent	\$ 598,095	\$ 42,723	\$ 640,818
Salaries and wages	403,838	123,829	527,667
Professional	-	146,697	146,697
Employee benefits	31,616	10,540	42,156
Payroll taxes	26,064	8,688	34,752
Insurance	18,917	6,757	25,674
Computer supplies and services	13,314	4,437	17,751
Other expenses	8,576	8,555	17,131
Office supplies	-	10,441	10,441
Telephone	2,666	2,181	4,847
Depreciation	-	2,614	2,614
Travel	<u>1,163</u>	<u>-</u>	<u>1,163</u>
Total expenses	<u>\$ 1,104,249</u>	<u>\$ 367,462</u>	<u>\$ 1,471,711</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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 43,025
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	2,614
(Increase) decrease in	
Accounts receivable – net	(16,936)
Prepaid expenses and other current assets	22,529
Deferred rental income	(136,747)
Increase (decrease) in	
Accounts payable and accrued liabilities	(4,225)
Deferred rent expense	<u>140,753</u>
Net cash provided by operating activities	<u>51,013</u>
 NET INCREASE IN CASH	 51,013
 CASH – Beginning of year	 <u>421,027</u>
 CASH – End of year	 <u><u>\$472,040</u></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, 2021

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 2021).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2021

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, 2021, cash on deposit with financial institutions exceeded the related insurance by approximately \$118,400. Management evaluates the credit standing of these financial institutions to ensure that such deposits are adequately safeguarded. Accounts receivables are determined 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, 2021).

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 over \$500 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 of \$766,552 and church rental reimbursement of \$598,095. Revenue from sources other than performance obligations consists of other income \$30,204. There was no revenue from performance obligations satisfied at a point in time. Church rental reimbursement revenue is recognized in accordance with Accounting Standards Codification 840, *Leases*.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Expense Recognition (continued)

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 management's estimates of time spent by personnel.

Contributions

K2 Hawaii recognizes contributions when cash, 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 by 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, 2021, Hawaii general excise tax amounted to \$24,303.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2021 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.

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, 2021, 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)	\$ 472,040
Accounts receivable – net	<u>55,353</u>
Total financial assets	527,393
Net assets with donor restrictions	<u>(117,926)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 409,467</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2021

NOTE C – PROPERTY AND EQUIPMENT

At December 31, 2021, property and equipment consisted of the following:

Computer equipment	\$ 12,346
Furniture, fixtures, and equipment	880
Total	<u>13,226</u>
Accumulated depreciation	<u>(9,654)</u>
Property and equipment – net	<u>\$ 3,572</u>

NOTE D – NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2021, net assets with donor restrictions for programs consisted of the following:

Lifestyle coaching	\$ 55,000
Core Value Video Project	42,017
'Uhane Hemolele Ministries	10,021
Core Value Training	5,888
Ho'ohui City Movement	<u>5,000</u>
Total donor restricted net assets	<u>\$ 117,926</u>

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 financial statements as of and for the year ended December 31, 2020. That conclusion was confirmed by the SBA with the forgiveness of the PPP loan effective April 27, 2021.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2021

NOTE F – LEASES (Continued)

P2F leases lodging under an operating lease that expired in December 2021 and went month-to-month thereafter. The lodging is sublet directly from the Chairman of K2 Hawaii. Related party total rent expense amounted to \$42,723 for the year ended December 31, 2021.

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 2040. 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 revenue and rent expense amounted to \$598,095 for the year ended December 31, 2021. K2D received rent abatement for the facility leases in 2021 of approximately \$42,000, which it also passed along to the sublessee.

At December 31, 2021, expected minimum future lease payments and future rent receipts approximated the following:

	<u>As Lessee</u>	<u>As Sublessor</u>
Years Ending December 31st		
2022	\$ 603,100	\$ 605,000
2023	\$ 603,100	\$ 605,000
2024	\$ 588,800	\$ 588,800
2025	\$ 588,800	\$ 588,800
2026	\$ 588,800	\$ 588,800
Thereafter (cumulative)	\$7,430,300	\$7,430,300

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2021

NOTE H – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 18, 2022, 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.
