

Crown Equity Holdings, Inc.
Form 10-Q
May 10, 2011

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2011

OR

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

From the transition period from _____ to _____.

Commission File Number 000-29935

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

Nevada
(State or other jurisdiction of incorporation or
organization)

33-0677140
(IRS Employer Identification No.)

5440 West Sahara Avenue, Suite 205, Las Vegas, NV 89146
(Address of principal executive offices)

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

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

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

Large accelerated filer Accelerated filed
Non-accelerated filer Smaller reporting company

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

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As of May 9, 2011, there were 787,696,317 shares of Common Stock of the issuer outstanding.

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Crown Equity Holdings Inc.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 630,990	\$ 149,727
Marketable securities	768,068	1,295,751
Accounts receivable	9,920	10,665
Prepaid expenses	7,200	2,400
Total current assets	1,416,178	1,458,543
Property and equipment, net of accumulated depreciation \$15,982 and \$86,657, respectively	55,629	56,212
Total Assets	1,471,807	1,514,755
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 155,807	\$ 185,498
Deferred revenue	577,193	216,095
Total current liabilities	733,000	401,593
Notes payable – related parties	95,209	95,209
Total liabilities	828,209	496,802
Stockholder's Equity:		
Preferred stock; \$0.001 par value, 10,000,000 shares authorized, 9,000,000 undesignated authorized		
Series A convertible preferred stock; \$0.001 par value, 1,000,000 shares authorized, 600,000 shares issued and outstanding	600	-
Common stock; \$0.001 par value, 4,900,000,000 shares authorized, 781,182,428 and 753,737,071 shares issued and outstanding, respectively	781,182	753,737
Additional paid-in capital	7,321,301	6,222,775
Accumulated deficit	(7,459,485)	(5,958,559)
Total stockholder's equity	643,598	1,017,953
Total Liabilities and Stockholders' Equity	\$ 1,471,807	\$ 1,514,755

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

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

	Three Months Ended March 31,	
	2011	2010
Revenue	\$ 345,231	\$ 324,776
Direct material costs	—	(85,000)
Gross profit	345,231	239,776
Operating Expenses:		
General and administrative	782,912	241,994
Depreciation	5,459	6,345
Loss from operations	(443,139)	(8,563)
Other Income (Expenses):		
Other income	—	17,039
Interest income	—	31
Realized gain (loss) on marketable securities	(17,053)	1,700
Unrealized loss on marketable securities	(1,037,804)	(134,025)
Other expense	—	(312)
Interest expense	(2,930)	(2,916)
Total other income (expenses)	(1,057,787)	(118,483)
Net loss	(1,500,926)	(127,046)
Deemed dividend on series A convertible preferred stock	(600,000)	—
Net loss attributable to common stockholders	\$(2,100,926)	\$(127,046)
Loss per share attributable to common shareholders, basic and diluted	\$(0.00)	\$(0.00)
Weighted average common shares outstanding, basic and diluted	765,772,142	731,067,220

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

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

	Three Months Ended March 31,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$(1,500,926)	\$(127,046)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation expense	5,459	6,345
Common stock issued for services	526,571	35,698
Unrealized loss on marketable securities	1,037,804	134,025
Realized (gain) loss on marketable securities	17,053	(1,700)
Marketable securities received for revenue	(292,110)	(55,050)
Changes in operating assets and liabilities:		
Accounts receivable	745	(2,500)
Prepaid expenses	(4,800)	5,702
Accounts payable and accrued expenses	(29,691)	1,728
Taxes payable	—	(16,990)
Deferred revenue	(53,430)	(57,000)
Accrued salaries	—	57,700
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(293,325)	(19,088)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Cash paid for purchase of fixed assets	(4,876)	—
Proceeds from the sale of marketable securities	179,464	19,500
NET CASH PROVIDED BY INVESTING ACTIVITIES	174,588	19,500
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sale of series A convertible preferred stock	600,000	—
Borrowings on notes payable - related party	—	10,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	600,000	10,000
Net increase in cash	481,263	10,412
Cash, beginning of period	149,727	249,612
Cash, end of period	\$630,990	\$260,024
SUPPLEMENTAL CASH FLOWS INFORMATION		
Interest paid	\$14	\$—
Income taxes paid	—	—
Noncash Investing and Financing Activities:		
Marketable securities received for deferred revenue	\$414,528	21,000
Deemed dividend beneficial conversion feature on convertible preferred stock	600,000	—

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

Crown Equity Holdings Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements of Crown Equity Holdings Inc. ("Crown Equity") have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission, and should be read in conjunction with the audited consolidated financial statements and notes thereto contained in Crown Equity's December 31, 2010 Annual Report filed with the SEC on Form 10-K. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosure contained in the audited financial statements for the most recent fiscal year end December 31, 2010 as reported on Form 10-K, have been omitted. Certain prior period amounts have been reclassified to conform to current period presentation.

NOTE 2 - GOING CONCERN

As shown in the accompanying financial statements, Crown Equity has an accumulated deficit of \$7,459,485 as of March 31, 2011. Unless profitability and increase in shareholders equity continues, these conditions raise substantial doubt as to Crown Equity's ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary if Crown Equity is unable to continue as a going concern.

NOTE 3 – MARKETABLE SECURITIES

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

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

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

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

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

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

Crown Equity has classified these marketable securities at level 1 with a fair value of \$768,068 and \$1,295,781 as of March 31, 2011 and December 31, 2010, respectively.

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

Crown Equity adopted ASC 825 during the third quarter of fiscal 2009 and elected the fair value option for their marketable securities. The related gain/loss based on valuation on the mark to market each balance sheet date is reflected in the income statement.

NOTE 4 – REVENUE RECOGNITION

The Company provides various consulting services to companies and individuals dealing with corporate structure and operations globally. Crown Equity’s revenue is recognized pursuant to ASC 605 “Revenue Recognition.” The Company recognizes its revenue from services as those services are performed. Revenue recognition is limited to the amount that is not contingent upon delivery of any future product or service or meeting other specified performance conditions. Product sales, accounted for within fulfillment services, are recognized upon shipment to the customer and satisfaction of all obligations.

Contract revenues include royalties under license and collaboration agreements. Contract revenue related to technology licenses is fully recognized only after the license period has commenced, the technology has been delivered and no further involvement of Crown Equity is required.

Crown Equity receives payment for its services in both cash and equity instruments issued by the customer. The equity instruments are accounted for in accordance with the provisions of ASC 718 “Compensation – Stock Compensation” and is based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date of the fair value of the equity instrument issued is the date on which they are received by Crown Equity.

Amounts received for revenue not earned as of period end are accounted for as deferred revenues. As of March 31, 2011 and December 31, 2010, there was \$577,193 and \$216,095, respectively of deferred revenue.

NOTE 5 - RELATED PARTY TRANSACTIONS

On December 2, 2009, the Company signed a one year lease for 2,400 square feet of office space. The rent for the space is \$2,400 per month. The landlord is related to one of the officers of the Company. The lease was renewed on January 1, 2011 for one more year.

On November 20, 2009, the Company converted accounts payable and advances from Montse Zaman, a related party, of \$71,184 to a three-year unsecured note maturing on November 19, 2012. As of June 30, 2010 the balance increased by \$10,000 to \$81,184. During the period ending September 30, 2010 the amount outstanding was reduced by a payment of \$2,000 to \$79,184. Interest is incurred at 12% per annum unless the principal and interest are not paid by maturity at which time the interest rate accelerates to 18% per annum.

During the quarter ended March 31, 2007, the Company borrowed \$12,700 from Phoenix Consulting Services Inc. controlled by a related party. The loan is unsecured and matured on April 1, 2008 and accrued interest at 12% per annum. The note may be converted into common shares of the company at the holder's option at a conversion price to be determined in the future. Amounts outstanding under this agreement subsequent to April 1, 2008 accrued interest at 18% per annum. On November 20, 2009, the note including principal and interest totaling \$16,025 was converted to a long term note due November 19, 2012 with principal and interest due at maturity. If the principal and interest are not paid by maturity, the interest rate accelerates to 18% per annum. As of March 31, 2011 the outstanding principal balance due to the Montse Zaman and Phoenix Consulting Services was \$95,209 plus accrued interest of \$15,870 for a total of \$111,079.

NOTE 6 – EQUITY

During March 2011, Crown Equity designated 1,000,000 of its authorized preferred stock as Series A convertible preferred stock. The Series A has a par value of \$0.001 and each share is convertible into 100 common shares at the option of the holder.

During the three months ended March 31, 2011, Crown Equity issued 27,445,357 common shares for services with a total value of \$526,571 as follows:

- 7,445,357 shares of common stock for compensation for \$126,571;
- 20,000,000 shares of common stock for consulting services for \$400,000.

During the three months ending March 31, 2011 the Company issued 600,000 shares of Class A preferred shares for \$600,000 cash. Each share is convertible into 100 common shares at the option of the holder. Crown Equity evaluated the convertible preferred stock under FASB ASC 470-20-30 and determined it contained a beneficial conversion feature. The intrinsic value of the beneficial conversion feature was determined to be \$600,000. The beneficial conversion feature was fully amortized during the three months ended March 31, 2011 and recorded as a deemed dividend.

NOTE 7 - CONTINGENCIES

In November, 2010, the Company, along with other individuals and entities, was named in a lawsuit filed federal court for the District of Nevada. The amended complaint alleges securities violations, breach of contract and defamation. The Company has engaged legal representation and believes the complaint and its allegations to be wholly without merit. The Company has filed a motion to dismiss and intends to vigorously defend itself in this matter, which the Company believes to be wholly without merit.

NOTE 8 – SUBSEQUENT EVENTS

During April 2011, Crown Equity issued an aggregate of 6,513,889 common shares for services accrued at March 31, 2011 valued at \$117,250.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

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

OVERVIEW

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

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

In March, 2011, the Company formed a wholly owned subsidiary CRWE Real Estate, Inc. to provide an entity to hold real estate. The entity had minimal activity during the quarter.

At the present time, the Company is offering its services to domestic and global companies seeking to become public entities in the United States. It has launched a website, www.crownequityholdings.com, which offers its services in a wide range of fields. The Company provides various consulting services to companies and individuals dealing with corporate structure and operations globally. The Company also provides public relations and news dissemination for publicly and privately held companies.

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

Crown Equity is offering its services to companies and their management seeking to become public entities in the United States. It has launched a website, www.crownequityholdings.com, which offers its services in a wide range of fields.

Crown Equity's office is located at 5440 West Sahara, Suite 205, Las Vegas, Nevada 89146.

As of March 31, 2011, Crown Equity had 19 employees and utilizing the services of 6 independent contractors and consultants.

RESULTS OF OPERATIONS

For the three months periods ending March 31, 2011 and 2010 revenues were \$345,231 and \$324,776 with net loss of \$1,500,926 and a net loss of \$127,046, respectively. The net loss for the three month period ending March 31, 2011 consisted of an operating loss of \$443,139 and total other expenses of \$1,057,787 of which \$1,037,804 consisted of unrealized loss on securities. This compares to an operating loss of \$8,563 and net loss of \$127,046 for the same period in 2010. General and administrative expense increased to \$782,912 from \$241,994 for the three month period ending March 31, 2011 and 2010. Interest expense incurred during the three month period ending March 31, 2011 was \$2,930 compared \$2,916 for the same period in 2010. Crown Equity will attempt to carry out its business plan as discussed above; however, it cannot predict to what extent its capital resources could hinder its business plan.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2011, Crown Equity had current assets of \$1,416,178 and current liabilities of \$733,000, resulting in working capital of \$683,178. Shareholders' equity as of March 31, 2011 was \$643,598. Further, there exist no agreements or understandings with regard to loan agreements by or with the Officers, Directors, principals, affiliates or shareholders of Crown Equity.

Net cash used in operations for the period ending March 31, 2011 was \$293,325 compared to net cash used of \$19,088 for the same period in 2010, a change of \$274,237. Net cash provided by investing activities for the period ending March 31, 2011 was \$175,588 compared to \$19,500 for the same period in 2010, a change of \$155,088. Net cash provided by financing activities during the period ended March 31, 2011 was \$600,000 compared to net cash provided of \$10,000 in 2010, an increase of \$590,000. The change was due primarily to the issuance of Series A convertible preferred shares for \$600,000.

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

EMPLOYEES

As of March 31, 2011, Crown Equity had nineteen employees.

ITEM 3. CONTROLS AND PROCEDURES

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, Crown Equity is not required to provide information required under this Item.

ITEM 4T: CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

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

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The Company had pending litigation in Arizona small claims court - Strojnik v. Crown Equity Holdings, Inc. and Crown Partners, Inc. which was filed September 25, 2008. On April 14, 2010 the case was dismissed without prejudice and without further notice for lack of prosecution.

In November, 2010, the Company, along with other individuals and entities, was named in a lawsuit filed federal court for the District of Nevada. The amended complaint alleges securities violations, breach of contract and defamation. The Company has engaged legal representation and believes the complaint and its allegations to be wholly without merit. The Company has filed a motion to dismiss and intends to vigorously defend itself in this matter, which the Company believes to be wholly without merit.

ITEM 1A. RISK FACTORS.

There have been no material changes to Crown Equity's risk factors as previously disclosed in our most recent 10-K filing for the year ending December 31, 2010.

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

During the three months ended March 31, 2011, Crown Equity issued 27,445,357 common shares for services with a total value of \$526,571 as follows:

- 7,445,357 shares of common stock for compensation for \$126,571;
- 20,000,000 shares of common stock for consulting services for \$400,000.

During the three months ending March 31, 2011 the Company issued 600,000 shares of Class A preferred shares with a value of \$600,000 for cash. The preferred shares carry a conversion privilege of 100 common shares for each preferred share.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None

ITEM 4. [REMOVE AND RESERVE]

None

ITEM 5. OTHER INFORMATION.

On May 26, 2010 the Company filed an 8-K for the filing of the Certificate of Designation with the State of Nevada authorize 25,000 shares of Series A Preferred Stock, each share being convertible into 10,000 shares of common stock.

On July 21, 2010 the Company filed an 8-K amending the Articles of Incorporation increasing the number of authorized shares of common stock to 4,900,000,000 and the number of authorized preferred shares to 100,000,000. The Company also affected a 1 share for 10 shares forward split of its common stock.

On March 18, 2011 the Company filed an 8-K that the Board of Directors of the Company approved the filing of an amendment to the Company's previously filed Certificate of Designation for its Series A Preferred Stock. The amendment was filed on March 10, 2011. Previously, the Company had authorized 25,000 shares of its Series A Preferred Stock with each Series A share convertible into ten thousand (10,000) shares of the Company's common stock. The Board of Directors amended the Series A Preferred Stock by increasing the number of shares of the class to 1,000,000 shares, each convertible into 100 shares of common stock at the holder's option. The Company also reported that it sold 600,000 shares of its Series A Preferred Stock to an unrelated third-party for \$600,000. The terms of the Series A Preferred Stock provide that the holder can convert the Preferred A Shares to common at its option. If the Series A Stock were converted to common stock, the number of common shares issuable would be 60,000,000 shares.

