LIFEAPPS DIGITAL MEDIA INC.
Form 10-Q
August 19, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2014

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission file number: 000-54867

LIFEAPPS DIGITAL MEDIA INC.
(Exact name of registrant as specified in its charter)

Delaware	80-0671280
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

10636 Scripps Summit Court Suite 166, San Diego, CA 92131
(Address of principal executive offices, including zip code)

(Former address of principal executive offices)

Tel: (858)-577-0500
(Registrant's telephone number, including area code)

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). Yes x No o

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 definition 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	x

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

As of August 18, 2014 there were issued and outstanding 76,000,000 shares of Common Stock, $0.001 par value.

Table of Contents

FORM 10-Q
LIFEAPPS DEGITAL MEDIA INC.
INDEX

2

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LifeApps Digital Media Inc.
June 30, 2014 and 2013
Index to the Financial Statements

LifeApps Digital Media Inc.
Condensed Consolidated Balance Sheets

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Assets		
Current assets:		
Cash	$ 18,612	$ 36,876
Accounts receivable	26,792	3,253
Inventory	105,770	138,952
Other current assets	1,937	3,472
Total current assets	153,111	182,553
Fixed assets, net of depreciation	4,484	5,763
Intangible asset, net of amortization	64,124	82,179
Total Assets	$ 221,719	$ 270,495
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 48,607	$ 78,283
Amount due to related party	25,864	6,487
Total current liabilities	74,471	84,770
Notes payable, net of debt discount	76,757	-
Total liabilities	151,228	84,770
Stockholders' Equity		
Preferred stock, $.001 par value, none issued or outstanding	-	-
Common stock, $0.001 par value, 300,000,000 shares authorized, 76,000,000 shares issued and outstanding, as of June 30, 2014 and 2013	76,000	76,000
Additional paid in capital	1,363,494	1,348,618
Accumulated (deficit)	(1,369,003)	(1,238,893)
Total stockholders' equity	70,491	185,725
Total Liabilities and Stockholders' Equity	$ 221,719	$ 270,495

See the accompanying notes to the condensed consolidated financial statements

LifeApps Digital Media Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Revenue	$83,589	$93,338	$204,882	$93,678
Cost of revenue	54,845	65,362	163,625	65,362
Gross profit	28,744	27,976	41,257	28,316
Operating expenses:				
General and administrative	73,512	233,962	147,397	433,753
Depreciation and amortization	9,666	8,544	19,333	9,939
Total operating expenses	83,178	242,506	166,730	443,692
Operating loss	(54,434)	(214,530)	(125,473)	(415,376)
Interest (income) expense	4,010	(10)	4,637	(25)
Net (loss)	$(58,444)	$(214,520)	$(130,110)	$(415,351)
Per share information - basic and fully diluted:				
Weighted average shares outstanding	76,000,000	76,000,000	76,000,000	76,000,000
Net (loss) per share	$(0.00)	$(0.00)	$(0.00)	$(0.01)

See the accompanying notes to the condensed consolidated financial statements

LifeApps Digital Media Inc.
Condensed Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2014 and 2013
(Unaudited)

	2014	2013
Net cash used in operations	$(112,641)	$(426,436)
Cash flow from investing activities:		
Assets purchased in business combination	-	(99,500)
Investment in intangible assets	-	(12,608)
Investment in fixed assets	-	(2,670)
Net Cash used in investing activities	-	(114,778)
Cash flow from financing activities:		
Issuance of convertible notes for cash	75,000	-
Advances from related party	31,377	-
Repayments of advances from related party	(12,000)	(347)
Net cash provided by (used) in financing activities	94,377	(347)
Net (decrease) in cash	(18,264)	(541,561)
Cash at beginning of period	36,876	791,065
Cash at end of period	$18,612	$249,504

See the accompanying notes to the condensed consolidated financial statements

LifeApps Digital Media Inc.
Notes to Condensed Consolidated Financial Statements
June 30, 2014 and 2013
(Unaudited)

Note 1. Nature of Business

Throughout this report, the terms “our,” “we,” “us,” and the “Company” refer to LifeApps Digital Media Inc., including its subsidiaries. The accompanying unaudited condensed consolidated financial statements of LifeApps Digital Media Inc. at June 30, 2014 and 2013 have been prepared in accordance with generally accepted accounting principles (“GAAP”) for interim financial statements, instructions to Form 10-Q, and Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in our annual report on Form 10-K for the year ended December 31, 2013. In management's opinion, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation to make our financial statements not misleading have been included. The results of operations for the periods ended June 30, 2014 and 2013 presented are not necessarily indicative of the results to be expected for the full year. The December 31, 2013 balance sheet has been derived from our audited financial statements included in our annual report on Form 10-K for the year ended December 31, 2013.

We are building health, fitness and sports communities across multiple digital platforms including mobile apps, digital sports and fitness publications, sports and fitness products, sporting events, gateway platforms, online websites and social media.

Note 2. Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in conformity with GAAP, which contemplates our continuation as a going concern. We have incurred losses to date of $1,369,003. To date we have funded our operations through advances from a related party, issuance of convertible debt, and the sale of our common stock. We intend to raise additional funding through third party equity or debt financing. There is no certainty that funding will be available as needed. These factors raise substantial doubt about our ability to continue operating as a going concern. Our ability to continue our operations as a going concern, realize the carrying value of our assets, and discharge our liabilities in the normal course of business is dependent upon our ability to raise capital sufficient to fund our commitments and ongoing losses, and ultimately generate profitable operations.

Principles of Consolidation
The accompanying consolidated financial statements include the accounts of the Company and our wholly owned subsidiaries, LifeApps Inc. and Sports One Group Inc. All material inter-company transactions and balances have been eliminated in consolidation.

Use of Estimates
The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the balance sheets and revenues and expenses during the years reported. Actual results may differ from these estimates.

Accounts Receivable
A significant majority of our sales are through credit cards and other electronic payment methods. When we do grant credit to our customers it is generally in the form of short term accounts receivables, normally due in 30 days. The credit worthiness of the customer is evaluated prior to the sale. Currently there is no allowance for doubtful accounts

as all of accounts are deemed collectable.

LifeApps Digital Media Inc.
Notes to Condensed Consolidated Financial Statements
June 30, 2014 and 2013
(Unaudited)

Inventory
Inventory consists of finished goods, sports and fitness products, and is stated at the lower of cost or net realizable value, with cost being determined on a first-in first-out basis.

Intangibles
Intangibles, which include websites and databases acquired, internet domain name costs, and customer lists, are being amortized over the expected useful lives which we estimate to be three to five years. In accordance with Financial Accounting Standards Board ("FASB"), Accounting Standards Codification ("ASC") Topic 350 Intangibles – Goodwill and Other ("ASC 350"), the costs to obtain and register internet domain names were capitalized.

Fixed Assets
Fixed assets are stated at cost less accumulated depreciation and accumulated impairment loss, if any. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets. The estimated useful lives used for financial statement purposes are:

Furniture and equipment: 3 years

Revenue Recognition
Revenue is derived primarily from the sale of sports and fitness apparel and equipment, and software applications designed for use on mobile devices such as smart phones and tablets. Revenue is recognized only when persuasive evidence of an arrangement exists, the fee is fixed or determinable, the product or service has been delivered, and collectability is probable.

We sell our software directly via Internet download through third party agents. We recognize revenue when payment is received from the agent. Payment is received net of commission paid to the agent, usually 70% to us and 30% to the agent. We record the net amount received as revenue.

We also publish and sell digital magazines through the internet. Magazines can be purchased as individual volumes or as a subscription. To date we have not had any subscription sales.

Cost of Revenue
Cost of revenue includes the cost of amounts paid for articles, photography, editorial and production cost of the magazine and ongoing web hosting costs. Cost of revenue related to product sales includes the direct cost of those products sold.

Research and development, Website Development Costs, and Software Development Costs
All research and development costs are expensed as incurred. Software development costs eligible for capitalization under ASC 350-50, Website Development Cost, and ASC 985-20, Software-Costs of Software to be Sold, Leased or Marketed, were not material to our financial statements for the three and six months ended June, 2014 and 2013. Research and development expenses amounted to $2,561 and $26,732 for six months ended June 30, 2014 and 2013, respectively and $1,026 and $10,041 for the three months ended June 30, 2014 and 2013, respectively. Research and development expenses were included in general and administrative expenses.

Advertising Costs

We recognize advertising expense when incurred. Advertising expense was $9,278 and $43,040 for the six months ended June 30, 2014 and 2013, respectively, and $4,607 and $8,283 for the three months ended June 30, 2014 and 2013, respectively.

LifeApps Digital Media Inc.
Notes to Condensed Consolidated Financial Statements
June 30, 2014 and 2013
(Unaudited)

Rent Expense
We recognizes rent expense on a straight-line basis over the reasonably assured lease term as defined in ASC Topic 840, Leases (“ASC 840”). Our lease is short term and will be renewed on a month to month basis. Rent expense was $1,935 and $5,619 for the three months ended June 30, 2014 and 2013, respectively, and $2,896 and $9,339 for six months ended June 30, 2014 and 2013, respectively.

Equity-Based Compensation
Stock-based compensation is presented in accordance with the guidance of ASC Topic 718, Compensation – Stock Compensation (“ASC 718”). Under the provisions of ASC 718, companies are required to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in our consolidated statements of operations.

Income Taxes
The provision for income taxes is determined in accordance with the provisions of ASC Topic 740, Accounting for Income Taxes (“ASC 740”). Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Any effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

ASC 740 prescribes a comprehensive model for how companies should recognize, measure, present, and disclose in their financial statements, uncertain tax positions taken or expected to be taken on a tax return. Under ASC 740, tax positions must initially be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions must initially and subsequently be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts.

For the six months ended June 30, 2014 and 2013 we did not have any interest and penalties or any significant unrecognized uncertain tax positions.

There are open statutes of limitations for taxing authorities in federal and state jurisdictions to audit our tax returns from 2010 through the current period. Our policy is to account for income tax related interest and penalties in income tax expense in the statement of operations. There have been no income tax related interest or penalties assessed or recorded.

Recent Pronouncements
From time to time, new accounting pronouncements are issued that we adopt as of the specified effective date. FASB Accounting Standards Update ("ASU") 2014-09 Revenue From Contracts With Customers (Topic 606) issued May 28, 2014 by FASB and IASB converged guidance on recognizing revenue in contracts with customers with an effective date after December 15, 2016 will be evaluated as to impact and implemented accordingly.

F-6

LifeApps Digital Media Inc.
Notes to Condensed Consolidated Financial Statements
June 30, 2014 and 2013
(Unaudited)

Note 3. Intangible Assets

At June 30, 2014 and December 31, 2013, intangible assets consist of the following:

	June 30, 2014	December 31, 2013
Internet domain names	$58,641	$58,641
Less accumulated amortization	(30,589)	(22,325)
	$28,052	$36,316
Website and data bases	$56,050	$56,050
Less accumulated amortization	(23,353)	(14,012)
	$32,697	$42,038
Customer and supplier lists	$4,500	$4,500
Less accumulated amortization	(1,125)	(675)
	$3,375	$3,825
Total intangibles	$119,191	$119,191
	(55,067)	(37,012)
	$64,124	$82,179

The amount charged to amortization expense for all intangibles was $9,027 and $7,914 for the three months ended June 30, 2014 and 2013, respectively, and $18,055 and $9,278 for the six months ended June 30, 2014 and 2013, respectively.

Estimated future amortization expense related to the intangibles as of June 30, 2014 is as follows:

Year Ended December 31,	
2014 (six months remaining)	$ 18,056
2015	35,794
2016	9,149
2017	900
2018	225
	$ 64,124

LifeApps Digital Media Inc.
Notes to Condensed Consolidated Financial Statements
June 30, 2014 and 2013
(Unaudited)

Note 4. Amount Due Shareholder

Parties, which can be a corporation or an individual, are considered to be related if we have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Companies are also considered to be related if they are subject to common control or common significant influence.

Amount due related party represents amounts paid on our behalf by an officer and shareholder of the Company. These advances are non-interest bearing, short term in nature and due on demand. The balance at June 30, 2014 and December 31, 2013 was $25,864 and $6,487, respectively.

Note 5. Notes Payable

In March 2014, we executed a Promissory Note (the "Note") and received $75,000. The Note is due March 17, 2016 and provides for an original issue discount of $8,437, which will be amortized over 24 months, and face interest rate of 12% per annum. The Lender has the right, at any time at its election to convert all or part of the outstanding and unpaid principal and accrued interest. The conversion price is the lesser of $0.0485 or 60% of the lowest trading price in the 25 trading days prior the conversion. The Note provides for additional penalties if we cannot deliver the underlying common stock on a timely basis. The Note also provides that the principal amount may be increased, with the consent of the lender to $445,000.

In accordance with the guidance in ASC Topic 470-20 Debt with Conversion and Other Options ("ASC 470"), we have not recognized a beneficial conversion feature in connection with the note. Per the agreement the conversion price may change based on the Company's stock price prior to the Lender's decision to convert the outstanding principal or if more favorable terms are given in a future security offering.

The balance at June 30, 2014 was comprised of:

Convertible notes payable	$ 83,437
Unamortized original issue discount	(6,680)
	$ 76,757

Interest expense for the three months ended June 30, 2014 was $4,010 and includes $1,512 of amortization of original issue discount and $2,498 of accrued interest. Interest expense for the six months ended June30, 2014 was $4,637 and includes $1,757 of amortization of original issue discount and $2,882 of accrued interest.

LifeApps Digital Media Inc.
Notes to Condensed Consolidated Financial Statements
June 30, 2014 and 2013
(Unaudited)

Note 6. Stock Based Compensation

In prior periods, our Board of Directors adopted the 2012 Equity Incentive Plan ("2012 Plan"), which was approved by our shareholders. The 2012 Plan provides for the issuance of up to 10,000,000 shares of our common stock. The plan provides for the award of options, stock appreciation rights, performance share awards, and restricted stock and stock units. The plan is administered by the Board of Directors. Pursuant to the 2012 Plan our Board of Directors granted options to purchase 6,275,000 shares of our common stock. Subsequent to the grant 300,000 options were cancelled. All options were granted prior to the six months ended June 30, 2014. The fair value of the options previously granted, $215,628, was estimated at the date of grant using the Black-Scholes option pricing model, with the following assumptions:

Expected life (in years)	3
Volatility (based on a comparable company)	117%
Risk Free interest rate	0.36 - 0.48%
Dividend yield (on common stock)	-

Amounts charged to expense for the options granted to employees and non-employees for the three month periods ended June 30, 2014 and 2013 was $7,103 and $52,149, respectively, and the amounts charged to expense for the options granted to employees for the six month periods ended June 30, 2014 and 2013 was $14,876 and $68,871, respectively.

The following is a summary of stock option issued to employees and directors:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding January 1, 2014	4,950,000	$ 0.047	-	-
Granted	-	$ -	-	-
Exercised	-	$ -	-	-
Cancelled	-	$ -	-	-
Outstanding June 30, 2014	4,950,000	$ 0.047	1.81	$ -
Exercisable June 30, 2014	4,950,000	$ 0.047	1.81	$ -

There will be no additional compensation expense recognized in future periods.

LifeApps Digital Media Inc.
Notes to Condensed Consolidated Financial Statements
June 30, 2014 and 2013
(Unaudited)

The following is a summary of stock options issued to non-employees, excluding Directors:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value at date of grant
Outstanding January 1, 2014	1,025,000	$ 0.058	-	-
Granted	-	$-	-	-
Exercised	-	$-	-	-
Cancelled	-	$-	-	-
Outstanding June 30, 2014	1,025,000	$ 0.058	1.64	$ -
Exercisable June 30, 2014	1,025,000	$ 0.058	1.64	$ -

Note 7. Outstanding Warrants

There were no warrants issued during the three and six months ended June 30, 2014 or 2013. The following is a summary of outstanding warrants as of June 30, 2014:

	Number of warrants	Exercise price per share	Average remaining term in years	Aggregate intrinsic value at date of grant
Warrants issued in connection with private placement of units in 2012	6,000,000	$ 1.00	3.48	$ -

Note 8. Income Taxes

As previously stated, we account for income taxes in interim periods in accordance with ASC Topic 740, Income Taxes ("ASC 740"). We have determined an estimated annual effective tax rate. The rate will be revised, if necessary, as of the end of each successive interim period during our fiscal year to our best current estimate. As of June 30, 2014 the estimated effective tax rate for the year will be zero.

Note 9. Earnings Per Share

We calculate earnings per share in accordance with ASC Topic 260 Earnings Per Share, which requires a dual presentation of basic and diluted earnings per share. Basic earnings per share are computed using the weighted average number of shares outstanding during the fiscal year. Diluted earnings per share represent basic earnings per share adjusted to include the potentially dilutive effect of outstanding stock options and warrants. The dilutive earnings per share were not calculated because we recorded net losses for the three and six months ended June 30, 2014 and 2013, and the outstanding stock options and warrants are anti-dilutive.

LifeApps Digital Media Inc.
Notes to Condensed Consolidated Financial Statements
June 30, 2014 and 2013
(Unaudited)

Note 10. Business Segments

We currently have two business segments; (i) the sale of physical products ("Products") and (ii) digital publishing ("Publishing"). The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

The publishing segment does not meet the quantitative threshold for disclosure as outlined ASC Topic 280 Segment Reporting.

All of our revenue is generated in the United States and accordingly no geographic segment reporting is included.

No customers accounted for more than 10% of our revenues in the six months ended June 30, 2014 and 2013.

Note 11. Subsequent Events

Management has evaluated all activity and concluded that no subsequent events have occurred that would require recognition in these financial statements or disclosure in the notes to these financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the financial information included elsewhere in this Quarterly Report on Form 10-Q (this "Quarterly Report"), including our unaudited condensed consolidated financial statements as of June 30, 2014 and December 31, 2013 and for the periods ended June 30, 2014 and 2013 and the related notes. References in this Management's Discussion and Analysis of Financial Condition and Results of Operations section to "us," "we," "our," and similar terms refer to LifeApps Digital Media Inc., a Delaware corporation. This discussion includes forward-looking statements, as that term is defined in the federal securities laws, based upon current expectations that involve risks and uncertainties, such as plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors. Words such as "anticipate," "estimate," "plan," "continuing," "ongoing," "expect," "believe," "may," "will," "should," "could," and similar expressions are used to identify forward-looking statements.

We caution you that these statements are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control, which may influence the accuracy of the statements and the projections upon which the statements are based. Factors that may affect our results include, but are not limited to, the risk factors in Item 2.01 in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on April 14, 2014. Any one or more of these uncertainties, risks and other influences could materially affect our results of operations and whether forward-looking statements made by us ultimately prove to be accurate. Our actual results, performance and achievements could differ materially from those expressed or implied in these forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether from new information, future events or otherwise.

Overview

We are an emerging growth company and developer and designer of applications, fitness products, new media, digital magazines, publications, and next-generation social networks for sports, health, fitness and entertainment enthusiasts. We have a multimarket revenue strategy that incorporates mobile apps, digital magazines, publications, fitness training devices, web, social media and internet TV to engage consumers in multiple areas of sports, health, fitness and entertainment interests including medical, yoga, golf, tennis, running, soccer, cycling, and other health, fitness and sports topics.

According to Gartner: Top 10 Strategic Technology Trends for 2014, mobile devices surpassed PCs as the most common access tools for the Internet in 2013. By 2015, it is projected that over 80% of handsets in mature markets will be smartphones. Fierce Mobile IT reports that mobile commerce retail revenue jumped 97% in the past year. Because of these trends, we will continue to expand our current eCommerce offerings to mobile platforms allowing our customers to order products and/or services through their mobile devices.

We expect to create a website in the near term to be known as LifeApps Health and to be dedicated to LifeApps mobile health applications. This site will serve as a marketing and informational hub for our mobile products dedicated to our health care related applications. This will include LifeApps current IOS Apple application MDWorkout (R) and additional LifeApps applications related to health care providers.

LifeApps Health will aim to reduce overall healthcare costs and improve lives through mHealth (mobile health) technology and the promotion of healthy lifestyle changes. We plan to increase our product development focus in the areas of lifestyle medicine including diabetes, cardiovascular disease, cancer, obesity and medicinal cannabis use. According to a landmark study by the Diabetes Prevention Program, exercise, 30 minutes a day, five days a week, in certain circumstances, can act as a substitute for medicine and can result in a loss of 5-7% of one's body weight and the reduction of the incidence of type 2 diabetes by 58%. In addition, exercise has been shown to reduce heart disease by 40%, to lower the risk of stroke by 27%, and reduce the incidence of high blood pressure by 50%, according to ExerciseIsMedicine.org. Under the Affordable Care Act, compliant health insurance plans can now include weight-loss services, in addition to company-sponsored health initiatives. Plans may now include obesity screening, referral and counseling as required essential health benefits.

With LifeApps Health, we continue to build relationships with medical professionals in an effort to provide a foundation for our future product offerings. According to ExerciseIsMedicine.org, 65% of patients would be more interested in exercising to stay healthy if advised accordingly by their doctors or health care professionals.

MDWorkout® currently provides mobile content by board certified medical doctors and features over 100 exercises, 80 video demonstrations, recording capability and healthy living tips. We are researching the ability to update applications with interactive rewards systems through game-ification, sensor capabilities, and a video counseling exchange. Apple's forthcoming release of its iOS 8 operating system for mobile devices includes new health and medicine APIs that can be incorporated into future releases of MDWorkout®.

We believe that revenue streams can be derived from all of the following avenues: Individuals - purchases of LifeApps products and services by healthy lifestyle minded individuals, Employers – purchases of LifeApps products and services by companies for corporate wellness initiatives, Insurance related – purchases of products and services by individuals and corporations through health insurance programs, and Medical facilities – purchases of products and services by hospitals, clinics, healthcare organizations and medical practices. Due to the nature of platform software development cycles such as the Apple iOS operating system and our internal software development timelines, future updates to our software are dependent on multiple variables. Our best estimates lead us to anticipate these updates to our software occurring as late 2014 or early 2015 developments.

We are building health, fitness and sports communities across multiple digital platforms including mobile apps, digital sports and fitness publications, sports and fitness products, sporting events, gateway platforms, online websites and social media. We believe that we will drive revenues by targeting sports, health and fitness specific communities and developing a relationship with its participants, delivering lifestyle content, social networking, skills and drills training, consumer fitness devices and nutritional content across multiple platforms including, but not limited to, Apple iOS and Google Android systems. LifeApps will invest in these sports, health and fitness communities to build customer loyalty and increase brand awareness by delivering digital content of interest and digitally enhanced physical consumer products that enrich and improve the user's sports, health and fitness lifestyle.

LifeApps sports and fitness products continue to function to improve users' health through mobile applications, publications, physical products and training videos. Providing our health, fitness and sports enthusiasts entertaining resources for improving their quality of life. We continue to expand our niche eCommerce product offerings through various promotional channels. We seek channels that provide higher margin opportunities and visibility rather than traditional brick-and-mortar retail opportunities.

We were in the development stage from July 15, 2009 through March 31, 2013. Our fiscal year ending December 31, 2013 is the first year during which we were considered an operating company and we are no longer in the development stage.

Our financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), which contemplates our continuation as a going concern. We have incurred losses to date of $1,369,003. To date we have funded our operations through advances from a related party, issuance of convertible debt, and the sale of our common stock. We intend to raise additional funding through third party equity or debt financing. There is no certainty that funding will be available as needed. These factors raise substantial doubt about our ability to continue operating as a going concern. Our ability to continue our operations as a going concern, realize the carrying value of our assets, and discharge our liabilities in the normal course of business is dependent upon our ability to raise capital sufficient to fund our commitments and ongoing losses, and ultimately generate profitable operations.

On April 1, 2013, we entered into an Asset Purchase Agreement with Sports One Group and Performance Gear ("Sports One Group"), a sole proprietorship, to purchase certain assets related to a gateway platform which matches sports apparel manufacturers with distributors and purchasers. The purchase price of the Sports One Group assets was $99,500. In accordance with the guidance of ASC Topic 805, Business Combinations ("ASC 8058"), we determined that the assets acquired constitute a business and we acquired 100% of the business. We acquired the Sports One Group business to expand our electronic and mobile commerce (e-commerce and m-commerce) businesses to include health fitness and sports apparel.

Recent Developments

Sports One Group recently completed a six-month (January – June 2014), multi-platform, product database overhaul improving the accuracy and visibility of our products to our customers through multiple online outlets. The database updates improved efficiencies and search engine optimizations across our eCommerce partner platforms. We also increased the availability of our products to these multiple platforms to over 1500 searchable items. In addition to the database update we undertook a multi-month evaluation of internal processes and have implemented new workflows to improve our efficiencies.

We continue to research developments in the upcoming release of Apple's iOS 8 operating system and the new Healthkit APIs for iPhone and iPad development. Our digital magazine YouWorkout is now available for the Amazon Fire phone.

Plan of Operations

We are a licensed developer and publisher of apps for the Apple App Store for iPhone, iPod touch, iPad and iPad mini. LifeApps is also a licensed developer on both Google Play and Amazon Appstore for Android. We have distributed apps/publications on all three platforms. Moving forward we are developing new apps, and exploring new opportunities pairing apps with physical retail and e-commerce/mobile-commerce products.

We are also expanding our revenue generating power through the creation of new gateway digital platforms that combine e-commerce with mobile-commerce solutions for sports, health and fitness communities, to act as conduits or meeting places for users to engage in the commerce of sports, health and fitness products and services. These gateway platforms can also be utilized and distributed across the broader base of tour suite of products.

We expect to create a website in the near term to be known as LifeApps Health that will act as a marketing and services hub dedicated to LifeStyle Medicine and health care professionals for our mobile applications that are dedicated to our health care related applications. We will include our current MDWorkout (R) on this website and we will also include our future planned applications that relate to chronic disease and the effects of exercise, nutrition, and lifestyle on health care cost and an individual's quality of life.

LifeApps Health will provide health care professionals, insurance companies, employers and individual's insight into our health and healthy lifestyle related applications and future services.

We have begun operating Sports One Inc., a wholly owned subsidiary of the Company after the acquisition of certain assets related to a gateway platform which matches sports apparel manufacturers with distributors and purchasers. Our current customer base are primarily companies in the promotional advertising business that represent small and large companies. We expect to expand these operations by the addition of new product lines and the inclusion of our own products discussed above as well as expanding our customer base.

Critical Accounting Policies

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the balance sheets and revenues and expenses during the years reported. Actual results may differ from these estimates.

Accounts Receivable
A significant majority of our sales are through credit cards and other electronic payment methods. When we do grant credit to our customers it is generally in the form of short term accounts receivables, normally due in 30 days. The credit worthiness of the customer is evaluated prior to the sale. Currently there is no allowance for doubtful accounts as all of accounts are deemed collectable.

Inventory
Inventory consists of finished goods, sports and fitness products, and is stated at the lower of cost or net realizable value, with cost being determined on a first-in first-out basis.

Intangibles
Intangibles, which include websites and databases acquired, internet domain name costs, and customer lists, are being amortized over the expected useful lives which we estimate to be three to five years. In accordance with Financial Accounting Standards Board ("FASB"), Accounting Standards Codification ("ASC") Topic 350 Intangibles – Goodwill and Other ("ASC 350"), the costs to obtain and register internet domain names were capitalized.

Fixed Assets
Fixed assets are stated at cost less accumulated depreciation and accumulated impairment loss, if any. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets. The estimated useful lives used for financial statement purposes are:

Furniture and equipment: 3 years

Revenue Recognition
Revenue is derived primarily from the sale of sports and fitness apparel and equipment, and software applications designed for use on mobile devices such as smart phones and tablets. Revenue is recognized only when persuasive evidence of an arrangement exists, the fee is fixed or determinable, the product or service has been delivered, and collectability is probable.

We sell our software directly via Internet download through third party agents. We recognize revenue when payment is received from the agent. Payment is received net of commission paid to the agent, usually 70% to us and 30% to the agent. We record the net amount received as revenue.

We also publish and sell digital magazines through the internet. Magazines can be purchased as individual volumes.

Cost of Revenue
Cost of revenue includes the cost of amounts paid for articles, photography, editorial and production cost of the magazine and ongoing web hosting costs. Cost of revenue related to product sales includes the direct cost of those products sold.

Research and development, Website Development Costs, and Software Development Costs
All research and development costs are expensed as incurred. Software development costs eligible for capitalization under ASC 350-50, Website Development Cost, and ASC 985-20, Software-Costs of Software to be Sold, Leased or Marketed, were not material to our financial statements for the three and six months ended June, 2014 and 2013. Research and development expenses amounted to $2,561 and $26,732 for six months ended June 30, 2014 and 2013, respectively and $1,026 and $10,041 for the three months ended June 30, 2014 and 2013, respectively. Research and development expenses were included in general and administrative expenses.

7

Results of Operations

Three months ended June 30, 2014, compared with the respective period ended June 30, 2013

Revenues for the three months ended June, 2014 and 2013 were $83,589 and $93,338, respectively. Revenues for both periods was derived primarily from the sale of sports apparel and health and fitness products. The decrease in revenue is due to timing. We believe that future revenue will be more in line with the prior periods.

Cost of revenue normally includes our cost of products sold and amounts paid for articles, photography, editorial and production cost of the magazine. In the future we will incur direct cost related to revenue such as webhosting and direct cost for our customer support. For the foreseeable future we anticipate outsourcing such costs. Cost of revenue related to product sales includes the direct cost of those products sold.

Cost of revenue for the three months ended June 30, 2014 and 2013 was $54,845 (65.6%) and $65,362 (70.0%), respectively. This resulted in a gross profit for three months ended June 30, 2014 and 2013 of $28,744 (33.4%) and $27,976 (30.0%), respectively. Costs were primarily the cost of products sold.

We had net losses of $58,444 and $214,520 for the three months ended June 30, 2014 and 2013, respectively.

The following is a breakdown of our selling, general and administrative expenses for the three months ended June 30, 2014 and 2013:

	Three months Ended June 30,		
	2014	2013	Difference
Personnel costs	$8,971	$71,593	$(62,622)
Professional fees	35,765	49,280	(13,515)
Equity based payments	7,103	58,393	(51,290)
Marketing and advertising	4,607	8,283	(3,676)
Travel and entertainment	2,703	5,001	(2,298)
Research and development	799	10,041	(9,242)
Other expenses	13,564	31,373	(17,809)
	$73,512	$233,964	$(160,452)

We had from 1 to 3 employees in the three months ended June 30, 2014, one of which were part time. We had a total of 4 employees, 3 of whom were full time employees during the three months ended June 30, 2013.

Professional fees decreased $13,515 (27.4%) from $49,280 for the three months ended June 30, 2013 to $35,765 for the three months ended June 30, 2014. The decrease is a result of being a reduction in our cost of SEC compliance and reduced activity that required legal counsel.

During the three months ended June 30, 2014, the Board of Directors did not authorized the issuance of any options to purchase shares of our common stock to employees and directors or to non-employees of the Company who provide consulting services. During the three months ended June 30, 2013, the Board of Directors authorized the issuance, under the 2012 Plan, 3,600,000 options to purchase shares of our common stock to employees and directors, and 375,000 options to purchase our common stock to non-employees of the Company who provide consulting services.

The expense for the three months ended June 30, 2014 relates to options previously granted.

The decrease in all of our other expenses was planned as we were preserving our cash.

Six months ended June 30, 2014, compared with the respective period ended June 30, 2013

We were in the development stage from July 15, 2009 through March 31, 2013.

Revenues for the six months ended June 30, 2014 and 2013 were $204,882 and $93,678, respectively. Revenues for both periods was derived primarily from the sale of sports apparel and health and fitness products. We acquired Sports One Group Inc. our wholly owned subsidiary in April, 2013 and accordingly there were no revenues from Sports One Group for the first three months of the six month period ending June 30, 2013

Cost of revenue normally includes our cost of products sold and amounts paid for articles, photography, editorial and production cost of the magazine. In the future we will incur direct cost related to revenue such as webhosting and direct cost for our customer support. For the foreseeable future we anticipate outsourcing such costs. Cost of revenue related to product sales includes the direct cost of those products sold.

Cost of revenue for the six months ended June 30, 2014 and 2013 was $163,625 (79.9%) and $65,362 (69.8%), respectively. This resulted in a gross profit for the six months ended June 30, 2014 and 2013 of $41,257 (20.1%) and $28,316 (30.2%), respectively. Our margins are dependent upon the products sold, i.e. jackets vs. hats, and the size of the individual order. We believe that the cost of revenue will vary between 70% to 80% in future periods.

We had net losses of $130,110 and $415,351 for the six months ended June 30, 2014 and 2013, respectively.

The following is a breakdown of our selling, general and administrative expenses for the six months ended June 30, 2014 and 2013:

	Six months Ended June 30,		
	2014	2013	Difference
Personnel costs	$27,665	$140,730	$(113,065)
Professional fees	47,625	82,457	(34,832)
Equity based payments	14,876	85,864	(70,988)
Marketing and advertising	9,278	43,040	(33,762)
Travel and entertainment	6,283	14,849	(8,566)
Research and development	2,561	26,732	(24,171)
Other expenses	39,109	40,081	(972)
	$147,397	$433,753	$(286,356)

We had from 1 to 3 employees in the six months ended June 30, 2014, one of which were part time. We had a total of 4 employees, 3 of whom were full time employees during the six months ended June 30, 2013.

Professional fees decreased $34,832 (42.2%) from $82,457 for the six months ended June 30, 2013 to $47,625 for the six months ended June 30, 2014. The decrease is a result of a reduction in our cost of SEC compliance and reduced activity that required legal counsel.

During the six months ended June 30, 2014, the Board of Directors did not authorized the issuance of any options to purchase shares of our common stock to employees and directors or to non-employees of the Company who provide consulting services. During the six months ended June 30, 2013, the Board of Directors authorized the issuance, under the 2012 Plan, 3,600,000 options to purchase shares of our common stock to employees and directors, and 375,000 options to purchase our common stock to non-employees of the Company who provide consulting services.
The expense for the three months ended June 30, 2014 relates to options previously granted.

The decrease in all of our other expenses was planned as we were preserving our cash.

Liquidity and Capital Resources

We were financed primarily by capital contributions from members of LifeApps LLC, the predecessor to LifeApps, from short term borrowings, and through our private placement which we completed in October 2012. Our existing sources of liquidity may not be sufficient for us to implement our initial business plan. Our need for future capital will be dependent upon the speed at which we expand our product offerings. There are no assurances that we will be able raise additional capital as needed.

As of June 30, 2014, we had working capital of $78,640 as compared to $97,783 at December 31, 2013.

During the six months ended June 30, 2014, operations used cash of $112,641 and for the six months ended June 30, 2013 used cash of $426,436.

During the six months ended June 30, 2014 financing activates provided cash of $94,377. The cash was provided primarily from borrowing activities. In March 2014, we executed a Promissory Note (the “Note”) and received $75,000. The Note is due March 17, 2016 and provides for an original issue discount of $8,437 and face interest rate of 12% per annum. The Lender has the right, at any time at its election to convert all or part of the outstanding and unpaid principal and accrued interest. The conversion price is the lesser of $0.0485 or 60% of the lowest trading price in the 25 trading days prior the conversion. The Note provides for additional penalties if we cannot deliver the underlying common stock on a timely basis. The Note also provides that the principal amount may be increase, at the option of the lender to $445,000. In addition an officer and director of ours advanced $31,377 to the Company and was repaid $12,000. During the six months ended June 30, 2013, financing activities used cash of $347.

We had no investing activities during the six months ended June 30, 2014. During the six months ended June 30, 2013 investing activities used cash of $114,778, primarily for acquisition of Sports One Group. Sports One Group utilizes a gateway platform which matches sports apparel manufacturers with distributors and purchasers and sells sports and fitness apparel.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 of the Securities and Exchange Act of 1934, as amended (the "Exchange Act") and are not required to provide the information required under this item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, for the Company.

Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of its management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Management recognizes that there are inherent limitations in the effectiveness of any system of internal control, and accordingly, even effective internal control can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect material misstatements. In addition, effective internal control at a point in time may become ineffective in future periods because of changes in conditions or due to deterioration in the degree of compliance with our established policies and procedures.

The matters involving internal control over financial reporting that our management considered to be a material weaknesses were not having an independent audit committee and a lack of segregation of duties as we have an inadequate number of personnel to properly implement control procedures.

Management believes that the material weaknesses set forth above did not have an effect on our financial results.

Changes in Internal Control over Financial Reporting

There have been no change in the Company's internal control over financial reporting during the three months ended June 30, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There are no pending, nor to our knowledge threatened, legal proceedings against us.

ITEM 1A. RISK FACTORS

For information regarding risk factors, please refer to the Company's Annual Report on Form 10-K filed with the SEC on April 14, 2014, which may be accessed via EDGAR through the Internet at www.sec.gov.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURE

Not Applicable

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

The following exhibits are filed herewith:

Exhibit No.	Description
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS **	XBRL Instance Document
101.SCH **	XBRL Taxonomy Extension Schema Document
101.CAL **	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF **	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB **	XBRL Taxonomy Extension Label Linkbase Document
101.PRE **	XBRL Taxonomy Extension Presentation Linkbase Document

* This certification is being furnished and shall not be deemed “filed” with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference

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

SIGNATURES

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

LifeApps Digital Media Inc.

Date: August 19, 2014	By:	/s/ Robert Gayman Robert Gayman Chief Executive Officer and President
	By:	/s/ Arnold Tinter Arnold Tinter Chief Financial Officer and Treasurer