

**CROWN FINANCIAL MINISTRIES, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED MARCH 31, 2022 AND 2021**  
**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	10-22



## INDEPENDENT AUDITORS' REPORT

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

### Opinion

We have audited the accompanying financial statements of Crown Financial Ministries, Inc. ("Crown"), which comprise the statement of financial position as of March 31, 2022 and 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crown as of March 31, 2022 and 2021, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Crown and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Crown's ability to continue as a going concern for one year after the date of this report.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

## **Auditors' Responsibilities for the Audit of the Financial Statements (Continued)**

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Crown's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Crown's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Smith and Howard*

July 6, 2022

**CROWN FINANCIAL MINISTRIES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2022 AND 2021**

**ASSETS**

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents, including restricted cash of \$574,934 in 2021	\$ 4,006,131	\$ 2,885,157
Investments, including restricted investments of \$579,881 in 2022	1,710,618	1,120,938
Contracts receivable	17,761	18,650
Inventories, net	62,647	56,037
Prepaid expenses and other assets	140,522	135,687
Product development costs, net	16,142	52,732
Property and equipment, net	32,073	45,578
Intangible assets - licensing agreement, net	<u>962,108</u>	<u>973,563</u>
	<u>\$ 6,948,002</u>	<u>\$ 5,288,342</u>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ 125,518	\$ 91,073
Accrued expenses	405,957	294,261
Contract liabilities - unearned income	383,666	298,042
Licensing agreement liability	<u>815,393</u>	<u>792,563</u>
Total Liabilities	1,730,534	1,475,939
 Net Assets		
Without donor restrictions	4,618,644	3,505,898
With donor restrictions	<u>598,824</u>	<u>306,505</u>
Total Net Assets	<u>5,217,468</u>	<u>3,812,403</u>
	<u>\$ 6,948,002</u>	<u>\$ 5,288,342</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, 2022 AND 2021**

	<u>2022</u>			<u>2021</u>		
	<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>
<b><u>Support and Revenue</u></b>						
Public support:						
Contributions	\$ 4,054,516	\$ 1,067,798	\$ 5,122,314	\$ 4,401,119	\$ 472,529	\$ 4,873,648
Contributed radio and TV airtime	11,371,618	-	11,371,618	11,534,911	-	11,534,911
Contributed services	29,087	-	29,087	33,014	-	33,014
Contributed securities and materials	26,836	-	26,836	13,545	-	13,545
	<u>15,482,057</u>	<u>1,067,798</u>	<u>16,549,855</u>	<u>15,982,589</u>	<u>472,529</u>	<u>16,455,118</u>
Revenue:						
Product sales, net	698,267	-	698,267	624,777	-	624,777
Event fees	296,950	-	296,950	-	-	-
Ancillary	236,529	-	236,529	258,126	-	258,126
Investment income	(1,100)	-	(1,100)	96,308	-	96,308
	<u>1,230,646</u>	<u>-</u>	<u>1,230,646</u>	<u>979,211</u>	<u>-</u>	<u>979,211</u>
Total Support and Revenue	<u>16,712,703</u>	<u>1,067,798</u>	<u>17,780,501</u>	<u>16,961,800</u>	<u>472,529</u>	<u>17,434,329</u>
Net assets released from restriction						
by satisfaction of purpose restriction	<u>775,479</u>	<u>(775,479)</u>	<u>-</u>	<u>498,574</u>	<u>(498,574)</u>	<u>-</u>
	<u>775,479</u>	<u>(775,479)</u>	<u>-</u>	<u>498,574</u>	<u>(498,574)</u>	<u>-</u>
<b><u>Expenses</u></b>						
Program services:						
Broadcasting	11,658,387	-	11,658,387	11,745,554	-	11,745,554
National ministries	1,047,619	-	1,047,619	906,347	-	906,347
International operations	1,297,816	-	1,297,816	914,122	-	914,122
	<u>14,003,822</u>	<u>-</u>	<u>14,003,822</u>	<u>13,566,023</u>	<u>-</u>	<u>13,566,023</u>
Supporting activities:						
General and administrative	1,556,156	-	1,556,156	1,619,095	-	1,619,095
Fundraising	683,387	-	683,387	525,439	-	525,439
	<u>2,239,543</u>	<u>-</u>	<u>2,239,543</u>	<u>2,144,534</u>	<u>-</u>	<u>2,144,534</u>
Total Expenses	<u>16,243,365</u>	<u>-</u>	<u>16,243,365</u>	<u>15,710,557</u>	<u>-</u>	<u>15,710,557</u>
Adjustment to license agreement liability	<u>132,071</u>	<u>-</u>	<u>132,071</u>	<u>76,952</u>	<u>-</u>	<u>76,952</u>
Change in net assets	1,112,746	292,319	1,405,065	1,672,865	(26,045)	1,646,820
Net Assets, Beginning 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>
Net Assets, End of Year	<u>\$ 4,618,644</u>	<u>\$ 598,824</u>	<u>\$ 5,217,468</u>	<u>\$ 3,505,898</u>	<u>\$ 306,505</u>	<u>\$ 3,812,403</u>

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

**CROWN FINANCIAL MINISTRIES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED MARCH 31, 2022**

	<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	\$ 36,505	\$ 64,263	\$ -	\$ 100,768	\$ -	\$ 489	\$ 489	\$ 101,257
Broadcasting	11,450,668	-	-	11,450,668	-	-	-	11,450,668
Conferences, conventions, and meetings	-	19,119	325,680	344,799	7,809	38,872	46,681	391,480
Cost of goods sold	-	171,410	174,842	346,252	-	-	-	346,252
Depreciation and amortization	2,643	66,396	19,557	88,596	10,328	1,169	11,497	100,093
General insurance	10,874	34,522	10,874	56,270	143,227	14,745	157,972	214,242
Grants	-	-	414,787	414,787	-	-	-	414,787
Information technology	6,413	40,028	17,044	63,485	196,321	62,905	259,226	322,711
Other expenses	-	39,105	8,990	48,095	78,276	6,226	84,502	132,597
Outside and professional services	8,695	73,300	178,227	260,222	127,376	61,466	188,842	449,064
Payroll taxes	8,249	26,189	8,249	42,687	56,118	11,186	67,304	109,991
Postage and shipping	-	1,422	-	1,422	1,422	13,722	15,144	16,566
Printing and publications	-	-	-	-	-	209,475	209,475	209,475
Product development	-	62,317	2,256	64,573	-	-	-	64,573
Professional fund raising fees	-	-	-	-	-	60,077	60,077	60,077
Salaries and wages	126,709	402,258	126,709	655,676	861,956	171,817	1,033,773	1,689,449
Supplies	30	3,329	30	3,389	3,438	41	3,479	6,868
Taxes and licenses	-	-	-	-	2,005	15,924	17,929	17,929
Travel	286	20,008	3,256	23,550	7,156	2,738	9,894	33,444
Utilities and occupancy	7,315	23,953	7,315	38,583	60,724	12,535	73,259	111,842
<b>Totals</b>	<b>\$ 11,658,387</b>	<b>\$ 1,047,619</b>	<b>\$ 1,297,816</b>	<b>\$ 14,003,822</b>	<b>\$ 1,556,156</b>	<b>\$ 683,387</b>	<b>\$ 2,239,543</b>	<b>\$ 16,243,365</b>

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

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

	<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	\$ 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
<b>Totals</b>	<b>\$ 11,745,554</b>	<b>\$ 906,347</b>	<b>\$ 914,122</b>	<b>\$ 13,566,023</b>	<b>\$ 1,619,095</b>	<b>\$ 525,439</b>	<b>\$ 2,144,534</b>	<b>\$ 15,710,557</b>

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



**CROWN FINANCIAL MINISTRIES, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEARS ENDED MARCH 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 1,405,065	\$ 1,646,820
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	19,880	18,100
Amortization:		
Intangible asset-licensing agreement	43,623	43,133
Product development costs	36,590	59,392
Net investment (gains) loss	1,100	(96,308)
Change in value of licensing agreement liability	132,071	76,952
Provision for inventory obsolescence	(398)	(319)
Changes in operating assets and liabilities:		
Contracts receivable	889	(10,609)
Inventories	(6,212)	4,629
Prepaid expenses and other assets	(4,835)	(74,125)
Accounts payable	34,445	(20,111)
Accrued expenses	111,696	84,779
Contract liabilities - unearned income	85,624	159,392
Promises to give payable	-	(50,000)
Licensing agreement liability	(109,241)	(107,699)
Operating cash flows before donated securities and materials	1,750,297	1,734,026
Donated securities and materials reported as investing cash flows	(26,836)	(13,545)
Net Cash Provided by Operating Activities	<u>1,723,461</u>	<u>1,720,481</u>
Cash Flows From Investing Activities:		
Purchase of investments, net	(590,780)	(1,017,912)
Intangible asset-licensing agreement	(32,168)	(22,208)
Purchases of property and equipment	(6,375)	(35,060)
Investing cash flows before donated securities and materials	(629,323)	(1,075,180)
Proceeds from sale of donated securities and materials	26,836	13,545
Net Cash Required by Investing Activities	<u>(602,487)</u>	<u>(1,061,635)</u>
Net Increase in Cash and Cash Equivalents	1,120,974	658,846
Cash and Cash Equivalents, Beginning of Year	<u>2,885,157</u>	<u>2,226,311</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,006,131</u>	<u>\$ 2,885,157</u>
Non-Cash Investing Activities:		
Contributed radio and TV airtime	\$ 11,371,618	\$ 11,534,911
Contributed services	<u>29,087</u>	<u>33,014</u>
Contributed securities and materials	<u>\$ 26,836</u>	<u>\$ 13,545</u>

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

**CROWN FINANCIAL MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2022 AND 2021**

**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 1,200 terrestrial radio stations and outlets and through the internet, Crown's programs reach an estimated 8,269,000 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 2021 (fiscal year 2022) the event was held and there were 157 attendees. During calendar year 2020 (fiscal year 2021), this event was cancelled due to the COVID-19 pandemic.

**CROWN FINANCIAL MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2022 AND 2021**

**NOTE 1 – NATURE OF THE ORGANIZATION (Continued)**

Coaching

Crown offers one-on-one help for individuals seeking personal assistance with achieving their financial goals. The program, Budget Coaching, 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, Colombia, Poland, South Africa, Malawi, Zimbabwe, China, Malaysia, Taiwan, Korea, Guatemala, Venezuela, Panama, and Egypt. 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, 2022 AND 2021**

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

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.

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. They also believe they should not accept any taxpayer funds for their ministry and instead trust the Lord to provide.

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 and Investments

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"). During the year ended March 31, 2022, the restricted cash was transferred to an investment account. The balance of the restricted investment account at March 31, 2022 was \$579,881. At March 31, 2021, the balance of restricted cash was \$574,934.

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 and changes in net assets. Investments are exposed to various risks, such as interest rate risk, market risk and credit risk.

**CROWN FINANCIAL MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2022 AND 2021**

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

Investments (Continued)

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 Crown's investments at fair value were classified as Level 1 at March 31, 2022 and 2021. 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 179,365	\$ 56,450
Bond funds	479,242	504,058
Equity funds	410,786	420,997
Exchange traded funds	<u>641,225</u>	<u>139,433</u>
	<u>\$ 1,710,618</u>	<u>\$ 1,120,938</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.

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, 2022 and 2021, 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, 2022 and 2021 was \$346,252 and \$334,640, respectively, including shipping and handling costs. The reserve for inventory obsolescence was \$6,760 and \$7,158 as of March 31, 2022 and 2021, respectively.

**CROWN FINANCIAL MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2022 AND 2021**

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

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, 2022 and 2021, management has concluded there is no impairment of its capitalized production costs.

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

	<u>2022</u>	<u>2021</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	213,451
Crown Connect	-	70,900
Websites	<u>90,456</u>	<u>95,143</u>
	1,091,792	1,167,379
Less: accumulated amortization	<u>(1,075,650)</u>	<u>(1,114,647)</u>
	<u>\$ 16,142</u>	<u>\$ 52,732</u>

Amortization expense for the years ended March 31, 2022 and 2021 was \$36,590 and \$59,392, 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, 2022 AND 2021**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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>2022</u>	<u>2021</u>
Building improvements	\$ 85,575	\$ 85,575
Furniture, fixtures, and equipment	<u>56,465</u>	<u>58,494</u>
	142,040	144,069
Less: accumulated amortization	<u>(109,967)</u>	<u>(98,491)</u>
	<u>\$ 32,073</u>	<u>\$ 45,578</u>

Depreciation expense for the years ended March 31, 2022 and 2021 was \$19,880 and \$18,100, 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>2022</u>	<u>2021</u>
Estimated gross value of intellectual property rights	\$ 1,764,025	\$ 1,731,857
Less: accumulated amortization	<u>(801,917)</u>	<u>(758,294)</u>
	<u>\$ 962,108</u>	<u>\$ 973,563</u>

Amortization expense for the years ended March 31, 2022 and 2021 was \$43,623 and \$43,133, respectively.

**CROWN FINANCIAL MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2022 AND 2021**

**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 \$29,087 and \$33,014 for the years ended March 31, 2022 and 2021, 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, 2022 AND 2021**

**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 \$11,371,618 and \$11,534,911 for the years ended March 31, 2022 and 2021, 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 products. 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, 2022 and 2021, product sales consisted of physical merchandise sales of \$143,635 and \$97,289, respectively, and access to online resources of \$554,632 and \$559,947, respectively.

*Event Fees*

Crown hosts a CEF global event each year and occasionally hosts regional CEF events. 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. CEF event revenue was \$296,950 for the year ended March 31, 2022. There was no CEF event revenue recognized during the year ended March 31, 2021.

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, 2022 and 2021 was \$101,257 and \$112,406, respectively.

**CROWN FINANCIAL MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2022 AND 2021**

**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, 2019.

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, Budget Coaching, 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 are 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.

**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.

**CROWN FINANCIAL MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2022 AND 2021**

**NOTE 4 – CONTRACT LIABILITIES**

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contract Liabilities - Unearned Income:			
Event Fees	\$ 319,500	\$ 248,750	\$ 97,650
Ancillary	<u>64,166</u>	<u>49,292</u>	<u>41,000</u>
	<u>\$ 383,666</u>	<u>\$ 298,042</u>	<u>\$ 138,650</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 2022 and 2021, 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 increased as of March 31, 2022 and March 31, 2021. This adjusted life expectancy resulted in an increases of \$132,071 and \$76,952, respectively, to the licensing agreement liability in the accompanying Statement of Financial Position for the years ended March 31, 2022 and 2021. 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, 2022 and 2021.

There was no cash flow impact from these adjustments for the years ended March 31, 2022 and 2021.

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 \$815,393 and \$792,563 at March 31, 2022 and 2021, respectively.

**CROWN FINANCIAL MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2022 AND 2021**

**NOTE 6 – NET ASSETS**

Net assets consisted of the following at March 31:

	<u><b>2022</b></u>	<u><b>2021</b></u>
Without donor restrictions:		
Undesignated	\$ 2,804,608	\$ 1,700,188
Board-designated for Larry's Legacy	71,045	71,045
Board-designated for Judy Burkett	579,881	574,934
Board-designated for long-term investment	1,131,037	1,114,153
Net equity in property and equipment	<u>32,073</u>	<u>45,578</u>
	<u>4,618,644</u>	<u>3,505,898</u>
With donor restrictions:		
International	125,469	101,419
National	83,178	28,340
Innovation and development	166,800	158,774
Career Direct	26,134	-
Other	<u>197,243</u>	<u>17,972</u>
	<u>598,824</u>	<u>306,505</u>
	<u>\$ 5,217,468</u>	<u>\$ 3,812,403</u>

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

	<u><b>2022</b></u>	<u><b>2021</b></u>
International	\$ 188,142	\$ 19,480
National	103,752	\$ 143,959
Innovation and development	40,874	89,476
"Foundations for Farming" and "I Was Hungry"	391,766	189,659
Career Direct	22,720	-
Other	<u>28,225</u>	<u>56,000</u>
	<u>\$ 775,479</u>	<u>\$ 498,574</u>

**CROWN FINANCIAL MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2022 AND 2021**

**NOTE 7 – RELATED PARTY TRANSACTIONS**

During the years ended March 31, 2022 and 2021, contributions from members of Crown’s Board of Directors totaled \$425,920 and \$251,139, 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, 2022 and 2021, Crown contributed \$89,786 and \$84,413, 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, 2022 and 2021 were \$60,000 and \$117,000, respectively.

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

2023	\$ 63,211
2024	64,010
2025	<u>2,203</u>
	<u>\$ 129,424</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, 2022 AND 2021**

**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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 4,006,131	\$ 2,885,157
Investments	1,710,618	1,120,938
Contracts receivable	17,761	18,650
Inventories, net	<u>62,647</u>	<u>56,037</u>
Total Financial Assets	<u>5,797,157</u>	<u>4,080,782</u>
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions	(598,824)	(306,505)
Management appropriations:		
Foundations for Farming	(321,635)	(215,505)
Christian Economic Forum Event unpaid expenses	(292,902)	(307,520)
Health Plan Compliance Supplement	(125,000)	(25,000)
Board-designated restrictions:		
Larry's Legacy	(71,045)	(71,045)
Judy Burkett	(579,881)	(574,934)
Investments held for long-term purposes	<u>(1,131,037)</u>	<u>(1,114,153)</u>
	<u>(3,120,324)</u>	<u>(2,614,662)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,676,833</u>	<u>\$ 1,466,120</u>