

Crown Equity Holdings, Inc.
Form 10-Q
November 15, 2013

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 September 30, 2013

OR

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

For the transition period from _____ to _____.

Commission File Number 000-29935

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

Nevada 33-0677140
(State or other jurisdiction of incorporation or organization)(IRS Employer Identification No.)

11226 Pentland Downs Road, Las Vegas, NV 89141
(Address of principal executive offices)

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

5440 West Sahara Avenue, Suite 205, Las Vegas, NV 89146
(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	<input type="checkbox"/>	Accelerated filed	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

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 November 14, 2013, there were 878,192,504 shares of Common Stock of the issuer outstanding.



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Crown Equity Holdings, Inc.

CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2013	December 31, 2012
Assets		
Current assets		
Cash	\$2,077	\$1,209
Marketable securities	165,000	105,000
Accounts receivable, net	1,650	-
Prepaid expenses	-	35,000
Total Current Assets	168,727	141,209
Property, plant and equipment, net	2,507	19,286
Equity method investment held in related party	-	132,988
Total Assets	\$171,234	\$293,483
Liabilities and Stockholders' (Deficit) Equity		
Current liabilities		
Accounts payable and accrued expenses	\$188,990	\$132,002
Notes payable	18,568	2,000
Notes payable related party	111,919	109,819
Total Current Liabilities	319,477	243,821
Stockholders' (deficit) equity		
Preferred Stock, 10,000,000 shares authorized, 9,000,000 undesignated authorized at \$.001 par value, none issued or outstanding		
Series A Convertible Preferred Stock, \$.001 par value, 1,000,000 shares authorized, none issued or outstanding	-	-
Common stock, 4,900,000,000 authorized at \$.001 par value, 878,192,504 and 880,325,835 shares issued and outstanding	878,193	880,326
Additional paid-in capital	7,940,951	7,938,818
Retained earnings	(8,967,387)	(8,769,482)
Total stockholders' (deficit) equity	(148,243)	49,662
Total Liabilities and Stockholders' (Deficit) Equity	\$171,234	\$293,483

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenue	\$ 150	\$ 59	\$44,530	\$2,554
Revenue from related party	20,000	1,800	20,000	21,800
Total revenue	20,150	1,859	64,530	24,354
Direct material costs	-	1,929	151	6,232
Operating expenses				
General and administrative	87,826	45,229	137,195	365,448
Depreciation	4,975	14,189	16,781	17,949
Loss from operations	(72,651)	(59,488)	(89,597)	(365,275)
Other income (expense)				
Interest expense	(4,329)	(2,856)	(12,897)	(40,328)
Losses on equity method investment in related party	-	(79,229)	(132,988)	(126,910)
Other income (expense)	686	47	3,127	625
Realized loss on marketable securities	-	-	-	(1,155)
Unrealized gain on marketable securities	77,250	-	34,450	28,000
Impairment of equity method investment	-	-	-	(172,617)
Loss on extinguishment of debt	-	-	-	(7,200)
Total other income (expense)	73,607	(82,038)	(108,308)	(319,585)
Net income (loss)	\$956	\$(141,526)	\$(197,905)	\$(684,860)
Net income (loss) per share (basic and diluted)	0.00	(0.00)	(0.00)	(0.00)
Weighted average number of shares outstanding (basic and diluted)	878,192,502	880,279,458	878,927,056	848,398,277

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

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

Nine Months Ended
September 30,
2013 2012

Cash flows from operating activities		
Net loss	\$(197,905)	\$(684,860)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	16,781	17,949
Bad debt expense	-	12,395
Amortization of debt discount	-	31,500
Common stock issued for services	-	239,111
Unrealized gain on marketable securities	(34,450)	(28,000)
Marketable securities received for revenue	(25,550)	-
Impairment of equity method investments in related party	-	172,617
Loss on equity method investments in related party	132,988	126,910
Loss on extinguishment of debt	-	7,200
Realized loss on securities	-	1,155
Changes in operating assets and liabilities		
Accounts receivable	(1,650)	-
Prepaid expenses	35,000	2,400
Accounts payable and accrued expenses	56,987	(67,187)
Net cash used in operating activities	(17,799)	(168,810)
Cash flows from investing activities		
Proceeds from the sale of marketable securities	-	4,245
Purchase fixed assets	-	(51)
Net cash provided by investing activities	-	4,194
Cash flows from financing activities		
Proceeds from the sale of common stock	-	10,000
Payments on notes payable	(2,000)	-
Payments on related party notes payable	(4,000)	-
Borrowings on notes payable	18,567	62,000
Borrowings on related party notes payable	6,100	13,609
Net cash provided by financing activities	18,667	85,609
Net increase(decrease) in cash	868	(79,007)
Cash, beginning of period	1,209	84,325
Cash, end of period	\$2,077	\$5,318
Supplemental disclosure of cash flow information		
Interest paid	\$45	\$12
Income taxes paid	-	-

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Noncash investing and financing activities

Common stock returned and cancelled	\$2,133	\$-
Common stock issued for debt	-	59,000
Common stock issued for the conversion of preferred stock	-	60,000
Debt discount due to beneficial conversion feature	-	31,500
Equity method investment written off against related party deferred revenue	-	193,219

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

Crown Equity Holdings, Inc.

NOTES TO UNAUDITED 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, 2012 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, 2012 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 \$8,967,387 and a working capital deficit of \$150,750 as of September 30, 2013. 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.

Crown Equity continues to review its expense structure reviewing costs and their reduction to move towards profitability. The Company’s expenses are planned to decrease as a percent of revenue resulting in profitability and increased shareholders’ equity.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND CORRECTION OF PRIOR YEAR INFORMATION

Change in Accounting Principle

During 2012, the Company changed its policy for accounting for its investment in Cleantech Transit, Inc., a related party, common stock. During the nine months ended September 30, 2012, the Company accounted for this investment as an available-for-sale security. In 2012, the Company’s ownership percentage increased to more than 20%. The Company changed its accounting policy in accordance with ASC 323 Investments—Equity Method and Joint Ventures. The consolidated financial statements presented herein have been retroactively restated to reflect the change in accounting principle.

Correction of Prior Year Information

During the nine months ended September 30, 2013, the Company identified an error in the valuation of the common stock of Cleantech Transit, Inc., a related party, received for services provided. It was determined that the deferred revenue as of December 31, 2011 should have been written-off against the carrying value of the equity method investment in related party during the nine months ended September 30, 2012. Also, it was determined that the carrying value of the equity method investment as of September 30, 2012 was impaired. This resulted in an adjustment to the previously reported amounts in the consolidated financial statements for the nine months ended

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September 30, 2012. In accordance with the SEC's Staff Accounting Bulletin Nos. 99 and 108 (SAB 99 and SAB 108), the Company evaluated this error and, based on an analysis of quantitative and qualitative factors, determined that the error was immaterial to the prior reporting period affected. However, if the adjustments to correct the cumulative effect of the above error had been recorded in the nine months ended September 30, 2013, the Company believes the impact would have been significant and would impact comparisons to prior periods. Therefore, as permitted by SAB 108, the Company corrected, in the current filing, previously reported results for the three and nine months ended September 30, 2012.

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The following tables presents the comparative effect of the change in accounting principle and the effect of the correction of prior year information and their impact on the Company's consolidated statements of operations for the three and nine months ended September 30, 2012:

	Three Months Ended September 30, 2012			
	As Previously Reported	Adjustments for Change in Accounting Principle	Adjustments for Correction of Prior Year Information	As Revised and Restated
Revenue from related party	\$ 336,100	\$ -	\$ (334,300)	\$ 1,800
Unrealized loss on marketable securities held in related party	(37,441)	37,441	-	-
Loss on equity method investment in related party	-	(79,229)	-	(79,229)
Total other expenses	(40,250)	(41,788)	-	(82,038)
Net income (loss)	\$ 234,562	\$ (41,788)	\$ (334,300)	\$ (141,526)

	Nine Months Ended September 30, 2012			
	As Previously Reported	Adjustments for Change in Accounting Principle	Adjustments for Correction of Prior Year Information	As Revised and Restated
Revenue from related party	\$ 549,319	\$ -	\$ (527,519)	\$ 21,800
Unrealized loss on marketable securities held in related party	(467,441)	467,441	-	-
Impairment of equity method investment in related party	-	-	(172,617)	(172,617)
Loss on equity method investment in related party	-	(126,910)	-	(126,910)
Total other expenses	(487,499)	340,531	(172,617)	(319,585)
Net loss	\$ (325,255)	\$ 340,531	\$ (700,136)	\$ (684,860)

The following table presents the comparative effect of the change in accounting principle and the effect of the correction of prior year information and their impact on the Company's consolidated statement of cash flows for the nine months ended September 30, 2012:

	Nine Months Ended September 30, 2012			
	As Previously Reported	Adjustments for Change in Accounting Principle	Adjustments for Correction of Prior Year Information	As Revised and Restated
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	\$ (325,255)	\$ 340,531	\$ (700,136)	\$ (684,860)
Adjustments to reconcile net loss to net cash used in operating activities:				
Unrealized loss (gain) on marketable securities held in related party	467,441	(467,441)	-	-
Impairment of equity method investments in related party	-	-	172,617	172,617
Loss on equity method investments in related party	-	126,910	-	126,910
Marketable Securities received for revenue	(290,300)	-	290,300	-
Changes in operating assets and liabilities:				
Related party accounts receivable	(44,000)	-	44,000	-
Deferred revenue from related party	(193,219)	-	193,219	-
Noncash Investing and Financing Activities:				
Related party deferred revenue written-off against carrying value of equity method investment in related party	\$ -	\$ -	\$ 193,219	\$ 193,219

NOTE 4 – MARKETABLE SECURITIES

Marketable securities are classified as available-for-sale and are presented in the consolidated 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: