

CROWN FINANCIAL MINISTRIES, INC.
FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2021 AND 2020
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
STATEMENT OF FUNCTIONAL EXPENSES	7-8
STATEMENT OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS	10-23

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, 2021 and 2020, 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in conformity with GAAP.

Smith + Howard

June 16, 2021

CROWN FINANCIAL MINISTRIES, INC.
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents, including restricted cash of \$574,934 and \$549,372 in 2021 and 2020, respectively	\$ 2,885,157	\$ 2,226,311
Investments	1,120,938	6,718
Contracts receivable	18,650	8,041
Inventories, net	56,037	60,347
Prepaid expenses and other assets	135,687	61,562
Product development costs, net	52,732	112,124
Property and equipment, net	45,578	28,618
Intangible assets - licensing agreement, net	<u>973,563</u>	<u>994,488</u>
	<u>\$ 5,288,342</u>	<u>\$ 3,498,209</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 91,073	\$ 111,184
Accrued expenses	294,261	209,482
Contract liabilities - unearned income	298,042	138,650
Promise to give payable	-	50,000
Licensing agreement liability	<u>792,563</u>	<u>823,310</u>
Total Liabilities	1,475,939	1,332,626
Net Assets		
Without donor restrictions	3,505,898	1,833,033
With donor restrictions	<u>306,505</u>	<u>332,550</u>
Total Net Assets	<u>3,812,403</u>	<u>2,165,583</u>
	<u>\$ 5,288,342</u>	<u>\$ 3,498,209</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, 2021 AND 2020

	2021			2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Support and Revenue</u>						
Public support:						
Contributions	\$ 4,401,119	\$ 472,529	\$ 4,873,648	\$ 2,779,990	\$ 582,745	\$ 3,362,735
Contributed radio and TV airtime	11,534,911	-	11,534,911	11,104,321	-	11,104,321
Contributed services	33,014	-	33,014	29,245	-	29,245
Contributed securities and materials	13,545	-	13,545	4,215	-	4,215
	<u>15,982,589</u>	<u>472,529</u>	<u>16,455,118</u>	<u>13,917,771</u>	<u>582,745</u>	<u>14,500,516</u>
Revenue:						
Product sales, net	624,777	-	624,777	761,745	-	761,745
Event Fees	-	-	-	380,065	-	380,065
Ancillary	258,126	-	258,126	221,872	-	221,872
Investment income	96,308	-	96,308	2,959	-	2,959
	<u>979,211</u>	<u>-</u>	<u>979,211</u>	<u>1,366,641</u>	<u>-</u>	<u>1,366,641</u>
 Total Support and Revenue	 <u>16,961,800</u>	 <u>472,529</u>	 <u>17,434,329</u>	 <u>15,284,412</u>	 <u>582,745</u>	 <u>15,867,157</u>
Net assets released from restriction						
by satisfaction of purpose restriction	498,574	(498,574)	-	513,905	(513,905)	-
	<u>498,574</u>	<u>(498,574)</u>	<u>-</u>	<u>513,905</u>	<u>(513,905)</u>	<u>-</u>
<u>Expenses</u>						
Program services:						
Broadcasting	11,745,554	-	11,745,554	11,311,812	-	11,311,812
National ministries	906,347	-	906,347	1,150,953	-	1,150,953
International operations	914,122	-	914,122	1,638,040	-	1,638,040
	<u>13,566,023</u>	<u>-</u>	<u>13,566,023</u>	<u>14,100,805</u>	<u>-</u>	<u>14,100,805</u>
Supporting activities:						
General and administrative	1,619,095	-	1,619,095	1,304,351	-	1,304,351
Fundraising	525,439	-	525,439	523,707	-	523,707
	<u>2,144,534</u>	<u>-</u>	<u>2,144,534</u>	<u>1,828,058</u>	<u>-</u>	<u>1,828,058</u>
 Total Expenses	 <u>15,710,557</u>	 <u>-</u>	 <u>15,710,557</u>	 <u>15,928,863</u>	 <u>-</u>	 <u>15,928,863</u>
Adjustment to license agreement liability	76,952	-	76,952	(227)	-	(227)
Change in Net Assets	1,672,865	(26,045)	1,646,820	(130,319)	68,840	(61,479)
Net Assets, Beginning of Year	1,833,033	332,550	2,165,583	1,963,352	263,710	2,227,062
Net Assets, End of Year	<u>\$ 3,505,898</u>	<u>\$ 306,505</u>	<u>\$ 3,812,403</u>	<u>\$ 1,833,033</u>	<u>\$ 332,550</u>	<u>\$ 2,165,583</u>

CROWN FINANCIAL MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2021

	Program Services			Supporting Activities				Total Expenses
	Broadcasting	National Ministries	International Operations	Total Program Services	General and Administrative	Fundraising	Total Supporting Activities	
Advertising and promotions	\$ 39,030	\$ 70,148	\$ -	\$ 109,178	\$ 29	\$ 3,199	\$ 3,228	\$ 112,406
Broadcasting	11,625,864	-	-	11,625,864	-	-	-	11,625,864
Conferences, conventions, and meetings	-	8,280	5,903	14,183	4,906	264	5,170	19,353
Cost of goods sold	-	149,339	185,301	334,640	-	-	-	334,640
Depreciation and amortization	2,991	58,110	22,328	83,429	30,214	6,982	37,196	120,625
General insurance	7,099	44,955	25,972	78,026	150,398	14,771	165,169	243,195
Grants	-	-	220,712	220,712	-	-	-	220,712
Information technology	2,782	36,923	13,180	52,885	263,706	6,017	269,723	322,608
Other expenses	-	36,470	12,473	48,943	53,149	7,846	60,995	109,938
Outside and professional services	3,605	66,225	179,787	249,617	134,984	73,704	208,688	458,305
Payroll taxes	3,517	22,272	12,867	38,656	52,341	7,318	59,659	98,315
Postage and shipping	-	746	-	746	746	2,670	3,416	4,162
Printing and publications	-	-	-	-	-	206,555	206,555	206,555
Product development	-	6,116	630	6,746	-	-	-	6,746
Professional fund raising fees	-	-	-	-	-	44,711	44,711	44,711
Salaries and wages	55,805	353,400	204,170	613,375	830,529	116,116	946,645	1,560,020
Supplies	25	4,030	157	4,212	4,101	49	4,150	8,362
Taxes and licenses	-	-	-	-	1,700	16,034	17,734	17,734
Travel	-	5,639	-	5,639	2,339	4,607	6,946	12,585
Utilities and occupancy	4,836	43,694	30,642	79,172	89,953	14,596	104,549	183,721
Totals	\$ 11,745,554	\$ 906,347	\$ 914,122	\$ 13,566,023	\$ 1,619,095	\$ 525,439	\$ 2,144,534	\$ 15,710,557

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

CROWN FINANCIAL MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2020

	<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	\$ 42,943	\$ 8,269	\$ -	\$ 51,212	\$ -	\$ -	\$ -	\$ 51,212
Broadcasting	11,181,589	-	-	11,181,589	-	-	-	11,181,589
Conferences, conventions, and meetings	-	291,466	410,858	702,324	10,573	14,917	25,490	727,814
Cost of goods sold	-	166,425	206,501	372,926	-	-	-	372,926
Depreciation and amortization	8,150	104,838	35,210	148,198	51,230	1,001	52,231	200,429
General insurance	7,478	46,074	51,183	104,735	116,155	20,406	136,561	241,296
Grants	-	25	227,390	227,415	-	-	-	227,415
Information technology	3,331	27,632	34,529	65,492	237,892	9,725	247,617	313,109
Other expenses	-	34,909	16,713	51,622	67,114	6,199	73,313	124,935
Outside and professional services	3,745	56,536	197,337	257,618	146,658	48,671	195,329	452,947
Payroll taxes	3,213	19,794	21,988	44,995	34,348	8,766	43,114	88,109
Postage and shipping	-	1,045	-	1,045	1,045	8,105	9,150	10,195
Printing and publications	-	-	-	-	-	230,178	230,178	230,178
Product development	-	21,894	2,745	24,639	-	-	-	24,639
Professional fund raising fees	-	-	-	-	-	1,063	1,063	1,063
Salaries and wages	52,277	322,087	357,797	732,161	558,927	142,647	701,574	1,433,735
Supplies	50	2,675	224	2,949	2,772	60	2,832	5,781
Taxes and licenses	-	-	-	-	1,650	15,236	16,886	16,886
Travel	1,252	6,092	40,948	48,292	7,461	3,916	11,377	59,669
Utilities and occupancy	7,784	41,192	34,617	83,593	68,526	12,817	81,343	164,936
Totals	\$ 11,311,812	\$ 1,150,953	\$ 1,638,040	\$ 14,100,805	\$ 1,304,351	\$ 523,707	\$ 1,828,058	\$ 15,928,863

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

CROWN FINANCIAL MINISTRIES, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED MARCH 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 1,646,820	\$ (61,479)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	18,100	17,042
Amortization:		
Intangible asset-licensing agreement	43,133	42,567
Product development costs	59,392	140,820
Net investment gains	(96,308)	-
Change in value of licensing agreement liability	76,952	(227)
Provision for inventory obsolescence	(319)	(8,095)
Changes in operating assets and liabilities:		
Contracts receivable	(10,609)	30,550
Inventories	4,629	11,546
Prepaid expenses and other assets	(74,125)	92,947
Accounts payable	(20,111)	(25,104)
Accrued expenses	84,779	72,190
Contract liabilities - unearned income	159,392	(208,669)
Promises to give payable	(50,000)	16,064
Licensing agreement liability	(107,699)	(105,347)
Operating cash flows before donated securities and materials	<u>1,734,026</u>	<u>14,805</u>
Donated securities and materials reported as investing cash flows	<u>(13,545)</u>	<u>(4,215)</u>
 Net Cash Provided by Operating Activities	 <u>1,720,481</u>	 <u>10,590</u>
 Cash Flows From Investing Activities:		
Purchase of investments, net	(1,017,912)	-
Intangible asset-licensing agreement	(22,208)	(23,119)
Purchases of property and equipment	(35,060)	(8,762)
Investing cash flows before donated securities and materials	<u>(1,075,180)</u>	<u>(31,881)</u>
Proceeds from sale of donated securities and materials	<u>13,545</u>	<u>4,215</u>
 Net Cash Required by Investing Activities	 <u>(1,061,635)</u>	 <u>(27,666)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 658,846	 (17,076)
 Cash and Cash Equivalents, Beginning of Year	 <u>2,226,311</u>	 <u>2,243,387</u>
 Cash and Cash Equivalents, End of Year	 <u>\$ 2,885,157</u>	 <u>\$ 2,226,311</u>
 <u>Non-Cash Investing Activities:</u>		
Contributed radio and TV airtime	<u>\$ 11,534,911</u>	<u>\$ 11,104,321</u>
Contributed services	<u>\$ 33,014</u>	<u>\$ 29,245</u>
Contributed securities and materials	<u>\$ 13,545</u>	<u>\$ 4,215</u>

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

CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

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). Support for Crown’s ministry comes primarily from contributions, sale of products and event 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 1,138 terrestrial radio stations and outlets and through the internet, Crown’s programs reach an estimated 7,430,000 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.

Christian Economic Forum

Annually, Crown hosts 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 160 attendees in recent years, 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. During calendar year 2020 (fiscal year 2021), this event was cancelled due to the COVID-19 pandemic. This event will resume in July 2021 (fiscal year 2022).

CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

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 100 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.

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, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reclassifications

Certain reclassifications have been made to the 2020 financial statements to conform with the 2021 presentation.

Risk and Uncertainties

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.

Crown has experienced a continued disruption of normal business operations caused from COVID-19 (“Coronavirus”). The overall financial impact cannot be determined through the date of this report; however, it is reasonably possible that changes in risks in the near term could occur which could result in a material change to the financial statements. Some resumption of in-person events previously cancelled or postponed are scheduled to take place during 2022.

Management and the Board of Directors have elected to not apply for funding under the Paycheck Protection Program as they believe they have adequate cash reserves to withstand any disruption of normal business operations.

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 5 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, 2021 and 2020, the balance of restricted cash was \$574,934 and \$549,372, respectively.

CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Crown’s investments are stated at fair market value and consist primarily of United States of America equity funds for which fair value is determined based on quoted market prices. Investment returns of the Crown include interest and dividends and realized and unrealized gains and losses and are shown as “investment income, net” within the accompanying statement of activities. Investments are exposed to various risks, such as interest rate risk, market risk and credit risk.

The FASB establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs in which little or no market data exists (Level 3 measurements). A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All of the Company’s investments at fair value were classified as Level 1 at March 31, 2021 and 2020. Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Crown’s investments consisted of the following at March 31:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 56,450	\$ 6,718
Bond funds	504,058	-
Equity funds	420,997	-
Exchange traded funds	139,433	-
	<u>\$ 1,120,938</u>	<u>\$ 6,718</u>

Contracts Receivable

Contracts 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.

CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contracts Receivable (Continued)

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. At March 31, 2021 and 2020, management deemed no allowance necessary for uncollectible receivables.

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, 2021 and 2020 was \$334,640 and \$372,926, respectively, including shipping and handling costs. The reserve for inventory obsolescence was \$7,158 and \$7,477 as of March 31, 2021 and 2020, 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, 2021 and 2020, management has concluded there is no impairment of its capitalized production costs.

CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Product Development Costs (Continued)

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

	<u>2021</u>	<u>2020</u>
Career Direct	\$ 132,048	\$ 132,048
God Provides - short films	572,607	572,607
Donor Studio	83,230	83,230
Money Life	213,451	333,681
Crown Connect	70,900	76,500
Websites	95,143	214,334
Business by the Book	-	28,357
	<u>1,167,379</u>	<u>1,440,757</u>
Less: accumulated amortization	<u>(1,114,647)</u>	<u>(1,328,633)</u>
	<u>\$ 52,732</u>	<u>\$ 112,124</u>

Amortization expense for the years ended March 31, 2021 and 2020 was \$59,392 and \$140,820, 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.

CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

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

	<u>2021</u>	<u>2020</u>
Building improvements	\$ 85,575	\$ 86,698
Furniture, fixtures, and equipment	58,494	72,539
	<u>144,069</u>	<u>159,237</u>
Less: accumulated amortization	<u>(98,491)</u>	<u>(130,619)</u>
	<u>\$ 45,578</u>	<u>\$ 28,618</u>

Depreciation expense for the years ended March 31, 2021 and 2020 was \$18,100 and \$17,042, respectively.

Intangible Asset - Licensing Agreement

As further described in Note 5, 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>2021</u>	<u>2020</u>
Estimated gross value of intellectual property rights	\$ 1,731,857	\$ 1,709,648
Less: accumulated amortization	<u>(758,294)</u>	<u>(715,160)</u>
	<u>\$ 973,563</u>	<u>\$ 994,488</u>

Amortization expense for the years ended March 31, 2021 and 2020 was \$43,133 and \$42,567, respectively.

CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. See Note 10 for amounts designated by the board.

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.

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

Revenue Recognition

Public Support

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.

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.

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 \$33,014 and \$29,245 for the years ended March 31, 2021 and 2020, 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.

CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Public Support (Continued)

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 \$11,534,911 and \$11,104,321 for the years ended March 31, 2021 and 2020, 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.

Conditional promises to give are not recorded until the conditions are substantially met and bequests are recorded only when amounts are determinable and collection is reasonable assured.

Product Sales

Revenues from product sales is recognized upon providing access to purchased online resources or the shipment of purchased precuts. Crown's only performance obligation to its customers is the delivery of products sold. Generally, sales are collected within one to two months.

At March 31, 2021 and 2020, product sales consisted of physical merchandise sales of \$97,289 and \$201,798, respectively, and access to online resources of \$527,488 and \$559,947, respectively.

Event Fees

Crown hosts various event each year for. Event fees are recognized upon event completion or when performance occurs at a point in time. All unearned income at March 31 is recognized in the subsequent fiscal year.

Advertising Costs

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, 2021 and 2020 was \$112,406 and \$51,212, respectively.

CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018.

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.

Subsequent Events

Management has evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued.

**CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020**

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 year ended March 31, 2021, Crown fulfilled it’s final \$50,000 obligation.

NOTE 4 – CONTRACT LIABILITIES

The following table provides details of contract liabilities at March 31:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contract Liabilities - Unearned Income:			
Event Fees	\$ 248,750	\$ 97,650	\$ 308,425
Ancillary	49,292	41,000	38,894
	<u>\$ 298,042</u>	<u>\$ 138,650</u>	<u>\$ 347,319</u>

NOTE 5 – 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 2021 and 2020, management, along with the assistance of an independent third-party actuary assessed these assumptions and inputs and determined that, due to the adjusted life expectancy of the co-founder’s surviving spouse, the future liability should be decreased as of March 31, 2021 and increased as of March 31, 2020. This adjusted life expectancy resulted in an increase of \$76,952 and a decrease of \$227, respectively, to the licensing agreement liability in the accompanying Statement of Financial Position for the years ended March 31, 2021 and 2020. 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, 2021 and 2020.

CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

NOTE 5 – LICENSING AGREEMENT LIABILITY (Continued)

There was no cash flow impact from these adjustments for the years ended March 31, 2021 and 2020. 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 \$792,563 and \$823,310 at March 31, 2021 and 2020, respectively.

NOTE 6 – NET ASSETS

Net assets consisted of the following at March 31:

	<u>2021</u>	<u>2020</u>
Without donor restrictions:		
Undesignated	\$ 1,700,188	\$ 1,183,998
Board-designated for Larry's Legacy	71,045	71,045
Board-designated for Judy Burkett	574,934	549,372
Board-designated for long-term investment	1,114,153	-
Net equity in property and equipment	45,578	28,618
	<u>3,505,898</u>	<u>1,833,033</u>
With donor restrictions:		
International	101,419	48,429
National	28,340	74,849
Innovation and development	158,774	195,000
Other	17,972	14,272
	<u>306,505</u>	<u>332,550</u>
	<u>\$ 3,812,403</u>	<u>\$ 2,165,583</u>

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

	<u>2021</u>	<u>2020</u>
International	\$ 19,480	\$ 351,706
National	143,959	\$ 25,455
Innovation and development	89,476	19,160
"Foundations for Farming" and "I Was Hungry"	189,659	114,084
Other	56,000	3,500
	<u>\$ 498,574</u>	<u>\$ 513,905</u>

CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

NOTE 7 – RELATED PARTY TRANSACTIONS

During the years ended March 31, 2021 and 2020, contributions from members of Crown’s Board of Directors totaled \$251,139 and \$181,320, respectively.

NOTE 8 – 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 matches 100% of the participant’s contributions up to 6% of the participant’s salary for the plan year. During the years ended March 31, 2021 and 2020, Crown contributed \$84,413 and \$82,256, respectively to the plan.

NOTE 9 – LEASE COMMITMENTS

Crown is committed under lease agreements for various equipment and facilities through March 2024. Total rental and lease payments for the years ended March 31, 2021 and 2020 were \$117,000 and \$118,000, respectively.

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

2022	\$ 57,952
2023	59,906
2024	<u>60,705</u>
	<u>\$ 178,563</u>

NOTE 10 – 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, 2021 AND 2020

NOTE 10 – 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,885,157	\$ 2,226,311
Investments	1,120,938	6,718
Contracts receivable	18,650	8,041
Inventories, net	56,037	60,347
Total Financial Assets	<u>4,080,782</u>	<u>2,301,417</u>
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions	(306,505)	(332,550)
Management appropriations:		
Foundations for Farming	(215,505)	(119,960)
Christian Economic Forum Event unpaid expenses	(307,520)	-
Health Plan Compliance Supplement	(25,000)	-
Board-designated restrictions:		
Larry's Legacy	(71,045)	(71,045)
Judy Burkett	(574,934)	(549,372)
Investments held for long-term purposes	<u>(1,114,153)</u>	<u>-</u>
	<u>(2,614,662)</u>	<u>(1,072,927)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,466,120</u>	<u>\$ 1,228,490</u>