

CROWN FINANCIAL MINISTRIES, INC.

FINANCIAL STATEMENTS
and
SUPPLEMENTAL INFORMATION
YEARS ENDED MARCH 31, 2016 AND 2015

with
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Crown Financial Ministries, Inc., which comprise the statement of financial position as of March 31, 2016 and 2015, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America ("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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crown Financial Ministries, Inc. as of March 31, 2016 and 2015, and the changes in net assets and cash flows for the years then ended in conformity with GAAP.

Smith + Howard

July 20, 2016

CROWN FINANCIAL MINISTRIES, INC.
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents, including restricted cash of \$436,096 and \$408,597 in 2016 and 2015, respectively	\$ 1,665,402	\$ 1,539,376
Accounts receivable	33,273	21,054
Inventories, net	64,235	56,032
Prepaid expenses and other assets	59,464	128,903
Product development costs, net	505,668	411,532
Property and equipment, net	108,974	213,902
Intangible assets - licensing agreement, net	1,112,597	1,142,436
	<u>\$ 3,549,613</u>	<u>\$ 3,513,235</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 115,549	\$ 66,256
Accrued expenses	193,816	216,538
Unearned revenues	143,753	77,185
Promise to give payable	144,970	185,285
Licensing agreement liability	1,016,386	587,478
Total Liabilities	<u>1,614,474</u>	<u>1,132,742</u>
 Net Assets		
Unrestricted	1,851,170	2,309,203
Temporarily restricted	83,969	71,290
Total Net Assets	<u>1,935,139</u>	<u>2,380,493</u>
	<u>\$ 3,549,613</u>	<u>\$ 3,513,235</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, 2016 AND 2015

	<u>Unrestricted</u>	<u>2016 Temporarily Restricted</u>	<u>Total</u>
<u>Support and Revenue</u>			
Public support:			
Contributions	\$ 3,206,364	\$ 195,644	\$ 3,402,008
Contributed radio airtime	6,108,641	-	6,108,641
Contributed services	3,970	-	3,970
Contributed securities and materials	<u>275</u>	<u>-</u>	<u>275</u>
	9,319,250	195,644	9,514,894
Revenue:			
Sale of materials-net	1,129,673	-	1,129,673
Fees	217,323	-	217,323
Investment income	2,647	-	2,647
Royalties, rental, and other income	<u>58,436</u>	<u>-</u>	<u>58,436</u>
	1,408,079	-	1,408,079
 Total Support and Revenue	 <u>10,727,329</u>	 <u>195,644</u>	 <u>10,922,973</u>
 Net assets released from restriction by satisfaction of purpose restriction	 <u>182,965</u>	 <u>(182,965)</u>	 <u>-</u>
	<u>182,965</u>	<u>(182,965)</u>	<u>-</u>
<u>Expenses</u>			
Program services:			
Broadcasting	6,229,181	-	6,229,181
National ministries	1,535,389	-	1,535,389
International operations	<u>1,211,398</u>	<u>-</u>	<u>1,211,398</u>
	<u>8,975,968</u>	<u>-</u>	<u>8,975,968</u>
Supporting activities:			
General and administrative	1,134,444	-	1,134,444
Fundraising	<u>739,251</u>	<u>-</u>	<u>739,251</u>
	<u>1,873,695</u>	<u>-</u>	<u>1,873,695</u>
 Adjustment to license agreement liability	 <u>518,664</u>	 <u>-</u>	 <u>518,664</u>
 Total Expenses	 <u>11,368,327</u>	 <u>-</u>	 <u>11,368,327</u>
 Change in Net Assets	 (458,033)	 12,679	 (445,354)
 Net Assets, Beginning of Year	 <u>2,309,203</u>	 <u>71,290</u>	 <u>2,380,493</u>
 Net Assets, End of Year	 <u>\$ 1,851,170</u>	 <u>\$ 83,969</u>	 <u>\$ 1,935,139</u>

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

<u>Unrestricted</u>	<u>2015 Temporarily Restricted</u>	<u>Total</u>
\$ 3,115,870	\$ 131,439	\$ 3,247,309
4,815,400	-	4,815,400
1,825	-	1,825
16,680	-	16,680
<u>7,949,775</u>	<u>131,439</u>	<u>8,081,214</u>
1,267,370	-	1,267,370
108,366	-	108,366
2,681	-	2,681
63,386	-	63,386
<u>1,441,803</u>	<u>-</u>	<u>1,441,803</u>
<u>9,391,578</u>	<u>131,439</u>	<u>9,523,017</u>
<u>156,204</u>	<u>(156,204)</u>	<u>-</u>
<u>156,204</u>	<u>(156,204)</u>	<u>-</u>
4,900,596	-	4,900,596
1,627,005	-	1,627,005
824,470	-	824,470
<u>7,352,071</u>	<u>-</u>	<u>7,352,071</u>
1,014,364	-	1,014,364
665,974	-	665,974
<u>1,680,338</u>	<u>-</u>	<u>1,680,338</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>9,032,409</u>	<u>-</u>	<u>9,032,409</u>
515,373	(24,765)	490,608
<u>1,793,830</u>	<u>96,055</u>	<u>1,889,885</u>
<u>\$ 2,309,203</u>	<u>\$ 71,290</u>	<u>\$ 2,380,493</u>

CROWN FINANCIAL MINISTRIES, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED MARCH 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ (445,354)	\$ 490,608
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	36,501	38,373
Amortization:		
Intangible asset-licensing agreement	41,349	41,009
Product development costs	114,847	77,173
Change in value of licensing agreement liability	518,664	(10,771)
Provision for bad debts	-	1,707
Provision for inventory obsolescence	1,164	3,569
Changes in operating assets and liabilities:		
Accounts receivable	(12,219)	(403)
Inventories	(9,367)	33,913
Prepaid expenses and other assets	69,439	(52,973)
Accounts payable	49,293	(60,710)
Accrued expenses	(22,722)	17,103
Unearned revenues	66,568	46,594
Promises to give payable	(40,315)	(42,090)
Licensing agreement liability	(89,756)	(89,756)
Operating cash flows before donated securities and materials	278,092	493,346
Donated securities and materials reported as investing cash flows	(275)	(16,680)
Net Cash Provided by Operating Activities	<u>277,817</u>	<u>476,666</u>
Cash Flows From Investing Activities:		
Intangible asset-licensing agreement	(11,510)	(16,810)
Purchases of property and equipment	(140,556)	(114,306)
Investing cash flows before donated securities and materials	(152,066)	(131,116)
Proceeds from sale of donated securities and materials	275	16,680
Net Cash Required by Investing Activities	<u>(151,791)</u>	<u>(114,436)</u>
Net Increase in Cash and Cash Equivalents	126,026	362,230
Cash and Cash Equivalents, Beginning of Year	<u>1,539,376</u>	<u>1,177,146</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,665,402</u>	<u>\$ 1,539,376</u>
<u>Supplemental Disclosure of Non-Cash Investing Activities:</u>		
Contributed radio airtime	<u>\$ 6,108,641</u>	<u>\$ 4,815,400</u>
Contributed services	<u>\$ 3,970</u>	<u>\$ 1,825</u>
Contributed securities and materials	<u>\$ 275</u>	<u>\$ 16,680</u>

During 2016 and 2015, Crown converted product development costs totaling \$208,583 and \$43,518, respectively, into certain depreciable equipment.

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

CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015

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) and is not a private foundation under section 509 (a) (2). Support for Crown’s ministry comes primarily from contributions, sale of materials and conference 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 104 nations and distributes materials in approximately 100 languages. Crown accomplishes its objectives through primary activities as more fully described below.

Broadcasting

Crown produces a daily radio feature called *My MoneyLife* that is broadcast via approximately 1,300 terrestrial radio stations based in the United States of America (“U.S.”) and via the internet. This program reaches an estimated 2 million 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.

Seminars

Trained seminar instructors teach live career, business and personal finance seminars to church groups and other interested organizations. Popular seminars offered by Crown are *The Journey to Financial Freedom*, *Business by the Book*, *The Bible on Money*, *The Bible on Business* and *The Marriage Advantage*.

CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015

NOTE 1 – NATURE OF THE ORGANIZATION (Continued)

Mentoring

Crown offers one-on-one help for individuals seeking personal assistance with achieving their financial goals. The program, MoneyLife Mentoring, 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 104 nations and has strategic partnerships with other organizations such as Youth With a Mission, 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, Columbia, Poland, South Africa, Malawi, China, Malaysia, Taiwan and Korea. Crown is continually expanding their reach through language translations of their *God Provides* film series as well as other core teaching materials and tools.

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").

Reclassifications

Certain amounts in the March 31, 2015 financial statements have been reclassified to conform to the current year presentation.

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, 2016 AND 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 4 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"). Crown will continue to fund the Lockbox with \$25,000 each year until the Lockbox is funded, as defined in the agreement. The restricted cash represents the current balance in the account. At March 31, 2016 and 2015, the balance of restricted cash was \$436,096 and \$408,597, respectively.

Concentrations of Credit Risk

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.

Accounts Receivable

Accounts 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.

CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2016 and 2015 was \$517,741 and \$612,889, respectively, including shipping and handling costs. The reserve for inventory obsolescence was \$21,874 and \$20,710 as of March 31, 2016 and 2015, respectively.

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, 2016 and 2015, management has concluded there is no impairment of its capitalized production costs.

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

	<u>2016</u>	<u>2015</u>
Career Direct	\$ 213,447	\$ 203,594
God Provides - short films	572,606	572,606
Donor Studio	76,380	18,825
Money Life	279,331	157,276
Crown Connect	19,400	19,400
Websites	19,520	-
	<u>1,180,684</u>	<u>971,701</u>
Less: accumulated amortization	(675,016)	(560,169)
	<u>\$ 505,668</u>	<u>\$ 411,532</u>

CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Product Development Costs (Continued)

Amortization expense for the years ended March 31, 2016 and 2015 was \$114,847 and \$77,173, 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.

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 five to thirty years.

Property and equipment, net consisted of the following at March 31:

	<u>2016</u>	<u>2015</u>
Building improvements	\$ 68,568	\$ 68,568
Furniture, fixtures, and equipment	1,324,584	1,315,771
Software development costs - in process	<u>47,008</u>	<u>124,248</u>
	1,440,160	1,508,587
Less: accumulated amortization	<u>(1,331,186)</u>	<u>(1,294,685)</u>
	<u>\$ 108,974</u>	<u>\$ 213,902</u>

Depreciation expense for the years ended March 31, 2016 and 2015 was \$36,501 and \$38,373, respectively.

CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Asset - Licensing Agreement

As further described in Note 4, 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>2016</u>	<u>2015</u>
Estimated gross value of intellectual property rights	\$ 1,659,936	\$ 1,648,426
Less: accumulated amortization	<u>(547,339)</u>	<u>(505,990)</u>
	<u>\$ 1,112,597</u>	<u>\$ 1,142,436</u>

Amortization expense for the years ended March 31, 2016 and 2015 was \$41,349 and \$41,009, respectively.

Fund Accounting and Classes of Net Assets

The financial statements report amounts by class of net assets.

Unrestricted net assets 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, resources invested in property and equipment or the balances of field staff accounts associated with unrestricted revenues.

Temporarily restricted net assets 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.

CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Public Support, Revenue, Reclassifications and Expenses

Revenue is recognized when earned. 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. Related costs are expensed in the year incurred.

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, temporarily restricted net assets are reclassified as unrestricted net assets 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 \$3,970 and \$1,825 for the years ended March 31, 2016 and 2015, 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. 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 \$6,108,641 and \$4,815,400 for the years ended March 31, 2016 and 2015, 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.

Releases from restriction occur when a purpose restriction is satisfied by expenditure of funds, or when a restriction is met by expiration of time.

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, 2016 and 2015 was \$124,845 and \$106,545, respectively.

CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Public Support, Revenue, Reclassifications and Expenses (Continued)

Expenses are recorded and reported on the functional (ministry) basis in the accompanying Statement of Activities and Changes in Net Assets. Accordingly, the expenses have been allocated among the various program services and supporting activities benefited.

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, 2013.

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, MoneyLife Mentoring, 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 is 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.

CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015

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. Crown also committed to a separate grant of \$40,000 to support a marriage product being produced by Howard Dayton that was in progress at the time of his departure from Crown. During the years ended March 31, 2016 and 2015, Crown made payments of \$50,000 on these commitments.

The promise-to-give payable at the present value of future payments was as follows at March 31:

	<u>2016</u>	<u>2015</u>
Promise to give payable	\$ 200,000	\$ 250,000
Less: present value discount (4.40%)	<u>(55,030)</u>	<u>(64,715)</u>
	<u><u>\$ 144,970</u></u>	<u><u>\$ 185,285</u></u>

NOTE 4 – 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 Financial Ministries, Inc. 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 2016, management, along with the assistance of an independent third-party actuary assessed these assumptions and inputs and determined that, due to changes in the RP-2000 female mortality table, with no projection, resulting in an increased life expectancy of the co-founder’s surviving spouse, the future liability should be increased as of March 31, 2016, resulting in a \$518,664 adjustment to increase the licensing agreement liability in the accompanying statement of financial position. 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%.

CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015

NOTE 4 – LICENSING AGREEMENT LIABILITY (Continued)

There was no cash flow impact from this adjustment for the year ending March 31, 2016. 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 \$1,016,386 and \$587,478 at March 31, 2016 and 2015, respectively.

NOTE 5 – NET ASSETS

Net assets consisted of the following at March 31:

	<u>2016</u>	<u>2015</u>
Unrestricted:		
Undesignated	\$ 1,235,055	\$ 1,615,659
Board-designated for Larry's Legacy	71,045	71,045
Board-designated for Judy Burkett	436,096	408,597
Net equity in property and equipment	<u>108,974</u>	<u>213,902</u>
	<u>1,851,170</u>	<u>2,309,203</u>
Temporarily Restricted:		
International	\$ 500	\$ 580
Career Direct	20,599	20,710
Other	<u>62,870</u>	<u>50,000</u>
	<u>83,969</u>	<u>71,290</u>
	<u>\$ 1,935,139</u>	<u>\$ 2,380,493</u>

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

	<u>2016</u>	<u>2015</u>
Field operations	\$ -	\$ 60,494
International	97,325	34,553
Innovation and development	-	30,514
"Foundations for Farming" and "I Was Hungry"	63,274	-
Career Direct	2,191	5,586
Other	<u>20,175</u>	<u>25,057</u>
	<u>\$ 182,965</u>	<u>\$ 156,204</u>

CROWN FINANCIAL MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015

NOTE 6 – RELATED PARTY TRANSACTIONS

During the year ended March 31, 2016 and 2015, contributions from members of Crown's Board of Directors totaled \$248,775 and \$232,500, respectively.

NOTE 7 – 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. Employer contributions were suspended through 2016 and reinstated subsequent to year end. Effective April 1, 2016, Crown contributes 100% of the participant's contributions up to 3% of the participant's salary for the plan year.

NOTE 8 – LEASE COMMITMENTS

Crown is committed under lease agreements for various equipment and facilities through March 2018. Total rental and lease payments for the years ended March 31, 2016 and 2015 were \$85,644 and \$82,241, respectively.

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

2017	\$ 97,124
2018	<u>122,425</u>
	<u>\$ 219,549</u>

SUPPLEMENTAL INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole of Crown Financial Ministries, Inc., which is presented in the preceding section of this report. The supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

Smith + Howard

July 20, 2016

CROWN FINANCIAL MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2016

	<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	\$ 500	\$ 123,365	\$ -	\$ 123,865	\$ 840	\$ 140	\$ 980	\$ 124,845
Broadcasting	6,139,704	-	-	6,139,704	-	-	-	6,139,704
Conferences, conventions, and meetings	450	222,639	-	223,089	-	6,212	6,212	229,301
Cost of goods sold	-	269,070	248,671	517,741	-	-	-	517,741
Depreciation and amortization	35,489	109,715	5,166	150,370	41,222	1,107	42,329	192,699
General insurance	2,813	40,414	28,399	71,626	91,961	9,632	101,593	173,219
Grants	-	-	500,717	500,717	-	-	-	500,717
Information technology	1,797	64,234	18,142	84,173	70,478	64,619	135,097	219,270
Other expenses	-	51,919	-	51,919	85,110	19,453	104,563	156,482
Outside and professional services	445	63,156	4,493	68,094	103,795	3,757	107,552	175,646
Payroll taxes	1,947	26,452	19,660	48,059	34,661	6,668	41,329	89,388
Postage and shipping	-	4,031	-	4,031	3,954	-	3,954	7,985
Printing/Publications	-	-	-	-	-	364,057	364,057	364,057
Product development	-	16,031	-	16,031	99	-	99	16,130
Professional fund raising fees	-	-	-	-	-	114,008	114,008	114,008
Salaries and wages	34,857	473,476	351,912	860,245	620,418	119,361	739,779	1,600,024
Supplies	100	9,289	924	10,313	10,224	529	10,753	21,066
Taxes and licenses	-	-	-	-	7,257	9,522	16,779	16,779
Travel	9,269	24,846	16,678	50,793	610	8,632	9,242	60,035
Utilities and occupancy	1,810	36,752	16,636	55,198	63,815	11,554	75,369	130,567
Totals	\$ 6,229,181	\$ 1,535,389	\$ 1,211,398	\$ 8,975,968	\$ 1,134,444	\$ 739,251	\$ 1,873,695	\$ 10,849,663

**CROWN FINANCIAL MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2015**

	<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	\$ -	\$ 106,220	\$ -	\$ 106,220	\$ -	\$ 325	\$ 325	\$ 106,545
Broadcasting	4,839,260	-	-	4,839,260	-	-	-	4,839,260
Conferences, conventions, and meetings	17,000	78,846	-	95,846	-	-	-	95,846
Cost of goods sold	-	478,053	134,836	612,889	-	-	-	612,889
Depreciation and amortization	-	118,425	-	118,425	38,130	-	38,130	156,555
General insurance	2,739	37,443	20,218	60,400	73,552	11,605	85,157	145,557
Grants	-	-	328,453	328,453	-	-	-	328,453
Information technology	2,014	73,386	14,867	90,267	52,114	67,515	119,629	209,896
Other expenses	-	72,927	-	72,927	123,825	3,251	127,076	200,003
Outside and professional services	399	41,404	2,949	44,752	134,859	218,421	353,280	398,032
Payroll taxes	2,066	26,797	15,251	44,114	27,977	8,754	36,731	80,845
Postage and shipping	-	1,570	-	1,570	1,570	-	1,570	3,140
Printing/Publications	-	-	-	-	-	27,524	27,524	27,524
Product development	-	36,476	-	36,476	348	-	348	36,824
Professional fund raising fees	-	-	-	-	-	128,735	128,735	128,735
Salaries and wages	35,829	464,751	264,507	765,087	485,206	151,829	637,035	1,402,122
Supplies	76	6,404	999	7,479	7,656	1,155	8,811	16,290
Taxes and licenses	-	-	-	-	7,034	17,809	24,843	24,843
Travel	-	50,489	26,548	77,037	241	13,987	14,228	91,265
Utilities and occupancy	1,213	33,814	15,842	50,869	61,852	15,064	76,916	127,785
Totals	\$ 4,900,596	\$ 1,627,005	\$ 824,470	\$ 7,352,071	\$ 1,014,364	\$ 665,974	\$ 1,680,338	\$ 9,032,409