SECURITIES & EXCHANGE COMMISSION EDGAR FILING

DOLPHIN DIGITAL MEDIA INC

Form: 10-K

Date Filed: 2014-08-15

Corporate Issuer CIK:	1282224
Symbol:	DPDM
SIC Code:	7200

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

Form 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2013

Or

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

Commission file number: 000-50621

DOLPHIN DIGITAL MEDIA, INC.

(Exact name of registrant as specified in its charter)

Nevada (State or other jurisdiction of incorporation or organization)	86-0787790 (I.R.S. Employer Identification No.)
2151 LeJeune Road, Suite 150-Mezzanine, Coral Gables, FL (Address of principal executive offices)	33134 (Zip Code)

Registrant's telephone number (305) 774-0407

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
None	None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $0.015 par value
(Title of class)

Indicate by a check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ❑ Yes ☑ No

Indicate by a check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ❑ Yes ☑ No

Indicate by a check mark if the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ❑ Yes ☑ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
❑ Yes ☑ No

Indicate by a check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ❑

Indicate by a 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. (Check one):

Large accelerated filer ❑ Accelerated filer ❑ Non-accelerated filer ❑ Smaller reporting company ☑

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, as of the last business day of the registrant's most recently completed second fiscal quarter is: $2,866,232

Indicate the number of shares outstanding of the registrant's common stock as of August 15, 2014 is 81,892,352.

DOCUMENTS INCORPORATED BY REFERENCE—NONE

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Special Note Regarding Forward Looking Statements

Certain statements in this Form 10-K constitute “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such statements are indicated by words or phrases such as “anticipates,” “projects,” “believes,” “intends,” “expects,” and similar words or phrases. Such factors include, among others, the following: competition; seasonality; success of operating initiatives; new product development and introduction schedules; acceptance of new product offerings; advertising and promotional efforts; adverse publicity; availability, changes in business strategy or development plans; availability and terms of capital; labor and employee benefit costs; changes in government regulations; and other factors particular to the Company. Should one or more of these risks, uncertainties or other factors materialize, or should underlying assumptions prove incorrect, actual results, performance, or achievements of the Company may vary materially from any future results, performance or achievements expressed or implied by such forward-looking statements. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements in this paragraph. The Company disclaims any obligation to publicly announce the results of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

References in this Form 10-K to “Company,” “we,” “us,” and “our,” are references to Dolphin Digital Media, Inc. and its consolidated subsidiaries, Dolphin Digital Media (Canada) Inc., Anne’s World Limited, Curtain Rising Inc., Cybergeddon Productions LLC, Hiding Digital Productions, LLC and Dolphin Kids Clubs LLC.

PART I

ITEM 1. BUSINESS.

Introduction

Dolphin Digital Media, Inc. is dedicated to the production of high-quality digital content. Dolphin Digital Studios is committed to delivering premium, best-in-class entertainment and securing premiere distribution partners to maximize audience reach and commercial advertising potential.

The growth of online video viewing is well-documented. While all major demographics have experienced an increase in online video viewing for several years in a row, it is worth mentioning the tremendous potential of the “tween” and “teen/young adult” space online. According to a study by the Kaiser Family Foundation, 8-18 year-olds devote an average of 7 hours and 38 minutes across a typical day, or more than 53 hours per week, to using entertainment media. This creates a huge opportunity for quality content for this audience, which increasingly turns to the internet to source its entertainment options. Advertisers have taken notice, with leading digital-marketing research firm eMarketer estimating that online video ad spending (the fastest-growing advertising segment) will surpass $5 billion in the United States of America alone by 2014.

Management sees an opportunity for Dolphin Digital Media to become a “market leader” digital studio.

Dolphin Digital Media has also announced its entry into “Kids Clubs,” or online websites to serve as destinations for entertainment and information. Management seeks to partner with established “brands” in the children’s space, and to expand each brand’s existing online audience through the promotion of original content supplied and/or sourced by Dolphin Digital Studios. Premium entertainment offerings, such as original web series, will serve to both increase audience through positive word-of-mouth and to increase engagement, or length of time on site. Furthermore, the Kids Clubs will serve as the platform for sponsorships and other marketing opportunities, such as contests and sweepstakes. In addition, the Kids Clubs are strong marketing vehicles for the respective brands, as they keep the brands “top of mind” for the youngest generation, and in a space (the online world) where they increasingly go.

Dolphin Digital Media partnered with the University of Miami to launch its first kids club, the Coca-Cola Junior Canes Club, in September, 2011. In February 2012, the Company entered into an agreement with United States Youth Soccer Association, Inc. to launch a Kids Club. During 2013, Dolphin Digital Media, Inc. partnered with a worldwide philanthropic organization to create a Kids Club to promote the organization’s philanthropic philosophy and encourage literacy programs. Donors can sponsor membership for all children in a particular school and that donation entitles the school to receive a Reading Oasis from Scholastic Books.

Dolphin Digital Studios

During the years ended December 31, 2013 and 2012, the Company's focus has primarily been devoted to Dolphin Digital Studios, which creates original content to premiere online. Substantially all of the Company's operating income and expenses during the twelve months ended December 31, 2013 were incurred related to Dolphin Digital Studios.

Dolphin Digital Studios is a natural fit and progression in the core business of Dolphin Digital Media —entertaining its customers through high-quality digital programming. Premium online video is the largest growth sector for online advertising, with market leaders such as Yahoo!, Hulu, Netflix, YouTube and AOL making major initiatives around original programming.

Dolphin Digital Media foresees 3 distinct demographics for its upcoming "web series":

- Tweens (roughly 9-14 years old);
- Teens and Young Adults (roughly 14-24 years old); and
- General Market (roughly 14-49 years old).

Each of these demographics will be served with different content, and the Company may have different distribution partners for each of these demographics.

Dolphin Digital Studios earns revenue from the online distribution of its web series in three different ways:

Producer's Fees: Dolphin Digital Studios will earn fees for producing each web series, as included in the production budget for each project;

Advertising Revenue: typically, Dolphin Digital Studios will be entitled to between 50-60% of all advertising revenue generated by its distribution partner from the online distribution of any particular web series; and

Sponsorship Revenue: Dolphin Digital Studios will generally retain between 70-100% of any product integration fees, or sponsorship revenues, associated with any of its web series.

During 2013, Dolphin Digital Studios concentrated its efforts in identifying and acquiring the rights to certain properties that it intends to produce for online distribution. Dolphin Digital Studios expects to produce several web series a year. Some projects may be self-financed, while some projects currently under development will feature strategic and financial partnerships. This will allow Dolphin Digital Studios to have attractive project financing alternatives while developing its slate of programming. The Company secured financing for a slate of projects through Equity Finance Agreements in the amount of $1,000,000 that were entered into during 2011 and 2012. Funding received through these investments is meant to help finance the costs of the web series. Per the agreements, the Company invests in projects through January 1, 2013. Investors are then entitled to share in the future revenues of any productions for which the funds invested were used. Investors share in the producers' revenues up to 115% of their investment and afterwards, as a group, will receive 50% of the revenues derived from these web series.Per the Equity Finance Agreements, the Company is entitled to a producer's fee, not to exceed $250,000, for each web series before calculating the share of revenues owed to the investors. Based on the gross producers' revenues to date, the Company is not required to pay the investors any amount in excess of the existing liability already recorded as of December 31, 2013 and December 31, 2012. The Company has invested these funds in eleven projects. Only one of the productions was completed as of December 31, 2013 and there was no producer gross revenue generated as defined in the Equity Finance Agreements as of December 31, 2013. The Company expects to generate gross producer revenues subsequent to year end at which time the investors will receive their pro rata share of the revenue.

Furthermore, the web series from Dolphin Digital Studios can be repackaged for distribution into "traditional media," such as television and home video, on a worldwide scale, which will significantly increase the revenue potential for any particular web series. Web series that migrate to traditional media outlets will also benefit from having a pre-established track record and viewer base. For distribution into such outlets, Dolphin Digital Studios will capitalize on its existing relationship with Dolphin Entertainment, one of the top independent television producers and distributors in the world, with a specialty in quality children's and teen programming. Founded in 1996, Dolphin Entertainment is an Emmy-nominated production and distribution company that has produced programming for Nickelodeon, Cartoon Network, and Canada's Family Channel. Dolphin Entertainment currently distributes its children's and teen programming into 300 million homes in over 100 countries. Furthermore, Dolphin Entertainment has great experience with "general market" programming, as well, having distributed television movies from U.S. partners that include Lifetime, Anchor Bay, and Starz, to name a few.

The Company recognized approximately $800,000 and $3,900,000 of revenues from online content for the years ended December 31, 2013 and 2012, respectively. These were derived from two online productions that premiered in 2012. The revenues in 2013 were mainly derived from sponsorship and foreign sales of the two productions.

During the year ended December 31, 2013, the Company entered into an agreement with a related party (indirectly owned by our CEO) to provide a management team and back office services. The Company will provide the related party with a development team to source new projects, production executives that will develop scripts, approve budgets and hire and liaise with the production team on individual projects during the production and post-production phases, an accounting and finance team to provide accounting services and tax compliance, legal support and domestic and international sales and sales support. The Company will also provide office space in Los Angeles and Miami. The arrangement is for a term of April 1, 2013 through December 31, 2014 for an annual fee of $2,000,000. The agreement was effective April 1, 2013 and, correspondingly, the Company recorded $1,500,000 of revenue related to this agreement for the year ended December 31, 2013.

Cybergeddon

During 2012, the Company announced its project Cybergeddon. Anthony Zuiker, the visionary creator of the CSI franchise and his production company Dare to Pass, and Yahoo, Inc. the premier digital media company partnered with Dolphin Digital Studios for this ground breaking motion picture event which brings to life the growing threat of cybercrime. True to his storytelling form, Zuiker engaged Norton by Symantec to leverage its technical credibility and security insights to help inform and guide the narrative. Cybergeddon was released September 25, 2012, through Yahoo's global online distribution.

During 2012, the Company incorporated Cybergeddon Productions, LLC as a wholly owned subsidiary. The Company entered into agreements with certain vendors and in accordance with these agreements was responsible for creating 6-12 digital episodes of approximately eight to fifteen minutes in length. The Company completed the web series during the third quarter of 2012 and recorded revenues of approximately $800,000 and $2,900,000 related to this production during the years ended December 31, 2013 and 2012. The Company began to amortize the capitalized production costs using the individual film forecast computation method and through December 31, 2013 amortized costs of approximately $2,484,000 related to this production. As of December 31, 2013 and 2012, the Company has capitalized production costs, net of accumulated amortization and estimated tax credits, of approximately $ 151,000 and $663,000, respectively, which are recorded in the Consolidated balance sheets as capitalized production costs.

On April 9, 2012, the Company entered into an agreement with a vendor to create a universal (iPhone and iPad) iOS app and an Android app for the series and expensed $320,000 as advertising costs related to this app during the year ended December 31, 2012. The Company did not incur any expenses related to these app's for the year ended December 31, 2013.

During 2013, the production was nominated for three Streamy Awards and Missy Peregrym (*Rookie Blue*), the lead actress, won for Best Female Performance in a Drama. Management expects future announcements relating to distribution partners for the tween and general market demographics.

Cambio Distribution Partnership

Cambio and Dolphin Digital Media have entered into an exclusive content deal, in which 4-6 original web series will be financed per year. In this deal, Dolphin Digital Media and Cambio will collaborate to identify original material to produce, with an emphasis on established screenwriters, actors, directors and producers. Cambio holds exclusive rights to distribute the content online in the United States. Dolphin Digital Media holds the underlying copyright in each production, as well as worldwide distribution rights outside of the online rights in the United States. As of December 31, 2013 and 2012, no productions associated with this partnership have been completed and the Company has decided to cancel this arrangement.

Kids Clubs

Dolphin Digital Media sees opportunity from the combination of the following two consumer trends: 1) a greater number of children under 18 have access to the internet in their lives (and most “own” their own devices – i.e. laptop computers, tablets, smartphones, etc.); and 2) those children who do have access to the internet spend an increasingly greater amount of time “online.” Simply put, the internet has become the next generation’s “go to” destination for both entertainment and information.

“Offline” brands need to engage with their participants “online” or risk losing them altogether. It is a lost opportunity to build successful engagement with children and teenagers in the “real world” and offer them nothing (let alone an equivalent engagement opportunity) in the digital world. For example, Little Leagues may exist for the enjoyment of children, but their websites are overwhelmingly only used by parents. Similarly, non-profits may exist to provide enrichment and cultural opportunities for children, but their websites are seldom visited by the children they cater to.

Dolphin Digital Media recognizes that it is uniquely positioned to offer such children’s organizations a real alternative. Management has experience building engaging websites for children, in creating best-in-class premium original online entertainment content, and in coordinating large-scale sweepstakes and promotional contests. Management believes that Dolphin Digital Media will become the preferred partner for a variety of children’s organizations that have neither the time, financial resources or experience to provide online engagement for their participants, but who see the value in doing so.

In September, 2011, Dolphin Digital Media partnered with the University of Miami to launch the Coca-Cola Junior Canes Club. The Company will share equally revenues from net membership fees with the University of Miami. For the years ended December 31, 2013 and 2012, the Company did not generate any significant revenues from this partnership with the University of Miami and has decided to discontinue the program.

In February 2012, Dolphin Digital Media entered into an agreement with U.S. Youth Soccer to create the “US Soccer Clubhouse” website. During 2012, the Company hired a third party to begin building the US Soccer Clubhouse website at an initial cost of $125,000. The first installment of $25,000 was paid during the first quarter of 2012, the second $25,000 installment was paid during the second quarter of 2012 and the remaining payments are being made monthly over a period of two years upon receipt of the completed site.

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On May 21, 2012, Dolphin Digital Media, Inc. entered into an agreement with a note holder to form Dolphin Kids Club LLC. Under the terms of the agreement, the parties agreed to convert $1,500,000 of notes payable into equity of Dolphin Kids Club, LLC and the Company received additional capital contributions of $1,500,000 during the year ended December 31, 2012 for a 25% member interest in the newly formed entity. Dolphin holds the remaining 75% and thus controlling interest in the entity. The purpose of this entity is to create and operate online Kids Clubs for selected charitable, educational and civic organizations. The agreement encompasses Kids Clubs created between January 1, 2012 and December 31, 2016. It is a “gross revenue agreement” and Dolphin Digital Media, Inc. will be responsible for paying all associated operating expenses. Net income will be attributable to each member based on the thresholds established in the operating agreement of the entity. Dolphin Kids Clubs, LLC has been consolidated in the financial statements with amounts attributable to the noncontrolling interest presented as a separate component of shareholders’ equity. As of December 31, 2013 and 2012, the Company recorded a noncontrolling interest of $3,000,000 for the 25% interest in Dolphin Kids Clubs LLC.

In 2013, the Company entered into an agreement with a worldwide philanthropic organization to create Club Connect. Club Connect is a kids club that promotes the organization's philanthropic philosophy and encourages literacy in elementary school age children. High School drop-out rates have a direct, proportional correlation to 3rd grade reading proficiency. If a child is already behind in their reading proficiency after 3rd grade, they are over 4x more likely to drop-out of high school (a rate which increases to 10x for minority children). In the US, nearly 60% of fourth graders are not reading at their grade level. Club Connect is an online site that offers reading activities, articles and games. It also promotes parent engagement by emailing parents and continuously messaging the importance of reading and parent involvement to achieve reading proficiency. Club Connect has also partnered with Scholastic Books to provide a Reading Oasis to schools that are sponsored by a donor. Donors may sponsor a school for $10,000 which entitles each child in the school to receive an annual Club Connect membership and a Reading Oasis for the school. A Reading Oasis is a location in a school that is transformed into a reading room. Scholastic will provide the Reading Oasis with hundreds of books (K-3), listening library, colorful bean bag chairs, a reading themed carpet, book cases, and a stereo listening center with four headphones.

During 2013, the Company hired a third party to create the website. As per the terms of the agreement, the Company will share revenues derived from net memberships to Club Connect with the philanthropic organization. For the year ended December 31, 2013, no revenues related to this agreement were derived and approximately $90,000 in expenses were incurred.

Dolphin Secure

During 2013, the Company decided that it would no longer pursue any sales or marketing of its internet safety product, Dolphin Secure. As a result, the Company wrote off approximately $8,000 of finger print readers that were recorded as inventory.

On February 8, 2011, the Company entered into a licensing agreement with Dolphin Media Germany, an unrelated party, for the licensing rights of Dolphin Secure. Under the deal terms, Dolphin Digital Media will receive a royalty from all customer licenses and sales, once royalty payments due to the Company exceed the initial license fee of $275,000. In turn, Dolphin Media Germany has retained the German-language rights to Dolphin Secure, as well as a right of first negotiation to launch the product in other European territories. During the years ended December 31, 2013 and 2012, the Company did not receive any royalties in relation to the licensing agreement.

Management Expertise

The launch of Dolphin Digital Studios leverages our management expertise in creating high-quality entertainment, especially for children and young adults.

Dolphin Entertainment, founded in 1996 by our Chairman, C.E.O. and President, Bill O'Dowd, is one of the world's leading entertainment companies specializing in children's and young adult live-action programming, with divisions dedicated to Television Production, Feature Film Production, International Distribution and Merchandising and Licensing. Dolphin Entertainment served as Executive Producer to Nickelodeon's Emmy™-nominated hit series *Zoey 101* and *Ned's Declassified School Survival Guide*, as well as eight different television movies that have premiered on Nickelodeon in the past ten years. Dolphin Entertainment distributes its programs worldwide, with sales in over 100 countries (reaching almost 300 million homes) for its current children's properties, including Mexico, Italy, France, Spain, the United Kingdom, Germany, Canada, Australia, New Zealand, Brazil, and South Africa, among many others. Dolphin Entertainment has successfully launched international merchandising lines for its children's properties in nearly every consumer category, including publishing, apparel, sleepwear, accessories, and cosmetics.

Dolphin Digital Media holds a multiyear exclusive licensing agreement with Dolphin Entertainment, Inc., a related party, currently set to expire in June, 2018. Under the license, Dolphin Digital Media is authorized to use Dolphin Entertainment's brand properties in connection with social networking sites. The license requires that Dolphin Digital Media pays Dolphin Entertainment royalties at the rate of fifteen percent of the net sales from performance of the licensed activities. During the years ended December 31, 2013 and 2012, the Company did not use Dolphin Entertainment's brand properties and therefore no royalties were payable under the licensing agreement.

Corporate History

Dolphin Digital Media, initially known as Rising Fortune Incorporated, was incorporated in the State of Nevada on March 7, 1995. We were inactive between the years 1995 and 2003.

On June 23, 2008, we obtained an exclusive license to Dolphin Entertainment's family entertainment brand properties through the acquisition of 100% of the capital stock of Dolphin Digital Media ("DDM"), a newly formed Delaware corporation wholly owned by Mr. O'Dowd. In consideration of the acquisition, we issued 24,063,735 shares of our common stock (constituting fifty-one percent of our issued and outstanding common stock) to Mr. O'Dowd, and appointed Mr. O'Dowd our Chief Executive Officer and Chairman of the Board of Directors. At the time of the acquisition, DDM was the grantee of an exclusive ten-year worldwide license from Dolphin Entertainment, dated as of the date of the closing of the acquisition, to use Dolphin Entertainment's family entertainment brand properties. This license was the sole asset of DDM at the time of the acquisition, and DDM had not yet commenced planned principal operations. Under the license, we are authorized to use Dolphin Entertainment's brand properties in connection with the creation, promotion and operation of subscription based Internet social networking websites for children and young adults. The license requires that we pay to Dolphin Entertainment royalties at the rate of fifteen percent of our net sales from performance of the licensed activities. The acquisition was accounted for as a reverse merger and the goodwill was immediately impaired.

On July 29, 2008, we amended our Articles of Incorporation to change our name from Logica Holdings, Inc. to Dolphin Digital Media, Inc.

On August 4, 2011, the Company incorporated its wholly owned subsidiary Hiding Digital Productions, LLC.

On March 6, 2012, the Company incorporated its wholly owned subsidiary Cybergeddon Productions, LLC.

On May 21, 2012, the Company formed Dolphin Kids Clubs, LLC, and owns 75% interest in the entity, for the purpose of creating online kids clubs. In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification (ASC) 810-20, Dolphin Kids Clubs LLC is consolidated in the Company's financial statements. Amounts attributable to the noncontrolling interest will follow the provisions in the contractual arrangement. A note holder converted $1,500,000 of notes payable and contributed an additional $1,500,000 during the year ended December 31, 2012, for a 25% interest in Dolphin Kids Clubs, LLC. The Company will develop and maintain the kids club websites for its 75% interest in the entity. Noncontrolling interest is presented as a separate component of shareholders' equity.

Corporate Offices

Our corporate headquarters is located at 2151 Le Jeune Road, Suite 150-Mezzanine, Coral Gables, Florida 33134. Our telephone number is (305) 774-0407. The Company has an office located at 10866 Wilshire Boulevard, Suite 800, Los Angeles, California, 90024.

ITEM 1A. RISK FACTORS.

The Company has limited historical operations and we urge you to consider our likelihood of success and prospects in light of risks, expenses and difficulties encountered by entities at similar stages. The following is a summary of certain risks we face but they are not the only risks we face. Additional risks of which we are not presently aware or that we currently believe are immaterial may also harm our business and results of operations. The trading price of our common stock could decline due to the occurrence of any of these risks, and investors could lose all or part of their investment. In assessing these risks, investors should also refer to the other information contained or incorporated by reference in our other filings with the Securities and Exchange Commission.

Certain Risk Factors Relating to our Business

Our independent auditors have expressed that there is substantial doubt about our ability to continue as a going concern.

For the years ended December 31, 2013 and 2012, our independent auditors issued an explanatory paragraph in their audit report expressing substantial doubt about our ability to continue as a going concern based upon our net loss and negative cash flows from operations for the years ended December 31, 2013 and 2012 and our levels of working capital as of December 31, 2013 and 2012. The financial statements do not include any adjustments that might result from the outcome of these uncertainties. Management is planning to raise any necessary additional funds through loans, financing at the subsidiary level and additional sales of its common stock; however, there can be no assurance that the Company will be successful in raising any necessary additional capital.

Our business requires a substantial investment of capital.

The production, acquisition and distribution of a digital production requires a significant amount of capital. A significant amount of time may elapse between our expenditure of funds and the receipt of revenues from our productions. This time lapse may require us to fund a significant portion of our capital requirements through contributions from our CEO or other financing sources. Although we intend to continue to reduce the risks of our production exposure through financial contributions from distributors, advertisers, tax credit programs, and co-financiers and other sources, we cannot assure you that we will continue to successfully implement these arrangements or that we will not be subject to substantial financial risks relating to the production, acquisition, completion and release of future digital productions. In addition, if we increase (through internal growth or acquisition) our production slate or our production budgets, we may be required to increase overhead and/or make larger up-front payments to talent and, consequently, bear greater financial risks. Any of the foregoing could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

Budget overruns may adversely affect our business.

While our business model requires that we be efficient in the production of digital productions, actual production costs may exceed their budgets. The production, completion and distribution of a digital production can be subject to a number of uncertainties, including delays and increased expenditures due to disruptions or events beyond our control. As a result, if a motion picture or television production incurs substantial budget overruns, we may have to seek additional financing from outside sources to complete production or fund the overrun ourselves. We cannot make assurances regarding the availability of such financing or on terms acceptable to us, nor can we assure you that we will recoup these costs. Budget overruns could also prevent a production from being completed or released. Any of the foregoing could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

We may need to raise additional capital in the near future, and, if we are unable to secure adequate funds on acceptable terms, we may be unable to support our business plan and be required to suspend operations.

We may need to raise additional capital in the near term, and may seek to do so by conducting one or more private placements of equity securities, selling additional securities in a registered public offering, or through a combination of one or more of such financing alternatives. There can be no assurance that any additional capital resources will be available to us as and when required, or on terms that will be acceptable to us.

The following terms of our October 2007 financing, as amended, will make obtaining additional financing with acceptable terms more difficult and/or expensive: (i) no dividends may be paid with respect to common stock while the Preferred Stock is outstanding, unless said dividends are paid pro rata to the holders of the Preferred Stock and (ii) as long as the Preferred Stock is outstanding, the Company may not, without the approval of the holders of the Preferred Stock, authorize or create any class of stock ranking as to dividends or distribution of assets upon a liquidation senior to or otherwise pari passu with the Preferred Stock, or any preferred stock possessing greater voting rights or the right to convert at a more favorable price than the Preferred Stock.

If we are unable to raise the capital required on a timely basis, we may not be able to fund our projects and the development of the businesses of our subsidiaries. In such event, we may be required to suspend our plan of operations. Moreover, even if the necessary funding is available to us, the issuance of additional securities would dilute the equity interests of our existing stockholders, perhaps substantially.

Our success depends on the attraction and retention of senior management and technicians with relevant expertise.

Our future success will depend to a significant extent on the continued services of William O'Dowd, who conceived the business and overall operating strategy, and has been most instrumental in assisting us in raising capital and currently serves as our CEO. The Company entered into a three year employment agreement with Mr. O'Dowd effective January 1, 2012. Our ability to execute our strategy also will depend on our ability to attract and retain qualified technicians and sales, marketing and additional managerial personnel. If we are unable to find, hire and retain qualified individuals, we could have difficulty implementing our business plan in a timely manner, or at all.

A number of factors may cause our consolidated operating results to fluctuate on a quarterly or annual basis, which may make it difficult to predict our future operating results.

We expect our consolidated revenues and expenses to fluctuate, making it difficult to predict our future operating results. Factors that could cause our operating results to fluctuate include:

- demand in the markets that we serve;
- our ability to define, design and release new products that meet customer needs, and to do so quickly and cost effectively;
- market acceptance of new and enhanced versions of our products;
- variations in the performance of our businesses;
- our ability to forecast demand in the markets that we serve;
- general economic conditions in the countries where we operate; and
- changes in exchange rates, interest rates and tax rates.

Any of the above factors, many of which are beyond our control, could significantly harm our business and results of operations. The results of a prior quarter or annual period should not be relied upon as an indicator of future operating performance.

Certain Risk Factors Relating to our Common Stock

The market for common stock is limited, and you may not be able to sell the shares of our common stock that you hold.

Our common stock is currently traded on pink sheets, not on a national securities exchange. Therefore, our common stock is thinly traded, the market for purchases and sales of our common stock is limited and the sale of a limited number of shares could cause the price to fall significantly. Accordingly, it may be difficult to sell shares of our common stock quickly without significantly depressing the value of the stock. Unless we are successful in developing continued investor interest in our stock, sales of our stock could continue to result in major fluctuations in the price of the stock.

Stockholder interest in us may be substantially diluted as a result of the sale or issuance of additional securities pursuant to existing commitments and to fund our plan of operation.

Issuances of additional shares of common stock would result in dilution of the percentage interest in our common stock of all stockholders ratably and might result in dilution in the tangible net book value of a share of our common stock, depending upon the price and other terms on which the additional shares are issued. In addition, the issuance of additional shares of common stock upon exercise of the warrants or stock options, or even the prospect of such issuance, may have an effect on the market for our common stock and may have an adverse impact on the price at which shares of our common stock trade.

If securities or industry analysts do not publish research reports about our business or if they make adverse recommendations regarding an investment in our common stock, our stock price and trading volume may decline.

The trading market for our common stock will be influenced by the research reports that industry or securities analysts publish about our business. We do not currently have, and may never obtain, research coverage by industry or securities analysts. If no industry or securities analysts commence coverage of us, the trading price of our common stock could be negatively impacted. In the event, we obtain industry or security analyst coverage, and if one or more of the analysts downgrade our stock or comment negatively on our prospects, our stock price would likely decline. If one or more of these analysts cease to cover us or our industry or fails to publish reports about us regularly, our common stock could lose visibility in the financial markets, which could also cause our stock price or trading volume to decline.

We may be the subject of securities class action litigation due to future stock price volatility.

Our common stock price has fluctuated significantly and may continue to do so in the future. We expect that the market price of our common stock will likely continue to fluctuate significantly and remain highly volatile. We will not have control over the factors that cause such volatility. Historically, when the market price of a stock has been volatile, holders of that stock have often initiated securities class action litigation against the company that issued the stock. If any of our stockholders bring a similar lawsuit against us, we could incur substantial costs defending the lawsuit. The lawsuit could also divert the time and attention of our management from the operation of our business.

We do not intend to declare cash dividends on our common stock.

We will not distribute any cash to our stockholders until and unless we can develop sufficient funds from operations to meet our ongoing needs and implement our business plan. As a result, your only opportunity to achieve a return on your investment in us will be if the market price of our common stock appreciates and you sell your shares at a profit. The future market price for our common stock may never exceed the price that you pay for our common stock.

We have identified material weaknesses in our internal control over financial reporting and our business and stock price may be adversely affected if we do not adequately address those weaknesses.

The existence of these or one or more other material weaknesses or significant deficiencies could result in errors in our financial statements, and substantial costs and resources may be required to rectify any internal control deficiencies. If we cannot produce reliable financial reports, investors could lose confidence in our reported financial information, the market price of our stock could decline, we may be unable to obtain additional financing to operate and expand our business and our business and financial condition could be harmed.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

As of the date of this report, we do not own any real property. The Company leases 3,332 square feet of office space at 2151 Le Jeune Road, Suite 150-Mezzanine, Coral Gables, Florida 33134 at a monthly rate of $5,388.49 with annual increases. In 2012, the Company opened an office in Los Angeles, California and currently leases 4,582 square feet of office space at 10866 Wilshire Boulevard, Suite 800, Los Angeles, California 90024 at a monthly rate of $13,746 with annual increases of 3% for years 1-3 and 3.5% for the remainder of the lease. We believe our current facilities are adequate for our operations for the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS.

On or about January 25, 2010, an action was filed by Tom David against Winterman Group Limited, Dolphin Digital Media (Canada) Ltd., Malcolm Stockdale and Sara Stockdale in the Superior Court of Justice in Ontario (Canada) alleging breach of a commercial lease and breach of a personal guaranty. On or about March 18, 2010, Winterman Group Limited, Malcolm Stockdale and Sara Stockdale filed a Statement of Defense and Crossclaim. In the Statement of Defense, Winterman Group Limited, Malcolm Stockdale and Sara Stockdale deny any liability under the lease and guaranty. In the Crossclaim filed against Dolphin Digital Media (Canada) Ltd., Winterman Group Limited, Malcolm Stockdale and Sara Stockdale seek contribution or indemnity against Dolphin Digital Media (Canada) Ltd. alleging that it agreed to relieve Winterman Group Limited, Malcolm Stockdale and Sara Stockdale from any and all liability with respect to the lease or the guaranty. On or about March 19, 2010, Winterman Group Limited, Malcolm Stockdale and Sara Stockdale filed a Third Party Claim against the Company seeking contribution or indemnity against the Company, formerly known as Logica Holdings, Inc., alleging that the Company agreed to relieve Winterman Group Limited, Malcolm Stockdale and Sara Stockdale from any and all liability with respect to the lease or the guaranty. The Third Party Claim was served on the Company on April 6, 2010. On or about April 1, 2010, Dolphin Digital Media (Canada) filed a Statement of Defense and Crossclaim. In the Statement of Defense, Dolphin Digital Media (Canada) denied any liability under the lease and in the Crossclaim against Winterman Group Limited, Malcolm Stockdale and Sara Stockdale, Dolphin Digital Media (Canada) seeks contribution or indemnity against Winterman Group Limited, Malcolm Stockdale and Sara Stockdale alleging that the leased premises were used by Winterman Group Limited, Malcolm Stockdale and Sara Stockdale for their own use. On or about April 1, 2010, Dolphin Digital Media (Canada) also filed a Statement of Defense to the Crossclaim denying any liability to indemnify Winterman Group Limited, Malcolm Stockdale and Sara Stockdale. On or about March 12, 2012, the Court served a Status Notice on all the parties indicating that since more than (2) years had passed since a defence in the action had been filed, the case had not been set for trial and the case had not been terminated, the case would be dismissed for delay unless action was taken within ninety (90) days of the date of service of the notice. The Company has not filed a motion to dismiss this case and no further action has been taken in this case. The ultimate results of these proceedings against the Company could result in a loss ranging from 0 to $325,000. On March 23, 2012, Dolphin Digital Media (Canada) Ltd filed for bankruptcy in Canada. The bankruptcy will not protect the Company from the Third Party Claim filed against it. However, the Company has not accrued for this loss because it believes that the claims against it are without substance and it is not probable that they will result in loss. During the years ended December 31, 2013 and 2012, the Company has not received any other notifications related to this action.

ITEM 4. MINE SAFETY DISCLOSURES*.*

Not applicable

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market for Our Common Stock

Our common stock was traded on the over-the-counter market and was quoted on the OTC Bulletin Board under the symbol "DPDM.OB from November 2, 2006 to November 29, 2012. Pursuant to NASD Rule 6530 (c), effective November 29, 2012, our securities were removed from quotation on the OTCBB for not meeting our reporting requirements three times in a 24 month period. Our shares are currently quoted on the "pink sheets" of the over the counter market under the symbol "DPDM". We intend to become current in our filings beginning with the quarterly report on Form 10-Q for the quarter ended June 30, 2014. The high and low bid information for each quarter since January 1, 2010, as quoted on the OTC, is as follows:

Quarter	High Bid	Low Bid
Fourth Quarter 2013	$ .07	$ .05
Third Quarter 2013	$ .09	$ .02
Second Quarter 2013	$ .06	$ .02
First Quarter 2013	$ .15	$ .03
Fourth Quarter 2012	$ .08	$ .04
Third Quarter 2012	$ .16	$ .10
Second Quarter 2012	$ .10	$ .04
First Quarter 2012	$ .13	$ .08

The quotations above reflect inter-dealer prices, without retail mark-up, markdown or commissions and may not reflect actual transactions. Such quotes are not necessarily representative of actual transactions or of the value of the Company's securities, and are, in all likelihood, not based upon any recognized criteria of securities valuation as used in the investment banking community.

The trading volume for the Company's common stock is relatively limited. There is no assurance that an active trading market will continue to provide adequate liquidity for the Company's existing shareholders or for persons who may acquire the Company's common stock in the future.

Holders

As of August 15, 2014, an aggregate of 81,892,352 shares of our common stock were issued and outstanding and were owned by approximately 290 stockholders of record, based on information provided by our transfer agent.

Dividends

We have never paid dividends on our common stock and do not anticipate that we will do so in the foreseeable future.

Equity Compensation Plan Information

On September 7, 2012, the Company's Board of Directors approved an Incentive Compensation Plan. The plan was enacted as a way of attracting and retaining exceptional employees and consultants by enabling them to share in the long term growth and financial success of the Company. The plan will be administered by the Board of Directors or a committee designated by the board. As part of the increase in authorized shares, the Board of Directors has designated 10,000,000 common shares for this plan. No awards were issued during the years ended December 31, 2013 and 2012 related to this plan.

Recent Sales of Unregistered Securities

None.

ITEM 6. SELECTED FINANCIAL DATA

Not required for smaller reporting companies.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS.

You should read the following discussion in conjunction with our audited historical consolidated financial statements, which are included elsewhere in this Form 10-K. Management's Discussion and Analysis of Financial Condition and Results of Operation contains statements that are forward-looking. These statements are based on current expectations and assumptions, which are subject to risk, uncertainties and other factors.

Management's discussion and analysis of results of operations and financial condition ("MD&A") is a supplement to the accompanying consolidated financial statements and provides additional information on Dolphin Digital Media, Inc's (the "Company," "we," "us," or "our") business, current developments, financial condition, cash flows and results of operations.

Revenues

One of Dolphin Digital Media, Inc. revenue streams is the production and distribution of online content. Revenues from this source are derived from the following:

- Producer's Fees: Dolphin Digital Studios will earn fees for producing each web series, as included in the production budget for each project;

- Advertising Revenue: typically, Dolphin Digital Studios will be entitled to between 50-60% of all advertising revenue generated by its distribution partner from the online distribution of any particular web series; and

- Sponsorship Revenue: Dolphin Digital Studios will generally retain between 70-100% of any product integration fees, or sponsorship revenues, associated with any of its web series.

The web series can be repackaged for distribution into "traditional media," such as television and home video, on a worldwide scale, which will significantly increase the revenue potential for any particular web series.

During 2012, the Company produced and released two web series, "Cybergeddon" and "Hiding", and derived revenues of approximately $3,864,000 from these two projects. For the year ended December 31, 2013, the Company derived additional revenues in the amount of approximately $800,000 from sponsorship and foreign distribution of its productions. Subsequent to year end, "Cybergeddon" was packaged for home video sales that went to market in March of 2014. The Company expects to derive additional revenues from these sales. During 2013, the Company concentrated its efforts in identifying and acquiring the rights to certain properties that it intends to produce for online distribution. We are currently negotiating a deal for a variety of digital projects that, if executed, would expect to produce revenues in the first quarter of 2015.

The Company has partnered with several organizations to create kids clubs. The Company did not derive any significant revenues from the kids clubs during 2013 and 2012. Subsequent to year end, the Company derived some immaterial revenues from membership fees from its partnership with a worldwide philanthropic organization. The Company expects to have additional revenues from membership fees of its kids clubs in the third and fourth quarter of 2014.

During the year ended December 31, 2013, the Company entered into an agreement with a related party (indirectly owned by our CEO) to provide services of its management team and back office. The terms of the agreement are between April 1, 2013 and December 31, 2014. Dolphin Digital Media's team has vast experience in sourcing material for productions, hiring and supervising production and post-production teams and negotiating distribution deals in foreign markets. The related party has agreed to pay an annual fee of $2,000,000 for these services. The contract is effective April 1, 2013, and correspondingly, for the year ended December 31, 2013, the Company derived $1,500,000 from this agreement.

Expenses

Our primary operating expenses include direct costs, payroll and general and administrative costs.

Direct costs include amortization of capitalized production costs, participation and residual costs and marketing costs attributable to a production. Direct costs decreased from $3,416,145 in 2012 to $683,032 in 2013. The Company amortizes capitalized production costs using the individual film forecast method that uses a ratio of actual revenues over ultimate revenues expected for the production. Two web series were released in 2012 and the majority of the ultimate revenues expected from these productions were derived in 2012. As a result, most of the costs were also amortized during 2012.

General and administrative costs increased from $1,912,613 in 2012 to $2,393,940 in 2013. This is mainly due to approximately $90,000 related to the creation of websites and licensing fees for the kids clubs. We also increased the use of consultants in our web series business to source partners for sponsorship in a production and develop new business initiatives, costing approximately $175,000. Travel and entertainment increased by approximately $100,000 as our CEO has significantly increased his travel to develop new business and manage the Los Angeles office.

Payroll costs decreased from $1,926,182 to $1,163,831 mostly due to the CEO receiving a one-time bonus during the year ended December 31, 2012 in the amount of $1,000,000 that has been accrued. The Company increased its head count by five employees during 2013 with a total payroll costs related to these new hires of approximately $240,000.

Other Income and expenses

Other Income and expenses decreased by $519,769 from $5,041 in 2012 to $(514,728) in 2013. This is mainly due to the Company deconsolidating its foreign subsidiary resulting in a net gain on deconsolidation of $228,495 during 2012. The Company's interest expense increased by $236,619 from $336,249 in 2012 to $562,868 in 2013 mostly due to interest accrued on our CEO's compensation and interest accrued on the loans from our CEO that increased by a net amount of $2,262,000 during 2013. During 2012, the Company recorded a gain from the valuation of a derivative financial liability in the amount of $63,098. This derivative financial liability was cancelled during 2012.

The net loss was $2,461,650 or $(0.03) per share based on 81,892,352 weighted average shares outstanding for the year ended December 31, 2013 and $3,385,964 or $(0.04) per share based on 81,892,352 weighted average shares outstanding for the year ended December 31, 2012. The decrease in net loss between 2013 and 2012 was related to the factors discussed above.

Liquidity and Capital Resources

Cash flows used in operating activities decreased by $1,191,671 from $2,959,422 for the fiscal year ended December 31, 2012 to $1,767,751 for the fiscal year ended December 31, 2013. This is mainly due to the use of funds related to capitalized production costs decreasing by $2,338,681 from $2,627,891 for year ended December 31, 2012 to $289,210 for year ended December 31, 2013. This decrease was related to costs incurred for the two web series the Company produced and released during 2012. In addition, the Company decreased its' use of cash for other current liabilities by $875,724 due to the Company paying during 2012 approximately $1,100,000 for production costs of "Hiding" that had been incurred during 2011 offset by production costs paid during 2013 of approximately $240,000 that were incurred during 2012. The Company used several consultants during 2013 to assist developing partnerships for digital projects, sourcing integration partners, and website development for kids clubs. For the year ended December 31, 2013, the Company increased cash derived from other current assets by $159,869 mostly due to a producer's fee of $150,000 received during the year ended December 31, 2013. During 2013, cash flows used for investing activities were minimal and did not significantly change.

Cash flows from financing activities decreased by $1,033,000 from $3,240,000 in 2012 to $2,207,000 for the year ended December 31, 2013. This decrease is mostly due to the Company receiving $2,850,000 as partial payment for a 25% interest in the Company's subsidiary, Dolphin Kids Clubs, LLC (The total investment was $3,000,000 of which $150,000 was received during 2011). During 2012, the Company also received $250,000 from the sale of common stock, $35,000 from the sale of warrants and $105,000 for a revenue sharing agreement accounted for as debt. This is offset by a net $2,262,000 received as loans from our CEO and repayment of a note payable in the amount of $55,000.

As of December 31, 2013 and 2012 the Company had cash of $706,641 and $282,675 and a working capital deficit of $7,733,655 and $5,477,532 respectively.

Our independent auditors issued an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern based upon our net loss for the years ended December 31, 2013 and 2012, our accumulated deficit as of December 31, 2013 and 2012 and our level of working capital. The financial statements do not include any adjustments that might result from the outcome of these uncertainties. Management is planning to raise any necessary additional funds through loans, financing at the subsidiary level and additional sales of its common stock; however, there can be no assurance that the Company will be successful in raising any necessary additional loans or capital. During the first two quarters of 2014, the Company generated some immaterial revenues from its kids club business and believes it will increase revenues from this source during the third and fourth quarters of 2014. The Company is currently negotiating a deal for a variety of web series that it believes will generate revenues during the first quarter of 2015. The Company intends to finance these productions through project-specific financing.

Critical Accounting Policies, Judgments and Estimates

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). The preparation of these consolidated financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimate that are reasonably likely to occur, could materially impact the consolidated financial statements. We believe that the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of the consolidated financial statements.

Advertising Costs

The Company accounts for advertising costs in accordance with provisions in Financial Accounting Standard Board ("FASB") Accounting Standards Codification ("ASC") ASC 720-35-25 which states that advertising costs can be expensed as incurred or the first time the advertising takes place. The Company expensed $423,224 in general and administrative as advertising costs for certain web productions during the year ended December 31, 2012 and did not have any significant advertising costs for the year ended December 31, 2013.

Capitalized Production Costs

Capitalized production costs represent the costs incurred to develop and produce a web series. These costs primarily consist of salaries, equipment and overhead costs, as well as the cost to acquire rights to scripts. Web series costs are stated at the lower of cost, less accumulated amortization and tax credits, if applicable, or fair value. These costs are capitalized in accordance with FASB ASC Topic 926-20-50-2 “Other Assets – Film Costs”. Unamortized capitalized production costs are evaluated for impairment each reporting period on a title-by-title basis. If estimated remaining revenue is not sufficient to recover the unamortized capitalized production costs for that title, the unamortized capitalized production costs will be written down to fair value.

We are responsible for certain contingent compensation, known as participations, paid to certain creative participants such as writers, directors and actors. Generally, these payments are dependent on the performance of the web series and are based on factors such as total revenue as defined per each of the participation agreements. We are also responsible for residuals, which are payments based on revenue generated from secondary markets and are generally paid to third parties pursuant to a collective bargaining, union or guild agreement. These costs are accrued to direct operating expenses as the revenues, as defined in the participation agreements, are achieved and as sales to the secondary markets are made triggering the residual payment.

Due to the inherent uncertainties involved in making such estimates of ultimate revenues and expenses, these estimates are likely to differ to some extent in the future from actual results. Our management regularly reviews and revises when necessary its ultimate revenue and cost estimates, which may result in a change in the rate of amortization of film costs and participations and residuals and/or write-down of all or a portion of the unamortized deferred production costs to its estimated fair value. Our management estimates the ultimate revenue based on existing contract negotiations with domestic distributors and international buyers as well as management’s experience with similar productions in the past.

An increase in the estimate of ultimate revenue will generally result in a lower amortization rate and, therefore, less amortization expense of deferred productions costs, while a decrease in the estimate of ultimate revenue will generally result in a higher amortization rate and, therefore, higher amortization expense of capitalized production costs, and also periodically results in an impairment requiring a write-down of the capitalized production costs to fair value. These write-downs are included in production expense within our consolidated statements of operations. For the year ended December 31, 2012, the Company impaired approximately $229,000 of capitalized production costs. There were no impairments for the year ended December 31, 2013.

Derivative Financial Instruments

We do not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. However, during the year ended December 31, 2008, we entered into an agreement to provide anti-dilution protection to our CEO for his 51% of outstanding shares. Since the instrument did not meet the criteria for equity classification, it was required to be carried as a freestanding derivative instrument, at fair value, in our consolidated financial statements.

Derivative financial instruments consist of financial instruments or other contracts that contain a notional amount and one or more underlying variables (e.g. interest rate, security price or other variable), require no initial net investment and permit net settlement. Derivative financial instruments may be free-standing or embedded in other financial instruments. Further, derivative financial instruments are initially, and subsequently, measured at fair value and recorded as liabilities or, in rare instances, assets. The changes in fair values at each reporting period, or interim period, are recorded as a charge or a benefit to earnings included in the Other Income (Expense) section of the Company’s Consolidated Statement of Operations.

We estimated the fair values of the derivative financial instruments using a Monte Carlo simulation that was considered to be consistent with the objective measurement of fair values. In selecting the appropriate technique, we considered, among other factors, the nature of the instrument, the market risks that it embodied and the expected means of settlement. Estimating fair values of the derivative financial instruments required the development of significant and subjective estimates that may have changed over the duration of the instrument with related changes in internal and external market factors. In addition, option-based techniques are highly volatile and sensitive to changes in the trading market price of our common stock. Since the derivative financial instruments were initially and subsequently carried at fair values, our income or loss reflected the volatility in the changes to these estimates and assumptions.

The Company adopted a sequencing policy for the latest-inception or maturity-date first for share reclassification as it relates to the total authorized and unissued common shares. The Company reviewed its classification of all contracts (warrants, issuable anti-dilution shares, convertible preferred shares and contingent shares) and concluded that their current classification is appropriate based upon the Company's sequencing policy set forth in ASC 815-40-35-12 & 13 and that is has sufficient authorized and unissued shares.

Revenue Recognition

In general, the Company records revenue when persuasive evidence of an arrangement exists, products have been delivered or services have been rendered, the selling price is fixed and determinable, and collectability is reasonably assured. The Company recognizes monthly and annual subscription revenues over the service period. Advertising revenue is recognized over the period the advertisement is displayed.

When accounting for service contracts, we consider the nature of these contracts and the types of and services provided when determining the proper accounting for a particular contract. Revenue from service-type fixed-price contracts is recognized ratably over the contract period and contract costs are expensed as incurred. The risk to us on a fixed-price contract is that if estimates to complete the contract change from one period to the next, profit levels will vary from period to period. For all types of contracts, we recognize anticipated contract losses as soon as they become known and estimable. Out-of-pocket expenses that are reimbursable by the customer are included in revenue and cost of revenue.

The use of contract accounting requires significant judgment relative to estimating total contract revenues and costs, including assumptions relative to the length of time to complete the work, the nature and complexity of the work to be performed and anticipated increases in wages for subcontractor services. Our estimates are based upon the professional knowledge and experience of our personnel. Changes in estimates are applied prospectively and when adjustments in estimated contract costs are identified, such revisions may result in current period adjustments to earnings applicable to performance in prior periods.

Revenue from web series are recognized in accordance with guidance of FASB ASC 926-60 "*Revenue Recognition – Entertainment-Films"*. Revenue is recorded when a contract with a buyer for the web series exists, the web series is complete in accordance with the terms of the contract, the customer can begin exhibiting or selling the web series, the fee is determinable and collection of the fee is reasonable. On occasion, the Company may enter into agreements with third parties for the co-production or distribution of a web series. The Company may also enter into agreements for the sponsorship or integration of a product in a web series productions. Revenue from these agreements will be recognized when the web series is complete and ready to be exploited. In addition, the advertising revenue is recognized at the time advertisements are shown when a web series is aired. Cash received and amounts billed in advance of meeting the criteria for revenue recognition is classified as deferred revenue.

Income Taxes

Deferred taxes are recognized for the future tax effects of temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using tax rates in effect for the years in which the differences are expected to reverse. The effects of changes in tax laws on deferred tax balances are recognized in the period the new legislation in enacted. Valuation allowances are recognized to reduce deferred tax assets to the amount that is more likely than not to be realized. In assessing the likelihood of realization, management considers estimates of future taxable income. We calculate our current and deferred tax position based on estimates and assumptions that could differ from the actual results reflected in income tax returns filed in subsequent years. Adjustments based on filed returns are recorded when identified.

Tax benefits from an uncertain tax position are only recognized if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution. Interest and penalties related to unrecognized tax benefits are recorded as incurred as a component of income tax expense.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements, see Note 4 to the audited consolidated financial statements contained elsewhere in this form 10K.

Off-Balance Sheet Arrangements

As of December 31, 2013 and 2012 we did not have any off-balance sheet arrangements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements required by this Item 8 are included at the end of this Report beginning on page F-1 as follows:

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Management's Report on the Effectiveness of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer, to allow timely decisions regarding required disclosure.

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of December 31, 2013. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective due to material weaknesses identified in the Company's internal control over financial reporting described below.

We are responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined by Securities Exchange Act Rule 13a-15(f). Our internal controls are designed to provide reasonable assurance as to the reliability of our financial statements for external purposes in accordance with accounting principles generally accepted in the United States.

Internal control over financial reporting has inherent limitations and may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable, not absolute, assurance with respect to financial statement preparation and presentation. Further, because of changes in conditions, the effectiveness of internal control over financial reporting may vary over time.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our internal control over financial reporting as of December 2013, as required by Securities Exchange Act Rule 13a-15(c). In making our assessment, we have utilized the criteria set forth by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission in the 1992 Internal Control —Integrated Framework. We concluded that based on our evaluation, our internal control over financial reporting was not effective as of December 31, 2013, due to material weaknesses identified as follows:

- In connection with the audit of our consolidated financial statements for the fiscal year ended December 31, 2013, our independent registered accounting firm reported to our Board of Directors that they determined the following design deficiencies related to the entity level control environment, including risk assessment, information and communication and monitoring controls.
  - The Board of Directors does not maintain minutes of its meetings. In addition, there is no independent Audit Committee of the Board of Directors.
  - There is no documented fraud risk assessment or risk management oversight function.
  - There are no documented procedures related to financial reporting matters (both internal and external) to the appropriate parties.
  - There is no budget prepared and therefore monitoring controls are not designed effectively as current results cannot be compared to expectations.
  - There is no documented process to monitor and remediate deficiencies in internal controls.

  After a review of our current entity level control environment, management concluded that the above deficiencies represented a material weakness.

- In connection with the audit of our consolidated financial statements for the fiscal year ended December 31, 2013, our independent registered accounting firm reported to our Board of Directors that they observed inadequate documented review and approval of certain aspects of the accounting process including the documented review of accounting reconciliations and journal entries that they considered to be a material weakness in internal control. Specifically:
  - There is no documented period end closing procedures, specifically the individuals that are responsible for preparation, review and approval of period end close functions.
  - Reconciliations are performed on all balance sheet accounts, including noncontrolling interest on at least a quarterly basis; however there is no documented review and approval by a member of management that is segregated from the period end financial reporting process.
  - There is no review and approval for the posting of journal entries.

  After a review of our current review and approval of certain aspects of the accounting process, management concluded that the inadequate documented review and approval process represented a material weakness.

- In connection with the audit of our consolidated financial statements for the fiscal year ended December 31, 2013, our independent registered accounting firm reported to our Board of Directors that they observed inadequate segregation of duties within the accounting process including the following:

  • One individual has the ability to add vendors to the master vendor file. This individual also has access to the Company checkbook that is maintained in a secured location.

  • One individual has sole access to our information technology system to initiate, process and record financial information. We have not developed any internal controls related to information technology systems including change management, physical security, access or program development.

  After a review of our current accounting process and the individuals involved, management concluded that the inadequate documented review and approval process represented a material weakness.

- During the quarter ended September 30, 2012, the Company did not correctly account for tax credits to be received in connection with certain web series production. The Company had initially included the calculation as a component of ultimate revenues. Upon further evaluation, the tax credits should have been recorded as a reduction of deferred production costs and reduction of other current liabilities. After a review of our current analysis and approval of reporting requirements, management concluded that the inadequate review and approval process of proper accounting treatment represented a material weakness.

- During the quarter ended June 30, 2008, the Company entered into an agreement with our CEO that provided certain anti-dilution protection for a period of five years. During the quarter ended September 30, 2012, the Company issued common shares in compliance with the anti-dilution agreement. Upon further evaluation of the accounting treatment, the Company concluded that the agreement should have been recorded as a derivative liability with changes in fair value recorded at each reporting period. Management concluded that there was a material error and restated the annual reports for the years ended December 31, 2011 and 2010 and the interim periods ended June 30, 2012, March 31, 2012, September 30, 2011, June 30, 2011 and March 31, 2011. After a review of our current review and approval of certain aspects of the accounting process, management concluded that the inadequate review and approval process of material agreements for the proper accounting treatment represented a material weakness.

- In connection with the audit of our consolidated financial statements for the fiscal year ended December 31, 2012, our independent registered accounting firm reported to our Board of Directors that they determined the Company does not have sufficient controls surrounding the retention of support for certain revenue transactions. We did not have documentation of agreements that provided persuasive evidence of a revenue arrangement for certain amounts of revenue that were recognized at December 31, 2012.

Remediation of Material Weaknesses in Internal Control over Financial Reporting

During the year ended December 31, 2013, the Company implemented the following improvements to remediate some of the material weaknesses in internal control over financial reporting that had been reported on our Form 10K for the year ended December 31, 2012:

- The Company prepared and an employee handbook detailing policies and procedures related to ethical behavior. A training was held to review the handbook and each employee was asked to provide a signed acknowledgement that they had read and reviewed the handbook.

- The Company has implemented a review process of all bank reconciliations in which they are reviewed and signed off by the CEO on a monthly basis.

In order to remediate the other material weaknesses in internal control over financial reporting, the Company is in the process of finalizing a remediation plan, under the direction of the Company's Board of Directors, and intends to implement improvements during fiscal year 2014 as follows:

- The Company's Board of Directors will review the COSO "Internal Control over Financial Reporting - Guidance for Smaller Public Companies" that was published in 2006 including the control environment, risk assessment, control activities, information and communication and monitoring. Based on this framework, the Board of Directors will implement controls as needed assuming a cost benefit relationship. In addition, the Company's Board of Directors will also evaluate the key concepts of the updated 2013 COSO "Internal Control – Integrated Framework" as it provides a means to apply internal control to any type of entity

- Document all significant accounting policies and ensure that the accounting policies are in accordance with accounting principles generally accepted in the United States and that internal controls are designed effectively to ensure that the financial information is properly reported. Management will engage independent accounting specialists to ensure that there is an independent verification of the accounting positions taken.

- The Company will implement a higher standard for document retention and support for all items related to revenue recognition. All revenue arrangements that are entered into by the Company will be evaluated under the applicable revenue guidance and Management should document their position based on the facts and circumstances of each agreement.

- In connection with the reported inadequately documented review and approval of certain aspects of the accounting process, management has plans to review the current review and approval processes and implement changes to ensure that all material agreements, accounting reconciliations and journal entries are reviewed and approved on a timely basis and that this review is documented by a member of management separate from the preparer. A documented quarter end close procedure will be established whereby management will review and approve reconciliations and journal entries prepared by the outside accountant. Management will formally approve new vendors that are added to the master vendor file.

Limitations on Effectiveness of Controls and Procedures

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The Company's management, including its Chief Executive Officer and its Chief Financial Officer, do not expect that the Company's disclosure controls will prevent or detect all errors and all fraud. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Controls

Except as noted above, during the fiscal year ended December 31, 2013, there have been no changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

The Company is neither an accelerated filer nor a large accelerated filer, as defined in Rule 12b-2 under the Exchange Act, and is not otherwise including in this Annual Report an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not required to be attested by the Company's registered public accounting firm pursuant to Item 308(b) of Regulation S-K.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE.

Directors and Officers

The Directors and Executive Officers of the Company and the positions held by each of them are as follows. All directors serve until the Company's next annual meeting of shareholders.

NAME	AGE	PRINCIPAL OCCUPATION
William O'Dowd, IV	44	Chief Executive Officer and Chairman of the Board of Directors
Michael Espensen	63	Director
Mirta A Negrini	50	Chief Financial and Operating Officer

Biographical Information

William O'Dowd, IV. Mr. O'Dowd graduated with honors from Harvard Law School, has received a master's degree in modern European history from Creighton University, and was named 1st-Team Academic All-American by USA Today while an undergraduate at Creighton. He was appointed Chief Executive Officer and Chairman of the Board of Directors on June 25, 2008. Mr. O'Dowd founded Dolphin Entertainment, Inc. in 1996 and has served as its principal executive officer and chairman since that date. Dolphin Entertainment is an entertainment company specializing in children's and young adult's live-action programming.

Michael Espensen. Mr. Espensen was appointed a Director of the Company on June 25, 2008. Mr. Espensen has been a real estate developer for over thirty years. In that time he has developed over 5,000 multi-family units, twenty-nine office buildings, and over 2,500 residential lots in Texas, Florida, North Carolina, and South Carolina. Aside from real estate development and investment, Mr. Espensen is also involved as a producer and investor in family entertainment for television and feature films. Mr. Espensen attended Trinity University and the University of Texas at Austin. Past titles include: President of the San Antonio Homebuilders Association, Director of the Texas Association of Homebuilders, and Director of the National Title Company. Currently, he is the CEO and Director of Keraplast Technologies, LTD.

Mirta A Negrini. Mirta A. Negrini graduated with a Masters in Professional Accounting from the University of Miami and is a Certified Public Accountant licensed in the State of Florida. Ms. Negrini has over thirty years of experience in both private and public accounting, most recently as a named partner in a firm of which Dolphin Digital Media, Inc. was a client. Ms. Negrini was appointed Chief Financial and Operating Officer of the Company on October 21, 2013.

Background and Qualifications of Directors

When considering whether directors and nominees have the experience, qualifications, attributes and skills, taken as a whole, to enable the Board of Directors to satisfy its oversight responsibilities effectively in light of the Company's business and structure, the Company's Board focuses primarily on each person's background and experience as reflected in the information discussed in each of the directors' individual biographies set forth above. We believe that our directors provide an appropriate mix of experience and skills relevant to the size and nature of our business. As more specifically described in the biographies set forth above, our directors possess relevant knowledge and experience, industry-specific and otherwise, in the family entertainment, Internet networking, legal, and business fields generally, which we believe enhances the Board's ability to oversee, evaluate and direct our overall corporate strategy. Our Board annually reviews the composition and size of the Board so that the Board consists of members with the proper expertise, qualifications, attributes, skills, and personal and professional backgrounds needed by the Board, consistent with applicable regulatory requirements.

Code of Ethics

We have adopted a code of ethics for our officers and directors that is included as Exhibit 10.3 to this document.

Committees of the Board

Our Board of Directors does not currently have any committees. The roles and responsibilities of an audit committee, nominating committee and compensation committee are conducted by our full Board.

Of our two directors, only Michael Espensen is independent.

Compliance with Section 16(a) of the Exchange Act

Based solely upon a review of Forms 3 and 4 and amendments thereto furnished to the Company under Rule 16a-3(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") during the year ended December 31, 2013, Mr. O'Dowd and Mr. Espensen have not filed on a timely basis the reports required by section 16(a) of the Exchange Act.

ITEM 11. EXECUTIVE COMPENSATION.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	All Other Compensation ($)	Total ($)
William O'Dowd, IV, CEO,	2013	$250,000		0	0	0	$ 250,000
President and Chairman (1)	2012	$250,000	$ $1,000,000	0	0	0	$ 1,250,000
Nelson Famadas, COO (2)	2013	$ 0	0	0	0	0	0
	2012	$ 0	0	0	0	0	0
Mirta A Negrini (3)	2013	$ 37,500					$ 37,500
Chief Financial and Operating							
Officer	2012	$ 0					0

(1) The Company entered into an employment agreement with its CEO, William O'Dowd effective January 1, 2012. Per the terms of the agreement, the Company accrued $250,000 and $1,250,000 for compensation for the years ended December 31, 2013 and 2012, respectively. Mr. O'Dowd did not receive any payments related to this compensation.

(2) Appointed Chief Operating Officer effective July 1, 2010. Mr. Famadas resigned all positions with the Company on March 27, 2012.

(3) The Company appointed Ms. Negrini as Chief Financial and Operating Officer effective October 21, 2013 at an annual salary of $150,000.

Outstanding Equity Awards at Fiscal Year-End

None of the executive officers named in the table above had any outstanding equity awards as of December 31, 2013 and 2012.

On June 23, 2008, we acquired Dolphin Digital Media, a company owned by Mr. O'Dowd, which company was the grantee of an exclusive ten-year worldwide license from Dolphin Entertainment, dated as of the date of the closing of the acquisition, to use Dolphin Entertainment's family entertainment brand properties. In connection with the acquisition we issued to Mr. O'Dowd that number of shares of our common stock constituting fifty-one percent of our issued and outstanding common stock and we granted to Mr. O'Dowd certain anti-dilution protection for five (5) years from the date of the acquisition under which we agreed to issue such number of shares of our common stock as necessary for Mr. O'Dowd to maintain his fifty-one percent ownership any time that we issue additional shares to a party other than Mr. O'Dowd, or upon the exercise by any such party of options, warrants, notes or other securities exercisable or exchangeable for, or convertible into, any share of our common stock. During 2012, Mr. O'Dowd was issued 17,701,365 shares related to this agreement and agreed to terminate any further liability related to this agreement.As such, no shares related to this agreement were issued to Mr. O'Dowd during 2013.

Employment Agreements

On September 7, 2012, the Company entered into an employment agreement with its CEO. The employment agreement was effective January 1, 2012 and will continue for an initial term of three years, thereafter, subject to a two year renewal at the option of the CEO. The agreement states that the Executive will receive annual compensation of $250,000. In addition, the CEO is entitled to an annual discretionary bonus as determined by the Company's Board of Directors. The Executive is eligible to participate in all of the Company's benefit plans offered to its employees. In addition, he will receive a signing bonus of $1,000,000 as consideration for entering into this agreement waiving any claim to compensation for services rendered prior to this agreement. Any compensation due to the Executive under this agreement and unpaid and accrued by the Company will accrue interest on the principal amount at a rate of 10% per annum from the date of this agreement until it is paid. The agreement includes provisions for disability, termination for cause and without cause by the Company, voluntary termination by executive and a non-compete clause.

Director Compensation

We have not paid either of our directors any compensation for serving on our Board of Directors.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT ANDRELATED STOCKHOLDER MATTERS.

The following table sets forth the beneficial ownership of our common stock asof August 15, 2014 by each person known by us to be the beneficial owner of more than five percent (5%) of our common stock, by each director, by each named executive officer, and by all directors and executive officers as a group.

Except as otherwise indicated in the footnotes to the table, we believe that each of the persons or entities named in the table exercises sole voting and investment power over the shares of common stock that each of them beneficially owns, subject to community property laws where applicable. A person is deemed to be the beneficial owner of securities owned or which can be acquired by such person within 60 days of the measurement date upon the exercise of stock options. Each person's percentage ownership is determined by assuming that stock options beneficially owned by such person (but not those owned by any other person) have been exercised. The percentages in the table are based upon 81,892,352 shares of our common stock outstanding as of August 15, 2014.

NAME AND ADDRESS OF OWNER (1)	SHARES	PERCENTAGE OF TOTAL SHARES OUTSTANDING
William O'Dowd, IV	43,843,433	53.5%
Michael Espensen	0	*
T Squared Investments LLC (2)	24,526,463	30.0%
All Directors and Named Executive Officers as a Group (2 persons)	43,843,433	53.5%

* Less than 1%

(1) Unless otherwise indicated in point (2) below, the address of each stockholder is c/o Dolphin Digital Media, Inc., 2151 Le Jeune Road, Suite 150-Mezzanine, Coral Gables, FL, 33134.

(2) Mark Jensen and Thomas M. Suave are both principals of T Squared Investments LLC (1325 Sixth Avenue, Floor 28, New York, NY 10019). Includes: (i) 4,171,012 shares issuable upon conversion of 1,042,753 shares of Series A Convertible Preferred Stock; (ii) 7,000,000 shares issuable upon exercise of a common stock purchase warrant (the "Class E Warrant"); (iii) 7,000,000 shares issuable upon exercise of a common stock purchase warrant (the "Class F Warrant") and (iv) 6,355,451 common shares held by related entities owned by Mark Jensen and/or Thomas M. Suave. The Series A Preferred Stock and Class "E" Warrant contain provisions that prevent conversions/exercises to common stock to the extent that after giving effect to such conversion/exercise, the holder (together with the holder's affiliates) would beneficially own in excess of 9.9% of the number of shares of the common stock outstanding immediately after giving effect to such conversion/exercise.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Effective April 1, 2013, the Company entered into an agreement with a company that is fully, indirectly owned by our CEO. The Company will render management services to the related party. The terms of the agreement are for a period between April 1, 2013 and December 31, 2014 for an annual fee of $2,000,000.

On December 31, 2011, the Company and the Company's CEO, signed an unsecured Revolving Promissory Note in the amount of $2,120,623 with an interest rate of 10% per annum. The CEO has the right at any time to demand that all outstanding principal and accrued interest be repaid with a ten day notice to the Company. During the year ended December 31, 2013, the CEO loaned the Company $2,500,000 and was repaid $238,000 of principal and $202,897 of interest. There were no additional loans or repayments made during the year ended December 31, 2012. During the years ended December 31, 2013 and 2012, $390,263 and $229,932 was expensed in interest. The Company recorded accrued interest of $417,298 and $229,932 on its Consolidated balance sheets as of December 31, 2013and 2012, respectively.

On September 7, 2012, the Company entered into an employment agreement with its CEO, Bill O'Dowd for a period of three years effective January 1, 2012. The agreement is for annual salary of $250,000 and a one- time bonus of $1,000,000. Unpaid compensation accrues interest at a rate of 10% per annum. As of December 31, 2013 and 2012, the Company had recorded $175,120 and $38,573, respectively of accrued interest and $1,500,000 and $1,250,000, of accrued compensation related to this agreement. The Company recorded $136,547 and $38,573 of interest expense for the years ended December 31, 2013 and 2012.

On July 15, 2011 the Company entered into an agreement with Dolphin Entertainment, Inc. a related party owned by the Company's CEO to purchase for $125,000 an exclusive option to acquire certain rights in and to the script for a motion picture. As of December 31, 2011, the purchase price of $125,000 is recorded in Other current liabilities in the accompanying Consolidated Balance Sheet. $125,000 was paid during 2012.

On October 4th, 2007, the Company entered into a financing agreement whereby warrants were issued to an investor to purchase the following amounts of common stock:

a) 650,000 shares of common stock exercisable at $0.72 per share.

b) 1,500,000 shares of common stock exercisable at $1.00 per share.

c) 1,500,000 shares of common stock exercisable at $2.00 per share.

On July 29, 2009, the Company entered into a financing agreement and issued a warrant in the amount of 384,615 shares exercisable at $.80 per share for a period of three years.

On March 10, 2010 the Company and T Squared Investments LLC agreed to cancel the following warrants:

- Warrant “A” for 650,000 shares;
- Warrant “B” for 1,500,000 shares;
- Warrant “C” for 1,500,000 shares; and,
- Warrant “4” for 384,615 shares.

Post such cancellation, the only warrants held by T Squared Investments LLC was their existing Warrant “D” for 231,000 shares with an exercise price of $0.0001 per share and the new Warrant “E” described below. Pursuant to this agreement the expiration date of Warrant “D” was reduced from July 29, 2014 to December 31, 2012.

In consideration for the cancellation of such warrants above and for the payment to Dolphin Digital Media, Inc. (DPDM), T Squared Investments LLC was issued a new Warrant “E” for 7,000,000 shares of DPDM with an expiration date of December 31, 2012 and an exercise price of $0.25 per share. T Squared Investments LLC can continually pay the Company an amount of money to reduce the exercise price of Warrant “E” until such time as the exercise price of Warrant “E” is effectively $0.0001 per share. Each time a payment by T Squared Investments LLC is made to DPDM, a side letter will be executed by both parties that states the new effective exercise price of Warrant “E” at that time. At such time when T Squared Investments LLC has paid down Warrant “E” to an exercise price of $0.0001 per share or less, T Squared Investments LLC shall have the right to exercise Warrant “E” via a cashless provision and hold for six months to remove the legend under Rule 144. During the years ended December 31, 2011 and 2010, T-Squared Investments, LLC paid down a total of $1,625,000 to reduce the exercise price on the warrants. The holder did not make any additional payments to pay down the exercise price and as of December 31, 2013 and 2012, the exercise price on the 7,000,000 (Warrant “E”) warrants is $.0179.

During the year ended December 31, 2012, T Squared Investments LLC agreed to amend a provision in the Preferred Stock Purchase agreement dated May 2011 that required the Company to obtain consent from T Squared Investments LLC before issuing any common stock below the existing conversion price as defined in the agreement. As a result, the Company has extended the expiration date of Warrant “E” (described above) to September 13, 2015 and on September 13, 2012, the Company issued 7,000,000 warrants to T Squared Investments LLC (Warrant “F”) with an exercise price of $0.25 per share. T Squared Investments LLC can continually pay the Company an amount of money to reduce the exercise price of Warrant “F” until such time as the exercise price of Warrant “F” is effectively $0.0001 per share. At such time, T Squared Investments LLC will have the right to exercise Warrant ‘F” via a cashless provision and hold for six months to remove the legend under Rule 144 of the Securities Act of 1933. T Squared Investments LLC did not make any payments during the years ended December 31, 2013 and 2012 to reduce the exercise price of the warrants. The Company recorded the fair value of the extension of the expiration period and the additional warrants as a deemed dividend as it was only offered to the preferred shareholders. The fair value of the warrants was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield 0%, volatility 67.8%, risk free interest rate of 32% and expected warrant life of 36 months. The fair value was calculated as $93,019 for the new warrants and $93,016 for the extension of the expiration date of Warrant “E” and was recorded in additional paid in capital.

T Squared Investments LLC may not exercise such warrant if post the exercise, T Squared Investments LLC would be above a 9.99% ownership level of the Company.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

On May 30, 2014, the Company hired BDO USA, LLP as its' independent registered public accounting firm beginning with the year ended December 31, 2013. Crowe Horwath LLP served as the Company's independent registered public accounting firm for the years ended December 31, 2012 and 2011.

The following table shows the fees that we were billed for audit and other services provided by our independent auditors for the periods set forth.

	Year Ended 12/31/2013	Year Ended 12/31/2012
Audit Fees	$ 102,000	$ 124,450
Tax Fees	15,950	14,000
Total	$ 117,950	$ 133,450

Audit Fees— this category includes the audit of the Company's annual financial statements, review of financial statements included in the Company's Form 10-Q Quarterly Reports and services that are normally provided by the independent auditors in connection with engagements for those fiscal years. For the year ended December 31, 2012 there is an additional $49,250 in fees related to consultation on the accounting treatment for the anti-dilution derivative instrument.

Tax Fees— this category consists of fees billed for professional services rendered by the independent auditors for tax compliance and advice. These services include assistance regarding federal, state and international tax compliance and assistance with tax reporting requirements and audit compliance.

Overview— the Board reviews, and in its sole discretion pre-approves, our independent auditors' annual engagement letter including proposed fees and all audit and non-audit services provided by the independent auditors. Accordingly, all services described under "Audit Fees", "Audit-Related Fees", "Tax Fees" and "All Other Fees" were pre-approved by our Board. The Board may not engage the independent auditors to perform the non-audit services proscribed by law or regulation.

PART IV

EXHIBITS.

2.6	Preferred Stock Purchase Agreement dated October 4, 2007, between Logica Holdings Inc., T Squared Partners LLC, and T Squared Investments LLC (5)
3(i).1	Articles of Incorporation of Rising Fortune Incorporated, as filed on March 7, 1995 (1)
3(i).2	Amendment to Articles of Incorporation, as filed on December 5, 2003 (1)
3(i).3	Amendment to Articles of Incorporation, as filed on May 29, 2007 (6)
3(i).4	Amendment to Articles of Incorporation, as filed on August 7, 2007 (6)
3(i).5	Certificate of Amendment to the Article of Incorporation, as filed on July 29, 2008 (7)
3(i)6	Designation of Preferences of Series A Convertible Preferred Stock, filed October 10, 2007 (5)
3(i)7	Amendment to Certificate of Designation of Series A Convertible Preferred Stock (10)
3(ii)	Bylaws (1)
4.1	Registration Rights Agreement dated October 4, 2007, between Logica Holdings and T Squared Partners LLC, and T Squared Investments LLC (5)
4.2	Letter Agreement with T Squared Investments, LLC, dated July 29, 2009 (9)
4.3	Subscription Agreement with T Squared Investments, LLC, dated July 29, 2009 (9)
4.4	Common Stock Purchase Warrant “D” with T Squared Investments, LLC, dated July 29, 2009 (9)
4.5	Letter Agreement with T Squared Investments, LLC, dated March 10, 2010 (9)
4.6	Common Stock Purchase Warrant “E” with T Squared Investments, LLC, dated March 10, 2010 (9)
10.1	Amendment to Preferred Stock Purchase Agreement, dated December 30, 2010 (8)
10.2	Promissory Note dated December 31, 2011
10.3	Code of Ethics
31	Certification of the Chief Executive Officer and Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of the Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (This exhibit shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended or otherwise subject to the liability of that section. Further, this exhibit shall not be deemed incorporated by reference into any other filing under the Security Act of 1933, as amended, or by the Security Exchange Act of 1934, as amended.)

(1) Incorporated by reference to Exhibits set forth in the Company's Registration Statement on Form 10-SB, filed with the Securities and Exchange Commission on March 4, 2004.

(2) Incorporated by reference to exhibits set forth in the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on November 8, 2004.

(3) Incorporated by reference to Exhibit 99.1 of the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 13, 2007.

(4) Incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 5, 2007.

(5) Incorporated by reference to exhibits set forth in the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 15, 2007.

(6) Incorporated by reference to Exhibits set forth in the Company's Registration Statement on Form S1, filed with the Securities and Exchange Commission on February 11, 2008.

(7) Incorporated by reference to Exhibits set forth in the Company's Form 10-Q for the three months ended June 30, 2008, filed with the Securities and Exchange Commission on August 18, 2008.

(8) Incorporated by reference to Exhibits set forth in the Company's Form 8-K filed with the Securities and Exchange Commission on January 5, 2011.

(9) Incorporated by reference to Exhibits set forth in the Company's Form 10-K for the year ended December 31, 2009, filed with the Securities and Exchange Commission on April 15, 2010.

(10) Incorporated by reference to Exhibits set forth in the Company's 10-K for the year ended December 31, 2010, filed with the Securities and Exchange Commission on May 12, 2011.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DOLPHIN DIGITAL MEDIA, INC.

By: /s/ William O'Dowd IV
William O'Dowd IV
Chief Executive Officer

Dated: August 15, 2014

By: /s/ Mirta A Negrini
Mirta A Negrini
Chief Financial and Operating Officer

Dated: August 15, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ William O'Dowd IV
William O'Dowd IV
Chairman, Chief Executive Officer

Dated: August 15, 2014

By: /s/ Michael Espensen
Michael Espensen
Director

Dated: : August 15, 2014

By: /s/ Mirta A Negrini
Mirta A Negrini
Chief Financial and Operating Officer

Dated: August 15, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Dolphin Digital Media, Inc.
Miami, Florida

We have audited the accompanying consolidated balance sheet of Dolphin Digital Media, Inc. as of December 31, 2013 and the related consolidated statements of operations and comprehensive loss, stockholders' deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and schedules. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dolphin Digital Media, Inc. at December 31, 2013 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company has incurred losses, negative cash flows from operations and does not have sufficient working capital. These events raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ BDO USA, LLP　　　Certified Public Accountants

Miami, Florida

August 15, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Dolphin Digital Media, Inc.

We have audited the accompanying consolidated balance sheet of Dolphin Digital Media, Inc. as of December 31, 2012, and the related consolidated statements of operations and comprehensive loss, cash flows and changes in stockholders' deficit for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company has incurred net losses, negative cash flows from operations and does not have sufficient working capital. These events raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Crowe Horwath LLP
Fort Lauderdale, Florida
April 23, 2014

DOLPHIN DIGITAL MEDIA, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
As of December 31, 2013 and 2012

	2013	2012
ASSETS		
Current		
Cash and cash equivalents	$ 706,641	$ 282,675
Inventory	-	7,968
Prepaid Expenses	9,019	5,589
Receivables and other current assets	79,389	239,259
Total Current Assets	795,049	535,491
Capitalized Production costs	781,391	1,003,658
Property and equipment	23,474	17,732
Deposits	19,953	8,955
Total Assets	$ 1,619,867	$ 1,565,836
LIABILITIES		
Current		
Accounts payable	$ 284,954	$ 476,967
Other current liabilities	926,127	675,433
Accrued compensation	1,500,000	1,250,000
Debt	1,100,000	1,100,000
Loan from related party	4,382,623	2,120,623
Notes payable	335,000	390,000
Total Current Liabilities	8,528,704	6,013,023
STOCKHOLDERS' DEFICIT		
Common stock, $0.015 par value, 200,000,000 shares authorized, 81,892,352 issued and outstanding at December 31, 2013 and 2012.	1,243,270	1,243,270
Preferred stock $0.001 par value, 10,000,000 shares authorized 1,042,753 shares issued and outstanding, liquidation preference of $1,042,753 at December 31, 2013 and 2012.	1,043	1,043
Additional paid in capital	25,529,289	25,529,289
Accumulated deficit	(36,682,439)	(34,220,789)
Total Dolphin Digital Media, Inc. Deficit	$ (9,908,837)	$ (7,447,187)
Non-controlling interest	3,000,000	3,000,000
Total Stockholders' Deficit	$ (6,908,837)	$ (4,447,187)
Total Liabilities and Stockholders' Deficit	$ 1,619,867	$ 1,565,836

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

DOLPHIN DIGITAL MEDIA, INC. AND SUBSIDIARIES
Consolidated Statements of Operations and Comprehensive Loss
For the years ended December 31, 2013 and 2012

	2013	2012
Revenues:		
Production	$ 793,880	$ 3,863,935
Service	1,500,000	-
Total revenue	$ 2,293,880	$ 3,863,935
Expenses:		
Direct production costs	683,032	3,416,145
General and administrative	2,393,940	1,912,613
Payroll	1,163,831	1,926,182
Loss before other income (expense)	(1,946,923)	(3,391,005)
Other Income/(Expense)		
Other income	$ 47,943	$ 49,140
Gain on deconsolidation of subsidiary	-	293,730
Interest income	198	557
Write off of Other Accumulated Comprehensive Income due to deconsolidation of subsidiary	-	(65,235)
Interest expense	(562,868)	(336,249)
Income/(Loss) from valuation of derivative	-	63,098
Total Other Income/Expense	(514,727)	5,041
Net Loss	(2,461,650)	(3,385,964)
Net Income (Loss) attributable to non- controlling interest	-	-
Net Loss attributable to Dolphin Digital Media, Inc.	(2,461,650)	(3,385,964)
Movement in accumulated other comprehensive income due to deconsolidation of subsidiary	-	65,235
Comprehensive Loss	$ (2,461,650)	$ (3,320,729)
Basic and Diluted Loss per Share	$ (0.03)	$ (0.04)
Weighted average number of shares used in share calculation	81,892,352	81,892,352

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

DOLPHIN DIGITAL MEDIA, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	$ (2,461,650)	$ (3,385,964)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	9,541	5,201
Gain from change in derivative liability	-	(63,098)
Amortization of capitalized production costs	511,474	2,933,949
Impairment of capitalized production costs	-	228,541
Net Gain upon Deconsolidation	-	(293,730)
Decrease in Accumulated Other Comprehensive Loss due to deconsolidation	-	65,235
Inventory writedown	7,974	-
Changes in operating assets and liabilities:		
Prepaid expenses	(3,430)	(1,077)
Other current assets	159,869	(217,241)
Inventory		(273)
Capitalized production costs	(289,210)	(2,627,891)
Deposits	(11,000)	2,223
Accounts payable	(192,013)	(230,267)
Accrued compensation	250,000	1,250,000
Other current liabilities	250,694	(625,030)
Net Cash Used In Operating Activities	**(1,767,751)**	**(2,959,422)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(15,283)	(16,658)
Net Cash Used In Investing Activities	**(15,283)**	**(16,658)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of common stock	-	250,000
Proceeds from the sale of warrants	-	35,000
Proceeds from notes payable	-	1,350,000
Proceeds from capital contributions	-	1,500,000
Repayment of notes payable	(55,000)	-
Proceeds from note payable with related party	2,500,000	-
Repayment of note payable to related party	(238,000)	-
Proceeds from revenue sharing agreements accounted for as debt	-	105,000
Net Cash Provided By Financing Activities	**2,207,000**	**3,240,000**
NET INCREASE (DECREASE) IN CASH	423,966	263,920
CASH, BEGINNING OF PERIOD	282,675	18,755
CASH, END OF PERIOD	**706,641**	**282,675**
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:		
Interest Paid	$ 212,424	$
SUPPLEMENTAL DISCLOSURE OF NON CASH FLOWS:		
INVESTING AND FINANCING ACTIVITIES:		
Conversion of promissory notes payable to equity in subsidiary	$ -	$ 1,500,000

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

Dolphin Digital Media Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Deficit
For the years ended December 31, 2013 and 2012

	Preferred Stock		Common Stock		Additional	Non-	Accumulated		Total
	Shares	Amount	Shares	Amount	Paid-in Capital	controlling interest	Comprehensive Loss / Gain	Accumulated Deficit	Stockholders Deficit
Balance December 31, 2011	**1,042,753**	**$1,043**	**64,190,987**	**$ 962,750**	**$25,040,281**	**$ -**	**$ (65,235)**	**$(30,648,790)**	**$(4,709,951)**
Shares Issued for Cash	-	-	1,000,000	15,000	235,000	-	-	-	250,000
Shares Issued per Anti-Dilution agreement	-	-	17,701,365	265,520	(265,520)	-	-	-	-
Purchase of warrants	-	-	-	-	35,000	-	-	-	35,000
Deemed Dividend - Extension of warrant expiration date	-	-	-	-	93,019	-	-	(93,019)	-
Deemed Dividend - New warrants	-	-	-	-	93,016	-	-	(93,016)	-
Extinguishment of Debt from related party	-	-	-	-	298,493	-	-	-	298,493
Conversion of notes payable into 25% interest of subsidiary	-	-	-	-	-	1,500,000	-	-	1,500,000
									-
25% non-controlling interest in subsidiary contributed in cash	-	-	-	-	-	1,500,000	-	-	1,500,000
Deconsolidation of foreign subsidiary	-	-	-	-	-	-	65,235	-	65,235
Net loss for the twelve months ended December 31, 2012	-	-	-	-	-	-	-	(3,385,964)	(3,385,964)
Shares Cancelled	-	-	(1,000,000)	-	-	-	-	-	-

Balance December 31, 2012	**1,042,753**	**$1,043**	**81,892,352**	**$1,243,270**	**$25,529,289**	**$3,000,000**	**$ -**	**$(34,220,789)**	**$(4,447,187)**
Net loss for the twelve months ended December 31, 2013	-	-	-	-	-	-	-	(2,435,670)	(2,435,670)
Balance December 31, 2013	**1,042,753**	**$1,043**	**81,892,352**	**$1,243,270**	**$25,529,289**	**$3,000,000**	**$ -**	**$(36,656,459)**	**$(6,882,857)**

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

NOTE 1 — BASIS OF PRESENTATION AND ORGANIZATION:

Dolphin Digital Media, Inc. (the "Company"), initially known as Rising Fortune Incorporated, was incorporated in the State of Nevada on March 7, 1995. The Company was inactive between the years 1995 and 2003. On November 19, 2003, the Company amended its Articles of Incorporation to change its name to Maximum Awards Inc. On July 3, 2007, the Company amended its Articles of Incorporation again to change its name to Logica Holdings Inc. On July 29, 2008, the Company amended its Articles of Incorporation again to change its name to Dolphin Digital Media, Inc.

The accompanying consolidated financial statements represent the consolidated financial position and results of operations of the Company and include the accounts and results of operations of the Company, Dolphin Digital Media, Inc. and its subsidiaries, Hiding Digital Productions LLC, Cybergeddon Productions LLC and Dolphin Kids Clubs LLC for the years ended December 31, 2013 and 2012. Dolphin Digital Media (Canada), Ltd., a wholly owned subsidiary, was deconsolidated on March 23, 2012 as a result of bankruptcy proceedings (Refer to Note 2). Anne's World Limited was dissolved and deconsolidated on June 14, 2012 and Curtain Rising, Inc. was dissolved and deconsolidated on June 22, 2012. (Refer to Note 3). Intercompany accounts and transactions have been eliminated in consolidation.

In September 2010, the Company announced the launch of Dolphin Digital Studios as a new division of the Company. Dolphin Digital Studios creates original programming that premieres online, with an initial focus on content geared toward tweens and teens.

On August 4, 2011 the Company formed Hiding Digital Productions, LLC a wholly-owned subsidiary of Dolphin Digital Media, Inc. as a holding company.

On March 7, 2012, the Company formed Cybergeddon Productions LLC, a wholly owned subsidiary of Dolphin Digital Media, Inc. for the production of a web series.

On May 21, 2012, the Company formed Dolphin Kids Clubs, LLC, and owns 75% interest in the entity, for the purpose of creating online kids clubs. In accordance with Accounting Standards Codification (ASC) 810-20, Dolphin Kids Clubs LLC is consolidated in the Company's financial statements. A note holder converted $1,500,000 of notes payable and contributed an additional $1,500,000 during the year ended December 31, 2012, for a 25% interest in Dolphin Kids Clubs, LLC. The Company will develop and maintain the kids club websites for its 75% interest in the entity. Amounts attributable to the noncontrolling interest will follow the provisions in the contractual arrangement. Noncontrolling interest is presented as a separate component of shareholders' equity.

NOTE 2 — DECONSOLIDATION OF DOLPHIN DIGITAL MEDIA (CANADA), INC., ANNE'S WORLD, LTD. AND CURTAIN RISING, INC.

On March 23, 2012, Dolphin Digital Media (Canada), Ltd. ("DDM Canada") filed for bankruptcy under the laws of the District of Ontario, Canada. The bankruptcy was intended to discharge liabilities and the subsidiary, that had been inactive since 2009, was liquidated during the year ended December 31, 2012. When a subsidiary becomes subject to the control of a government, court, administrator, or regulator, deconsolidation of that subsidiary is generally required. We have, therefore, deconsolidated DDM Canada from our balance sheet as of March 23, 2012 and have eliminated the results of DDM Canada's operations from our results of operations beginning on that date. We believe we have no responsibility for the liabilities of DDM Canada.

Per guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810-10-40-5, when a parent deconsolidates a subsidiary, that parent shall account for the deconsolidation by recognizing a gain or loss measured by the following:

> a) the aggregate of (1) the fair value of consideration received, (2) the fair value of any retained noncontrolling investment in the former subsidiary at the date the subsidiary is deconsolidated and (3) the carrying amount of any noncontrolling interest in the former subsidiary; less

b) the carrying amount of the former subsidiary's assets and liabilities.

The Company did not receive any consideration for its interest. It has assessed and determined that it does not have any continued liabilities related to the Canadian subsidiary being deconsolidated. As such, it has recorded a gain on deconsolidation. In calculating the gain, the Company took into account the carrying value of the former subsidiary's liabilities of $295,629 and its only asset cash of $1,899 that resulted in a gain from deconsolidation of $293,730 that was recorded on March 23, 2012. The Company also recorded a loss on the write off of Accumulated Other Comprehensive Income related to foreign exchange translations in the amount of $65,235.

On June 14 and June 22, 2012, respectively, the Company dissolved its wholly owned subsidiaries Anne's World Ltd and Curtain Rising Inc. which have been deconsolidated from these audited consolidated financial statements for the year ended December 31, 2012. Both subsidiaries had been inactive for several years and did not have any assets or liabilities and as such no gain or loss was recorded from deconsolidation.

NOTE 3 — GOING CONCERN

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America which contemplate the continuation of the Company as a going concern. The Company has incurred net losses for the years ended December 31, 2013 and 2012 of $ $2,461,650 and $3,385,964, respectively. The Company has generated negative cash flows from operations for the years ended December 31, 2013 and 2012 of $1,767,751 and $2,959,422 respectively. Further, the Company has a working capital deficit for the years ended December 31, 2013 and 2012 of $7,733,655 and $5,477,532, respectively, that is not sufficient to maintain or develop its operations, and it is dependent upon funds from private investors and the support of certain stockholders.

These factors raise substantial doubt about the ability of the Company to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties. In this regard, management is planning to raise any necessary additional funds through loans and additional issuance of its common stock. There is no assurance that the Company will be successful in raising additional capital. The Company is currently working on a deal for a variety of digital projects which it expects to close in the next couple of months. As a result, it expects to derive income from its' digital productions in the first quarter of 2015. Subsequent to year end, the Company began deriving some revenues from its' kids club business and it expects to see an increase in these revenues towards the fourth quarter of 2014. There can be no assurances that such income will be realized in future periods.

NOTE 4 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of our consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates are based on management's past experience and best knowledge of historical trends, actions that we may take in the future, and other information available when the consolidated financial statements are prepared. Changes in estimates are recognized in accordance with the accounting rules for the estimate, which is typically in the period when new information becomes available. Areas where the nature of the estimates makes it reasonably possible that actual results could differ from the amounts estimated include the carrying value of capitalized production costs, revenue recognition, the realization of deferred tax assets, uncertain tax positions and contingent liabilities. Actual results could differ from those estimates.

Reclassification

Certain amounts in the prior period have been reclassified to conform with the current period presentation.

Revenue Recognition

In general, the Company records revenue when persuasive evidence of an arrangement exists, products have been delivered or services have been rendered, the selling price is fixed and determinable, and collectability is reasonably assured. The Company recognizes monthly and annual subscription revenues over the service period. Advertising revenue is recognized over the period the advertisement is displayed.

When accounting for service contracts, we consider the nature of these contracts and the types of and services provided when determining the proper accounting for a particular contract. Revenue from service-type fixed-price contracts is recognized ratably over the contract period and contract costs are expensed as incurred. The risk to us on a fixed-price contract is that if estimates to complete the contract change from one period to the next, profit levels will vary from period to period. For all types of contracts, we recognize anticipated contract losses as soon as they become known and estimable. Out-of-pocket expenses that are reimbursable by the customer are included in revenue and cost of revenue.

The use of contract accounting requires significant judgment relative to estimating total contract revenues and costs, including assumptions relative to the length of time to complete the work, the nature and complexity of the work to be performed and anticipated increases in wages for subcontractor services. Our estimates are based upon the professional knowledge and experience of our personnel. Changes in estimates are applied retrospectively and when adjustments in estimated contract costs are identified, such revisions may result in current period adjustments to earnings applicable to performance in prior periods.

Revenue from web series are recognized in accordance with guidance of FASB ASC 926-60 "*Revenue Recognition – Entertainment-Films"*. Revenue is recorded when a contract with a buyer for the web series exists, the web series is complete in accordance with the terms of the contract, the customer can begin exhibiting or selling the web series, the fee is determinable and collection of the fee is reasonable. On occasion, the Company may enter into agreements with third parties for the co-production or distribution of a web series. The Company may also enter into agreements for the sponsorship or integration of a product in a web series productions. Revenue from these agreements will be recognized when the web series is complete and ready to be exploited. In addition, the advertising revenue is recognized at the time advertisements are shown when a web series is aired. Cash received and amounts billed in advance of meeting the criteria for revenue recognition is classified as deferred revenue.

Advertising Costs

The Company accounts for advertising costs in accordance with provisions in ASC 720-35-25 which states that advertising costs can be expensed as incurred or the first time the advertising takes place. The Company did not have any significant advertising costs for the year ended December 31, 2013 and recorded $423,224 for the year ended December 31, 2012 in general and administrative for advertising costs for certain web productions.

Capitalized Production Costs

Capitalized production costs represent the costs incurred to develop and produce a web series. These costs primarily consist of salaries, equipment and overhead costs, as well as the cost to acquire rights to scripts. Web series costs are stated at the lower of cost, less accumulated amortization and tax credits, if applicable, or fair value. These costs are capitalized in accordance with FASB ASC Topic 926-20-50-2 "Other Assets – Film Costs". Unamortized capitalized production costs are evaluated for impairment each reporting period on a title-by-title basis. If estimated remaining revenue is not sufficient to recover the unamortized capitalized production costs for that title, the unamortized capitalized production costs will be written down to fair value.

We are responsible for certain contingent compensation, known as participations, paid to certain creative participants such as writers, directors and actors. Generally, these payments are dependent on the performance of the web series and are based on factors such as total revenue as defined per each of the participation agreements. We are also responsible for residuals, which are payments based on revenue generated from secondary markets and are generally paid to third parties pursuant to a collective bargaining, union or guild agreement. These costs are accrued to direct operating expenses as the revenues, as defined in the participation agreements are achieved and as sales to the secondary markets are made triggering the residual payment.

Due to the inherent uncertainties involved in making such estimates of ultimate revenues and expenses, these estimates are likely to differ to some extent in the future from actual results. Our management regularly reviews and revises when necessary its ultimate revenue and cost estimates, which may result in a change in the rate of amortization of film costs and participations and residuals and/or write-down of all or a portion of the unamortized deferred production costs to its estimated fair value. Our management estimates the ultimate revenue based on existing contract negotiations with domestic distributors and international buyers as well as management's experience with similar productions in the past. Amortization of film costs, participation and residuals and/or write downs of all or a portion of the unamortized deferred production costs to its estimated fair value is recorded in direct costs.

An increase in the estimate of ultimate revenue will generally result in a lower amortization rate and, therefore, less amortization expense of deferred productions costs, while a decrease in the estimate of ultimate revenue will generally result in a higher amortization rate and, therefore, higher amortization expense of deferred production costs, and also periodically results in an impairment requiring a write-down of the deferred production costs to fair value. These write-downs are included in production expense within our consolidated statements of operations. The Company recorded $0 and $228,541 in direct costs for the years ended December 31, 2013 and 2012 respectively, for impairment of certain capitalized production costs over fair value.

Inventories

Inventories are stated at the lower of cost or market and consist of fingerprint readers. Cost is determined using the first-in, first-out method. During the year ended December 31, 2013, the Company decided to cease Dolphin Secure and wrote off the fingerprint readers. An expense of $7,974 was recorded for the year ended December 31, 2013. As of December 31, 2013 and 2012, the Company had recorded $0 and $7,968 as inventory on its consolidated balance sheets.

Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount to the future net cash flows which the assets are expected to generate. If such assets are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the assets exceeds its fair value. Except for those described above in Capitalized Production Costs and Inventories, there were no impairment charges for long lived assets during the years ended December 31, 2013 and 2012.

Property and Equipment

Property and equipment is recorded at cost and depreciated over the estimated useful lives of the assets using the straight-line method. Depreciation expense was immaterial for the years ended December 31, 2013 and December 31, 2012. When items are retired or otherwise disposed of, income is charged or credited for the difference between net book value and proceeds realized thereon. Ordinary maintenance and repairs are charged to expense as incurred, and replacements and betterments are capitalized. The range of estimated useful lives to be used to calculate depreciation for principal items of property and equipment are as follow:

Asset Category	**Depreciation/ Amortization Period**
Furniture and fixtures	5 Years
Computer equipment	3 Years
Leasehold improvements	5 Years

Derivative Financial Instruments

We do not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. However, during the year ended December 31, 2008, we entered into an agreement to provide anti-dilution protection to our CEO for his 51% of outstanding shares. Since the instrument did not meet the criteria for equity classification, it was required to be carried as a freestanding derivative instrument, at fair value, in our consolidated financial statements. Derivative financial instruments consist of financial instruments or other contracts that contain a notional amount and one or more underlying variables (e.g. interest rate, security price or other variable), require no initial net investment and permit net settlement. Derivative financial instruments may be free-standing or embedded in other financial instruments. Further, derivative financial instruments are initially, and subsequently, measured at fair value and recorded as liabilities or, in rare instances, assets. The changes in fair values at each reporting period, or interim period, are recorded as a charge or a benefit to earnings included in the Other Income (Expense) section of the Company's Consolidated Statement of Operations.

We estimated the fair values of the derivative financial instruments using a Monte Carlo simulation that was considered to be consistent with the objective measurement of fair values. In selecting the appropriate technique, we considered, among other factors, the nature of the instrument, the market risks that it embodied and the expected means of settlement. Estimating fair values of the derivative financial instruments required the development of significant and subjective estimates that may have changed over the duration of the instrument with related changes in internal and external market factors. In addition, option-based techniques are highly volatile and sensitive to changes in the trading market price of our common stock. Since the derivative financial instruments were initially and subsequently carried at fair values, our income or loss reflected the volatility in the changes to these estimates and assumptions.

The Company adopted a sequencing policy for the latest-inception or maturity-date first for share reclassification as it relates to the total authorized and unissued common shares. The Company reviewed its classification of all contracts (warrants, issuable anti-dilution shares, convertible preferred shares and contingent shares) and concluded that their current classification is appropriate based upon the Company's sequencing policy set forth in ASC 815-40-35-12 & 13 and that it has sufficient authorized and unissued shares.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's own assumptions based on the best information available in the circumstances. The fair value hierarchy prioritizes the inputs used to measure fair value into three broad levels. The three levels of the fair value hierarchy are defined as follows:

Level 1 — Inputs are quoted prices in active markets for identical assets or liabilities as of the reporting date.

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, as of the reporting date.

Level 3 — Unobservable inputs for the asset or liability that reflect management's own assumptions about the assumptions that market participants would use in pricing the asset or liability as of the reporting date.

As of December 31, 2013 and 2012, the Company had no assets or liabilities measured at fair value, based on the hierarchy input levels defined above, on a recurring basis.

Income Taxes

Deferred taxes are recognized for the future tax effects of temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using tax rates in effect for the years in which the differences are expected to reverse. The effects of changes in tax laws on deferred tax balances are recognized in the period the new legislation in enacted. Valuation allowances are recognized to reduce deferred tax assets to the amount that is more likely than not to be realized. In assessing the likelihood of realization, management considers estimates of future taxable income. We calculate our current and deferred tax position based on estimates and assumptions that could differ from the actual results reflected in income tax returns filed in subsequent years. Adjustments based on filed returns are recorded when identified.

Tax benefits from an uncertain tax position are only recognized if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution. Interest and penalties related to unrecognized tax benefits are recorded as incurred as a component of income tax expense.

Foreign Currency Translation

The functional currency of the Company is the United States Dollar. The financial statements of the Company's Canadian subsidiary are translated to the United States dollar using the period exchange rates as to assets and liabilities and average exchange rates as to revenues and expenses. Capital accounts are translated at their historical exchange rates when the capital transaction occurred. Net gains and losses resulting from foreign exchange translations are included in the statements of operations and stockholders' equity as other comprehensive income (loss). For the year ended December 31, 2012, due to the inactivity of its foreign subsidiaries, the foreign currency translation impact was immaterial. All foreign subsidiaries were deconsolidated or dissolved during the year ended December 31, 2012.

Cash and cash equivalents

Cash and cash equivalents consist of cash deposits at financial institutions. The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Loss per share

Loss per common share is computed by dividing loss available to common shareholders by the weighted average number of common shares outstanding during the period, including the issuable shares related to the anti-dilution agreement. Stock warrants were not included in the computation of loss per share for the periods presented because their inclusion is anti-dilutive. The total potential dilutive warrants outstanding were 21,000,000 and 21,824,477 at December 31, 2013 and 2012.

Concentration of Risk

The Company maintains its cash and cash equivalents with financial institutions and, at times, balances may exceed federally insured limits of $250,000. All of the Company's service revenue for the year ended December 31, 2013 was derived from one related party (see Note 13). Substantially all of the production revenue during the years ended December 31, 2013 and 2012 were derived from one production.

Business Segments

The Company operates the following business segments:

1) Dolphin Digital Media (USA): The Company created online kids clubs and derives revenue from annual membership fees. Dolphinsecure.com, a secure website for children using fingerprint reader technology, was terminated during the year ended December 31, 2013.

2) Dolphin Digital Studios: Dolphin Digital Studios creates original programming that premieres online, with an initial focus on content geared toward tweens and teens. This segment was the main focus of the Company during 2013 and 2012.

Based on an analysis of the Company's operating segments and the provisions of ASC 280,*Segment Reporting*, the Company believes it meets the criteria for aggregating its operating segments into a single reporting segment because they have similar economic characteristics, similar nature of product sold, (on-line content), similar production process (the Company uses the same labor force, and content), similar type of customer (children teens and tweens) and similar method to distribute its product (on-line distribution).

Recent Accounting Pronouncements

In May 2014, the FASB issued an accounting standard update relating to the recognition of revenue from contracts with customers, which will supersede most current U.S. GAAP revenue recognition guidance, including industry-specific guidance. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. The new revenue recognition standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The guidance will be effective for our fiscal year beginning January 1, 2017, and can be applied either retrospectively or under a cumulative-effect transition method. We are currently evaluating the impact that the adoption of this new guidance will have on our consolidated financial statements.

In October 2012, the FASB issued new guidance on the Impairment Assessment of Unamortized Film Costs, ASU 2012-07, *Entertainment –Films (Topic 926): Accounting for Fair Value Information That Arises after the Measurement Date and Its Inclusion in the Impairment Analysis of Unamortized Film Costs*. The amendment in this ASU requires that if evidence of a possible need for a write down of unamortized film costs occurs after the date of the balance sheet but before the financial statements are issued, a rebuttable presumption exists that the condition leading to the write off existed at the balance sheet date and therefore requires that those conditions be incorporated into the fair value measurement as of the balance sheet date. The amendment also eliminates the requirement that an entity incorporate into fair value measurements used in the impairment tests the effects of any changes in estimates resulting from the consideration of subsequent evidence if the information would not have been considered by the market participants at the measurement date.

For SEC filers, the amendments are effective for impairment assessments performed on or after December 15, 2012. For all other entities, the amendments are effective for impairment assessments performed on or after December 15, 2013. The amendments resulting from this ASU should be applied prospectively. Earlier application is permitted, including for impairment assessments performed as of a date before October 24, 2012, if for SEC filers, the entity's financial statements for the most recent annual or interim period have not yet been issued, or, for all other entities, have not yet been made available for issuance. The Company adopted this guidance for the year ended December 31, 2012 and there was no significant impact from the implementation on the financial statements for the year then ended.

NOTE 5 — CAPITALIZED PRODUCTION COSTS AND OTHER CURRENT ASSETS

Capitalized Production Costs

Capitalized production costs include the unamortized costs of completed web series which have been produced by the Company and costs of scripts for projects that have not been developed or produced. These costs include direct production costs and production overhead and are amortized using the individual-film-forecast method, whereby these costs are amortized and participations and residuals costs are accrued in the proportion that current year's revenue bears to management's estimate of ultimate revenue at the beginning of the current year expected to be recognized from the exploitation, exhibition or sale of the web series.

During the year ended December 31, 2012, the Company completed production on two web series. It reported revenues from these web series of approximately of $800,000 and $3,900,000 for the years ended December 31, 2013 and 2012, respectively. The Company amortized capitalized production costs (included as direct costs) in the consolidated statement of operations and comprehensive loss using the individual film forecast computation method in the amount of approximately $500,000 and $3,000,000 for the years ended December 31, 2013 and 2012. During the year ended December 31, 2012, the Company analyzed the fair value of the capitalized production costs and determined that future expected revenues were below the capitalized production costs. As such, the Company impaired $0 and $228,541 of capitalized production cost for the years ended December 31, 2013 and 2012.

In addition, the Company has entered into agreements to hire writers to develop scripts for other digital web series productions and has deferred approximately $630,000 and $341,000 in capitalized production costs as of December 31, 2013 and 2012 associated with these scripts. These projects are not yet in production.

As of December 31, 2013 and 2012, respectively, the Company has total capitalized production costs of $781,391 and $1,003,658, net of accumulated amortization, tax incentives and write down to fair value, recorded on its consolidated balance sheet. At December 31, 2013 and 2012, the Company owed approximately $0 and $238,700 for these productions that is included in Other current liabilities on the consolidated balance sheet. The tax credits will be received by the production companies and used to pay the liabilities related to these productions. The Company estimates that it will receive approximately $62,000 once the liabilities are fully paid. The Company estimates that it will amortize 83% of the capitalized production costs over the next three years.

The Company has assessed events and changes in circumstances that would indicate that the Company should assess whether the fair value of the productions are less than the unamortized costs capitalized and did not identify indicators of impairment, other than those noted above.

Other Current Assets

The Company recorded $79,389 and $239,259 in Other current assets on its Balance sheets as of December 31, 2013 and 2012, respectively. This is mainly comprised of receivables related to its productions. During 2013, the Company earned revenue from foreign sales in the amount of approximately $17,000, net of allowance for doubtful accounts, and tax credits over the amount of liabilities of approximately $62,000 related to the productions that had not been received as of year-end. During 2012, the Company earned production fees in the amount of $150,000 and revenues from foreign sales of its production that had not been received as of December 31, 2012.

NOTE 6 — DEBT

During February 2011, the Company entered into Revenue Participation Agreements with two parties for the development of a Dolphin Group Kids Club ("Kids Club"). Each party paid the Company $50,000 in return for the participation of future revenue related to that Kids Club. The amount will be repaid based on a pro-rata basis of the revenue generated by the Kids Club until the total investment is recouped. Thereafter, they will share in a percentage of the profit of that Kids Club. For the years ended December 31, 2013 and 2012 there were no significant revenues generated or costs incurred related to the Kids Club. Subsequent to year end, the Company came to an agreement with one of the parties and has begun to repay the $50,000.

During the year ended December 31, 2011 the Company entered into Equity Finance Agreements for the future production of web series. The Investors contributed a total equity investment of $895,000. During the year ended December 31, 2012, the Company entered into an additional Equity Finance Agreement with the same terms and received $105,000. The Investors contributed a total equity investment of $1,000,000 and will share in the future revenues of the web series, on a pro-rata basis, until the total equity investment is recouped and then will share at a lower percentage of the additional revenues. Prior to December 31, 2012, the Company may utilize all or any portion, of the total equity investment to fund any chosen production. On January 1, 2013, the production "cycle" ceased and the Investors are entitled to share in the future revenues of any productions for which the funds invested were used. Per the Equity Finance Agreements, the Company is entitled to a producer's fee, not to exceed $250,000, for each web series that it produces before calculating the share of revenues owed to the investors. Based on the gross producer's revenues for the productions to date and the amount of investor funds used to date, the Company is not required to pay the investors any amount in excess of the existing liability already recorded as of December 31, 2013 and 2012. The Company has invested these funds in eleven projects. Only one of the productions was completed as of December 31, 2013 and 2012 and there was no producer gross revenue as defined in the Equity Finance Agreements as of December 31, 2013 and 2012. The Company expects to have gross producer revenues subsequent to year end at which time the investors will receive their pro rata share of the revenue. The costs of all productions not completed have been capitalized and included in the Balance sheet as Capitalized production costs.

The Company accounts for the above agreements in accordance with ASC 470-10-25-2 which requires that cash received from an investor in exchange for the future payment of a specified percentage or amount of future revenue shall be classified as debt. The Company does not purport the arrangements to be a sale and the Company has significant continuing involvement in the generation of cash flows due to the investors.

NOTE 7 — NOTES PAYABLE

Balance December 31, 2011	$	540,000
Additions		1,350,000
Converted into equity of subsidiary		(1,500,000)
Balance December 31, 2012	$	390,000
Additions		-
Payments		(55,000)
Balance December 31, 2013	$	335,000

On December 31, 2011, the Company signed an unsecured Promissory Note in the amount of $104,612 bearing interest at 10% per annum and payable on demand. On the same day, the Company issued a payment in the amount of $14,612 and as of December 31, 2011 owed $90,000 on the Promissory Note. The Company recorded $ 5,588 and $9,526 of interest expense for the year ended December 31, 2013 and 2012 respectively and recorded accrued interest of $5,588 and $9,526 as of December 31, 2013 and 2012 respectively. The Company made principal payments in the amount of $55,000 and interest payments of $9,526 during the year ended December 31, 2013. The Company did not make any payments on principal or interest related to this notes payable for the year ended December 31, 2012. As of December 31, 2013 and 2012, $35,000 and $ 90,000 respectively were outstanding on this note.

The Company signed the following unsecured Promissory notes bearing 10% interest per annum and payable upon demand: a) On November 10, 2011 in the amount of $450,000 b) on January 14, 2012 in the amount of $450,000 c) on February 6, 2012 in the amount of $150,000 d) on March 20, 2012 in the amount of $250,000 e) on April 25, 2012 in the amount of $200,000 and f) on July 5, 2012 in the amount of $300,000.

On May 21, 2012, the Company entered into an agreement with a certain note holder to convert Promissory notes totaling $1,500,000 into a 25% member interest in a newly formed entity, Dolphin Kids Clubs LLC. The fair value of the debt was more readily determinable, and as such, equity was recorded in the amount of the fair value of the debt. The Company did not record a gain or loss from this transaction. The note holder forgave the interest due on these notes in the amount of $48,918 which is recorded as Other Income in the Consolidated Statements of Operations and Comprehensive Loss for the year ended December 31, 2012. Subsequent to this transaction, the Company had $300,000 and $300,000 outstanding related to the notes payable as of December 31, 2013 and 2012, respectively.

The Company expensed $30,000 and $14,712 for interest related to these notes for the years ended December 31, 2013 and 2012, respectively. Accrued interest related to these notes was $44,712 and $14,712 as of December 31, 2013 and 2012, respectively.

NOTE 8 — DERIVATIVE LIABILITY

In June of 2008, in connection with the stock purchase agreement, Mr. O'Dowd was granted certain anti-dilution protection for five (5) years from the date of the acquisition under which we agreed to issue such number of shares of our common stock as necessary for Mr. O'Dowd to maintain his fifty-one percent ownership any time that we issue additional shares to a party other than Mr. O'Dowd, or upon the exercise by any such party of options, warrants, notes or other securities exercisable or exchangeable for, or convertible into, any share of our common stock. The Company determined that the anti-dilution instrument was not indexed to the Company's own stock and should be accounted for as a derivative financial liability. The Company estimated the fair value of the anti-dilution instrument using a Monte Carlo simulation and recorded a $4,031,726 liability against additional paid in capital using guidance from ASC 805 for reverse acquisition that states that the payment of cash or stock to the accounting acquirer should be considered a distribution of capital. The Company recorded the fair value of the derivative instrument at each balance sheet date and recorded changes to the liability against earnings or loss included in Other income or expense in the Consolidated Statements of Operations and Comprehensive Loss for that period. Our valuation technique made certain assumptions as to when warrants would be in-the-money at any time during the valuation period and assumed they would be exercised if the exercise price was less than 50% of the maximum projected stock price. The Company also made certain assumptions as to the cash needed for operations and the working capital deficit. Taking all these factors into account, the Company estimated the shortfall of the cash that would be needed for operations and assumed that a percentage would be covered by the issuance of shares for services based on the historical ratio of stock compensation expense to cash used in operations. The stock volatility represents the range of the volatility curves used in the valuation analysis that the reporting entity has determined market participants would use based on comparison with similar entities. Since derivative financial instruments are initially and subsequently carried at fair values, our income or loss will reflect the volatility in changes to these estimates and assumptions. Since the derivative liability was canceled as of December 31, 2012, the Company is providing in the table below assumptions used for calculations during the year ended December 31, 2012.

	As of December 31, 2012
Volatility	n/a
Expected Term	Cancelled during 2012 and no longer outstanding
Risk Free Interest Rate	n/a
Stock Price	n/a

	During the year ended December 31, 2012
Volatility	72.20% - 93.60%
Expected Term	1.50 - 0.00
Risk Free Interest Rate	0.25% - 0.17%
Stock Price	$0.08 - $0.13

The following is a roll forward through December 31, 2012, of the fair value liability of the anti-dilution derivative instrument. There was no liability related to this derivative instrument as of December 31, 2013.

	Fair Value of Liability for Anti-Dilution derivative instrument
Balance as of December 31, 2011	361,591
Change in fair value included in (Income)/Loss from valuation of derivative	(63,098)
Settlement due to forgiveness of the remaining liability recorded in additional paid in capital	(298,493)
Balance as of December 31, 2012	$ -

In September 2012, Mr. O'Dowd was issued 17,701,365 shares related to the anti-dilution agreement and agreed to waive any further liability related to this agreement. The Company then recorded $298,493 to additional paid in capital using guidance in ASC 470-50-40-2 that states extinguishment of debt by a related party can be treated as a capital contribution. There were no amounts due under this liability as of December 31, 2013.

NOTE 9 — LOANS FROM REALTED PARTY

On December 31, 2011, the Company and the Company's CEO, signed an unsecured Revolving Promissory Note in the amount of $2,120,623 with an interest rate of 10% per annum. The CEO has the right at any time to demand that all outstanding principal and accrued interest be repaid with a ten day notice to the Company. During the year ended December 31, 2013, the CEO loaned the Company $2,500,000 and was repaid $238,000 of principal and $202,897 of interest. There were no additional loans or repayments made during the year ended December 31, 2012. During the years ended December 31, 2013 and 2012, $390,263 and $229,932 was expensed in interest. The Company recorded accrued interest of $417,298 and $229,932 on its Consolidated balance sheets as of December 31, 2013and 2012, respectively.

NOTE 10 — LICENSING AGREEMENTS - RELATED PARTY

The Company has entered into a ten year licensing agreement between Dolphin Entertainment Inc., a related party, and Dolphin Digital Media Inc. Under the license, the Company is authorized to use Dolphin Entertainment's brand properties in connection with the creation, promotion and operation of subscription based Internet social networking websites for children and young adults. The license requires that the Company pays to Dolphin Entertainment, Inc. royalties at the rate of fifteen percent of net sales from performance of the licensed activities. The Company did not use any of the brand properties related to this agreement and as such, there was no royalty expense for the years ended December 31, 2013 and 2012.

NOTE 11 — STOCKHOLDERS' DEFICIT

A) Preferred Stock

The Company's Articles of Incorporation authorize the issuance of 10,000,000 shares of $0.001 par value preferred stock. The Board of Directors has the power to designate the rights and preferences of the preferred stock and issue the preferred stock in one or more series.

As of December 31, 2013 and 2012, the Company had 1,042,753 of preferred shares issued and outstanding which had no determinable market value. Each share of preferred stock is convertible into four shares of common stock and do not have any voting rights.

B) Common Stock

The company's Articles of Incorporation authorize the issuance of 100,000,000 shares at $0.015 par value.

On September 7, 2012, the Board of Directors and majority shareholders of the Company approved the amendment of the articles of incorporation of the Company to increase the number of authorized shares of common stock to 200,000,000 shares. The purpose for the increase of the authorized shares was to permit the full conversion of all outstanding convertible securities and to allow for flexibility for future equity financings to raise funds to support the intended growth of the Company's business. The change was effective October 15, 2012 at which time the Company filed a Certificate of Amendment to the Articles of Incorporation with the Office of Secretary of the State of Nevada on November 13, 2012 to effectuate the change.

On October 8, 2012, the Company cancelled and returned one million shares back to authorized shares. The shares were ultimately returned to the Company as part of the confidential Mutual Stipulation and Settlement Agreement dated March 24, 2011, between the Company and former employees and officers of the Company.

As of December 31, 2013 and 2012, the Company had 81,892,352 shares issued and outstanding.

C) Minority Interest

On May 21, 2012, Dolphin Digital Media, Inc. entered into an agreement with an unrelated note holder to form Dolphin Kids Club LLC. Under the terms of the agreement, Dolphin converted $1,500,000 of notes payable and received an additional $1,500,000 during 2012 for a total of $3,000,000 representing a 25% member interest in the newly formed entity. Dolphin holds the remaining 75% and thus controlling interest in the entity. The purpose of this entity is to create and operate online Kids Clubs for selected charitable, educational and civic organizations. The agreement encompasses Kids Clubs created between January 1, 2012 and December 31, 2016. It is a "gross revenue agreement" and Dolphin Digital Media, Inc. will be responsible for paying all associated operating expenses. Net income will be attributable to each member based on the thresholds established in the operating agreement of the entity. In accordance with ASC 810-20, Dolphin Kids Clubs LLC is consolidated in the Company's financial statements. Amounts attributable to the non-controlling interest will follow the provisions in the contractual arrangement. Non-controlling interest is presented as a separate component of shareholders' equity. As of December 31, 2013 and 2012, the Company recorded a non-controlling interest of $3,000,000 on its balance sheet for the 25% interest Dolphin Kids Clubs LLC.

NOTE 12 — WARRANTS

A summary of warrants issued, exercised and expired during the years ended December 31, 2013 and 2012, is as follows:

Warrants:	**Shares**		**Weighted Avg. Exercise Price**
Balance outstanding at December 31, 2011	10,614,007	$	0.31
Issued	14,000,000		0.25
Exercised	-		-
Expired	2,789,530		0.83
Balance outstanding at December 31, 2012	21,824,477	$	0.20
Issued	-		-
Exercised	-		-
Expired	824,477		0.99
Balance outstanding at December 31, 2013	21,000,000	$	0.17

On October 4th, 2007, the company entered into a financing agreement whereby warrants were issued to an investor to purchase the following amounts of common stock:

a) 650,000 shares of common stock exercisable at $0.72 per share.

b) 1,500,000 shares of common stock exercisable at $1.00 per share.

c) 1,500,000 shares of common stock exercisable at $2.00 per share.

On July 29, 2009, the Company entered into a financing agreement and issued a warrant in the amount of 384,615 shares exercisable at $.80 per share for a period of three years.

On March 10, 2010 the Company and T Squared Investments LLC agreed to cancel the following warrants:

- Warrant “A” for 650,000 shares;
- Warrant “B” for 1,500,000 shares;
- Warrant “C” for 1,500,000 shares; and,
- Warrant “4” for 384,615 shares.

Post such cancellation, the only warrants held by T Squared Investments LLC was their existing Warrant “D” for 231,000 shares with an exercise price of $0.0001 per share and the new Warrant “E” described below. Pursuant to this agreement the expiration date of Warrant “D” was reduced from July 29, 2014 to December 31, 2012.

In consideration for the cancellation of such warrants above and for the payment to Dolphin Digital Media, Inc. (DPDM), T Squared Investments LLC was issued a new Warrant “E” for 7,000,000 shares of DPDM with an expiration date of December 31, 2012 and an exercise price of $0.25 per share. T Squared Investments LLC can continually pay the Company an amount of money to reduce the exercise price of Warrant “E” until such time as the exercise price of Warrant “E” is effectively $0.0001 per share. Each time a payment by T Squared Investments LLC is made to DPDM, a side letter will be executed by both parties that states the new effective exercise price of Warrant “E” at that time. At such time when T Squared Investments LLC has paid down Warrant “E” to an exercise price of $0.0001 per share or less, T Squared Investments LLC shall have the right to exercise Warrant “E” via a cashless provision and hold for six months to remove the legend under Rule 144. During the years ended December 31, 2011 and 2010, T-Squared Investments, LLC paid down a total of $1,625,000 to reduce the exercise price on the warrants. The holder did not make any additional payments to pay down the exercise price and as of December 31, 2013 and 2012, the exercise price on the 7,000,000 (Warrant “E”) warrants is $.0179.

During the year ended December 31, 2012, T Squared Investments LLC agreed to amend a provision in the Preferred Stock Purchase agreement dated May 2011 that required the Company to get consent from T Squared Investments LLC before issuing any common stock below the existing conversion price as defined in the agreement. As a result, the Company has extended the expiration date of Warrant “E” (described above) to September 13, 2015 and on September 13, 2012, the Company issued 7,000,000 warrants to T Squared Investments LLC (Warrant “F”) with an exercise price of $0.25 per share. T Squared Investments LLC can continually pay the Company an amount of money to reduce the exercise price of Warrant “F” until such time as the exercise price of Warrant “F” is effectively $0.0001 per share. At such time, T Squared Investments LLC will have the right to exercise Warrant ‘F” via a cashless provision and hold for six months to remove the legend under Rule 144 of the Securities Act of 1933. T Squared Investments LLC did not make any payments during the years ended December 31, 2013 and 2012 to reduce the exercise price of the warrants. The Company recorded the fair value of the extension of the expiration period and the additional warrants as a deemed dividend as it was only offered to the preferred shareholders. The fair value of the warrants was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield 0%, volatility 67.8%, risk free interest rate of 32% and expected warrant life of 36 months. The fair value was calculated as $93,019 for the new warrants and $93,016 for the extension of the expiration date of Warrant “E” and was recorded in additional paid in capital T Squared Investments LLC may not exercise such warrant if post the exercise, T Squared Investments LLC would be above a 9.99% ownership level of the Company.

On September 13, 2012, the Company sold 7,000,000 warrants to an unrelated party with an exercise price of $0.25 per share and expiring on September 13, 2015 for $35,000. The holder can continually pay the Company an amount of money to reduce the exercise price of the warrants until such time as the exercise price is effectively $0.0001 per share. At such time, the holder will have the right to exercise the warrants via a cashless provision and hold for six months to remove the legend under Rule 144 of the Securities Act of 1933. The Company recorded the $35,000 as Additional paid in capital. The holder of the warrants did not make any payments during the years ended December 31, 2013 and 2012 to reduce the exercise price of the warrants.

None of the warrants were included in computing diluted earnings per share because the effect was anti-dilutive.

NOTE 13— RELATED PARTY

On September 7, 2012, the Company entered into an employment agreement with its CEO. The employment agreement is effective January 1, 2012 and will continue for an initial term of three years, thereafter, subject to a two year renewal at the option of the CEO. The agreement states that the Executive will receive annual compensation of $250,000 plus bonus. In addition, the CEO is entitled to an annual discretionary bonus as determined by the Company's Board of Directors. The Executive is eligible to participate in all of the Company's benefit plans offered to its employees. In addition, he will receive a signing bonus of $1,000,000 as consideration for entering into this agreement waiving any claim to compensation for services rendered prior to this agreement. Any compensation due to the Executive under this agreement and unpaid and accrued by the Company will accrue interest on the principal amount at a rate of 10% per annum from the date of this agreement until it is paid. The agreement includes provisions for disability, termination for cause and without cause by the Company, voluntary termination by executive and a non-compete clause. The Company recorded $250,000 and $1,250,000 as payroll expense in 2013 and 2012, respectively which is reflected in Accrued Compensation on the balance sheet and recorded interest expense of $136,547 and $38,573 in 2013 and 2012 respectively, related to this agreement which is reflected in Other current liabilities on the balance sheet.

Effective April 1, 2013, the Company entered into an agreement with a Company that is fully, indirectly owned by our CEO. The Company will render management services to the related party. The terms of the agreement are for a period between April 1, 2013 and December 31, 2014 for an annual fee of $2,000,000. The agreement was effective April 1, 2013 and, correspondingly, the Company recorded $1,500,000 of revenue related to this agreement for the year ended December 31, 2013.

The Company has 14,000,000 warrants outstanding with T-Squared Investments LLC, a related party which owns 23% of the fully diluted common shares. The warrants have an exercise price of $0.25 and expire September 13, 2015. T-Squared Investments, LLC paid down a total of $1,625,000 to reduce the exercise price on the warrants and as a result 7,000,000 warrants have an exercise price of $.0179. Note 14 details the terms of these warrants.

NOTE 14 — INCOME TAXES

Income tax expense (benefit) is as follows:

	December 31, 2013	December 31, 2012
Current income tax expense (benefit)		
Federal	$ -	$ -
State	-	-
	$ -	$ -
Deferred income tax expense (benefit)		
Federal	$ (870,647)	$ (1,167,783)
State	(99,717)	(150,620)
	$ (970,364)	$ (1,318,403)
Change in valuation allowance (benefit)		
Federal	$ 870,647	$ 1,167,783
State	99,717	150,620
	970,364	1,318,403
Income tax expense	$ -	$ -

At December 31, 2013 and 2012, the Company had deferred tax assets and a liability as a result of temporary differences between financial statement carrying amounts and the tax basis of assets and liabilities. Deferred tax values at December 31, 2013 and 2012, are as follows:

	December 31,	
	2013	2012
Deferred tax assets:		
Current:		
Accrued expenses	$ 67,597	$ 5,317
Other expenses	3,669	
Valuation Allowance	(67,841)	(5,317)
Long Term:		
Capitalized costs	885,535	$ 849,931
Interest expense	241,984	107,566
Accrued compensation	569,704	474,750
Other Expenses	8,960	3,830
Charitable contributions	160,603	79,758
Net operating losses	4,154,277	3,570,052
Valuation Allowance	(5,950,690)	(5,042,849)
Total deferred tax assets	$ 73,798	$ 43,039
Deferred tax liability:		
Current:		
Prepaid expenses	(3,425)	
Long term:		
Fixed assets	(2492)	(4,112)
Capitalized production costs	(67,881)	(38,927)
Total net deferred tax assets	$ -	$ -

As of December 31, 2013, the Company has approximately $11,381,000 of net operating loss carryforwards for U.S. federal income tax purposes that begin to expire in 2028. Additionally, the Company has approximately $6,904,500 of net operating loss carryforwards for Florida state income tax purposes that begin to expire in 2029 and approximately $585,950 of California net operating loss carryforwards that begin to expire in 2032. In assessing the ability to realize the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of the deferred tax asset is dependent upon the generation of future taxable income during the periods in which these temporary differences become deductible. Management believes it is more likely than not that the deferred tax asset will not be realized and has recorded a net valuation allowance of $6,018,530 and $5,048,166 as of December 31, 2013 and 2012, respectively.

The Company did not have any income tax expense or benefit for the years ended December 31, 2013 and 2012. A reconciliation of the federal statutory tax rate with the effective tax rate from continuing operations follows:

	2013	2012
Federal statutory tax rate	(34.0)%	(34.0)%
Permanent items affecting tax rate	(0.9)%	(2.5)%
State income taxes, net of federal income tax benefit	(2.2)%	(2.6)%
Miscellaneous items	(2.3)%	(0.2)%
Change in valuation allowance	39.4%	(38.9)%
Effective tax rate	0	0

As of December 31, 2013 and 2012, the Company does not have any material unrecognized tax benefits and accordingly has not recorded any interest or penalties related to unrecognized tax benefits. We do not believe that unrecognized tax benefits will significantly change within the next twelve months. The Company and its subsidiaries file federal, Florida and California income tax returns. These returns remain subject to examination by taxing authorities for all years after December 31, 2009.

NOTE 15— LEASES

On November 1, 2011, the Company entered into a 60 month lease agreement for office space in Miami with an unrelated party. Effective February 1, 2012 and for a period of eighteen months, the Company entered into a lease agreement for office space in Los Angeles, California at a monthly cost $3,250. On June 1, 2012, the Company entered into a lease agreement for office space in Los Angeles for a period of twelve months.

Lease Payments

Future minimum payments for operating leases in effect at December 31, 2013 were as follows:

2014	$ 86,982
2015	69,873
2016	71,888
Thereafter	-
Total	$ 228,743

Rent expense for the years ended December 31, 2013 and 2012 was$126,818 and $106,247, respectively.

Subsequent to year end and effective June 1, 2014, the Company entered into a sixty month lease agreement for office space in Los Angeles, California.

NOTE 16 — COMMITMENTS AND CONTINGENCIES

Litigation

In or about January 25, 2010, an action was filed by Tom David against Winterman Group Limited, Dolphin Digital Media (Canada) Ltd., Malcolm Stockdale and Sara Stockdale in the Superior Court of Justice in Ontario (Canada) alleging breach of a commercial lease and breach of a personal guaranty. On or about March 18, 2010, Winterman Group Limited, Malcolm Stockdale and Sara Stockdale filed a Statement of Defense and Crossclaim. In the Statement of Defense, Winterman Group Limited, Malcolm Stockdale and Sara Stockdale deny any liability under the lease and guaranty. In the Crossclaim filed against Dolphin Digital Media (Canada) Ltd., Winterman Group Limited, Malcolm Stockdale and Sara Stockdale seek contribution or indemnity against Dolphin Digital Media (Canada) Ltd. alleging that Dolphin Digital Media (Canada) agreed to relieve Winterman Group Limited, Malcolm Stockdale and Sara Stockdale from any and all liability with respect to the lease or the guaranty. On or about March 19, 2010, Winterman Group Limited, Malcolm Stockdale and Sara Stockdale filed a Third Party Claim against the Company seeking contribution or indemnity against the Company, formerly known as Logica Holdings, Inc., alleging that the Company agreed to relieve Winterman Group Limited, Malcolm Stockdale and Sara Stockdale from any and all liability with respect to the lease or the guaranty. The Third Party Claim was served on the Company on April 6, 2010. On or about April 1, 2010, Dolphin Digital Media (Canada) filed a Statement of Defense and Crossclaim. In the Statement of Defense, Dolphin Digital Media (Canada) denied any liability under the lease and in the Crossclaim against Winterman Group Limited, Malcolm Stockdale and Sara Stockdale, Dolphin Digital Media (Canada) seeks contribution or indemnity against Winterman Group Limited, Malcolm Stockdale and Sara Stockdale alleging that the leased premises were used by Winterman Group Limited, Malcolm Stockdale and Sara Stockdale for their own use. On or about April 1, 2010, Dolphin Digital Media (Canada) also filed a Statement of Defense to the Crossclaim denying any liability to indemnify Winterman Group Limited, Malcolm Stockdale and Sara Stockdale. The ultimate results of these proceedings against the Company cannot be predicted with certainty. On or about March 12, 2012, the Court served a Status Notice on all the parties indicating that since more than (2) years had passed since a defence in the action had been filed, the case had not been set for trial and the case had not been terminated, the case would be dismissed for delay unless action was taken within ninety (90) days of the date of service of the notice. The Company has not filed for a motion to dismiss and no further action has been taken in the case. The ultimate results of these proceedings against the Company could result in a loss ranging from 0 to $325,000. On March 23, 2012, Dolphin Digital Media (Canada) Ltd filed for bankruptcy in Canada. The bankruptcy will not protect the Company from the Third Party Claim filed against it. However, the Company has not accrued for this loss because it believes that the claims against it are without substance and it is not probable that they will result in loss. During the years ended December 31, 2013 and 2012, the Company has not received any other notifications related to this action.

Tax Filings

For the year ended December 31, 2011, the Company accrued $120,000 for estimated penalties associated with not filing certain information returns. The penalties per return are $10,000 per entity per year. We received notification from the Internal Revenue Service concerning information returns for the year ended December 31, 2009. The Company responded with a letter stating reasonable cause for the noncompliance and requested that penalties be abated. During 2012, we received a notice stating that the reasonable cause had been denied. The Company decided to pay the penalties and not appeal the decision for the 2009 Internal Revenue Service notification. There is no associated interest expense as the tax filings are for information purposes only and would not result in further income taxes to be paid by the Company. The Company made payments in the amount of $40,000 during the year ended December 31, 2012 related to these penalties and $80,000 remains accrued. The Company has not received any other notifications related to these returns during the year ended December 31, 2013.

Binding Term Sheet

On July 14, 2011, the Company signed a binding term sheet with AJM Productions LLC ("AJM") to license the right to distribute certain Dolphin content on AJM's advertising-supported video-on-demand platform in the United States. The Company has committed to producing between 4 and 6 original audiovisual works. The Company did not have any revenues or incur any expenses related to this binding term sheet for the years ended December 31, 2013 and 2012.

Kids Club

In February 2012, the Company entered into a five year agreement with US Youth Soccer Association, Inc. to create, design and host the US Youth Soccer Clubhouse website. During the quarter ended March 31, 2012, the Company hired a third party to begin building the US Soccer Clubhouse website at a cost of $125,000. The first installment of $25,000 was paid during the first quarter, a second $25,000 was paid during the second quarter and remaining payments will be made monthly over a two year period once the website is delivered. The Company has expensed the payments since it cannot reasonably estimate future cash flows or revenues from the website development. To date, the Company has not derived any revenues related to this agreement.

In January 2013, the Company entered into an agreement with a worldwide philanthropic organization to create an online kids club to promote the organizations philanthropic philosophy and encourage literacy programs. The contract is for an initial five year term and is automatically renewable with successive terms of three years. Either party can terminate the agreement with written notice of at least 180 days prior to the expiration of initial term or subsequent terms. Additionally, the organization may terminate the agreement with a 60 day written notice for any year that certain royalty milestones are not met as stipulated in the agreement. The Company is responsible for the creation and marketing of the website and has agreed to pay the organization a license fee of $58,000 and $5.00 for each membership card sold. During the year ended December 31, 2013, the Company hired a third party to build the website at a cost of $90,000 payable pro rata over a twelve month period. The Company has expensed the payments since it cannot reasonably estimate future cash flows or revenues from the website development. The Company did not record any revenues related to this arrangement for the year ended December 31, 2013.

Incentive Compensation Plan

During the year ended December 31, 2012, the Company's Board of Directors approved an Incentive Compensation Plan. The plan was enacted as a way of attracting and retaining exceptional employees and consultants by enabling them to share in the long term growth and financial success of the Company. The plan will be administered by the Board of Directors or a committee designated by the board. As part of the increase in authorized shares, the Board of Directors has designated 10,000,000 common shares for this plan, subject to the changes in capitalization described in note 11. No awards have been issued and, as such, the Company has not recorded any liability or equity related to this plan for the years ended December 31, 2013 and 2012.

NOTE 17 – SUBSEQUENT EVENTS

Subsequent to year end, the Company entered into a sixty-two month lease for office space in Los Angeles, California. The agreement is effective between June 1, 2014 and July 31, 2019. The monthly rent is $13,746 with annual increases of 3% for years 1-3 and 3.5% for the remainder of the lease. The Company is also entitled to four half months of free rent over the life of the agreement.

Exhibit 31-1

CHIEF EXECUTIVE OFFICER
CERTIFICATION PURSUANT TO SECTION 302

I, William O'Dowd IV, Chief Executive Officer of Dolphin Digital Media, Inc. (the "Registrant"), certify that:

1. I have reviewed this Report on Form 10-K of the Registrant;

2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report.

3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:

   a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the Registrant's disclosure controls and procedures presented in this Report are conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this Report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting;

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation or internal control over financial reporting which are reasonably likely to adversely effect the Registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control; and

Date: August 15, 2014

/s/ William O'Dowd IV
William O'Dowd IV
Chief Executive Officer

CHIEF FINANCIAL OFFICER
CERTIFICATION PURSUANT TO SECTION 302

I, Mirta Negrini, Chief Financial Officer of Dolphin Digital Media, Inc. (the “Registrant”), certify that:

1. I have reviewed this Report on Form 10-K of the Registrant;

2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report.

3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Report;

4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:

   a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the Registrant’s disclosure controls and procedures presented in this Report are conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this Report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting;

5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control, to the Registrant’s auditors and the audit committee of Registrant’s board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation or internal control over financial reporting which are reasonably likely to adversely effect the Registrant’s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control; and

Date: August 15, 2014

/s/ Mirta A Negrini
Mirta A Negrini
Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Report of Dolphin Digital Media, Inc. (the "Company") on Form 10-K for the year ended December 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William O'Dowd IV, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fully presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ William O'Dowd IV
William O'Dowd IV
Chief Executive Officer
August 15, 2014

Exhibit 32-2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Report of Dolphin Digital Media, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Mirta A Negrini, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fully presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Mirta A Negrini
Mirta A Negrini
Chief Financial Officer
August 15, 2014