

Crown Equity Holdings, Inc.
Form 10-Q
November 21, 2016

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended **September 30, 2016**

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
(State or other jurisdiction of
incorporation or organization)

33-0677140
(IRS Employer
Identification No.)

Edgar Filing: Crown Equity Holdings, Inc. - Form 10-Q

11226 Pentland Downs Street, Las Vegas, NV 89141

(Address of principal executive offices)

(702) 683-8946

(Issuer's telephone number)

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

As of November 17, 2016, there were 11,195,831 shares of Common Stock of the issuer outstanding.

TABLE OF CONTENTS

	Page
PART I: FINANCIAL INFORMATION	
Item 1. <u>Financial Statements (Unaudited)</u>	
<u>Consolidated Balance Sheets as of September 30, 2016 and December 31, 2015 (Unaudited)</u>	3
<u>Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2016 and 2015 (Unaudited)</u>	4
<u>Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2016 and 2015 (Unaudited)</u>	5
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	6
Item 2. <u>Management's Discussion and Analysis and Plan of Operation</u>	8
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	10
Item 4T. <u>Controls and Procedures</u>	10
PART II: OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	11
Item 1A. <u>Risk Factors</u>	11
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	11
Item 3. <u>Defaults upon Senior Securities</u>	11
Item 4. <u>Mine Safety Information</u>	11
Item 5. <u>Other Information</u>	11
Item 6. <u>Exhibits</u>	12
Signatures	13

Crown Equity Holdings, Inc.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2016	December 31, 2015
Assets		
Current Assets		
Cash	\$ 9,545	\$ 2,448
Total Current Assets	9,545	2,448
Total Assets	\$ 9,545	\$ 2,448
Liabilities and Stockholders' Deficit		
Current Liabilities		
Accounts payable	\$ 181,327	\$ 187,567
Accounts payable to related parties	5,026	5,026
Notes payable	9,500	11,500
Notes payable to related parties	10,116	23,674
Total Current Liabilities	205,969	227,767
Stockholders' Deficit		
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, 490,000,000 authorized at \$.001 par value; 11,195,831 and 10,904,564 shares issued and outstanding	11,196	10,905
Additional paid-in capital	10,556,516	10,335,890
Accumulated deficit	(10,764,136)	(10,572,114)
Total Stockholders' Deficit	(196,424)	(225,319)
Total Liabilities and Stockholders' Deficit	\$ 9,545	\$ 2,448

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

Table of Contents**Crown Equity Holdings, Inc.****CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

	Three Months Ended Sept 30,		Nine Months Ended Sept 30,	
	2016	2015	2016	2015
Revenue	\$ 531	\$ 124	\$ 1,906	\$ 801
Operating expenses				
Depreciation	-	-	-	618
General and Administrative	44,052	12,369	127,489	286,880
Total Operating Expenses	44,052	12,369	127,489	287,498
Net Operating Loss	(43,521)	(12,245)	(125,583)	(286,697)
Other (expense) income				
Other income	178	-	178	-
Interest expense	(657)	(1,027)	(47,174)	(4,034)
Loss on debt settlement	-	(23,407)	(19,443)	(28,612)
Settlement expense	-	-	-	(10,000)
Total other expense	(479)	(24,434)	(66,439)	(42,646)
Net loss	\$ (44,000)	\$ (36,679)	\$ (192,022)	\$ (329,343)
Net loss per share – basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.02)	\$ (0.03)
Weighted average number of common shares outstanding - basic and diluted	11,192,179	10,706,088	11,118,755	10,688,273

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

Table of Contents**Crown Equity Holdings, Inc.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

	Nine Months Ended Sept 30,	
	2016	2015
Cash flows from operating activities		
Net loss	\$ (192,022)	\$ (329,343)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	-	618
Common stock issued for services	-	194,700
Loss on debt settlement	19,443	28,612
Amortization of beneficial conversion feature	44,000	-
Changes in operating assets and liabilities:		
Prepayment for services - Related party	-	(6,900)
Accounts payable and accrued expenses	(5,533)	53,448
Net cash used in operating activities	(134,112)	(58,865)
Cash flows from financing activities		
Proceeds from sale of common stock	97,767	22,081
Payments on related party notes payable	(13,558)	-
Borrowings on third-party notes payable	-	20,582
Borrowings on third-party convertible notes payable	17,000	-
Borrowings on related party notes payable	-	15,983
Borrowings on related party convertible notes payable	40,000	-
Net cash provided by financing activities	141,209	58,646
Net increase (decrease) in cash	7,097	(219)
Cash, beginning of period	2,448	2,369
Cash, end of period	\$ 9,545	\$ 2,150
Supplemental disclosure of cash flow information		
Interest paid	\$ -	\$ -
Income taxes paid	-	-
Noncash investing and financing activities		
Common stock issued for settlement of debt and interest	\$ 2,707	\$ 103,523
Common stock issued for accounts payable and interest payable	-	19,495
Forgiveness of debt – related party	-	99,320
Common stock issued for conversion of debt and interest	57,000	-
Beneficial conversion feature discount on convertible notes	44,000	-

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

Table of Contents

CROWN EQUITY HOLDINGS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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, 2015 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, 2015 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 \$10,764,136 and a working capital deficit of \$196,424 as of September 30, 2016. 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 – RELATED PARTY TRANSACTIONS

Edgar Filing: Crown Equity Holdings, Inc. - Form 10-Q

The Company is provided office space by one of the officers and directors at no charge. The Company believes that this office space is sufficient for its needs for the foreseeable future.

As of September 30, 2016 and December 31, 2015, the Company had a payable of \$5,026 to Montse Zaman, director. The payable is unsecured, bears no interest and due on demand.

As of December 31, 2015, the Company had outstanding notes payable to related parties of \$23,674. During the nine months ended September 30, 2016 the Company issued a convertible note of \$40,000 with conversion price at \$0.50, and repaid \$13,558 under other related party notes. The \$40,000 convertible note has been converted to 80,000 shares of common stock according to the term of the note agreement at \$0.5 per share. As of September 30, 2016 the aggregate outstanding balance under these related party notes payable was \$10,116. These notes payables are with various officers and directors of the Company and with entities controlled by officers or directors of the Company including Mike Zaman, Montse Zaman and etc.

Table of Contents

The Company evaluated embedded conversion features within convertible debt under ASC 815 "Derivatives and Hedging" and determine the embedded conversion feature(s) should not be bifurcated from the host instrument and not accounted for as a derivative. The Company further evaluated the instrument under ASC 470-20 "Debt with Conversion and Other Options" and determine the conversion option is a beneficial conversion feature (BCF). The intrinsic value of the BCF is determined to be \$36,000, and is recognized as debt discount against additional paid in capital. Since the note is converted during the nine months ended September 30, 2016, the intrinsic value of the BCF is fully recognized as amortization of debt discount during the nine months ended September 30, 2016.

During the nine months ended September 30, 2016, the Company paid an aggregate of \$5,830 of expenses on behalf of two related entities with common officers and directors. The Company holds investments in these entities.

NOTE 4 – NOTES PAYABLE

As of September 30, 2016 and December 31, 2015, the aggregate unpaid principal balance under notes payable was \$9,500 and \$11,500 respectively. During the nine months ended September 30, 2016, the Company has a total additional borrowing of \$17,000 of convertible note from third parties. The notes payable are convertible into common stock at \$0.50 per share. The \$17,000 of convertible notes was fully converted into 34,000 shares of common stock during the period. \$2,000 of non-convertible note and \$707 of accrued interest were settled by issuing 5,000 shares of common stock at fair value of \$22,150, resulted in a \$19,443 loss on settlement of debt. At September 30, 2016, the total outstanding short-term notes payable due to non-related third parties was \$9,500. The notes were unsecured subject to annual interest ranging from 0% to 12%, due on demand.

The Company evaluated embedded conversion features within convertible debt under ASC 815 "Derivatives and Hedging" and determine the embedded conversion feature(s) should not be bifurcated from the host instrument and not accounted for as a derivative. The Company further evaluated the instrument under ASC 470-20 "Debt with Conversion and Other Options" and determine the conversion option is a beneficial conversion feature (BCF). The intrinsic value of the BCF is determined to be \$8,000, and is recognized as debt discount against additional paid in capital. Since the note is converted during the nine month ended September 30, 2016, the intrinsic value of the BCF is fully recognized as amortization of debt discount during the nine month ended September 30, 2016.

NOTE 5 – EQUITY

During the nine months ended September 30, 2016, the Company issued the following shares of common stock:

- 172,267 shares for total \$97,767 cash

Table of Contents

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. The Company also provides public relations and news dissemination for publicly and privately held companies.

In December, 2010, the Company formed two wholly owned subsidiaries Crown Tele Services, Inc. and Crown Direct, Inc. Crown Tele Services, Inc. was formed to provide voice over internet ("VoIP") 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. as a subsidiary to engage in potential real estate holdings. The entity had minimal activity during the quarter.

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

Crown Equity's office is located at 11226 Pentland Down Street, Las Vegas, NV 89141.

As of September 30, 2016, Crown Equity had no paid employees and was utilizing the services of one independent contractor and consultant.

Table of Contents

RESULTS OF OPERATIONS

Three Months Ended September 30, 2016 Compared to the Three Months Ended September 30, 2015

For the three month period ended September 30, 2016, revenues were \$531 and \$124 for the same period in 2015. Net losses were \$44,000 for the three month period ended September 30, 2016 and \$36,679 were recorded for the three months ended September 30, 2015. Operating expenses were \$44,052 for the three months ended September 30, 2016 and \$12,369 for the same period in 2015. Other income and expenses for the three month period ended September 30, 2016 were other expenses of \$479 and other expenses of \$24,434 for the same quarter in 2015.

Interest for the three months ended September 30, 2016 and 2015 was \$657 and \$1,027, respectively.

Nine Months Ended September 30, 2016 Compared to the Nine Months Ended September 30, 2015

For the nine month period ended September 30, 2016, revenues were \$1,906 and \$801 for the same period in 2015. Net losses were \$192,022 for the nine month period ended September 30, 2016 and \$329,343 were recorded for the nine month period ended September 30, 2015. Operating expenses were \$127,489 for the nine months ended September 30, 2016 and \$287,498 for the same period in 2015. Other income and expenses for the nine month period ended September 30, 2016 were \$66,439 and \$42,646 for the same period in 2015.

The Company incurred losses on debt conversion of \$19,443 for the nine months ended September 30, 2016 of \$0 in the same period ended September 30, 2015.

Interest for the nine months ended September 30, 2016 and 2015 was \$47,174 and \$4,034, respectively.

The Company incurred a settlement expense loss of \$0 and \$10,000 for the nine months ended September 30, 2016 and 2015 respectively.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2016, Crown Equity had current assets of \$9,545 and current liabilities of \$205,969 resulting in working capital deficit of \$196,424. Stockholders' deficit as of September 30, 2016 was \$196,424.

Net cash used by operating activities for the nine months ended September 30, 2016 was \$134,112 compared to net cash used of \$58,865 for the same period in 2015, a net change of \$75,247.

Net cash used in investing activities was zero for the six months ended September 30, 2016 and 2015.

Net cash provided by financing activities during the nine months ended September 30, 2016 was \$141,209 compared to net cash provided of \$58,646 in 2015, an increase of \$82,563.

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.

Table of Contents

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a “smaller reporting company” as defined by Item 12b-2 of the securities exchange act of 1934 (the "exchange act") and are not requires to provide information required under this Item.

ITEM 4: 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 material weaknesses in our internal control over financial reporting which we view as an integral part of our disclosure controls and procedures. The material weaknesses relate 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 also 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

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.

Table of Contents

PART II – OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS.

The Company was subject to the following judgment:

Lowell Holden vs. Kenneth Bosket, Crown Equity Holdings Inc.

On March 3, 2015, Lowell Holden received a judgment for \$39,965 in the Hennepin County District Court in Minneapolis, MN in reference to monies owed for prior services rendered. The judgment was settled with the plaintiff for \$10,000. The Company accrued the \$10,000 as settlement expense at June 30, 2015. The amount was paid in first quarter of 2016.

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 ended December 31, 2015.

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

During the nine months ended September 30, 2016, Crown Equity issued:

- 172,267 shares for total \$97,767 cash
- 5,000 common shares in settlement of \$2,707 of debt, such stock valued at \$22,150 on the date of issue
- 114,000 shares of common stock were issued for debt conversion at \$0.5 per share. The total amount was valued at \$57,000 and the same amount of debt was released.

ITEM 3: DEFAULTS UPON SENIOR SECURITIES.

None

ITEM 4: MINE SAFETY INFORMATION.

None

ITEM 5: OTHER INFORMATION.

None

11

Table of Contents

ITEM 6: EXHIBITS

EXHIBIT
31.1 Certification of Principal Executive Officer

EXHIBIT
31.2 Certification of Principal Financial Officer

EXHIBIT
32.1 Certification of Compliance to Sarbanes-Oxley

EXHIBIT
32.2 Certification of Compliance to Sarbanes-Oxley

101.INS ** XBRL Instance Document

101.SCH ** XBRL Taxonomy Extension Schema Document

101.CAL ** XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF ** XBRL Taxonomy Extension Definition Linkbase Document

101.LAB ** XBRL Taxonomy Extension Label Linkbase Document

101.PRE ** XBRL Taxonomy Extension Presentation Linkbase Document

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

Table of Contents

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CROWN EQUITY HOLDINGS INC.

Date November 21, 2016

By: */s/ Mike Zaman*
Mike Zaman, CEO

By: */s/ Kenneth Bosket*
Kenneth Bosket, CFO