

Edgar Filing: Crown Equity Holdings, Inc. - Form 10-Q

Crown Equity Holdings, Inc.
Form 10-Q
May 15, 2014

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2014

OR

☐ TRANSITION REPORT UNDER SECTION 13 OF 15(d) OF THE EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission File Number 000-29935

CROWN EQUITY HOLDINGS INC.
(Exact name of registrant as specified in its charter)

Nevada 33-0677140

(State or other jurisdiction of incorporation or organization)(IRS Employer Identification No.)

11226 Pentland Downs Road, Las Vegas, NV 89141
(Address of principal executive offices)

(702) 448-1543
(Issuer's telephone number)

5440 West Sahara Avenue, Suite 205, Las Vegas, NV 89146
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Company (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes ☒ No ☐

Indicate by check mark whether the Company is a large accelerated filer, an accelerated file, non-accelerated filer, or a smaller reporting company.

Large accelerated filer	<input type="checkbox"/>	Accelerated filed	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

Indicate by check mark whether the Company is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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As of May 12, 2014, there were 919,192,502 shares of Common Stock of the issuer outstanding.

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Crown Equity Holdings, Inc.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash	\$ 7,363	\$ 1,088
Marketable securities	95,550	80,500
Accounts receivable from related party	1,500	1,500
Total Current Assets	104,413	83,088
Property, plant and equipment, net of accumulated depreciation of \$71,687 and \$71,125	2,304	2,866
Total Assets	\$ 106,717	\$ 85,954
Liabilities Stockholders' Deficit		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 180,057	\$ 171,789
Accounts payable to related party	5,026	5,026
Notes payable to related parties	202,119	134,219
Notes payable	27,068	15,068
Total Current Liabilities	414,270	326,102
Stockholders' Deficit:		
Preferred stock, \$0.001 par value, 100,000,000 shares authorized, 99,000,000 undesignated authorized	-	-
Series A convertible preferred stock, \$0.001 par value, 1,000,000 shares authorized, none issued and outstanding	-	-
Common stock, \$0.001 par value, 4,900,000,000 authorized, 919,192,502 and 878,192,502 shares issued and outstanding	919,193	878,193
Additional paid-in capital	8,166,451	7,940,951
Accumulated deficit	(9,393,197)	(9,059,292)
Total Stockholder's Deficit	(307,553)	(240,148)
Total Liabilities and Stockholders' Deficit	\$ 106,717	\$ 85,954

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Crown Equity Holdings, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,	
	2014	2013
Revenue	\$-	\$28,300
Direct material costs	-	103
Operating expenses:		
General and administrative	338,493	21,346
Depreciation	562	6,569
(Loss) Income from operations	(339,055)	282
Other income (expense)		
Interest expense	(7,542)	(4,284)
Losses on equity method investment in related party	-	(52,640)
Other (expense) income	(2,358)	1,738
Unrealized gain (loss) on marketable securities	15,050	(36,550)
Total other income (expense)	5,150	(91,736)
Net loss	\$(333,905)	\$(91,454)
Net loss per share – basic and diluted	\$(0.00)	\$(0.00)
Weighted average number of common shares outstanding - basic and diluted	895,959,169	880,325,835

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Crown Equity Holdings, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	2014	2013
Cash flows from operating activities		
Net loss	\$ (333,905)	\$ (91,454)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation	562	6,569
Common stock issued for services	266,500	-
Unrealized (gain) loss on marketable securities	(15,050)	36,550
Loss on equity method investments in related party	-	52,640
Marketable securities received for revenue	-	(25,550)
Changes in operating assets and liabilities:		
Prepaid expenses	-	35,000
Accounts payable and accrued expenses	8,268	20,129
Net cash (used in) provided by operating activities	(73,625)	33,884
Cash flows from financing activities		
Payments on related party notes payable	(3,500)	-
Borrowings on notes payable	12,000	1,250
Borrowings on related party notes payable	71,400	300
Net cash provided by financing activities	79,900	1,550
Net increase in cash	6,275	35,434
Cash, beginning of period	1,088	1,209
Cash, end of period	\$ 7,363	\$ 36,643
Supplemental disclosures of cash flow information		
Interest paid	\$ -	\$ -
Income taxes paid	-	-

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Crown Equity Holdings, Inc.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements of Crown Equity Holdings Inc. (“Crown Equity”) have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission, and should be read in conjunction with the audited consolidated financial statements and notes thereto contained in Crown Equity’s December 31, 2013 Annual Report filed with the SEC on Form 10-K. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosure contained in the audited financial statements for the most recent fiscal year end December 31, 2013 as reported on Form 10-K, have been omitted. Certain prior period amounts have been reclassified to conform to current period presentation.

NOTE 2 – GOING CONCERN

As shown in the accompanying financial statements, Crown Equity has an accumulated deficit of \$9,393,197 and a working capital deficit of \$309,857 as of March 31, 2014. Unless profitability and increase in shareholders’ equity continues, these conditions raise substantial doubt as to Crown Equity’s ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary if Crown Equity is unable to continue as a going concern.

Crown Equity continues to review its expense structure reviewing costs and their reduction to move towards profitability. The Company’s expenses are planned to decrease as a percent of revenue resulting in profitability and increased shareholders’ equity.

NOTE 3 – MARKETABLE SECURITIES

Marketable securities are classified as available-for-sale and are presented in the consolidated balance sheet at fair market value.

Per Accounting Standards Codification 820 “ Fair Value Measurement ”, fair values defined establishes a framework for measuring fair value under generally accepted accounting principles and expands disclosures about fair value measurements. ASC 820 does not require any new fair value measurements.

ASC 820 establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs that are not corroborated by market data

Crown Equity has classified these marketable securities at level 1 with a fair value of \$95,550 and \$80,500 as of March 31, 2014 and December 31, 2013, respectively.

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Assets and Liabilities Measured at Fair Value on a Recurring Basis as of March 31, 2014

Description	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance as of March 31, 2014
Assets:				
Marketable securities	\$ 95,550	\$ -	\$ -	\$ 95,550

Assets and Liabilities Measured at Fair Value on a Recurring Basis as of December 31, 2013

Description	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Balance as of December 31, 2013
Assets:				
Marketable securities	\$ 80,500	\$ -	\$ -	\$ 80,500

Per Accounting Standards Codification 825 “The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of FASB Statement No. 115”, an entity is permitted to irrevocably elect fair value on a contract-by-contract basis for new assets or liabilities within the scope of ASC 825 as the initial and subsequent measurement attribute for those financial assets and liabilities and certain other items including property and casualty insurance contracts. Entities electing the fair value option are required to (i) recognize changes in fair value in earnings and (ii) expense any up-front costs and fees associated with the item for which the fair value option is elected. Entities electing the fair value option are required to distinguish, on the face of the statement of financial position, the fair value of assets and liabilities for which it has elected the fair value option, and similar assets and liabilities measured using another measurement attribute. An entity can accomplish this either by reporting the fair value and non-fair-value carrying amounts as separate line items or by aggregating those amounts and disclosing parenthetically the amount of fair value included in the aggregate amount. Crown Equity adopted ASC 825 during the third quarter of fiscal 2009 and elected the fair value option for their marketable securities.

NOTE 4 – EQUITY METHOD INVESTMENT IN RELATED PARTY

The Company’s ownership percentage in Cleantech Transit, Inc. was approximately 43% as of March 31, 2014 and December 31, 2013, respectively. During late 2012, the Company’s ownership percentage exceeded 20% and the Company began accounting for this investment under the equity method. It was accounted for as an available-for-sale investment during the three months ended March 31, 2014.

Cleantech has had no revenues since inception. Enterprise valuation was used to value this inactive entity and the equity method is used for ongoing reporting.

As of March 31, 2014 and December 31, 2013, the carrying value of the equity method investment held in related party was zero.

NOTE 5 – RELATED PARTY TRANSACTIONS

As of December 31, 2013, the Company had outstanding notes payable to related parties of \$134,219. During the three months ended March 31, 2014, the Company borrowed an additional \$71,400 under related party notes and made aggregate payments on these notes payable of \$3,500. The notes are unsecured, bear interest between 0% and 12% and mature between November 19, 2012 and on demand. As of March 31, 2014 and December 31, 2013, \$96,209 of these notes was past due and in default bearing interest at 18% per annum. As of March 31, 2014, the aggregate outstanding balance under these related party notes payable was \$202,119. These notes payables are with various officers and directors of the Company and with entities controlled by officers or directors of the Company including Montse Zaman, Phoenix Consulting Services Inc., Tisa Capital Corp., Ken Bosket, Mark Vega and Almulfo Saucedo.

In July 2013 the Company entered into a management consultant contract with Cleantech Transit, Inc., a related party, for consulting services through June 30, 2014. The terms of the agreement call for \$20,000 per month to be paid in two equal installments of cash and may be terminated by either party 30 days after written notice is given. Due to the nature of the close relationship between the parties, the Company will record this income upon receipt of the actual cash payments. There were no cash receipts and there was no revenue recognized under this agreement during the three months ended March 31, 2014.

NOTE 6 – NOTES PAYABLE

As of March 31, 2014 and December 31, 2013, the aggregate unpaid principal balance under notes payable was \$27,068 and \$15,068 respectively. During the three months ended March 31, 2014, the Company borrowed an aggregate of \$12,000 from non-related third parties. The notes are unsecured, due on demand and bear interest between 0% and 8% per annum.

NOTE 7 – EQUITY

During the three months ended March 31, 2014, the Company issued an aggregate of 41,000,000 common shares for services valued at \$266,500.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS

This report contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. Crown Equity's actual results could differ materially from those set forth on the forward looking statements as a result of the risks set forth in Crown Equity's filings with the Securities and Exchange Commission, general economic conditions, and changes in the assumptions used in making such forward looking statements.

OVERVIEW

Crown Equity Holdings Inc. ("Crown Equity") was incorporated in August 1995 in Nevada. The Company is offering its services to companies seeking to become public entities in the United States. It has launched a website, www.crownequityholdings.com, which offers its services in a wide range of fields. The Company provides various consulting services to companies and individuals dealing with corporate structure and operations globally. The Company also provides public relations and news dissemination for publicly and privately held companies.

In December, 2010, the Company formed two wholly owned subsidiaries Crown Tele Services, Inc. and Crown Direct, Inc. Crown Tele Services, Inc. was formed to provide voice over internet ("VoIP") services to clients at a competitive price and Crown Direct, Inc. was formed to provide direct sales to customers. Both entities had minimum sales during the quarter.

In March, 2011, the Company formed a wholly owned subsidiary CRWE Real Estate, Inc. as a subsidiary to engage in potential real estate holdings. The entity had minimal activity during the quarter.

The Company has focused its primary vision to using its network of websites to provide advertising and marketing services, as a worldwide online media advertising publisher, dedicated to the distribution of quality branding information. The Company offers Internet media-driven advertising services, which cover and connect a wide range of marketing specialties, as well as search engine optimization for clients interested in online media awareness. As part of its operations, the Company has utilized the services of software and hardware technicians in developing its websites and adding additional websites. This allows the Company to disseminate news and press releases for its customers as well as general news and financial information on a much bigger scale than it did previously. The Company markets its services to companies seeking market awareness of them and the services or goods that they offer. The Company then publishes information concerning these companies on its many websites. The Company is paid in cash and/or stock of the customer companies. The Company has numerous consulting and service customers and is therefore not dependent on any particular customer for a majority of its revenue.

Crown Equity's office is located at 11226 Pentland Down Road, Las Vegas, NV 89146.

As of March 31, 2014, Crown Equity had three employees and was utilizing the services of one independent contractor and consultant.

RESULTS OF OPERATIONS

For the three month period ending March 31, 2014, revenues were \$0 and revenues were \$28,300 for the same period in 2013. Net loss was \$333,905 for the three month periods ending March 31, 2014 and \$91,454 for the three months ended March 31, 2013. Operating expenses were \$339,055 for the three months ended March 31, 2014 and \$27,915 for the same period in 2013. Other income and expenses for the three month periods ending March 31, 2014 were other income of \$5,150 and other expenses were \$91,736 for the same period in 2013.

The Company incurred unrealized gains on its marketable securities during the three months ended March 31, 2014 of \$15,050 compared to unrealized losses of \$36,550 for the same period ending March 31, 2013. In addition, the Company incurred losses from equity method investments in related party of \$0 for the three months ended March 31, 2014 and \$52,650 in the three month period ended March 31, 2013.

The majority of our operating expenses in the three months ended March 31, 2014 was \$266,500 in common stock issued for services. Other operating expenses have remained relatively constant for both periods presented. Interest expense incurred during the three period ending March 31, 2014 was \$7,542 compared to \$4,284 for the same period in 2013.

Crown Equity will attempt to carry out its business plan as discussed above; however, it cannot predict to what extent its capital resources could hinder its business plan.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2014, Crown Equity had current assets of \$104,413 and current liabilities of \$414,270, resulting in working capital deficit of \$309,857. Stockholders' deficit as of March 31, 2014 was \$307,553.

Net cash used in operating activities for the three months ending March 31, 2014 was \$73,625 compared to net cash provided of \$33,884 for the same period in 2013, a net change of \$107,509.

Net cash used in investing activities for the three months ending March 31, 2014 was \$0 compared to net cash used of \$0 for the same period in 2013.

Net cash provided by financing activities during the three months ended March 31, 2014 was \$79,900 compared to net cash provided of \$1,550 in 2013, an increase of \$78,350. Cash received from borrowings on notes payable and notes payable to related parties constituted all of the funds raised in both periods presented.

Our existing capital may not be sufficient to meet Crown Equity's cash needs, including the costs of compliance with the continuing reporting requirements of the Securities Exchange Act of 1934, as amended. This condition raises substantial doubt as to Crown Equity's ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary if Crown Equity is unable to continue as a going concern.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a "smaller reporting company" as defined by Item 12b-2 of the securities exchange act of 1934 (the "exchange act") and are not requires to provide information required under this Item.

ITEM 4T: CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Based on their evaluation of our disclosure controls and procedures(as defined in Rule 13a-15e under the Securities Exchange Act of 1934 the "Exchange Act"), our principal executive officer and principal financial officer have concluded that as of the end of the period covered by this quarterly report on Form 10-Q such disclosure controls and procedures were not effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms because of the identification of a material weakness in our internal control over financial reporting which we view as an integral part of our disclosure controls and procedures. The material weakness relates to the lack of segregation of duties in financial reporting, as our financial reporting and all accounting functions are performed by an external consultant with no oversight by a professional with accounting expertise. Our CEO and CFO do not possess accounting expertise and our company does not have an audit committee. This weakness is due to the company's lack of working capital to hire additional staff. To remedy this material weakness, we intend to engage another accountant to assist with financial reporting as soon as our finances will allow.

Changes in Internal Control over Financial Reporting

Except as noted above, there have been no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during our first quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS.

None

ITEM 1A: RISK FACTORS.

There have been no material changes to Crown Equity's risk factors as previously disclosed in our most recent 10-K filing for the year ending December 31, 2013.

ITEM 2: SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

During the three months ended March 31, 2014, Crown Equity issued 41,000,000 common shares for services with a total value of \$266,500 as follows:

- 6,600,000 shares of common stock for compensation for \$42,900;
- 2,000,000 shares of common stock for consulting services for \$13,000.
- 32,400,000 shares of common stock for professional services for \$210,600.

ITEM 3: DEFAULTS UPON SENIOR SECURITIES.

None

ITEM 4: MINE SAFETY INFORMATION.

None

ITEM 5: OTHER INFORMATION.

None

ITEM 6: EXHIBITS

EXHIBIT
31.1 Certification of Principal Executive Officer

EXHIBIT
31.2 Certification of Principal Financial Officer

EXHIBIT
32.1 Certification of Compliance to Sarbanes-Oxley

EXHIBIT
32.2 Certification of Compliance to Sarbanes-Oxley

101.INS ** XBRL Instance Document

101.SCH ** XBRL Taxonomy Extension Schema Document

101.CAL ** XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF ** XBRL Taxonomy Extension Definition Linkbase Document

101.LAB ** XBRL Taxonomy Extension Label Linkbase Document

101.PRE ** XBRL Taxonomy Extension Presentation Linkbase Document

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CROWN EQUITY HOLDINGS INC.

Date: May 15, 2014

By: /s/ Kenneth Bosket
Kenneth Bosket, CEO

By: /s/ John Scrudato
John Scrudato, CFO