Intelligent Living Inc.
Form 10-Q/A
December 08, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

FORM 10-Q/A

(Mark One)

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

For the quarterly period ended September 30, 2014

o **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 AMERICA, INC.

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

NEVADA	**36-4794823**

State or other jurisdiction of Incorporation or organization	(IRS Employer Identification Number)
80 SW 8th Street, Suite 1870 Miami, FL	33130
(Address of principal executive offices)	(Zip Code)

866-326-3000

(Issuer's telephone number, including area code)

Intelligent Living Inc.

20801 Biscayne Blvd, Suite 403, Miami, FL 33180

(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 x No o

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). x Yes o 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	o	Accelerated filer	o
Non-accelerated filer (Do not check if a smaller reporting company)	o	Smaller reporting company	x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes o No x

APPLICABLE ONLY TO CORPORATE ISSUERS

The number of common shares outstanding as of September 30, 2014 was 2,828,099,650 and as of the filing date, the outstanding is 3,504,828,500.

EXPLANATORY NOTE

Intelligent Living America, Inc. (which may be referred to as the "Company," "we," "us," or "our") filed its Quarterly Report on Form 10-Q for the period ended September 30, 2014 with the U.S. Securities and Exchange Commission (the "SEC") on November 14, 2014 (the "Original Filing"). The Original Filing inadvertently indicated that the Company had failed to submit electronically and posted on its corporate Web site 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.. In addition, the Company did not disclose the sale of unregistered securities during the quarter. We are filing Amendment No. 1 to the Form 10-Q for the period ended September 30, 2014 to correct these ministerial errors.

This Amendment No. 1 to the Form 10-Q for the period ended September 30, 2014 contains currently dated certifications as Exhibits 31.1, 31.2, 32.1 and 32.2. No attempt has been made in this Amendment No. 1 to the Form 10-Q for the period ended September 30, 2014 to modify or update the other disclosures presented in the Original Filing and this Amendment No. 1 does not reflect events occurring after the Original Filing. Accordingly, this

Amendment No. 1 to the Quarterly Report on Form 10-Q for the period ended September 30, 2014 should be read in conjunction with our other filings with the SEC.

OTHER PERTINENT INFORMATION

When used in this report, the terms “Intelligent Living,” "we," "our," and "us" refers to Intelligent Living Inc., a Nevada corporation. When used in this report, “fiscal 2014” means the year ended December 31, 2014 and "fiscal 2013" means the year ended December 31, 2013. The information which appears on our website at www.intelligentlivinginc.com is not part of this report.

Intelligent Living Inc.

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PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

INTELLIGENT LIVING INC.

Consolidated Balance Sheets

	September 30, 2014 (unaudited)	December 31, 2013[1]	September 30, 2013 (unaudited) (restated)
CURRENT ASSETS:			
Cash	$ 36,214	$ 85,695	$ 50,985
Accounts receivable	103,898	-	-
Inventory	2,216	-	-
Other current assets	20,473	-	-
Total Current Assets	162,801	85,695	50,985
OTHER ASSETS:			
Property and equipment, net	336,966	102,281	17,457
Other assets	16,192	-	-
Intangible assets, net	2,534,100	1,507,042	1,507,042
Total assets	$ 3,050,059	$ 1,695,018	$ 1,575,484
Liabilities and Stockholders' Deficit			
Current Liabilities:			
Accounts payable and accrued expenses	$ 559,170	$ 350,818	$ 325,830
Accrued salaries	521,876	216,000	116,000
Accrued royalty on preferred stock	60,442	-	-
Leases payable	103,190	-	-
Convertible notes payable, current portion, net of discounts and premiums	1,264,272	923,439	730,975
Derivative liability	709,343	951,267	1,954,533
Total Current Liabilities	3,218,293	2,441,524	3,127,338
Long Term Liabilities:			
Convertible notes payable, net of discounts and premiums	2,022,050	1,274,782	1,060,067
Total Liabilities	5,240,343	3,716,306	4,187,405
Stockholders' Deficit			
Preferred stock, $0.0001 par value; 20,000,000 shares authorized			
Series A preferred stock (2,127,600 and 0 issued and outstanding, respectively)	213	-	-

Series B preferred stock (96,000 and 0 outstanding, respectively)	96,000	-	-
Common stock, $0.001 par value; 6,000,000,000 shares authorized, 2,828,079,575 and 683,157,893 and 450,937,071 shares issued and outstanding, respectively	2,828,079	683,157	450,937
Additional paid-in capital	4,531,545	3,093,960	3,087,031
Accumulated deficit	(9,646,121)	(5,798,405)	(6,149,889)
Total stockholders' deficit	(2,190,284)	(2,021,288	(2,611,921)
Total Liabilities and Stockholders' Deficit	$ 3,050,059	$ 1,695,018	$ 1,575,484

See accompanying notes to unaudited consolidated financial statements

(1)

Derived from audited financial statement

INTELLIGENT LIVING INC.

Consolidated Statements of Operations

(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	**2013 (Restated)**	**2014**	**2013 (Restated)**
Sales	$ 452,124	$ 358	$ 863,464	$ 409
Cost of sales	212,173	24	407,319	29
Gross profit	239,951	334	456,145	380
Operating expenses:				
Depreciation and amortization expense	321,475		783,086	
General and administrative	630,336	268,318	3,403,640	447,652
Total Operating Expenses	951,811	268,318	4,186,726	447,652
Loss from operations	(711,860)	(267,985)	(3,730,581)	(447,272)
Other income (expenses):				
Gain on change in fair value of derivative liability	265,039	952,553	502,914	11,713,796
Interest income	-	2	-	3
Interest expense	(225,317)	(86,064)	(622,051)	(443,410)
Total other income (expenses):	39,722	866,491	(119,137)	11,270,389
Income (loss) from continuing operations	(672,138)	598,506	(3,849,718)	10,823,117
Discontinued operations:				
Loss from operations of discontinued Feel Golf division	-	-	-	(134,905)
Loss on disposal of Feel Golf Division	-	-	-	(414,290)
Net income (loss)	$ (672,138)	$ 598,506	$ (3,849,718)	$ 10,273,922
Income (loss) per common share - basic	($0.00)	$0.00	($0.00)	$0.05
Income (loss) per common share – diluted	($0.00)	$0.00	($0.00)	$0.00

Weighted average common shares outstanding basic	2,716,986,800	244,362,500	1,889,410,950	222,469,250
Weighted average common shares outstanding – fully diluted	-	2,153,251,350	-	2,131,358,100

See accompanying notes to unaudited consolidated financial statements

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INTELLIGENT LIVING INC.

Consolidated Statements of Cash Flows

(Unaudited)

	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013 (Restated)
Net Cash Used in Operating Activities	$ (775,541)	$ (291,727)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in capitalized software	(24,870)	(22,654)
Purchase of property and equipment	(4,000)	(1,000)
Net Cash Used in Investing Activities	(28,870)	(23,654)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of related party note payable	-	(12,450)
Proceeds from notes payable	754,930	367,671
Net Cash Provided by Financing Activities	754,930	355,221
NET INCREASE (DECREASE) IN CASH	(49,481)	39,840
CASH AT BEGINNING OF PERIOD	85,695	11,145
CASH AT END OF PERIOD	$ 36,214	$ 50,985
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
CASH PAID FOR:		
Interest	$ -	$ -
Income taxes	-	-
NON CASH FINANCING AND INVESTING ACTIVITIES:		
Stock issued in conversion of convertible notes	$ 569,805	$ 113,658

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

INTELLIGENT LIVING INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

(Unaudited)

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Intelligent Living Inc. ("Intelligent Living", the "Company", "we", "us"), formerly known as Intelligent Living Inc. and Feel Golf Co., Inc. ("FGC"), was incorporated in the State of California in 2000. As a result of acquisitions completed during this fiscal year, which are described below, we operate in two business segments:

Health and Wellness

In May, 2013, we acquired all of the assets related to cognitive brain training, the website and blog at www.Mind360.com, which operates as our Mind360 Studios, LLC subsidiary. The website is intended to provide activities that enhance and maintain the users' mental fitness through an online cognitive training platform. Revenues are generated through a subscription-based model.

In January, 2014 we acquired certain assets of Health and Beyond LLC, a Florida corporation. Through our subsidiary, Health & Beyond Nutra Company, LLC and related website, www.drlarrydirect.com, we develop, market, and sell health and wellness products.

In April, 2014 we created Social420, LLC with the mission to provide a secure platform for the growing market of the cannabis public to connect and utilize a host of social and social media based tools in a proprietary cloud based system. We plan to derive our revenue from fee-based advertising, classifieds, our PuffPassPay eWallet system, and other fees that may be added over the development of the platform. The PuffPassPay eWallet system is in development, and will act as an online payment solution that consumers can use to make deposits and pay for goods on web sites that will offer eWallet services.

Cloud Computing and IT Managed Services

In April, 2014, through our subsidiary, Provectus, LLC, we entered into two transactions. We acquired:

- certain assets of Venturian Group, Inc. (a Florida corporation) related to Venturian's cloud based computing system and IT managed services business, and
- Perfect Solutions Software Inc. and Perfect Solutions, Inc. both New Jersey corporations, which is a provider of managed IT services and support, cloud computing, and website design.

As a result of these acquisitions, we provide:

- cloud computing
- systems architecture
- managed IT services
- Remote desktop and remote server monitoring and remediation
- Third party data storage
- Backup and disaster recovery solutions; and
- Project management services

We provide cloud computing solutions that include public and private cloud architectures along with hybrid scalable cloud hosting, server virtualization and desktop virtualization solutions. In addition, we provide IT solutions that address mobility, and unified communications. Our cyber security practice provides information security services including internal and external security assessments and recommended solutions. We focus on aligning business processes with technology for delivery of solutions meeting our clients' needs and providing expert management services to the lifecycle of technology-based projects.

INTELLIGENT LIVING INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

(Unaudited)

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

Basis of Presentation

The unaudited interim consolidated financial information furnished herein reflects all adjustments, consisting only of normal recurring items, which in the opinion of management are necessary to fairly state Intelligent Living Inc.'s (collectively, the "Company" or "we," "us" or "our") financial position, results of operations and cash flows for the dates and periods presented and to make such information not misleading. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to rules and regulations of the Securities and Exchange Commission ("SEC"); nevertheless, management of the Company believes that the disclosures herein are adequate to make the information presented not misleading.

These consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2013, contained in the Company's Annual Report on Form 10-K/A filed with the SEC on June 13, 2014. The results of operations for the three and nine months ended September 30, 2014, are not necessarily indicative of results to be expected for any other interim period or the fiscal year ending December 31, 2014.

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.

Reclassification of Financial Statement Accounts

Certain amounts in the December 31, 2013 financial statements have been reclassified to conform to the presentation in the September 30, 2014 financial statements.

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 September 30, 2014, the Company’s bank deposits did not exceed the insured amount.

Basis of Consolidation

The consolidated financial statements for the nine months ended September 30, 2014 include the operations of the Company and its wholly-owned operating subsidiaries, Provectus, LLC and Health & Beyond Nutra Company, LLC. All significant intercompany accounts and transactions have been eliminated in consolidation.

Trade Accounts Receivable

Accounts receivable consists of normal trade receivables. We recorded a bad debt allowance of $0 as of September 30, 2014. Management performs ongoing evaluations of its accounts receivable, and believes that all remaining receivables are fully collectable. Bad debt expense amounted to $0 and $0 for the nine months ended September 30, 2014 and 2013, respectively.

Inventory

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

INTELLIGENT LIVING INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

(Unaudited)

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

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 September 30, 2014, management does not believe any of the Company's long-lived assets require impairment.

INTELLIGENT LIVING INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

(Unaudited)

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

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.

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 September 30, 2014

Assets and liabilities measured at fair value on a recurring and nonrecurring basis at September 30, 2014:			
Recurring:	**Level 1**	**Level 2**	**Level 3**
Derivative liability	$ -	$ -	$ 709,343
Total	$ -	$ -	$ 709,343

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The following is a description of the valuation methodology used to measure fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

The Company analyzes all financial instruments with features of both liabilities and equity under ASC 480, “Distinguishing Liabilities from Equity” and ASC 815, “Derivatives and Hedging”. Derivative liabilities are adjusted to reflect fair value at each period end, with any increase or decrease in the fair value being recorded in results of operations as adjustments to fair value of derivatives. The effects of interactions between embedded derivatives are calculated and accounted for in arriving at the overall fair value of the financial instruments. In addition, the fair value of free standing derivative instruments such as warrant and option derivatives are valued using the Black-Scholes model.

The Company uses Level 3 inputs for its valuation methodology for the embedded conversion option liabilities as their fair value as their fair value were determined by using the Black-Scholes option-pricing model based on various assumptions. The Company’s derivative liabilities are adjusted to reflect fair value at each period end, with any increase or decrease in the fair value being recorded in results of operations as adjustments to fair value of derivatives.

The following table sets forth a summary of change in fair value of our derivative liabilities for the Nine Months Ended September 30, 2014:

Beginning balance at December 31, 2013	$ 951,267
Change in fair value of embedded conversion features of convertible debentures included in earnings	(502,914)
Embedded conversion derivative liability recorded in connection with the issuance of convertible debentures	$ 260,990
Ending balance	$ 709,343

INTELLIGENT LIVING INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

(Unaudited)

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

Revenue Recognition

We follow the guidance of Accounting Standards Codification (ASC) Topic 605, "Revenue Recognition" (formerly Staff Accounting Bulletin (SAB) No. 104, "Revenue Recognition") for revenue recognition. In general, we record revenue when persuasive evidence of an arrangement exists, services have been rendered or product delivery has occurred, the sales price to the customer is fixed or determinable, and collectability is reasonably assured.

It is our customary business practice to obtain a signed master sales agreement for recurring revenue sales, and/or a sales order for events and one-time services. Taxes collected from customers and remitted to governmental authorities are reported on a net basis and are excluded from revenue.

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Revenues from recurring revenue streams are generally billed monthly and recognized ratably over the term of the contract, generally one to three years for data center space customers. We generally recognize revenue beginning on the date the customer commences use of our services.

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Implementation and set-up fees are recognized at the time those services are completed

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For services that are billed according to customer usage, revenue is recognized in the month in which the usage is provided.

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Professional services are recognized in the period services are provided.

Our customers generally have the right to cancel their contracts by providing prior written notice to us of their intent to cancel the remainder of the contract term. The customer would be required to pay any charge for early cancellation that their contract specifies. In the event that a customer cancels their contract, they are not entitled to a refund for services already rendered. A customer can continue service on a month-to-month basis after their contract expires.

Shipping and Handling Costs

Shipping and handling costs billed to the customer are classified in revenues. Such costs incurred to ship our products are included in cost of sales.

Advertising Costs

The Company expenses the costs of advertising as advertising is normally in short-term publications. Total advertising costs for the nine months ended September 30, 2014 and 2013 were $10,582 and $0, respectively.

Stock-Based Compensation

The Company follows the provisions of ASC 718, which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. The Company uses the Black-Scholes pricing model for determining the fair value of stock based compensation.

Equity instruments issued to non-employees for goods or services are accounted for at fair value and are marked to market until service is complete or a performance commitment date is reached, whichever is earlier, in accordance with ASC 505-50.

Software Development Costs

Capitalization of software development costs for products to be sold to third parties begins upon the establishment of technological feasibility and ceases when the product is available for general release. As a result of the Company’s practice of releasing source code that it has developed on a weekly basis for unrestricted download on the Internet, there is generally no passage of time between achievement of technological feasibility and the availability of the Company’s product for general release.

INTELLIGENT LIVING INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

(Unaudited)

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

Recently Issued Accounting Pronouncements

The Company has adopted all recently issued accounting pronouncements. The adoption of the accounting pronouncements, including those not yet effective, is not anticipated to have a material effect on the consolidated financial position or results of operations of the Company.

Income Taxes

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

In July 2006, the FASB issued ASC 740, Accounting for Uncertainty in Income Taxes, which clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a return. ASC 740 provides guidance on the measurement, recognition, classification, and disclosure of tax positions, along with accounting for the related interest and penalties. ASC 740 became effective as of January 1, 2007 and had no impact on the Company's financial statements.

The charge for taxation is based on the results for the year as adjusted for items, which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Convertible Debt Instruments

The Company records debt net of debt discount for beneficial conversion features and warrants, on a relative fair value basis. Beneficial conversion features are recorded pursuant to the Beneficial Conversion and Debt Topics of the FASB Accounting Standards Codification. The amounts allocated to beneficial conversion rights are recorded as debt discount and as additional paid-in-capital. Debt discount is amortized to interest expense over the life of the debt.

Derivative Instruments

The Company enters into financing arrangements that consist of freestanding derivative instruments or are hybrid instruments that contain embedded derivative features. The Company accounts for these arrangements in accordance with Accounting Standards Codification topic 815, Accounting for Derivative Instruments and Hedging Activities (“ASC 815”) as well as related interpretation of this standard. In accordance with this standard, derivative instruments are recognized as either assets or liabilities in the balance sheet and are measured at fair values with gains or losses recognized in earnings. Embedded derivatives that are not clearly and closely related to the host contract are bifurcated and are recognized at fair value with changes in fair value recognized as either a gain or loss in earnings. The Company determines the fair value of derivative instruments and hybrid instruments based on available market data using appropriate valuation models, giving consideration to all of the rights and obligations of each instrument.

We estimate fair values of derivative financial instruments using various techniques (and combinations thereof) that are considered to be consistent with the objective measuring fair values. In selecting the appropriate technique, we consider, among other factors, the nature of the instrument, the market risks that it embodies and the expected means of settlement. For less complex derivative instruments, such as free-standing warrants, we generally use the Black-Scholes model, adjusted for the effect of dilution, because it embodies all of the requisite assumptions (including trading volatility, estimated terms, dilution and risk free rates) necessary to fair value these instruments. Estimating fair values of derivative financial instruments requires the development of significant and subjective estimates that may, and are likely to, change over the duration of the instrument with related changes in internal and external market factors. In addition, option-based techniques (such as Black-Scholes model) are highly volatile and sensitive to changes in the trading market price of our common stock. Since derivative financial instruments are initially and subsequently carried at fair values, our income (expense) going forward will reflect the volatility in these estimates and assumption changes. Under the terms of the new accounting standard, increases in the trading price of the company’s common stock and increases in fair value during a given financial quarter result in the application of non-cash derivative expense. Conversely, decreases in the trading price of the Company’s common stock and decreases in trading fair value during a given financial quarter result in the application of non-cash derivative income.

INTELLIGENT LIVING INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

(Unaudited)

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

Earnings per share

Basic earnings per share are computed using net income and the weighted-average number of common shares outstanding for each period presented. The diluted earnings per share calculation also includes the effects of the assumed the conversion of convertible debt at the end of each period presented. Diluted earnings per share are calculated as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	**2013**	**2014**	**2013**
Net income (loss)	(672,138)	598,505	(3,849,718)	10,273,920
Weighted average common shares outstanding - basic	2,716,986,800	244,362,500	1,889,410,950	222,469,250
Additional shares for outstanding convertible debt	2,709,882,550	1,908,888,850	2,709,882,550	1,908,888,850
Average common shares outstanding - diluted	5,426,869,350	2,153,251,350	4,599,293,500	2,131,358,100
Earnings (loss) per share of common stock - basic	$ (0.00)	$ 0.00	$ (0.00)	$ 0.05
Earnings (loss) per share of common stock - diluted	$ (0.00)	$ 0.00	$ (0.00)	$ 0.00

NOTE 2 - GOING CONCERN

The Company's consolidated financial statements are prepared using generally accepted accounting principles in the United States of America applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not yet established an ongoing source of revenues sufficient to cover its operating costs and allow it to continue as a going concern. During the nine months ended September 30, 2014, the Company realized an operating loss of $3,730,581, and had a working capital deficit and stockholders' deficit of $3,055,492 and $2,190,284, respectively, as of September 30, 2014. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease operations. These facts raise substantial doubt about the Company's ability to continue as a going concern.

In order to continue as a going concern, the Company will need, among other things, additional capital resources. Management's plan is to obtain such resources for the Company by obtaining capital from investors and/or revenue sufficient to meet its minimal operating expenses and seeking equity and/or debt financing. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and attain profitable operations. The accompanying consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

INTELLIGENT LIVING INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

(Unaudited)

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	September 30, 2014	December 31, 2013	September 30, 2013
Furniture & Office Equipment	$ 96,667	$ 500	$ 500
Capitalized software development costs	165,081	101,781	16,957
Equipment	316,891	-	-
Total Property and Equipment	578,639	102,281	17,457
Less: Accumulated Depreciation	(241,673)	-	-
Net Property and Equipment	$ 336,966	$ 102,281	$ 17,457

Depreciation expense for the nine months ended September 30, 2014 and 2013 was $35,179 and $21,310 respectively, which is included as part of discontinued operations for fiscal 2013.

Note 4 - ACQUISITIONS

Acquisition of Intelligent Living

On April 5, 2013, the shareholders of Intelligent Living, Inc. (ILIV)., a Florida corporation, entered into a share exchange agreement with Feel Golf Company, Inc. (the Company)., for the transfer of all of the issued and outstanding capital stock of Intelligent Living, in exchange for 35,714,286 shares of the Company’s common stock, or 27% of the then outstanding shares, representing consideration of $500,000 based on the closing price of the Company’s common stock.

Effective April 5, 2013, ILIV became a wholly owned subsidiary of the Company. The Company accounted for the acquisition utilizing the acquisition method of accounting in accordance with ASC 805 "Business Combinations". The Company is the acquirer for accounting purposes and Intelligent Living, Inc. is the acquired Company.

The net purchase price, including acquisition costs paid by the Company, was allocated to intangible assets acquired on the records of ILIV as follows:

Intangible asset (Software Platform)	$	507,042
Purchase price	$	507,042

Acquisition of Health and Beyond, LLC

On January 4, 2014, Intelligent Living Inc. (the “Buyer”) entered into an Asset Acquisition Agreement with Health and Beyond LLC (“Seller”), a Florida corporation. The Agreement calls for Intelligent Living to pay $200,000 to Health and Beyond for the assets, payable as follows:

Promissory note	$ 100,000
Issuance of 35,000,000 shares of common stock	21,000
Cash payable	79,000
Total purchase price	$ 200,000

The $100,000 promissory note is in the form of a Revenue Assignment Agreement in which the Company will pay down the note using the proceeds from the revenues earned from the Health and Beyond assets acquired.

The 35,000,000 restricted common shares issued were valued at $0.0006 per share, the fair market value on the date of the transaction, as quoted on the OTC market.

INTELLIGENT LIVING INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

(Unaudited)

Note 4 – ACQUISITIONS, continued

In addition to the above consideration, the Company entered into a Royalty Agreement with the seller, whereby we will pay the seller not less than 10% on any formulary product delivered, 20% for any special products delivered and $30 for any test kit processed under the Health and Beyond label.

The Company also entered into a 5 year employment agreement with Dr. Larry LeGunn for a salary of $96,000 per year to become the VP, Alternative Medicine and President of Health and Beyond Nutra Company Inc.

The intellectual assets purchased under the Agreement comprise the following:

1. Formulary Assets: Pressure Norm, Advanced HCG, Heart Helper, Neuroease, Metal Tox, Sweet Dreams, Gastric LG, Arthro Assist, Cranberine, Betaine HCL, Multi-mineral complex without Iron, Bi-Carb, Pycnogenol, Chrom mate, Hepato Thera, Theragest, Magnesium Chelate, Alpha Ketoglutaric Acid, Pyridoxal 5 phosphate, Calcium Citrate, Antioxthera Pack, Borage Oil, and Ester C Bio.
2. Specialty Assets: Oxy Cell, Oxy colonease, Dermis, Osseo, Allergen, Canderill, Climateric, Perk up, Relax, Focal Point, Happy Go Lucky, Immunostat, Prostical, Thyrocal, Circulase, Diabtrol, and Flora.

The Company accounted for the acquisition utilizing the purchase method of accounting in accordance with ASC 805 “Business Combinations”. The Company is the acquirer for accounting purposes and Health and Beyond, LLC is the acquired Company.

The net purchase price, was allocated to assets acquired on the records of ILIV as follows:

Intangible asset	$ 200,000
Purchase price	$ 200,000

Acquisition of Mind360

On July 16, 2013, the Company modified its acquisition agreement with New Castle County Services, Inc. (“NCCS”), a Delaware corporation, for the purchase of all assets related to cognitive brain training games websites and blog (including the website Mind360.com). Originally, as consideration for the acquisition of the assets, the Company was to pay $150,000 in cash, no later than November 14, 2014 and to deliver to NCCS a promissory note in the amount of $850,000. The Company and NCCS subsequently agreed that the Company will issue to NCCS 50,000,000 million shares of its common stock in exchange for $50,000 of the $150,000 that was due to be paid in cash. The remaining amount of $100,000 was paid in the first quarter of 2014.

The Company accounted for the acquisition utilizing the acquisition method of accounting in accordance with ASC 805 "Business Combinations".

The net purchase price, including acquisition costs paid by the Company, was allocated to the intangible assets acquired from NCCS:

Intangible asset (Mind360 website)	1,000,000
Purchase price	$ 1,000,000

Acquisition of Venturian Group and Perfect Solutions, Inc.

On April 25, 2014, Intelligent Living Inc. completed the asset purchase(s) of Venturian Group, Inc. and Perfect Solutions Inc. pursuant to separate Asset Purchase Agreements, dated as of April 25, 2014. As a result of this transaction, both assets now form a wholly-owned subsidiary of Intelligent Living called Provectus LLC.

INTELLIGENT LIVING INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

(Unaudited)

Note 4 – ACQUISITIONS, continued

The aggregate purchase price consisted of the following for each transaction:

Venturian Group

Cash payment to seller	$	150,000
Fair value of 870,000 shares of series A preferred stock issued to seller		610,000
Note payable to seller		610,000
	$	1,370,000

The following table summarizes the estimated fair values of Venturian's assets acquired and liabilities assumed at the date of the acquisition:

Cash	$	8,995
Accounts Receivable and other assets		10,676
Property and equipment, net		199,464
Intangible assets		1,194,104
Accounts payable and accrued expenses		(43,239)
	$	1,370,000

Acquisition of Venturian Group and Perfect Solutions, Inc.

The following table summarizes the required disclosures of the pro forma combined entity, as if the acquisition of Venturian Group occurred at January 1, 2013.

	For the Nine Months Ended September 30,	
	2013	**2014**
Sales	$ 1,241,426	$ 1,105,620
Net income (loss)	10,413,543	(3,786,718)
Net income (loss) per common share	$ 0.05	$ (0.00)

The above unaudited pro forma results have been prepared for comparative purposes only and do not purport to be indicative of results of operations that actually would have resulted had the acquisition occurred at January 1, 2013, nor is it necessarily indicative of future operating results.

The aggregate purchase price consisted of the following:

Perfect Solutions

Cash payment to seller	$	150,000
Note payable to seller		275,000
	$	425,000

INTELLIGENT LIVING INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

(Unaudited)

Note 4 – ACQUISITIONS, continued

The following table summarizes the estimated fair values of Perfect Solutions' assets acquired and liabilities assumed at the date of the acquisition:

Cash	$	26,115
Accounts Receivable		10,804
Other current assets		(432)
Property and equipment, net		30,372
Intangible assets		386,571
Accounts payable and accrued expenses		(28,430)
	$	425,000

The Company accounted for these acquisitions utilizing the acquisition method of accounting in accordance with ASC #805 “Business Combinations”.

NOTE 5 - INTANGIBLE ASSETS

Intangible assets consist of the following:

	September 30, 2014	December 31, 2013	September 30, 2013
Mind360 Studios (Note 4)	$ 1,000,000	$ 1,000,000	$ 1,000,000
Intelligent Living (Note 4)	507,042	507,042	507,042
Health & Beyond	200,000		
Venturian, Inc.	1,194,104		
Perfect Solutions	386,571		
	$ 3,287,717	$ 1,507,042	$ 1,507,042
Less: Accumulated amortization	(753,617)	-	-
Total intangible assets	$ 2,534,100	$ 1,507,042	$ 1,507,042

The Company is amortizing the assets over their useful lives, which range from three to five years, once placed in service. The Company determined that the future cash flows to be provided from these assets exceed the carrying amount as of September 30, 2014 and therefore determined that no impairment charge was necessary as of September