

Intelligent Living Inc.
Form 10-Q
May 20, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

**(Mark
One)**

- QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2014

- TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

For the transition period from _____ to

Commission file number 000-54026

INTELLIGENT LIVING INC.

(Exact name of small business issuer as specified in its charter)

NEVADA
State or other jurisdiction of

45-1498410
(IRS Employer)

Edgar Filing: Intelligent Living Inc. - Form 10-Q

Incorporation or organization	Identification Number)
20801 Biscayne Blvd Suite 403 Miami, FL (Address of principal executive offices)	33180 (Zip Code)

866-326-3000

(Issuer's telephone number, including area code)

(Former name, former address, and former fiscal year, if changed)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant 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 registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

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

Yes No

Edgar Filing: Intelligent Living Inc. - Form 10-Q
APPLICABLE ONLY TO CORPORATE ISSUERS

The number of common shares outstanding as of May 20, 2014 is 1,579,770,394.

INTELLIGENT LIVING INC.

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1 - Consolidated Financial Statements	4
Consolidated Balance Sheet (unaudited) at March 31, 2014 and December 31, 2013	4
Consolidated Statements of Operations (unaudited) For the Three months Ended March 31, 2014 and 2013	5
Consolidated Statements of Cash Flows (unaudited) For the Three months Ended March 31, 2014 and 2013	6
Notes to Unaudited Consolidated Financial Statements	7-23
Item 2 - Management's Discussion and Analysis or Plan of Operation	24-27
Item 3 - Quantitative and Qualitative Disclosures About Market Risk	27
Item 4 - Controls and Procedures	28

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings	28
Item 1A - Risk Factors	28
Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds	28
Item 3 - Default upon Senior Securities	28
Item 4 - Mine Safety Disclosures	29
Item 5 - Other Information	29
Item 6 - Exhibits	29
Signatures	29

PART I FINANCIAL INFORMATION**Item 1. Consolidated Financial Statements****INTELLIGENT LIVING INC.****CONSOLIDATED BALANCE SHEETS**

	March 31, 2014	December 31, 2013
	(Unaudited)	(1)
CURRENT ASSETS:		
Cash	\$ 10,122	\$ 85,695
Inventory	2,509	-
	12,631	85,695
OTHER ASSETS:		
Property and equipment, net	145,479	102,281
Intangible assets, net	1,531,455	1,507,042
Total Assets	\$ 1,689,565	\$ 1,695,018
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 378,884	\$ 350,819
Accrued salaries	136,000	216,000
Notes payable, current portion, net of discounts and premiums	769,904	923,439
Derivative liability	5,531,933	951,267
Total current liabilities	6,816,721	2,441,524
LONG TERM LIABILITIES:		
Long term notes payable	1,338,961	1,274,782
Total Liabilities	8,155,682	3,716,306
Stockholders' Deficit		
Convertible preferred stock 20,000,000 shares	-	-
Series A preferred stock, par value \$0.0001, 720,000 shares issued and outstanding	72	-
Series B preferred stock, par value \$1.00, 96,000 shares issued and outstanding	96,000	-
Common stock (\$.001 par value; 6,000,000,000 shares authorized; 1,333,291,304 and 683,157,893 issued and shares outstanding, respectively)	1,333,270	683,157
Additional paid in capital	3,098,943	3,091,960
Accumulated deficit	(10,994,402)	(5,798,405)
Total stockholders' Deficit	(6,466,117)	(2,021,288)

Edgar Filing: Intelligent Living Inc. - Form 10-Q

Total Liabilities and Stockholders' Deficit	\$	1,689,565	\$	1,695,018
---	----	-----------	----	-----------

See accompanying notes to unaudited consolidated financial statements

(1) Derived from audited financial statements

INTELLIGENT LIVING INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended March 31,	
	2014	2013
	\$	
Sales	32,267	\$ -
Cost of sales	15,703	-
	\$	
Gross profit	16,564	\$ -
Operating expenses:		
Sales, general and administrative expense	409,772	31,212
Amortization expense	181,790	-
	\$	
Total operating expenses	591,562	\$ 31,212
	\$	
Loss from operations	(574,998)	\$ -
Other expense:		
Loss on change in derivative liability	(4,580,666)	-
Interest expense	(40,334)	-
	\$	
Total other expense:	(4,621,000)	\$ -
Loss from continuing operations	\$ (5,195,998)	\$ -
Discontinued operations:		
Loss from operations of discontinued Feel Golf division	-	(103,676)
Net income before taxes	\$ (5,195,998)	\$ (134,888)
Provision for income taxes	-	(17)
Net loss	\$ (5,195,998)	(\$ 134,905)
Earnings per share of common stock :		
Fully diluted	\$ (0.01)	\$ (0.00)
Basic	\$ (0.01)	\$ (0.00)
Weighted average number of shares outstanding:		
Fully diluted	1,001,174,728	139,330,593
Basic	1,001,174,728	139,330,593

See accompanying Notes to Unaudited Consolidated Financial Statements

.

-5-

INTELLIGENT LIVING INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	2014	Three Months Ended March 31,	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Cash Used in Operating Activities	\$ (73,273)		\$ (28,076)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capitalized software expense	(99,300)		-
Net Cash Used in Investing Activities	(99,300)		-
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of related party payable	-		(46,756)
Proceeds from related party notes payable	-		34,306
Repayment of notes payable	(13,000)		(10,870)
Proceeds from notes payable	110,000		100,000
Net Cash Provided by Financing Activities	97,000		76,680
NET INCREASE (DECREASE) IN CASH	(75,573)		48,604
CASH AT BEGINNING OF PERIOD	85,695		11,145
CASH AT END OF PERIOD	\$ 10,122		\$ 59,749

See accompanying Notes to Unaudited Consolidated Financial Statements

INTELLIGENT LIVING INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

NOTE 1 NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Feel Golf Co., Inc. (the "Prior Company") was incorporated on February 14, 2000 under the laws of the State of California in the United States of America. The Company designed, manufactured, and conducted international marketing and sales of its golf clubs and golf club grips. On April 5, 2013, the Company (or FGC) acquired Intelligent Living Inc., a Florida corporation (ILI), for the transfer of all of the issued and outstanding capital stock of ILI owned by the Shareholders, in exchange for the Acquisition Consideration. FGC issued 35,714,286 shares of its common stock (18.6% of the common stock outstanding at the transaction date) for all of the issued and outstanding capital stock of ILI, thereby making ILI a wholly-owned subsidiary of FGC. See Note 4. Concurrently, FGC changed its name to Intelligent Living Inc.

On or about March 21, 2013 the Company redeemed 2,148,200 preferred shares held by former officers Otterbach, Worrell, and Cottingham.

Up until April 5, 2013, the Miller Family Trust with Lee Miller as their Trustee, held the majority voting power in the Company. The Trust held 4,680,000 of Class A Preferred Shares and the Miller Family Trustee agreed to retire 4,673,400 shares of their Class A Preferred held in the Company. The Miller Family Trust retained 6,600 of the Class A Preferred and concurrently agreed to convert the 6,600 balance of the Class A Preferred Shares (500:1 conversion) into 3,300,000 common shares in the Company. In turn, the Company's new Board of Directors agreed in consideration and for the retirement of the Miller Family Trust Class A Preferred shares, to sell certain golf related assets and certain liabilities to a newly formed private corporation, called Feel Golf Products, Inc. Concurrent with this transaction, the Company changed its name to Intelligent Living Inc.

Intelligent Living Inc. (the "Company") was incorporated on March 25, 2011 under the laws of the State of Florida in the United States of America. On August 12, 2013, the Company re-domiciled in the State of Nevada. The Company is a health and wellness holding company that specializes in the acquisition and integration of internet and web based technologies, hosting and cloud based infrastructure services, e-Commerce, and nutraceuticals based products. We provide nutraceuticals products, wellness products and services, and create mobile and digital health apps, cognitive exercise and brain games as well as platforms for emerging demand markets and other value creation opportunities all relating to our core values. Some of our brands include: Mind360games.com, DrLarryDirect.com, Social420.com and Provectus IT.

Basis of Presentation

The accompanying consolidated financial statements are prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles (GAAP) in the United States of America.

Year-End

The Company has selected December 31 as its year end.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the balance sheets and cash flow statements, the Company considers all highly liquid investments with original maturities of three months or less at time of purchase to be cash equivalents.

Concentrations of Risk

The Company s bank accounts are deposited in insured institutions. The funds are insured up to \$250,000 USD. At March 31, 2014, the Company s bank deposits did not exceed the insured amount.

INTELLIGENT LIVING INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

NOTE 1 NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Consolidation

The consolidated financial statements for the three months ended March 31, 2014 include the operations of the Company and its wholly-owned subsidiaries, Intelligent Living Inc. and Health and Beyond, LLC. All significant intercompany accounts and transactions have been eliminated in consolidation.

Trade Accounts Receivable

The Company does not currently carry trade accounts receivable. The allowance for doubtful accounts totaled \$0 as of March 31, 2014 and December 31, 2013, respectively.

Inventory

Inventory is valued at the lower of cost or market, on an average cost basis.

Property and Equipment

Property and equipment is located at the Company's headquarters in Miami, FL and is recorded at cost less accumulated depreciation. Depreciation and amortization is calculated using the straight-line method over the expected useful life of the asset, beginning on the date that the asset is placed in service. The Company generally uses the following depreciable lives for its major classifications of property and equipment:

Description	Useful Lives
Computer hardware	3-7 years
Computer software	3-5 years
Furniture and Office Equipment	7 years
Production Equipment	7 years

Leasehold improvements

10 years

Website Development

The Company capitalizes the costs associated with the development of its websites. Other costs related to the maintenance of the website are expensed as incurred. Amortization will be provided over the estimated useful life of 3 years using the straight-line method for financial statement purposes.

Valuation of Long-Lived Assets

Long-lived tangible assets and definite-lived intangible assets are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The Company uses an estimate of undiscounted future net cash flows of the assets over the remaining useful lives in determining whether the carrying value of the assets is recoverable. If the carrying values of the assets exceed the expected future cash flows of the assets, the Company recognizes an impairment loss equal to the difference between the carrying values of the assets and their estimated fair values.

Impairment of long-lived assets is assessed at the lowest levels for which there are identifiable cash flows that are independent from other groups of assets. The evaluation of long-lived assets requires the Company to use estimates of future cash flows. However, actual cash flows may differ from the estimated future cash flows used in these impairment tests. As of March 31, 2014, management does not believe any of the Company's long-lived assets require impairment.

INTELLIGENT LIVING INC.**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2014****NOTE 1 NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Valuation of Long-Lived Assets (continued)

Below is a table identifying the intangible assets subject to amortization and estimated amortization over the next two years and thereafter. At March 31, 2014, management determined that the remaining net book value of its purchased patents, copyrights, and Intellectual property related to the Intelligent Living, and Mind360 acquisitions should be valued as follows:

Original values of Intangible assets	
Purchased patents, copyrights and IP Intelligent Living	\$ 464,788
Purchased patents, copyrights and IP Mind360	\$ 916,667
Purchased IP, Health & Beyond	\$ 150,000
Estimated future amortization (years)	1 - 3 years
To-date accumulated amortization	\$ 175,587

Fair Value of Financial Instruments

In accordance with ASC 820, the carrying value of cash and cash equivalents, accounts receivable and accounts payable approximates fair value due to the short-term maturity of these instruments. ASC 820 clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

Level 1-Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2-Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Edgar Filing: Intelligent Living Inc. - Form 10-Q

Level 3-Inputs are unobservable inputs that reflect the reporting entity's own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

The following table presents assets and liabilities that are measured and recognized at fair value as of March 31, 2014

Assets and liabilities measured at fair value on a recurring and nonrecurring basis at March 31, 2014:

Recurring:	Level 1	Level 2	Level 3
Derivative liability	&nb		