

Crown Equity Holdings, Inc.
Form 10-Q
May 14, 2012

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 March 31, 2012

OR

x 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.)

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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 : x 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 x

Indicate by check mark whether the Company is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes " No x

As of May 11, 2012, there were 814,105,790 shares of Common Stock of the issuer outstanding.

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

	March 31, 2012	December 31, 2011
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 8,826	\$ 84,325
Marketable securities	108,000	82,400
Marketable securities held in related party	450,000	480,000
Accounts receivable	12,370	12,395
Prepaid expenses	2,400	2,400
Total current assets	581,596	661,520
Property and equipment, net of accumulated depreciation \$31,612 and \$29,732 respectively	42,380	44,208
Total Assets	\$ 623,976	\$ 705,728
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 194,874	\$ 182,697
Related party deferred revenue	—	193,219
Notes payable	59,000	—
Notes payable-related parties	97,009	95,209
Total current liabilities	350,883	471,125
Stockholders' 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	600
Common stock; \$0.001 par value, 4,900,000,000 shares authorized, 803,293,175 and 798,360,078 shares issued and outstanding, respectively	803,294	798,361
Additional paid-in capital	7,790,139	7,673,372
Accumulated deficit	(8,320,940)	(8,237,730)
Total stockholders' equity	273,093	234,603
Total Liabilities and Stockholders' Equity	\$ 623,976	\$ 705,728

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,	
	2012	2011
Revenue	\$ 195,433	\$ 345,232
Direct material costs	2,647	—
Gross profit	192,786	345,232
Operating Expenses:		
General and administrative	268,332	782,912
Depreciation	1,880	5,459
Loss from operations	(77,426)	(443,139)
Other Income (Expenses):		
Other income	2,300	—
Realized loss on marketable securities	—	(17,053)
Unrealized loss on marketable securities	(4,400)	(1,037,804)
Interest expense	(3,116)	(2,930)
Other expense	(568)	—
Total other income (expenses)	(5,784)	(1,057,787)
Net loss	(83,210)	(1,500,926)
Deemed dividend on series A convertible preferred stock	—	(600,000)
Net loss attributable to common stockholders	\$(83,210)	\$(2,100,926)
Net loss per common share attributable to common stockholders (basic and diluted)	\$(0.00)	\$(0.00)
Weighted average common shares outstanding (basic and diluted):	802,692,455	765,772,142

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,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$(83,210)	\$(1,500,926)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	1,880	5,459
Common stock issued for services	111,700	526,571
Unrealized (gain) loss on marketable securities	(25,600)	1,037,804
Unrealized loss on related party marketable securities	30,000	—
Realized loss on marketable securities	—	17,053
Marketable securities received for revenue	—	(292,110)
Changes in operating assets and liabilities:		
Accounts receivable	25	745
Prepaid expenses	—	(4,800)
Accounts payable and accrued expenses	12,177	(29,691)
Deferred revenue	(193,219)	(53,430)
Accrued salaries	—	—
NET CASH USED IN OPERATING ACTIVITIES	(146,247)	(293,325)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Cash paid for purchase of fixed assets	(52)	(4,876)
Proceeds from the sale of marketable securities	—	179,464
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(52)	174,588
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the sale of common stock	10,000	—
Proceeds from sale of series A convertible preferred stock	—	600,000
Borrowings on related party notes payable	1,800	—
Borrowings on notes payable	59,000	—
NET CASH PROVIDED BY FINANCING ACTIVITIES	70,800	600,000
Net increase (decrease) in cash	(75,499)	481,263
Cash, beginning of period	84,325	149,727
Cash, end of period	\$8,826	\$630,990
SUPPLEMENTAL CASH FLOWS INFORMATION		
Interest paid	\$14	\$14
Income taxes paid	—	—

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Noncash Investing and Financing Activities:

Marketable securities received for deferred revenue	—	414,528
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 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, 2011 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, 2011 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 \$8,320,940 as of March 31, 2012. 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 \$558,000 and \$562,400 as of March 31, 2012 and December 31, 2011, 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, 2012 and December 31, 2011, there was zero and \$193,219, 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, 2012 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. Through March 31, 2012 the balance increased by \$10,000 and was offset by a payment of \$2,000 for an outstanding balance of \$79,184 as of March 31, 2012. 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 three months 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, 2012 the outstanding principal balance due to Phoenix Consulting Services was \$16,025.

During the three months ended March 31, 2012, the Company borrowed \$1,800 from Cleantech Transit, Inc. which is a related party due to common Directors and officers. The borrowing is unsecured, bears no interest and is due on demand.

During June 2011, the Company entered into a service agreement with Cleantech Transit, Inc. which is a related party due to common Directors and officers. The Company provided consulting services to Cleantech from April 1, 2011 through March 31, 2012 in return for 5,000,000 shares of Cleantech common stock. The fair value of the stock received was determined to be \$775,000 of which \$581,781 was recognized as revenue during 2011 and \$193,219 was recognized as revenue during the three months ended March 31, 2012. The fair value of these marketable securities at March 31, 2012 and December 31, 2011 was \$450,000 and \$480,000, respectively.

NOTE 6 – NOTES PAYABLE

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During the three month period ended March 31, 2012 the Company borrowed an aggregate of \$59,000 under three notes payable as follows:

- Two 60 day unsecured notes bearing interest at 6% per annum for \$10,000 and \$14,000
- One 60 day note bearing no interest secured by 3,500,000 shares of the Company stock to be issued if the note is not paid within the 60 day time period.

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

As of March 31, 2012, Crown Equity had no employees and utilizing the services of 2 independent contractors and consultants.

RESULTS OF OPERATIONS

For the three month period ending March 31, 2012, revenues were \$195,433 and for the same period in 2011, revenues were \$345,232. A net loss of \$83,210 was recorded for the three month period ending March 31, 2012 compared to a net loss of \$2,100,926 for the same period in 2011. The net loss for the three month period ending March 31, 2012 consisted of an operating loss of \$77,426 and \$443,139 in the same period in 2011. Other expenses for the three month period ending March 31, 2012 was \$5,784. This compared to other expenses of \$1,057,787 for the same period in 2011. We incurred an unrealized loss during the three months ending March 31, 2012 of \$4,400 compared to an unrealized loss of \$1,037,804 for the three months ending March 31, 2011. These unrealized losses were a significant part of the variation in net loss between periods.

General and administrative expense decreased to \$268,332 for the three months ended March 31, 2012 from \$782,912 for the three months ended March 31, 2011. The reduction of payroll and consulting services in 2012 was the majority of the decrease from year to year. Interest expense incurred during the three month period ending March 31, 2012 was \$3,116 compared \$2,930 for the same period in 2011. 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, 2012, Crown Equity had current assets of \$581,596 and current liabilities of \$350,883, resulting in working capital of \$230,713. Stockholders' equity as of March 31, 2012 was \$273,093.

Net cash used in operations for the three months ending March 31, 2012 was \$146,247 compared to net cash used of \$293,325 for the same period in 2011, a decrease of \$147,078.

Net cash used in investing activities for the three months ending March 31, 2012 was \$52 compared to net cash provided of \$174,588 for the same period in 2011, a decrease of \$174,640. The cash provided by investing activities during the three months ended March 31, 2011 was due to the sale of stock received in payment for work completed by the Company.

Net cash provided by financing activities during the three months ended March 31, 2012 was \$70,800 compared to net cash provided of \$600,000 in 2011, a decrease of \$529,200. The change was due primarily to the issuance of Series A convertible preferred shares for \$600,000 during 2011.

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, 2012, Crown Equity had no 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.

None

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, 2011.

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

During the three months ended March 31, 2012, Crown Equity issued 4,933,097 common shares as follows:

3,933,097 shares of common stock for compensation valued at \$111,700;
1,000,000 shares of common stock for cash of \$10,000.

ITEM 3: DEFAULTS UPON SENIOR SECURITIES.

None

ITEM 4: [REMOVE AND RESERVE]

None

ITEM 5: OTHER INFORMATION.

None

ITEM 6: EXHIBITS

EXHIBIT 31.1 Certification of Principal Executive Officer and Principal Financial Officer

EXHIBIT 32 Certification of Compliance to Sarbanes-Oxley

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.

By /s/ Kenneth Bosket
Kenneth Bosket, CEO

By /s/ Lowell Holden
Lowell Holden, CFO

Date May 11, 2012