

CROWN FINANCIAL MINISTRIES, INC.

FINANCIAL STATEMENTS
and
SUPPLEMENTAL INFORMATION
YEARS ENDED MARCH 31, 2018 AND 2017

with
INDEPENDENT AUDITORS' REPORT

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	3-4
STATEMENT OF FINANCIAL POSITION	5
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	6-7
STATEMENT OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9-20
SUPPLEMENTAL INFORMATION	
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION	22
STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED MARCH 31, 2018	23
STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED MARCH 31, 2017	24

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Crown Financial Ministries, Inc.

We have audited the accompanying financial statements of Crown Financial Ministries, Inc., which comprise the statement of financial position as of March 31, 2018 and 2017, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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 ("GAAP"); this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crown Financial Ministries, Inc. as of March 31, 2018 and 2017, and the changes in their net assets and cash flows for the years then ended in conformity with GAAP.

Smith + Howard

June 18, 2018

CROWN FINANCIAL MINISTRIES, INC.
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents, including restricted cash of \$491,836 and \$463,788 in 2018 and 2017, respectively	\$ 1,968,321	\$ 2,527,473
Accounts receivable	52,391	12,647
Inventories, net	43,027	71,099
Prepaid expenses and other assets	129,620	132,732
Product development costs, net	414,133	618,750
Property and equipment, net	64,066	87,488
Intangible assets - licensing agreement, net	<u>1,043,505</u>	<u>1,078,824</u>
	<u>\$ 3,715,063</u>	<u>\$ 4,529,013</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 103,072	\$ 97,078
Accrued expenses	144,267	408,516
Unearned revenues	276,603	242,582
Promise to give payable	69,366	106,354
Licensing agreement liability	<u>950,295</u>	<u>967,106</u>
Total Liabilities	1,543,603	1,821,636
 Net Assets		
Unrestricted	1,928,820	2,517,124
Temporarily restricted	<u>242,640</u>	<u>190,253</u>
Total Net Assets	<u>2,171,460</u>	<u>2,707,377</u>
	<u>\$ 3,715,063</u>	<u>\$ 4,529,013</u>

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

CROWN FINANCIAL MINISTRIES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2018 AND 2017

	<u>Unrestricted</u>	<u>2018 Temporarily Restricted</u>	<u>Total</u>
<u>Support and Revenue</u>			
Public support:			
Contributions	\$ 3,039,705	\$ 471,531	\$ 3,511,236
Contributed radio airtime	10,221,635	-	10,221,635
Contributed services	13,592	-	13,592
Contributed securities and materials	2,908	-	2,908
	<u>13,277,840</u>	<u>471,531</u>	<u>13,749,371</u>
Revenue:			
Sale of materials-net	930,414	-	930,414
Fees	281,736	-	281,736
Investment income	3,062	-	3,062
Royalties, rental, and other income	110,008	-	110,008
	<u>1,325,220</u>	<u>-</u>	<u>1,325,220</u>
 Total Support and Revenue	 <u>14,603,060</u>	 <u>471,531</u>	 <u>15,074,591</u>
 Net assets released from restriction by satisfaction of purpose restriction	 <u>419,144</u>	 <u>(419,144)</u>	 <u>-</u>
	<u>419,144</u>	<u>(419,144)</u>	<u>-</u>
<u>Expenses</u>			
Program services:			
Broadcasting	10,600,467	-	10,600,467
National ministries	1,455,819	-	1,455,819
International operations	1,482,981	-	1,482,981
	<u>13,539,267</u>	<u>-</u>	<u>13,539,267</u>
Supporting activities:			
General and administrative	1,314,678	-	1,314,678
Fundraising	672,286	-	672,286
	<u>1,986,964</u>	<u>-</u>	<u>1,986,964</u>
 Adjustment to license agreement liability	 <u>84,277</u>	 <u>-</u>	 <u>84,277</u>
 Total Expenses	 <u>15,610,508</u>	 <u>-</u>	 <u>15,610,508</u>
 Change in Net Assets	 (588,304)	 52,387	 (535,917)
 Net Assets, Beginning of Year	 <u>2,517,124</u>	 <u>190,253</u>	 <u>2,707,377</u>
 Net Assets, End of Year	 <u>\$ 1,928,820</u>	 <u>\$ 242,640</u>	 <u>\$ 2,171,460</u>

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

	<u>2017</u>		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>		<u>Total</u>
\$ 4,007,203	\$ 703,478	\$	4,710,681
9,154,796	-		9,154,796
5,188	-		5,188
9,045	-		9,045
<u>13,176,232</u>	<u>703,478</u>		<u>13,879,710</u>
899,477	-		899,477
166,107	-		166,107
2,691	-		2,691
124,172	-		124,172
<u>1,192,447</u>	<u>-</u>		<u>1,192,447</u>
<u>14,368,679</u>	<u>703,478</u>		<u>15,072,157</u>
<u>597,194</u>	<u>(597,194)</u>		<u>-</u>
<u>597,194</u>	<u>(597,194)</u>		<u>-</u>
9,357,665	-		9,357,665
1,463,628	-		1,463,628
1,418,286	-		1,418,286
<u>12,239,579</u>	<u>-</u>		<u>12,239,579</u>
1,217,403	-		1,217,403
762,992	-		762,992
<u>1,980,395</u>	<u>-</u>		<u>1,980,395</u>
<u>79,945</u>	<u>-</u>		<u>79,945</u>
<u>14,299,919</u>	<u>-</u>		<u>14,299,919</u>
665,954	106,284		772,238
<u>1,851,170</u>	<u>83,969</u>		<u>1,935,139</u>
<u>\$ 2,517,124</u>	<u>\$ 190,253</u>	<u>\$</u>	<u>2,707,377</u>

CROWN FINANCIAL MINISTRIES, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED MARCH 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ (535,917)	\$ 772,238
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Required) by Operating Activities:		
Depreciation	35,007	39,172
Amortization:		
Intangible asset-licensing agreement	41,689	41,616
Product development costs	256,217	186,783
Change in value of licensing agreement liability	84,277	79,945
Provision for inventory obsolescence	(2,485)	(2,912)
Changes in operating assets and liabilities:		
Accounts receivable	(39,744)	20,626
Inventories	30,557	(3,952)
Prepaid expenses and other assets	3,112	(73,268)
Accounts payable	5,994	(18,471)
Accrued expenses	(264,249)	214,700
Unearned revenues	34,021	98,829
Promises to give payable	(36,988)	(38,616)
Licensing agreement liability	<u>(101,088)</u>	<u>(129,225)</u>
Operating cash flows before donated securities and materials	(489,597)	1,187,465
Donated securities and materials reported as investing cash flows	<u>(2,908)</u>	<u>(9,045)</u>
 Net Cash Provided (Required) by Operating Activities	 <u>(492,505)</u>	 <u>1,178,420</u>
 Cash Flows From Investing Activities:		
Intangible asset-licensing agreement	(6,370)	(7,843)
Purchases of property and equipment	<u>(63,185)</u>	<u>(317,551)</u>
Investing cash flows before donated securities and materials	(69,555)	(325,394)
Proceeds from sale of donated securities and materials	<u>2,908</u>	<u>9,045</u>
 Net Cash Required by Investing Activities	 <u>(66,647)</u>	 <u>(316,349)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 (559,152)	 862,071
 Cash and Cash Equivalents, Beginning of Year	 <u>2,527,473</u>	 <u>1,665,402</u>
 Cash and Cash Equivalents, End of Year	 <u>\$ 1,968,321</u>	 <u>\$ 2,527,473</u>
 <u>Supplemental Disclosure of Non-Cash Investing Activities:</u>		
Contributed radio airtime	<u>\$ 10,221,635</u>	<u>\$ 9,154,796</u>
Contributed services	<u>\$ 13,592</u>	<u>\$ 5,188</u>
Contributed securities and materials	<u>\$ 2,908</u>	<u>\$ 9,045</u>

During 2018 and 2017, Crown converted product development costs totaling \$51,600 and \$299,865, respectively, into certain depreciable equipment.

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

CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017

NOTE 1 – NATURE OF THE ORGANIZATION

Christian Financial Concepts, Inc. was incorporated on May 6, 1976 in the state of Georgia for religious, educational and charitable purposes. Crown Ministries, Inc. was founded on September 20, 1985 in Orlando, Florida to teach the public Christian principles of managing money and possessions. As of October 1, 2000, Christian Financial Concepts, Inc. and Crown Ministries, Inc. merged to form Crown Financial Ministries, Inc. (“Crown”).

Crown is exempt from federal and state income tax under Internal Revenue Code Section 501 (c)(3) and is not a private foundation under section 509 (a)(2). Support for Crown’s ministry comes primarily from contributions, sale of materials and conference fees. The purpose of Crown’s ministry is to teach and train others to live by God’s principles in the management of their personal finances, careers and businesses. Today, the ministry trains volunteers in over 104 nations and distributes materials in approximately 100 languages. Crown accomplishes its objectives through primary activities as more fully described below.

Broadcasting

Crown produces two daily radio features that are broadcast via approximately 950 terrestrial radio stations based in the United States of America (“U.S.”) and via the internet. These programs reach an estimated 5,960,000 listeners.

National Ministries

Volunteers and self-funded staff serve as facilitators, instructors and trainers utilizing Crown’s resources. Some nations have an independent board which hire and oversee local staff and volunteers. These teams utilize Crown’s resources such as *Career Direct*, *Business by the Book*, *MoneyLife Personal Finance Study*, *God Provides* short film series and a host of other materials and tools produced by Crown in their local ministry through churches, businesses and other partner organizations.

Seminars

Trained seminar instructors teach live career, business and personal finance seminars to church groups and other interested organizations. Popular seminars offered by Crown are *The Journey to Financial Freedom*, *Business by the Book*, *The Bible on Money*, *The Bible on Business*, *Stewardship from the Inside Out*, and *The Marriage Advantage*.

CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017

NOTE 1 – NATURE OF THE ORGANIZATION (Continued)

Mentoring

Crown offers one-on-one help for individuals seeking personal assistance with achieving their financial goals. The program, MoneyLife Mentoring, is delivered through trained volunteers and can be done on-line or in-person. Crown also provides career and educational coaching for young people and adults seeking to understand their unique gifts, talents, interests and values to assist them in career and/or educational decisions. This program is delivered through a global network of trained Career Direct Consultants.

International Expansion

Crown operates through staff and volunteers in approximately 104 nations and has strategic partnerships with other organizations such as Youth With a Mission, CRU and Hope International that are trained and licensed to carry Crown's materials. Crown's largest areas of effective ministry are the U.S., Brazil, Costa Rica, Columbia, Poland, South Africa, Malawi, Zimbabwe, China, Malaysia, Taiwan and Korea. Crown is continually expanding their reach through language translations of their God Provides film series as well as other core teaching materials and tools.

Crown and Foundations for Farming have combined forces with their proven methodologies to create the I Was Hungry (IWH) initiative. IWH serves those dependent upon the land by empowering the people to be the best farmers in the world, to learn to operate as a God designed family and to faithfully steward their local resources. IWH trains farmers to steward both their land and the harvest from the land. They do this by teaching agricultural skills which bring about a substantial increase in crop yields and by financial training to manage the increase in resources. They also include a training component by Foundations in Family to strengthen the family unit. All three components are vital to bringing an end to hunger, dependency, and poverty.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Crown follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in these financial statements. Actual results could differ from those estimates.

CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in checking, savings and short-term money market accounts. These accounts may, at times, exceed federally insured limits. Crown has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Restricted Cash

In 1999, Crown signed a license agreement with Larry Burkett, Crown's co-founder, for the exclusive rights to use Burkett's name, voice, picture and likeness (see Note 4 for more information). Upon the sale of Crown real property during the year ended March 31, 2011, Crown began funding a Lockbox Trust (the "Lockbox"). Crown will continue to fund the Lockbox with \$25,000 each year until the Lockbox is funded, as defined in the agreement. The restricted cash represents the current balance in the account. At March 31, 2018 and 2017, the balance of restricted cash was \$491,836 and \$463,788, respectively.

Concentrations of Credit Risk

Crown places its cash and cash equivalents with high quality credit institutions. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that these changes in risks could materially affect the amounts reported in the accompanying financial statements.

Accounts Receivable

Accounts receivable includes billings for products sold to customers and is reported net of any anticipated losses due to uncollectible accounts. The policy for determining when receivables are past due or delinquent is 30 days after invoicing. Uncollectible accounts are reported as additions to the allowance for doubtful accounts when it is determined the amounts are uncollectible. Payments received from nonaccrual receivables are credited to appropriate receivable accounts.

The allowance for doubtful accounts is maintained at a level which, in management's judgment, is adequate to absorb potential losses inherent in the receivable portfolio. The amount of the allowance is based on management's evaluation of collectability of the receivable portfolio, including the nature of the portfolio, trends in historical loss experience, specific impaired accounts and economic conditions.

CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories consists of books, videos, tapes, software and other training materials held for sale and is stated at aggregate weighted average cost, which approximates the lower of cost (first-in, first-out method) or market. Cost of goods sold for the year ended March 31, 2018 and 2017 was \$451,816 and \$450,930, respectively, including shipping and handling costs. The reserve for inventory obsolescence was \$16,477 and \$18,962 as of March 31, 2018 and 2017, respectively.

Product Development Costs

Crown capitalizes product development costs, which include external direct costs of materials and services, payroll and payroll-related costs for the employees participating in the projects and allocable indirect costs. Marketing, distribution and general and administrative costs related to its internally-developed products are expensed as incurred. Upon the release of the product to the general public, the costs for these products are amortized over the projected economic life based upon estimates of units to be sold and/or distributed. Estimates of total gross revenues can change significantly due to a variety of factors, including the level of market acceptance of the films.

Accordingly, revenue estimates are reviewed periodically and amortization is adjusted, if necessary. Such adjustments could have a material effect on the financial statements. Management assesses impairment annually. As of March 31, 2018 and 2017, management has concluded there is no impairment of its capitalized production costs.

Product development costs, net consisted of the following at March 31:

	<u>2018</u>	<u>2017</u>
Career Direct	\$ 93,972	\$ 267,447
God Provides - short films	572,606	572,606
Donor Studio	83,230	76,380
Money Life	333,681	279,331
Crown Connect	76,500	33,050
Websites	164,328	223,378
Business by the Book	<u>28,357</u>	<u>28,357</u>
	1,352,674	1,480,549
Less: accumulated amortization	<u>(938,541)</u>	<u>(861,799)</u>
	<u>\$ 414,133</u>	<u>\$ 618,750</u>

CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Product Development Costs (Continued)

Amortization expense for the years ended March 31, 2018 and 2017 was \$256,217 and \$186,783, respectively.

Property and Equipment

Items capitalized as property and equipment are recorded at cost or, if donated, at fair market value on the date of the gift. Purchases and donations of equipment in excess of \$3,000 are capitalized if the expected useful life exceeds one year. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, expirations of donor restrictions are reported when the donated or acquired assets are placed in service as instructed by the donor.

Depreciation is computed on the straight-line method over the estimated useful lives of the related assets ranging from three to ten years.

Property and equipment, net consisted of the following at March 31:

	<u>2018</u>	<u>2017</u>
Building improvements	\$ 79,189	\$ 100,151
Furniture, fixtures, and equipment	86,792	1,347,720
Software development costs - in process	<u>9,000</u>	<u>9,975</u>
	174,981	1,457,846
Less: accumulated amortization	<u>(110,915)</u>	<u>(1,370,358)</u>
	<u><u>\$ 64,066</u></u>	<u><u>\$ 87,488</u></u>

Depreciation expense for the years ended March 31, 2018 and 2017 was \$35,007 and \$39,172, respectively.

CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Asset - Licensing Agreement

As further described in Note 4, Crown owns certain rights to intellectual properties. The fair value of these rights has been determined by an actuary and has been recorded as an asset in the accompanying Statement of Financial Position. Additionally, costs incurred to maintain and protect these intellectual properties are added to the gross asset balance and amortized over the asset’s useful life. In accordance with the Goodwill and Intangible Assets topic of the FASB Accounting Standards Codification (“ASC”), this asset is being amortized over an estimated useful life of 40 years.

The estimated gross fair value and related accumulated amortization were as follows at March 31:

	<u>2018</u>	<u>2017</u>
Estimated gross value of intellectual property rights	\$ 1,674,149	\$ 1,667,779
Less: accumulated amortization	<u>(630,644)</u>	<u>(588,955)</u>
	<u>\$ 1,043,505</u>	<u>\$ 1,078,824</u>

Amortization expense for the years ended March 31, 2018 and 2017 was \$41,689 and \$41,616, respectively.

Fund Accounting and Classes of Net Assets

The financial statements report amounts by class of net assets.

Unrestricted net assets are currently available for ministry purposes under the direction of the board, resources invested in intangible assets, designated by the board for a specific use, or resources invested in property and equipment.

Temporarily restricted net assets are currently contributed with donor stipulations for specific operating purposes or programs, with time restrictions or not currently available for use until commitments regarding their use have been fulfilled.

CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Public Support, Revenue, Reclassifications and Expenses

Revenue is recognized when earned. Support is recognized when contributions are made, which may be when cash is received, unconditional promises are made or ownership of other assets is transferred. Related costs are expensed in the year incurred.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying Statement of Activities and Changes in Net Assets as net assets released from restriction.

Contributed services are recognized for those that improve or enhance property and equipment (as contributions and increases to the basis of property and equipment) or for those that require specialized skills (as contributions and expenses). Because various personnel donate their time and services to Crown, contributed services were valued at \$13,592 and \$5,188 for the years ended March 31, 2018 and 2017, respectively. Donated investments are recorded at the estimated fair market value on the date of the gift.

The broadcast ministry is conducted by placing programs on radio stations either by paying a fee for the airtime or by receiving donated airtime from the stations. The value of the donated airtime is estimated based on fair market rates (considering market size, day, time and length of program) for each location and is recorded as revenue and expense when received. In February 2011, a new strategic direction was launched to take further advantage of new technology and more relevant mediums over the internet using video formats, RSS feeds, Tweets and other social media. Donated airtime was valued at \$10,221,635 and \$9,154,796 for the years ended March 31, 2018 and 2017, respectively.

Indications of intent to support are received from individuals and churches that provide monthly, quarterly or annual gifts of a specified amount. These indications of intent are open-ended and subject to unilateral change by the donor. They are not considered to be unconditional promises to give and are not recognized prior to receipt of the contribution.

CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Public Support, Revenue, Reclassifications and Expenses (Continued)

Releases from restriction occur when a purpose restriction is satisfied by expenditure of funds, or when a restriction is met by expiration of time.

Advertising is used to promote programs among the audiences served. Advertising costs are expensed when incurred. Total advertising expense for the years ended March 31, 2018 and 2017 was \$206,189 and \$145,103, respectively.

Expenses are recorded and reported on the functional (ministry) basis in the accompanying Statement of Activities and Changes in Net Assets. Accordingly, the expenses have been allocated among the various program services and supporting activities benefited.

Uncertain Tax Positions

Crown is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, as amended, and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision or liability for federal and state income taxes has been recorded in the accompanying financial statements.

Crown annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions Crown takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial ASC. In the normal course of business, Crown is subject to examination by the federal and state taxing authorities. In general, Crown is no longer subject to tax examinations for tax years ending before March 31, 2014.

During December 2017, the President of the United States of America signed into law the Tax Cuts and Jobs Act. The law is generally effective for the tax years beginning in 2018, and therefore Crown's current tax liability for any potential unrelated business income tax was not significantly affected during the year ended March 31, 2018. There are other changes to the tax law that may affect Crown but the magnitude of such changes has not been determined.

**CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Activities

Crown conducts joint activities that include fundraising and other functions. These activities include the cost of field representatives and informational materials.

Field representatives primarily train volunteer leaders, consult with churches regarding the use of Crown resources, conduct small group studies, help with arranging seminars, MoneyLife Mentoring, Career Direct training, as well as development of prayer and volunteer support for the ministry. These field representatives are responsible for raising their own funds. The management and administration of the field accounts in the U.S. is handled through a third party vender. Costs associated with recruitment of volunteers and development of financial support is recorded as fundraising expenses. Costs associated with supervision of volunteers are recorded as general and administrative expenses.

Costs of informational materials include the costs to produce and distribute Crown’s training and other promotional materials.

NOTE 3 – PROMISE TO GIVE PAYABLE

Prior to March 31, 2012, Crown’s Board of Directors made a commitment to purchase the intellectual properties authored by Howard Dayton, the former co-founder and CEO of Crown. This agreement called for certain intellectual property rights to Crown in exchange for \$50,000 per year for ten years payable to Compass – Finances God’s Way, an unaffiliated nonprofit corporation formed by Howard Dayton. During the years ended March 31, 2018 and 2017, Crown made payments of \$50,000 on these commitments.

The promise-to-give payable at the present value of future payments was as follows at March 31:

	<u>2018</u>	<u>2017</u>
Promise to give payable	\$ 100,000	\$ 150,000
Less: present value discount (4.40%)	<u>(30,634)</u>	<u>(43,646)</u>
	<u>\$ 69,366</u>	<u>\$ 106,354</u>

CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017

NOTE 4 – LICENSING AGREEMENT LIABILITY

In October 1997, Christian Financial Concepts, Inc. entered into an agreement to purchase rights to intellectual properties from its founder and former president. In October 2000, following the merger of Christian Financial Concepts, Inc. and Crown Ministries, Inc., the Board of Directors of the merged organization of Crown endorsed the agreement. These rights include the revocable rights to purchase, use and modify all copyrighted materials produced by the founder. Crown also purchased the exclusive rights to the publicity of Larry Burkett's image and name as part of its continuing ministry.

In exchange for these rights, Crown provides an annual payment, of \$75,000, along with certain medical benefits, (both indexed to inflation) to the co-founder's surviving spouse. Every three years the agreement requires a formal review of the actuarial calculation of the amount projected to meet all future payments. During 2018 and 2017, management, along with the assistance of an independent third-party actuary assessed these assumptions and inputs and determined that, due to changes in the RP-2000 female mortality table, with no projection, resulting in an increased life expectancy of the co-founder's surviving spouse, the future liability should be increased as of March 31, 2018 and 2017, resulting in adjustments of \$84,277 and \$79,945, respectively, to increase the licensing agreement liability in the accompanying Statement of Financial Position for the years ended March 31, 2018 and 2017. Assumptions used in the calculation of this liability include a discount rate of 6% and an assumed annual cost of living increase for expenses other than medical of 2.25% for the years ended March 31, 2018 and 2017.

There was no cash flow impact from these adjustments for the years ended March 31, 2018 and 2017. Future annual estimated cash flow impact resulting from these updated projections is not expected to be significant. The present value of these benefits was estimated to be \$950,295 and \$967,106 at March 31, 2018 and 2017, respectively.

CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017

NOTE 5 – NET ASSETS

Net assets consisted of the following at March 31:

	<u>2018</u>	<u>2017</u>
Unrestricted:		
Undesignated	\$ 1,301,873	\$ 1,894,803
Board-designated for Larry's Legacy	71,045	71,045
Board-designated for Judy Burkett	491,836	463,788
Net equity in property and equipment	<u>64,066</u>	<u>87,488</u>
	<u>1,928,820</u>	<u>2,517,124</u>
Temporarily Restricted:		
International	\$ 172,217	\$ 78,600
Career Direct	8,379	13,688
Contemporary Christian Music	-	36,921
Other	<u>62,044</u>	<u>61,044</u>
	<u>242,640</u>	<u>190,253</u>
	<u>\$ 2,171,460</u>	<u>\$ 2,707,377</u>

Net assets released from restrictions consisted of the following for the years ended March 31:

	<u>2018</u>	<u>2017</u>
International	\$ 136,650	\$ 18,251
Contemporary Christian Music	36,921	114,558
"Foundations for Farming" and "I Was Hungry"	237,444	444,927
Career Direct	6,129	14,508
Other	<u>2,000</u>	<u>4,950</u>
	<u>\$ 419,144</u>	<u>\$ 597,194</u>

CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017

NOTE 6 – RELATED PARTY TRANSACTIONS

During the years ended March 31, 2018 and 2017, contributions from members of Crown’s Board of Directors totaled \$292,015 and \$225,305, respectively.

NOTE 7 – EMPLOYEE BENEFIT PLAN

Crown provides a 403(b) tax-sheltered annuity plan for all employees who meet certain eligibility requirements. Eligible employees can contribute up to the maximum allowed each year by federal regulations. Effective January 1, 2017, Crown contributed 100% of the participant’s contributions up to 6% of the participant’s salary for the plan year. During the years ended March 31, 2018 and 2017, Crown contributed \$90,299 and \$54,158, respectively to the plan.

NOTE 8 – LEASE COMMITMENTS

Crown is committed under lease agreements for various equipment and facilities through March 2021. Total rental and lease payments for the years ended March 31, 2018 and 2017 were \$128,588 and \$97,073, respectively.

Future minimum lease payments under non-cancellable operating leases are as follows for the years ended March 31:

2019	\$ 116,306
2020	112,823
2021	<u>114,515</u>
	<u>\$ 343,644</u>

SUPPLEMENTAL INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors of Crown Financial Ministries, Inc.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole of Crown Financial Ministries, Inc., which is presented in the preceding section of this report. The supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

Smith & Howard

June 18, 2018

CROWN FINANCIAL MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2018

	Program Services			Total Program Services	Supporting Activities			Total Expenses
	Broadcasting	National Ministries	International Operations		General and Administrative	Fundraising	Total Supporting Activities	
Advertising and promotions	\$ 131,543	\$ 56,522	\$ 356	\$ 188,421	\$ 2,305	\$ 15,463	\$ 17,768	\$ 206,189
Broadcasting	10,287,572	-	-	10,287,572	-	-	-	10,287,572
Conferences, conventions, and meetings	-	124,857	311,191	436,048	-	6,566	6,566	442,614
Cost of goods sold	-	248,860	202,956	451,816	-	-	-	451,816
Depreciation and amortization	10,426	182,438	36,869	229,733	99,598	3,582	103,180	332,913
General insurance	13,298	54,861	41,362	109,521	99,196	16,132	115,328	224,849
Grants	-	290	332,251	332,541	-	-	-	332,541
Information technology	22,553	93,413	70,458	186,424	242,836	27,359	270,195	456,619
Other expenses	372	31,757	2,313	34,442	106,248	5,242	111,490	145,932
Outside and professional services	8,090	87,518	32,675	128,283	123,967	15,314	139,281	267,564
Payroll taxes	7,024	27,889	21,846	56,759	31,736	8,520	40,256	97,015
Postage and shipping	-	1,374	-	1,374	1,374	-	1,374	2,748
Printing/Publications	-	43	-	43	-	322,258	322,258	322,301
Product development	-	7,285	16,900	24,185	-	-	-	24,185
Professional fund raising fees	-	-	-	-	-	75,666	75,666	75,666
Salaries and wages	113,299	449,890	352,412	915,601	511,954	137,445	649,399	1,565,000
Supplies	3	6,485	22	6,510	6,488	9	6,497	13,007
Taxes and licenses	-	-	-	-	1,425	15,802	17,227	17,227
Travel	1,973	22,755	32,752	57,480	12,853	5,843	18,696	76,176
Utilities and occupancy	4,314	59,582	28,618	92,514	74,698	17,085	91,783	184,297
Totals	\$ 10,600,467	\$ 1,455,819	\$ 1,482,981	\$ 13,539,267	\$ 1,314,678	\$ 672,286	\$ 1,986,964	\$ 15,526,231

CROWN FINANCIAL MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2017

	<u>Program Services</u>			<u>Supporting Activities</u>				<u>Total Expenses</u>
	<u>Broadcasting</u>	<u>National Ministries</u>	<u>International Operations</u>	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Supporting Activities</u>	
Advertising and promotions	\$ 60	\$ 127,810	\$ -	\$ 127,870	\$ 5,488	\$ 11,745	\$ 17,233	\$ 145,103
Broadcasting	9,196,019	-	-	9,196,019	-	-	-	9,196,019
Conferences, conventions, and meetings	-	82,805	131,870	214,675	-	9,201	9,201	223,876
Cost of goods sold	-	257,346	193,584	450,930	-	-	-	450,930
Depreciation and amortization	63,530	120,760	8,149	192,439	73,060	2,072	75,132	267,571
General insurance	6,403	48,035	33,477	87,915	96,252	12,179	108,431	196,346
Grants	-	-	530,439	530,439	-	-	-	530,439
Information technology	10,427	83,949	54,852	149,228	101,358	92,894	194,252	343,480
Other expenses	-	34,726	19,139	53,865	114,870	4,084	118,954	172,819
Outside and professional services	3,078	83,802	16,091	102,971	82,249	14,461	96,710	199,681
Payroll taxes	3,937	28,244	20,586	52,767	34,593	7,489	42,082	94,849
Postage and shipping	-	2,045	-	2,045	1,993	-	1,993	4,038
Printing/Publications	-	9,378	-	9,378	-	356,022	356,022	365,400
Product development	-	4,171	-	4,171	149	-	149	4,320
Professional fund raising fees	-	-	-	-	-	85,919	85,919	85,919
Salaries and wages	68,848	493,867	359,962	922,677	604,888	130,952	735,840	1,658,517
Supplies	83	10,263	361	10,707	12,863	181	13,044	23,751
Taxes and licenses	-	-	-	-	1,875	15,671	17,546	17,546
Travel	230	34,040	27,693	61,963	5,757	7,311	13,068	75,031
Utilities and occupancy	5,050	42,387	22,083	69,520	82,008	12,811	94,819	164,339
Totals	<u>\$ 9,357,665</u>	<u>\$ 1,463,628</u>	<u>\$ 1,418,286</u>	<u>\$ 12,239,579</u>	<u>\$ 1,217,403</u>	<u>\$ 762,992</u>	<u>\$ 1,980,395</u>	<u>\$ 14,219,974</u>