

**CROWN FINANCIAL MINISTRIES, INC.**

**FINANCIAL STATEMENTS**  
**YEARS ENDED MARCH 31, 2019 AND 2018**

**with**  
**INDEPENDENT AUDITORS' REPORT**

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## 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, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with GAAP.

*Smith + Howard*

June 12, 2019

**CROWN FINANCIAL MINISTRIES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2019 AND 2018**

**ASSETS**

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents, including restricted cash of \$521,487 and \$491,836 in 2019 and 2018, respectively	\$ 2,243,387	\$ 1,968,321
Accounts receivable	38,591	52,391
Inventories, net	63,798	43,027
Prepaid expenses and other assets	161,227	129,620
Product development costs, net	252,944	414,133
Property and equipment, net	36,898	64,066
Intangible assets - licensing agreement, net	<u>1,013,936</u>	<u>1,043,505</u>
	<u>\$ 3,810,781</u>	<u>\$ 3,715,063</u>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ 137,529	\$ 103,072
Accrued expenses	136,051	144,267
Unearned revenues	347,319	276,603
Promise to give payable	33,936	69,366
Licensing agreement liability	<u>928,884</u>	<u>950,295</u>
Total Liabilities	1,583,719	1,543,603
 Net Assets		
Without donor restrictions	1,963,352	1,928,820
With donor restrictions	<u>263,710</u>	<u>242,640</u>
Total Net Assets	<u>2,227,062</u>	<u>2,171,460</u>
	<u>\$ 3,810,781</u>	<u>\$ 3,715,063</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, 2019 AND 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restricted	With Donor Restrictions	Total
<u>Support and Revenue</u>						
Public support:						
Contributions	\$ 3,026,619	\$ 480,694	\$ 3,507,313	\$ 3,039,705	\$ 471,531	\$ 3,511,236
Contributed radio airtime	10,252,034	-	10,252,034	10,221,635	-	10,221,635
Contributed services	1,307	-	1,307	13,592	-	13,592
Contributed securities and materials	5,275	-	5,275	2,908	-	2,908
	<u>13,285,235</u>	<u>480,694</u>	<u>13,765,929</u>	<u>13,277,840</u>	<u>471,531</u>	<u>13,749,371</u>
Revenue:						
Sale of materials-net	878,753	-	878,753	930,414	-	930,414
Fees	369,377	-	369,377	281,736	-	281,736
Investment income	4,698	-	4,698	3,062	-	3,062
Royalties, rental, and other income	132,812	-	132,812	110,008	-	110,008
	<u>1,385,640</u>	<u>-</u>	<u>1,385,640</u>	<u>1,325,220</u>	<u>-</u>	<u>1,325,220</u>
 Total Support and Revenue	 <u>14,670,875</u>	 <u>480,694</u>	 <u>15,151,569</u>	 <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>459,624</u>	<u>(459,624)</u>	<u>-</u>	<u>419,144</u>	<u>(419,144)</u>	<u>-</u>
	<u>459,624</u>	<u>(459,624)</u>	<u>-</u>	<u>419,144</u>	<u>(419,144)</u>	<u>-</u>
<u>Expenses</u>						
Program services:						
Broadcasting	10,450,021	-	10,450,021	10,600,467	-	10,600,467
National ministries	1,170,723	-	1,170,723	1,455,819	-	1,455,819
International operations	1,782,844	-	1,782,844	1,482,981	-	1,482,981
	<u>13,403,588</u>	<u>-</u>	<u>13,403,588</u>	<u>13,539,267</u>	<u>-</u>	<u>13,539,267</u>
Supporting activities:						
General and administrative	1,117,101	-	1,117,101	1,314,678	-	1,314,678
Fundraising	493,387	-	493,387	672,286	-	672,286
	<u>1,610,488</u>	<u>-</u>	<u>1,610,488</u>	<u>1,986,964</u>	<u>-</u>	<u>1,986,964</u>
 Total Expenses	 <u>15,014,076</u>	 <u>-</u>	 <u>15,014,076</u>	 <u>15,526,231</u>	 <u>-</u>	 <u>15,526,231</u>
Adjustment to license agreement liability	<u>81,891</u>	<u>-</u>	<u>81,891</u>	<u>84,277</u>	<u>-</u>	<u>84,277</u>
Change in Net Assets	34,532	21,070	55,602	(588,304)	52,387	(535,917)
Net Assets, Beginning of Year	<u>1,928,820</u>	<u>242,640</u>	<u>2,171,460</u>	<u>2,517,124</u>	<u>190,253</u>	<u>2,707,377</u>
Net Assets, End of Year	<u>\$ 1,963,352</u>	<u>\$ 263,710</u>	<u>\$ 2,227,062</u>	<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.

**CROWN FINANCIAL MINISTRIES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED MARCH 31, 2019**

	<u>Program Services</u>			<u>Supporting Activities</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>	<u>Total Expenses</u>
Advertising and promotions	\$ 36,000	\$ 14,400	\$ -	\$ 50,400	\$ -	\$ 334	\$ 334	\$ 50,734
Broadcasting	10,314,885	-	-	10,314,885	-	-	-	10,314,885
Conferences, conventions, and meetings	-	137,328	332,752	470,080	1,713	7,228	8,941	479,021
Cost of goods sold	-	185,106	234,445	419,551	-	-	-	419,551
Depreciation and amortization	9,739	183,116	36,457	229,312	84,558	1,642	86,200	315,512
General insurance	8,329	52,708	54,028	115,065	108,990	16,732	125,722	240,787
Grants	-	-	420,034	420,034	-	-	-	420,034
Information technology	7,585	52,596	53,570	113,751	144,815	15,239	160,054	273,805
Other expenses	-	42,147	20,724	62,871	95,147	7,301	102,448	165,319
Outside and professional services	4,290	50,562	139,585	194,437	109,430	17,563	126,993	321,430
Payroll taxes	3,718	23,527	24,116	51,361	28,470	7,469	35,939	87,300
Postage and shipping	-	913	-	913	913	5,271	6,184	7,097
Printing/Publications	-	-	-	-	-	257,051	257,051	257,051
Product development	-	806	177	983	-	-	-	983
Professional fund raising fees	-	-	-	-	-	3,277	3,277	3,277
Salaries and wages	60,124	380,501	390,030	830,655	460,449	120,795	581,244	1,411,899
Supplies	32	3,223	225	3,480	3,371	56	3,427	6,907
Taxes and licenses	-	-	-	-	1,600	15,860	17,460	17,460
Travel	-	7,839	39,821	47,660	5,266	3,801	9,067	56,727
Utilities and occupancy	5,319	35,951	36,880	78,150	72,379	13,768	86,147	164,297
<b>Totals</b>	<b>\$ 10,450,021</b>	<b>\$ 1,170,723</b>	<b>\$ 1,782,844</b>	<b>\$ 13,403,588</b>	<b>\$ 1,117,101</b>	<b>\$ 493,387</b>	<b>\$ 1,610,488</b>	<b>\$ 15,014,076</b>

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

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

	<u>Program Services</u>			<u>Supporting Activities</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>	<u>Total Expenses</u>
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
<b>Totals</b>	<b><u>\$ 10,600,467</u></b>	<b><u>\$ 1,455,819</u></b>	<b><u>\$ 1,482,981</u></b>	<b><u>\$ 13,539,267</u></b>	<b><u>\$ 1,314,678</u></b>	<b><u>\$ 672,286</u></b>	<b><u>\$ 1,986,964</u></b>	<b><u>\$ 15,526,231</u></b>

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



**CROWN FINANCIAL MINISTRIES, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEARS ENDED MARCH 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 55,602	\$ (535,917)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Required) by Operating Activities:		
Depreciation	24,290	35,007
Amortization:		
Intangible asset-licensing agreement	41,950	41,689
Product development costs	249,272	256,217
Change in value of licensing agreement liability	81,891	84,277
Provision for inventory obsolescence	(905)	(2,485)
Changes in operating assets and liabilities:		
Accounts receivable	13,800	(39,744)
Inventories	(19,866)	30,557
Prepaid expenses and other assets	(31,607)	3,112
Accounts payable	34,457	5,994
Accrued expenses	(8,216)	(264,249)
Unearned revenues	70,716	34,021
Promises to give payable	(35,430)	(36,988)
Licensing agreement liability	<u>(103,302)</u>	<u>(101,088)</u>
Operating cash flows before donated securities and materials	372,652	(489,597)
Donated securities and materials reported as investing cash flows	<u>(5,275)</u>	<u>(2,908)</u>
 Net Cash Provided (Required) by Operating Activities	 <u>367,377</u>	 <u>(492,505)</u>
Cash Flows From Investing Activities:		
Intangible asset-licensing agreement	(12,381)	(6,370)
Purchases (proceeds) of property and equipment	2,878	(63,185)
Product development costs	<u>(88,083)</u>	<u>-</u>
Investing cash flows before donated securities and materials	(97,586)	(69,555)
Proceeds from sale of donated securities and materials	<u>5,275</u>	<u>2,908</u>
 Net Cash Required by Investing Activities	 <u>(92,311)</u>	 <u>(66,647)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 275,066	 (559,152)
Cash and Cash Equivalents, Beginning of Year	<u>1,968,321</u>	<u>2,527,473</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,243,387</u>	<u>\$ 1,968,321</u>
 <u>Non-Cash Investing Activities:</u>		
Contributed radio airtime	<u>\$ 10,252,034</u>	<u>\$ 10,221,635</u>
Contributed services	<u>\$ 1,307</u>	<u>\$ 13,592</u>
Contributed securities and materials	<u>\$ 5,275</u>	<u>\$ 2,908</u>

During 2018, Crown converted product development costs totaling \$51,600 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, 2019 AND 2018**

**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 100 nations and distributes materials in approximately 100 languages. Crown accomplishes its objectives through primary activities as more fully described below.

Broadcasting

Across the United States of America (“U.S.”) and internationally on a network of approximately 980 terrestrial radio stations and outlets and through the internet, Crown’s programs reach an estimated 6,614,400 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.

Christian Economic Forum

During the past 8 years, Crown has hosted a Christian Economic Forum (“CEF”) to assemble high capacity individuals to discuss economic topics that concern Christians and identify appropriate responses. The CEF event has grown to include approximately 120 attendees in 2019 who presented white papers and participated in group discussion forums. Due to the continued success of the events and energy of the participants, Crown has introduced a CEF membership model to provide a vehicle for members to interact with each other during the year, continue the discussions and initiatives that evolved from the previous CEF annual events, and identify new areas for collaborative efforts. The event is designed to break even and ultimately add revenue to support the growth of Crown’s outreach.

**CROWN FINANCIAL MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2019 AND 2018**

**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 Operation Mobilization (Logos Hope ship), 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, 2019 AND 2018**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

New Accounting Standard

In August 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a nonprofit’s liquidity and availability of resources, expenses and investments returns, and cash flows. The main provisions of this guidance include: (a) presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring that all nonprofits present an analysis of expenses by function and nature and disclose a summary of the allocation methods used to allocate costs, (d) presenting investment return net of external and direct internal investment expenses, and (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources.

The ASU is effective for annual financial statements with fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018. Crown has implemented ASU 2016-14 as of and for the year ended March 31, 2019 with retrospective application for the 2018 financial statements.

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, 2019 and 2018, the balance of restricted cash was \$521,487 and \$491,836, respectively.

**CROWN FINANCIAL MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2019 AND 2018**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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, 2019 and 2018 was \$419,551 and \$451,816, respectively, including shipping and handling costs. The reserve for inventory obsolescence was \$15,572 and \$16,477 as of March 31, 2019 and 2018, 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.

**CROWN FINANCIAL MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2019 AND 2018**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Product Development Costs (Continued)

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, 2019 and 2018, management has concluded there is no impairment of its capitalized production costs.

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

	<u>2019</u>	<u>2018</u>
Career Direct	\$ 132,048	\$ 93,972
God Provides - short films	572,606	572,606
Donor Studio	83,230	83,230
Money Life	333,681	333,681
Crown Connect	76,500	76,500
Websites	214,334	164,328
Business by the Book	<u>28,358</u>	<u>28,357</u>
	1,440,757	1,352,674
Less: accumulated amortization	<u>(1,187,813)</u>	<u>(938,541)</u>
	<u>\$ 252,944</u>	<u>\$ 414,133</u>

Amortization expense for the years ended March 31, 2019 and 2018 was \$249,272 and \$256,217, 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.

**CROWN FINANCIAL MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2019 AND 2018**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property and Equipment (Continued)

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>2019</u>	<u>2018</u>
Building improvements	\$ 80,459	\$ 79,189
Furniture, fixtures, and equipment	90,858	86,792
Software development costs - in process	-	9,000
	<u>171,317</u>	<u>174,981</u>
Less: accumulated amortization	<u>(134,419)</u>	<u>(110,915)</u>
	<u>\$ 36,898</u>	<u>\$ 64,066</u>

Depreciation expense for the years ended March 31, 2019 and 2018 was \$24,290 and \$35,007, respectively.

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.

**CROWN FINANCIAL MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2019 AND 2018**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Intangible Asset - Licensing Agreement (Continued)

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

	<u>2019</u>	<u>2018</u>
Estimated gross value of intellectual property rights	\$ 1,686,529	\$ 1,674,149
Less: accumulated amortization	<u>(672,593)</u>	<u>(630,644)</u>
	<u>\$ 1,013,936</u>	<u>\$ 1,043,505</u>

Amortization expense for the years ended March 31, 2019 and 2018 was \$41,950 and \$41,689, respectively.

Fund Accounting and Classes of Net Assets

The financial statements report amounts by class of net assets.

Net assets without donor restrictions 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.

Net assets with donor restrictions 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.

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, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the accompanying Statement of Activities and Changes in Net Assets as net assets released from restriction.



**CROWN FINANCIAL MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2019 AND 2018**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Public Support, Revenue, Reclassifications and Expenses (Continued)

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 \$1,307 and \$13,592 for the years ended March 31, 2019 and 2018, 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 \$10,252,034 and \$10,221,635 for the years ended March 31, 2019 and 2018, 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.

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, 2019 and 2018 was \$50,734 and \$206,189, 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 FINANCIAL MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2019 AND 2018**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Uncertain Tax Positions (Continued)

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, 2016.

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, 2019 and 2018, Crown made payments of \$50,000 on these commitments.

**CROWN FINANCIAL MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2019 AND 2018**

**NOTE 3 – PROMISE TO GIVE PAYABLE (Continued)**

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

	<u>2019</u>	<u>2018</u>
Promise to give payable	\$ 50,000	\$ 100,000
Less: present value discount (4.40%)	<u>(16,064)</u>	<u>(30,634)</u>
	<u>\$ 33,936</u>	<u>\$ 69,366</u>

**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 2019 and 2018, 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, 2019 and 2018, resulting in adjustments of \$ \$81,891 and \$84,277, respectively, to increase the licensing agreement liability in the accompanying Statement of Financial Position for the years ended March 31, 2019 and 2018. 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, 2019 and 2018.

There was no cash flow impact from these adjustments for the years ended March 31, 2019 and 2018. 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 \$928,884 and \$950,295 at March 31, 2019 and 2018, respectively.

**CROWN FINANCIAL MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2019 AND 2018**

**NOTE 5 – NET ASSETS**

Net assets consisted of the following at March 31:

	<u><b>2019</b></u>	<u><b>2018</b></u>
Without donor restrictions:		
Undesignated	\$ 1,333,922	\$ 1,301,873
Board-designated for Larry's Legacy	71,045	71,045
Board-designated for Judy Burkett	521,487	491,836
Net equity in property and equipment	<u>36,898</u>	<u>64,066</u>
	<u>1,963,352</u>	<u>1,928,820</u>
With donor restrictions:		
International	\$ 168,210	\$ 172,217
Innovation and development	50,000	-
Career Direct	-	8,379
Other	<u>45,500</u>	<u>62,044</u>
	<u>263,710</u>	<u>242,640</u>
	<u>\$ 2,227,062</u>	<u>\$ 2,171,460</u>

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

	<u><b>2019</b></u>	<u><b>2018</b></u>
International	\$ 210,079	\$ 136,650
Contemporary Christian Music	-	36,921
"Foundations for Farming" and "I Was Hungry"	198,199	237,444
Career Direct	10,801	6,129
Other	<u>40,545</u>	<u>2,000</u>
	<u>\$ 459,624</u>	<u>\$ 419,144</u>

**CROWN FINANCIAL MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2019 AND 2018**

**NOTE 6 – RELATED PARTY TRANSACTIONS**

During the years ended March 31, 2019 and 2018, contributions from members of Crown’s Board of Directors totaled \$310,148 and \$292,015, 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, 2019 and 2018, Crown contributed \$79,086 and \$90,299, respectively to the plan.

**NOTE 8 – LEASE COMMITMENTS**

Crown is committed under lease agreements for various equipment and facilities through March 2022. Total rental and lease payments for the years ended March 31, 2019 and 2018 were \$118,913 and \$128,588, respectively.

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

2020	\$ 117,347
2021	119,039
2022	<u>3,770</u>
	<u>\$ 240,156</u>

**NOTE 9 – LIQUIDITY AND AVAILABILITY OF RESOURCES**

The working capital and cash flows of Crown have seasonal variations during the year attributable to a concentration of contributions received near calendar year-end. As part of Crown’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, Crown invests cash in excess of daily requirements in money market accounts.

**CROWN FINANCIAL MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2019 AND 2018**

**NOTE 9 – LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)**

The following reflects Crown's financial assets as of March 31, reduced by amounts not available for general use within one year due to contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the Board of Directors approves such action.

	<u><b>2019</b></u>	<u><b>2018</b></u>
Cash and cash equivalents	\$ 2,243,387	\$ 1,968,321
Accounts receivable	38,591	52,391
Other assets	<u>7,476</u>	<u>6,197</u>
Total Financial Assets	<u>2,289,454</u>	<u>2,026,909</u>
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions	(263,710)	(242,640)
Management appropriations for Foundations for Farming	(73,776)	(75,145)
Board-designated restrictions:		
Larry's Legacy	(71,045)	(71,045)
Judy Burkett	<u>(521,487)</u>	<u>(491,836)</u>
	<u>(930,018)</u>	<u>(880,666)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,359,436</u>	<u>\$ 1,146,243</u>