

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

FORM 10-Q

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

For the Quarterly Period ended March 31, 2014

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File number 0-54433

**WORLDS ONLINE INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**

(State or Other Jurisdiction of Incorporation or Organization)

**27-4672745**

(I.R.S. Employer Identification No.)

11 Royal Road  
Brookline, MA 02445

(Address of Principal Executive Offices)

617-725-8900

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  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 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

(Do not check if a smaller reporting company)

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

As of May 2, 2014, 31,824,548 shares of the Issuer's Common Stock were outstanding.

## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements

Worlds Online Inc.

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Worlds Online Inc.  
Balance Sheets  
March 31, 2014 and December 31, 2013

|  | Unaudited<br>31-Mar-14 | Audited<br>31-Dec-13 |
|--|------------------------|----------------------|
| <b>Current Assets</b>  |                        |                      |
| Cash   | \$ 7,350               | \$ 8,538             |
| Trading securities   | 13,924                 | 31,181               |
| <b>Total Current Assets</b>  | 21,274                 | 39,719               |
| <b>TOTAL ASSETS</b>  | <b>\$ 21,274</b>       | <b>\$ 39,719</b>     |
| <b>Current Liabilities</b>   |                        |                      |
| Accrued expenses   | 616,135                | 529,639              |
| Account payable - related party  | 286,980                | 295,913              |
| Deferred revenue   | \$ 226,950             | \$ 226,950           |
| <b>Total Current Liabilities</b>   | <b>1,130,065</b>       | <b>1,052,502</b>     |
| <b>Stockholders' (Deficit)</b>   |                        |                      |
| Common Stock (Par value \$0.001 authorized 100,000,000 shares, issued and outstanding 31,824,548 on March 31, 2014 and December 31, 2013 respectively) | \$ 31,825              | \$ 31,825            |
| Common stock subscribed but not yet issued   | 400                    | 400                  |
| Common Stock Warrants  | 1,165,563              | 1,165,563            |
| Additional Paid in Capital   | (422,220)              | (458,218)            |
| Accumulated Deficit  | (1,884,359)            | (1,752,351)          |
| Total stockholders deficit   | (1,108,791)            | (1,012,782)          |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>   | <b>\$ 21,274</b>       | <b>\$ 39,719</b>     |

See Notes to Condensed Financial Statements

Worlds Online Inc.  
Statements of Operations  
Three Months ended March 31, 2014 and 2013

|   | Unaudited<br>31-Mar-14 | Unaudited<br>31-Mar-13 |
|---|------------------------|------------------------|
| Revenues  |                        |                        |
| Revenue   | \$ 222                 | \$ 210                 |
| Total   | <u>222</u>             | <u>210</u>             |
|   |                        |                        |
| Cost and Expenses   |                        |                        |
| Cost of Revenue   | <u>2,500</u>           | <u>4,700</u>           |
| Gross (Loss)  | (2,278)                | (4,490)                |
|   |                        |                        |
| Option Expense  | 35,999                 | —                      |
| Common stock issued for services rendered                 | —                      | 64,500                 |
| Selling, General & Admin.                                 | 51,352                 | 48,961                 |
| Payroll and related taxes                                 | 48,125                 | 54,528                 |
| Total expenses  | <u>135,476</u>         | <u>163,499</u>         |
| Operating (loss)  | (137,754)              | (172,479)              |
|   |                        |                        |
| Other Income (Expense):                                   |                        |                        |
| Gain on trading securities                                | 5,404                  | —                      |
| Unrealized Gain on trading securities                     | 343                    | —                      |
| Net (Loss)  | <u>\$ (132,008)</u>    | <u>\$ (172,479)</u>    |
|   |                        |                        |
| Weighted Average Loss per share (basic and fully diluted) | <u>\$ **</u>           | <u>\$ (0.01)</u>       |
| Weighted Average Common Shares Outstanding                | <u>31,824,548</u>      | <u>26,994,513</u>      |
| **=less than \$0.01                                       |                        |                        |

See Notes to Condensed Financial Statements

Worlds Online Inc  
Statements of Cash Flows  
Three Months Ended March 31, 2014 and 2013

|  | Unaudited<br>31-Mar-14 | Unaudited<br>31-Mar-13 |
|--|------------------------|------------------------|
| Cash flows from operating activities:  |                        |                        |
| Net (loss)   | \$ (132,008)           | \$ (172,479)           |
| Adjustments to reconcile net (loss) to net cash (used in) operating activities |                        |                        |
| Realized gain on trading securities  | (5,404)                | —                      |
| Unrealized gain on trading securities  | (343)                  | —                      |
| Common stock issued for services rendered                                      | —                      | 64,500                 |
| Fair value of stock options issued to Directors                                | 35,999                 | —                      |
| Changes in operating assets and liabilities                                    |                        |                        |
| Accounts payable and accrued expenses  | 86,496                 | 18,020                 |
| Accounts payable related party   | (8,933)                | 102,106                |
| Net cash (used in) operating activities:                                       | <u>(24,192)</u>        | <u>12,147</u>          |
| Cash flows from investing activities:  |                        |                        |
| Proceeds from sales of trading securities                                      | 23,004                 | —                      |
| Net cash provided by investing activities:                                     | <u>23,004</u>          | <u>—</u>               |
| Cash flows from financing activities:  |                        |                        |
| Net cash provided by financing activities                                      | —                      | —                      |
| Net increase/(decrease) in cash and cash equivalents                           | <u>(1,188)</u>         | <u>12,147</u>          |
| Cash and cash equivalents beginning of period                                  | 8,538                  | 8,585                  |
| Cash and cash equivalents end of period  | <u>\$ 7,350</u>        | <u>\$ 20,732</u>       |
| Non-cash financing activities:   |                        |                        |
| Supplemental disclosure of cash flow information:                              |                        |                        |
| Cash paid during the period for:   |                        |                        |
| Interest   | \$ —                   | \$ —                   |
| Income taxes   | \$ —                   | \$ —                   |

See Notes to Condensed Financial Statements

Worlds Online Inc.  
NOTES TO FINANCIAL STATEMENTS  
Three Months Ended March 31, 2014 and 2013  
(Unaudited)

NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF ACCOUNTING POLICIES

Description of Business

Worlds Online Inc. (the "Company") designs and develops software content and related technologies for the creation of interactive, three-dimensional ("3D") Internet sites on the World Wide Web. Using licensed technology the Company creates its own Internet sites, as well as sites available through third party on-line service providers.

The Company was formed on January 25, 2011 as a wholly-owned subsidiary of Worlds Inc. (formerly known as Worlds.com Inc.). On May 16, 2011, Worlds Inc. transferred to the Company the majority of its operations and related operational assets, except for its patent portfolio. Worlds Inc. has also given to the Company a perpetual world-wide license to its patented technology. Pursuant to the license, the Company has the right to issue unlimited sublicenses to the licensed technology, subject to World Inc.'s reasonable consent.

The assets transferred to us include: Worlds Inc.'s technology platform, Worlds Ultimate Chat, Aerosmith World, DMC Worlds, Cinema Virtual, Pearson contracts and related revenue, the following URLs: Worlds.com, Cybersexworld.com, Hang.com, and Worldsfunds.com, a digital inventory of over 10,000 3D objects, animation sequences, an extensive avatar library, texture maps and virtual world architectures. None of the transferred assets have any carrying value on the financial statements of the Company.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP"), which contemplates continuation of the Company as a going concern. The Company will require substantial additional funds for development and marketing of its products. There can be no assurance that the Company will be able to obtain the substantial additional capital resources necessary to pursue its business plan or that any assumptions relating to its business plan will prove to be accurate. Worlds Online Inc. was not able to generate sufficient revenue or obtain sufficient financing which had a material adverse effect on Worlds Online Inc., including requiring Worlds Online Inc. to reduce operations. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Trading Securities

Trading securities are common stock in publicly traded companies, one that was received as compensation for performing consulting services. The other was purchased as an investment. The carrying value of the investments is the market price of the shares at March 31, 2014 and December 31, 2013. Any unrealized gain or loss are recorded under other income/(expense) in the accompanying statements of operations.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of highly liquid money market instruments, which have original maturities of three months or less at the time of purchase.

Revenue Recognition

The Company has the following source of revenue: VIP subscriptions to our Worlds Ultimate 3-D Chat service. The Company recognizes revenue when all of the following criteria are met: evidence of an arrangement exists such as a signed contract, delivery has occurred, the price is fixed or determinable, and collectability is reasonable assured. This will usually be in the form of a receipt of a customer's acceptance indicating the product has been completed to their

satisfaction except for development work and service revenue which is recognized when the services have been performed. Deferred revenue represents cash payments received in advance to be recorded as revenue when earned. The corresponding cost associated with those contracts is also deferred as deferred costs until the revenue is ultimately recognized.

#### Research and Development Costs

Research and development costs will be charged to operations as incurred.

#### Property and Equipment

Property and equipment will be stated at cost. Depreciation will be provided on a straight line basis over the estimated useful lives of the assets ranging from three to five years. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in income. Maintenance and repairs will be charged to expense in the period incurred.

#### Impairment of Long Lived

#### Assets

The Company evaluates the recoverability of its fixed assets and other assets in accordance with section 360-10-15 of the FASB Accounting Standards Codification ("ASC") for disclosures about Impairment or Disposal of Long-Lived Assets. Disclosure requires recognition of impairment of long-lived assets in the event the net book value of such assets exceeds its expected cash flows. If so, it is considered to be impaired and is written down to fair value, which is determined based on either discounted future cash flows or appraised values.

#### Fair Value of Financial Instruments

The Company follows paragraph 825-10-50-10 of the FASB ASC for disclosures about fair value of its financial instruments and paragraph 820-10-35-37 of the FASB ASC ("Paragraph 820-10-35-37") to measure the fair value of its financial instruments. Paragraph 820-10-35-37 establishes a framework for measuring fair value in US GAAP, and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, Paragraph 820-10-35-37 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of fair value hierarchy defined by Paragraph 820-10-35-37 are described below:

- Level 1 Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.
- Level 3 Pricing inputs that are generally observable inputs and not corroborated by market data.

The carrying amounts of the Company's financial assets and liabilities, such as cash and accounts payable approximate their fair values because of the short maturity of these instruments.

#### Accounts Payable Related Party

Accounts payable related party is comprised of cash payments made by Worlds Inc. on behalf of Worlds Online Inc. for shared operating expenses.

#### Deferred Revenue

Deferred revenue represents advance payments for the license, the design and development of the software, content and related technology for the creation of an interactive, 3D entertainment portal on the internet.

#### Stock-Based Compensation

The Company accounts for stock-based compensation using the fair value method following the guidance set forth in section 718-10 of the FASB ASC for disclosure about Stock-Based Compensation. This section requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award- the requisite service period (usually the vesting

period). No compensation cost is recognized for equity instruments for which employees do not render the requisite service.

#### Income Taxes

The Company accounts for income taxes under Section 740-10-30 of the FASB ASC (“ASC 740”). Deferred income tax assets and liabilities are determined based upon differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statements of operations in the period that includes the enactment date.

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

#### Related Party Transactions

The Company follows subtopic 850-10 of the FASB ASC for the identification of related parties and disclosure of related party transactions.

Pursuant to Section 850-10-20 the Related parties include a. affiliates of the Company; b. Entities for which investments in their equity securities would be required, absent the election of the fair value option under the Fair Value Option Subsection of Section 825–10–15, to be accounted for by the equity method by the investing entity; c. trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; d. principal owners of the Company; e. management of the Company; f. other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests; and g. Other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The financial statements shall include disclosures of material related party transactions, other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of financial statements is not required in those statements. The disclosures shall include: a. the nature of the relationship(s) involved; b. a description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which income statements are presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements; c. the dollar amounts of transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period; and d. amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement.

#### Comprehensive Income (Loss)

The Company reports comprehensive income and its components following guidance set forth by section 220-10 of the FASB ASC which establishes standards for the reporting and display of comprehensive income and its components in the consolidated financial statements. There were no items of comprehensive income (loss) applicable to the Company during the period covered in the financial statements.

#### Loss Per Share

Net income (loss) per common share is computed pursuant to section 260-10-45 of the FASB ASC. Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. If applicable, diluted earnings per share assume the conversion, exercise or issuance of

all common stock instruments such as options, warrants and convertible securities, unless the effect is to reduce a loss or increase earnings per share. Convertible debentures and preferred stock conversions are not considered in the calculations, as the impact of the potential common shares would be to decrease the loss per share. In addition, stock options totaling 5,650,000 shares are excluded as well, since the impact of the potential common shares would be to decrease loss per share. Therefore no diluted loss per share figures is presented.

#### Commitments and Contingencies

The Company follows subtopic 450-20 of the FASB ASC to report accounting for contingencies. Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, and an estimate of the range of possible losses, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed. Management does not believe, based upon information available at this time that these matters will have a material adverse effect on the Company's financial position, results of operations or cash flows. However, there is no assurance that such matters will not materially and adversely affect the Company's business, financial position, and results of operations or cash flows.

#### Risk and Uncertainties

The Company is subject to risks common to companies in the technology industries, including, but not limited to, litigation, development of new technological innovations and dependence on key personnel.

#### Off Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

#### Uncertain Tax Positions

The Company did not take any uncertain tax positions and had no adjustments to unrecognized income tax liabilities or benefits pursuant to the provisions of Section 740-10-25 for the period ended March 31, 2014.

#### Subsequent Events

The Company evaluated for subsequent events through the issuance date of the Company's financial statements.

#### Recent Accounting Pronouncements

The Company has reviewed all recently issued, but not yet effective, accounting pronouncements up to ASU 2014-08, and does not believe the future adoption of any such pronouncements may be expected to cause a material impact on its financial condition or the results of its operations.

## NOTE 2 - GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. Worlds Online Inc. has had only minimal revenues from operations, has a negative working capital, has a negative stockholders deficit and negative cash flows from operations. There can be no assurance that the Company will be able to obtain the substantial additional capital resources necessary to fully implement its business plan or that any assumptions relating to its business plan will prove to be accurate. The Company is pursuing sources of additional financing and there can be no assurance that any such financing will be available to the Company on commercially reasonable terms, or at all. Any inability to obtain additional financing will likely have a material adverse effect on the Company, including possibly requiring the Company to reduce and/or cease operations.

These factors raise substantial doubt about the ability of the Company to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

## NOTE 3 - USE OF EQUITY AS COMPENSATION

In the past the Company has issued shares of common stock as payment for services rendered. No shares were issued during the three months ended March 31, 2014.

## NOTE 4 – DEFERRED REVENUE

Deferred revenue represents advance payments for the license, the design and development of the software, content and related technology for the creation of an interactive, 3D entertainment portal on the internet. During the period herein, no services were provided. The deferred revenue balance is \$226,950.

## NOTE 5- PROPERTY AND EQUIPMENT

There is no property and equipment on the balance sheets at March 31, 2014 or December 31, 2013. The Company does have property and equipment, however, for accounting purposes, the property and equipment that was transferred was fully depreciated by Worlds Inc. prior to the transfer. Therefore it has no carrying value to the Company.

## NOTE 6 – STOCK OPTIONS

During the three months ended March 31, 2014, the Company issued 450,000 stock options to Directors of the Company. The Company issued 100,000 shares to each of the Company's independent directors, Bernard Stolar, Robert Fireman and Edward Gildea for serving as a Director in 2014. The stock options allow each director to purchase 100,000 shares of the Company's common stock at \$0.08 per share per each individual option. The options expire on January 2, 2019. The Company issued an additional 150,000 shares to the new Director, Edward Gildea for joining the board during the quarter. The Company did not grant any registration rights with respect to any shares of common stock issuable upon exercise of the options.

Accordingly, the Company recorded an expense of \$35,999 during the three months ended March 31, 2014 equal to the estimated fair value of the options at the date of grants. These options were granted for services to be performed. The fair market value was calculated using the Black-Scholes options pricing model, assuming approximately 1.52% risk-free interest, 0% dividend yield, 375% volatility, and expected life of five years.

During the three months ended March 31, 2014, no stock options or warrants were exercised. There are no outstanding warrants as of March 31, 2014.

Stock options outstanding and exercisable as of March 31, 2014 are as follows:

|                    | Exercise Price per Share | Shares Under Option | Remaining Life in Years |
|--------------------|--------------------------|---------------------|-------------------------|
| <b>Outstanding</b> |                          |                     |                         |
| \$                 | 0.08                     | 450,000             | 4.75                    |
| \$                 | 0.025                    | 200,000             | 3.75                    |
| \$                 | 0.025                    | 500,000             | 3.72                    |
| \$                 | 0.01                     | 4,500,000           | 3.42                    |
|                    |                          | <u>5,650,000</u>    |                         |
| <b>Exercisable</b> |                          |                     |                         |
| \$                 | 0.025                    | 200,000             | 3.75                    |

|    |      |                  |      |
|----|------|------------------|------|
| \$ | 0.01 | <u>4,500,000</u> | 3.72 |
|    |      | <u>5,000,000</u> |      |

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(7)

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## NOTE 7 - INCOME TAXES

At March 31, 2014, the Company had federal and state net operating loss carry forwards of approximately \$1,884,359 that expire in 2034.

Due to operating losses, there is no provision for current federal or state income taxes for the periods ended March 31, 2014 or 2013.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for federal and state income tax purposes.

The Company's deferred tax asset at March 31, 2014 consists of a net operating loss calculated using federal and state effective tax rates equating to approximately \$734,900 less a valuation allowance in the amount of approximately \$734,900. Because of the Company's lack of earnings history, the deferred tax asset has been fully offset by a valuation allowance. The measurement valuation allowance increased by \$51,500 and \$67,000 during the 2014 and 2013 periods respectively.

The Company's total deferred tax asset as of March 31, 2014 is as follows:

|                            |    |           |
|----------------------------|----|-----------|
| Deferred tax asset – gross | \$ | 734,900   |
| Valuation allowance        |    | (734,900) |
| Net deferred tax asset     | \$ | <u>—</u>  |

The reconciliation of income taxes computed at the federal and state statutory income tax rate to total income taxes for the periods ended March 31, 2014 and 2013 is as follows:

|   | 2014      | 2013      |
|---|-----------|-----------|
| Income tax computed at the federal statutory rate | 34%       | 34%       |
| Income tax computed at the state statutory rate   | 5%        | 5%        |
| Valuation allowance                               | (39%)     | (39%)     |
| Total deferred tax asset                          | <u>0%</u> | <u>0%</u> |

## NOTE 8 - TRADING SECURITIES

| Marketable equity securities | Cost      | Market value | Unrealized Gain/(Loss) |
|------------------------------|-----------|--------------|------------------------|
| Paid, Inc.                   | \$ 13,200 | \$ 11,850    | \$ (1,350)             |
| Global Links Corp.           | \$ 381    | \$ 2,074     | \$ 1,693               |

Fair market measurement at March 31, 2014 was computed using quoted prices in an active market for identified assets, (level 1). The shares were obtained as compensation for performing consulting services.

During the three months ended March 31, 2014 the Company sold 100,000 shares of marketable equity securities for a gain of \$5,404. There was an unrealized gain of \$343 for the three months ended March 31, 2014.

There was no gain or loss either realized nor unrealized for the three months ended March 31, 2013.

## NOTE 9 – RELATED PARTY TRANSACTIONS

The Company was formed on January 25, 2011 as a wholly-owned subsidiary of Worlds Inc. (formerly known as Worlds.com Inc.). On May 16, 2011 Worlds Inc. transferred to the Company the majority of its operations and related operational assets, except for its patent portfolio. Worlds Inc. has also given to the Company a perpetual world-wide license to its patented technology. Pursuant to the license, the Company has the right to issue unlimited sublicenses to the licensed technology, subject to World Inc.'s reasonable consent.

The assets transferred to the Company include: Worlds Inc.'s technology platform, Worlds Ultimate Chat, Aerosmith World, DMC Worlds, Cinema Virtual, Pearson contracts and related revenue, the following URLs: Worlds.com, Cybersexworld.com, Hang.com, and Worldsfunds.com, a digital inventory of over 10,000 3D objects, animation sequences, an extensive avatar library, texture maps and virtual world architectures. None of the transferred assets have any carrying value on the financial statements of the Company. Deferred revenue was also transferred from Worlds Inc. and it was \$226,950 at March 31, 2014 and December 31, 2013.

Account payable related party is comprised of cash payments made by Worlds Inc. on behalf of Worlds Online Inc. for shared operating expenses. The balance due at March 31, 2014 is \$286,980.

## NOTE - 10 COMMITMENTS AND CONTINGENCIES

The Company is committed to an employment agreement with its President and CEO, Thom Kidrin. The agreement, dated as of August 30, 2012, is for five years with a one-year renewal option held by Mr. Kidrin. The agreement provides for a base salary of \$175,000, which increases 10% on September 1 of each year; a monthly car allowance of \$500; an annual bonus equal to 2.5% of Pre-Tax Income (as defined in the agreement); an additional bonus as follows: \$75,000, if Pre-Tax Income for the year is between 150% and 200% of the prior fiscal year's Pre-Tax Income or (B) \$100,000, if Pre-Tax Income for the year is between 201% and 250% of the prior fiscal year's Pre-Tax Income or (C) \$200,000, if Pre-Tax Income for the year is 251% or greater than the prior fiscal year's Pre-Tax Income, but in no event shall this additional bonus exceed five (5%) percent of Pre-Tax Income for such year; payment of up to \$10,000 in life insurance premiums; options to purchase 4.5 million shares of Worlds Online Inc. common stock at an exercise price of \$0.01 per share, of which one-third vested on August 30, 2012, one-third vest on August 30, 2013 and the balance vest on August 30, 2014; a death benefit of at least \$2 million dollars; and a payment equal to 2.99 times his base amount (as defined in the agreement) in the event of a Change of Control (as defined in the agreement). The agreement also provides that Mr. Kidrin can be terminated for cause (as defined in the agreement) and that he is subject to restrictive covenants for 12 months after termination. The balance due Mr. Kidrin at March 31, 2014 is \$297,242 and is included in accrued expenses.

## NOTE 11 - SEGMENTS

The Company determined that it did not operate in any material, separately reportable operating segments as of March 31, 2014 and 2013.

## **Item 2. Management's Discussions and Analysis of Financial Condition and Results of Operations**

### **Forward Looking Statements**

When used in this form 10-Q and in future filings by the Company with the Commission, the words or phrases such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," "will" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Readers are cautioned not to place undue reliance on any such forward looking statements, each of which speak only as of the date made. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. The Company has no obligation to publicly release the result of any revisions which may be made to any forward-looking statements to reflect anticipated or unanticipated events or circumstances occurring after the date of such statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different. These factors include, but are not limited to, changes that may occur to general economic and business conditions; changes in current pricing levels that we can charge for our services or which we pay to our suppliers and business partners; changes in political, social and economic conditions in the jurisdictions in which we operate; changes to regulations that pertain to our operations; changes in technology that render our technology relatively inferior, obsolete or more expensive compared to others; foreign currency fluctuations; changes in the business prospects of our business partners and customers; increased competition, including from our business partners; delays in the delivery of broadband capacity to the homes and offices of persons who use our services; general disruptions to Internet service; and the loss of customer faith in the Internet as a means of commerce.

The following discussion should be read in conjunction with the unaudited financial statements and related notes which are included under Item 1.

We do not undertake to update our forward-looking statements or risk factors to reflect future events or circumstances.

#### **Overview**

#### **General**

We are a 3D entertainment portal which leverages its proprietary technology to offer visitors a network of virtual, multi-user environments which we call "worlds". These worlds are visually engaging online environments featuring animation, motion and content where people can come together and, by navigating through the website, shop, interact with others, attend events and be entertained.

Sites using our technology allow numerous simultaneous visitors to enter, navigate and share interactive "worlds". Our 3D Internet sites are designed to promote frequent, repeat and prolonged visitation by users by providing them with unique online communities featuring dynamic graphics, highly useful and entertaining information content, and interactive capabilities. We believe that our sites are highly attractive to advertisers because they offer access to demographic-specific user bases comprised of people that visit the site frequently and stay for relatively long periods of time.

We were formed on January 25, 2011 and effective May 16, 2011 Worlds Inc. (formerly known as Worlds.com Inc.) transferred to us a substantial portion of its operational assets and granted us a world-wide license to its existing, and future, 3-D related patent portfolio. Accordingly, we have only had operations of our own since May 16, 2011. Our fiscal year ends on December 31.

## **Revenues**

One source of revenues derives from the entry into development agreement with clients in which a development, license and maintenance fee is paid for the creation and administration of a 3D virtual world to be offered to a select user base.

In other types of joint venture agreements we would agree to fund the development costs in return for recoupment of development costs on first monies in from ongoing participation in VIP, advertising and sponsorship revenue.

VIP revenues are funds, typically \$2 - \$6 per month, charged to users for either an enhanced avatar with additional virtual clothes and virtual goods or access to VIP only areas of the virtual World. To illustrate, in Worlds Inc. creation of Aerosmith World, only VIP members have access to Steven Tyler's studio and his secret world, providing VIP members a greater opportunity to meet Mr. Tyler when he is online as well as mingle with other VIP guests and watch Aerosmith music videos in the VIP media lounge.

Our financial statements currently reflect an entry called "deferred revenue". This is specific to the conversion of a note Worlds Inc. issued to Pearson PLC in 1996 in the initial face amount of \$1,263,900. Pearson has agreed to forgive 50% of the note and convert the balance of the note into deferred revenue for products and services Worlds Inc. develops for Pearson in the form of virtual worlds for training and distant learning. Each product Worlds Inc. develops for Pearson has been reviewed and accepted by a senior Pearson executive as part of an ongoing internal sales and capabilities program between various divisions within Pearson. As part of the Spin-off we assumed this obligation and intend to continue to pay down the debt by providing additional products and services.

Revenue that was generated resulted from VIP subscriptions to the Worlds Ultimate 3-D Chat service.

## **Expenses**

We classify our expenses into two broad groups:

- o cost of revenues; and
- o selling, general and administration.

## **Liquidity and Capital Resources**

We raised a small amount of capital to enable us to begin upgrading our technology, develop new products and actively solicit additional business. We expect to continue to pursue additional sources of capital though we have no current arrangements with respect to, or sources of, additional financing at this time and there can be no assurance that any such financing will become available. If we cannot raise additional capital, form an alliance of some nature with another entity, or start to generate sufficient revenues, we may need to scale back operations.

## **RESULTS OF OPERATIONS**

Our net revenues for each of the three months ended March 31, 2014 and 2013 were \$222 and \$210, respectively.

### **Three months ended March 31, 2014 compared to three months ended March 31, 2013**

Revenue increased by \$12, to \$222 for the three months ended March 31, 2014 from \$210 in the prior year. Revenue was from VIP subscriptions. We need to raise a sufficient amount of capital to provide the resources required that would enable us to continue running the business.

Cost of revenues for the three months ended March 31, 2014 decreased by \$2,200 to \$2,500 from \$4,700 in the prior year. The decrease is due to a decrease in software development fees, we received hosting fees only in 2014.

Selling general and administrative (SG&A) for the three months ended March 31, 2014 increased by \$2,391 to \$51,352 from \$48,961 in the prior year. Increase is due to an increase in business activity resulting in an increase in consulting and professional fees.

Payroll and related taxes for the three months ended March 31, 2014 decreased by \$6,403 to \$48,125 from \$54,528. The decrease is due to having 2 additional employees last year which are no longer with us off-set by a ten percent increase in the CEO's salary based upon his employment agreement with the Company.

Common stock issued for services rendered decreased by \$64,500 to \$0 for the three months ended March 31, 2014 from \$64,500 last year. The decrease is due to the agreements that the Company entered into in 2012 ending in 2013.

Other expenses include options expense to directors of \$35,999 for the three months ended March 31, 2014 compared to \$0 for the three months ended March 31, 2013. Increase is due to the options being granted to Directors earlier in 2014, which was late in 2013.

We had a realized gain on trading securities of \$5,404 in the three months ended March 31, 2014 compared to \$0 in 2013. We had an unrealized gain on trading securities of \$343 for the three months ended March 31, 2014 compared to \$0 in 2013.

As a result of the foregoing, for the three months ended March 31, 2014, we realized a net loss of \$132,008 compared to a loss of \$172,479 for the three months ended March 31, 2013, a decreased loss of \$40,471.

### **Liquidity and Capital Resources**

Our unrestricted cash and cash equivalents was \$7,350 at March 31, 2014. There were no capital expenditures in the three months ending March 31, 2014.

We were unable to raise capital during the three months ended March 31, 2014. We continue to pursue additional sources of capital though we have no current arrangements with respect to, or sources of, additional financing at this time and there can be no assurance that any such financing will become available. If we cannot raise additional capital, form an alliance of some nature with another entity, or start to generate sufficient revenues, we may need to once again scale back operations.

#### **Item 4. Controls And Procedures**

As of March 31, 2014, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2014. The above statement notwithstanding, you are cautioned that no system is foolproof.

#### **Changes in Internal Control Over Financial Reporting**

During the quarter covered by this report there were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

This quarterly report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's reports in this quarterly report.

### **PART II OTHER INFORMATION**

#### **Item 1. Legal Proceedings.**

In early October 2013, Activision Publishing, Inc., a subsidiary of Activision Blizzard, Inc. filed a lawsuit claiming patent infringement against Worlds Inc. and Worlds Online Inc., in the U.S. District Court for the Central District of California. Activision alleges that Worlds violates U.S. Patent No. 6,014,145 entitled "Navigation with optimum viewpoints in three-dimensional workspace interactive displays having three-dimensional objects with collision barriers" and U.S. Patent No. 5,883,628 entitled "Climability: property for objects in 3-D virtual environments." The Company believes Activision/ Blizzards' suit against Worlds Online is without merit and an attempt to apply pressure to Worlds due our lawsuit against them. Worlds' parent patent pre-dates Activision/ Blizzards' patents by more than one year.

#### **Item 1A. Risk Factors**

We are not obligated to disclose our risk factors in this report, however, limited information regarding our risk factors appears in Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the caption "Forward-Looking Statements" contained in this Quarterly Report on Form 10-Q. and in "Item 1A. RISK FACTORS" of our Annual Report on Form 10K. There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10K.

#### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

#### **Item 3. Defaults Upon Senior Securities**

None.

#### **Item 4. Mine Safety Disclosure**

Not applicable.

#### **Item 5. Other Information**

None.

Item 6. Exhibits

- 31.1 Certification of Chief Executive Officer
- 31.2 Certification of Chief Financial Officer
- 32.1 Statement required by 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Statement required by 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
  
- 101.INS\* XBRL Instance Document
- 101.SCH\* XBRL Taxonomy Extension Schema
- 101.CAL\* XBRL Taxonomy Extension Calculation Linkbase
- 101.DEF\* XBRL Taxonomy Extension Definition Linkbase
- 101.LAB\* XBRL Taxonomy Extension Label Linkbase
- 101.PRE\* XBRL Taxonomy Extension Presentation Linkbase

## SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant caused this Report to be signed on its behalf by the undersigned thereto duly authorized.

Date: May 14, 2014

### WORLDS ONLINE INC.

By: /s/ Thomas Kidrin  
Thomas Kidrin  
President and CEO

By: /s/ Christopher Ryan  
Christopher Ryan  
Chief Financial Officer

## INDEX TO EXHIBITS

| <b>Exhibit No.</b> | <b>Description</b>   |
|--------------------|--|
| 31.1               | <a href="#"><u>Certification of Chief Executive Officer</u></a>  |
| 31.2               | <a href="#"><u>Certification of Chief Financial Officer</u></a>  |
| 32.1               | <a href="#"><u>Statement required by 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.</u></a> |
| 32.2               | <a href="#"><u>Statement required by 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.</u></a> |
| 101.INS* XBRL      | Instance Document  |
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| 101.LAB* XBRL      | Taxonomy Extension Label Linkbase  |
| 101.PRE* XBRL      | Taxonomy Extension Presentation Linkbase   |

## EXHIBIT 31.1

### Certifications

I, Thomas Kidrin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Worlds Online Inc.;
2. Based on my knowledge, this 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)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) 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, and presented in this report our 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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, 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 of internal control which are reasonably likely to adversely affect 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 over financial reporting.

Date: May 14, 2014

/s/ Thomas Kidrin

Thomas Kidrin

Chief Executive Officer

## EXHIBIT 31.2

### Certifications

I, Christopher J. Ryan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Worlds Online Inc.;
2. Based on my knowledge, this 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)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) 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, and presented in this report our 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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, 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 of internal control which are reasonably likely to adversely affect 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 over financial reporting.

Date: May 14, 2014

/s/ Christopher J. Ryan

Christopher J. Ryan

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 Quarterly Report of Worlds Online Inc. (the "Company") on Form 10-Q for the three months ended March 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas Kidrin, Chief Executive Officer of the Company, certifies, pursuant to 18 U.S.C. 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

- (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 fairly presents, in all material respects, our financial condition and result of operations.

WORLDS ONLINE INC.

(Registrant)

Date: May 14, 2014

By: /s/ Thomas Kidrin  
Thomas Kidrin

Chief Executive Officer

**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 Quarterly Report of Worlds Online Inc. (the "Company") on Form 10-Q for the three months ended March 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher J. Ryan, Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

- (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 fairly presents, in all material respects, our financial condition and result of operations.

WORLDS ONLINE INC.

(Registrant)

Date: May 14, 2014

By: /s/ Christopher J. Ryan  
Christopher J. Ryan  
Chief Financial Officer