Nexia Holdings, Inc. and Subsidiaries
Quarterly Report

(Unaudited)

For the Three Months Ended March 31, 2014 and 2013

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Item I: Exact name of the issuer and the address of its principal executive office

Nexia Holdings, Inc.
59 West 100 South, Second Floor, Salt Lake City, Utah 84101
Office: 801-575-8073
Fax: 801-575-8092
Web: www.nexiaholdings.com

Item II: Shares outstanding

Common Stock		March 31, 2014	December 31, 2013
(i)	Number of shares authorized(2)	25,000,000,000	25,000,000,000
(ii)	Number of shares outstanding (1)	45,419,512	45,419,512
(iii)	Freely tradable shares (public float)	38,400,008	38,400,008
(iv)	Total number of beneficial shareholders (3)	3,000	3,000
(v)	Total number of shareholders of record	65	65

(1) The shares have all been affected by the 1 for 2,000 reverse stock split effective February 23, 2010.
(2) The shares have all been affected by a reduction in the authorized number of common shares from 100 billion to 25 billion as of July 21, 2011.
(3) Estimate of all holders in brokerage accounts.

Class A Preferred Stock		March 31, 2014	December 31, 2013
(i)	Number of shares authorized	10,000,000	10,000,000
(ii)	Number of shares outstanding	151,000	151,000
(iii)	Freely tradable shares (public float)	- - - -	- - - -
(iv)	Total number of beneficial shareholders	3	3
(v)	Total number of shareholders of record	3	3

Class B Preferred Stock		March 31, 2014	December 31, 2013
(i)	Number of shares authorized	20,000,000	20,000,000
(ii)	Number of shares outstanding	15,000,000	15,000,000
(iii)	Freely tradable shares (public float)	- - - -	- - - -
(iv)	Total number of beneficial shareholders	1	1
(v)	Total number of shareholders of record	1	1

Class C Preferred Stock		March 31, 2014	December 31, 2013
(i)	Number of shares authorized	5,000,000	5,000,000
(ii)	Number of shares outstanding	1,497,882	1,697,882
(iii)	Freely tradable shares (public float)	- - - -	- - - -
(iv)	Total number of beneficial shareholders	34	35
(v)	Total number of shareholders of record	34	35

Item III: Interim Financial Statements

Nexia Holdings, Inc. and Subsidiaries
Consolidated Balance Sheets
(Unaudited)

	March 31, 2014	December 31, 2013
ASSETS		
Current assets		
Cash	$ 487,375	$ 429,396
Investments in Marketable securities	1,292	1,151
Accounts receivable, net of allowance for doubtful accounts of $338,880 and $223,098, respectively	463,874	416,539
Inventory	153,010	144,317
Prepaid expenses	3,533	---
Total current assets	1,109,084	991,403
Property and equipment, net of accumulated depreciation of $944,556 and $904,425, respectively	1,439,181	1,427,373
Notes receivable	169,826	168,531
Film costs	347,885	350,176
Other assets	269,871	240,293
Total assets	$ 3,335,847	$ 3,177,776
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued expenses	$ 2,695,345	$ 2,605,201
Deferred revenue	55,346	63,830
Deferred rent	112,193	113,500
Due to related parties	47,500	47,038
Derivative liability	47,333	55,099
Current portion of notes payable	525,243	525,575
Current portion of notes payable, related party	44,760	53,997
Current portion of capital lease obligations	19,149	18,367
Current portion of convertible notes payable, net of debt discount of $6,664 and $10,979, respectively	128,336	124,021
Total current liabilities	3,675,205	3,606,628
Long-term liabilities		
Notes payable	872,567	850,776
Capital lease obligations	29,559	34,650
Convertible debentures, net of debt discount of $0 and $10,852, respectively	---	489,148
Total long-term liabilities	902,126	1,374,574
Total liabilities	4,577,331	4,981,202
Stockholders' deficit		
Series A preferred stock, par value $0.001; 10,000,000 shares authorized; 151,000 shares issued and outstanding shares	151	151
Series B preferred stock, par value $0.001; 20,000,000 shares authorized; 15,000,000 shares issued and outstanding shares	15,000	15,000
Series C preferred stock, par value $0.001; 5,000,000 shares authorized; 1,497,882 and 1,697,882 shares issued and outstanding, respectively	1,498	1,698
Common stock, par value $0.0001; 25,000,000 shares authorized; 45,419,512 shares issued and outstanding	4,542	4,542
Additional paid-in capital	35,705,194	36,010,059
Accumulated deficit	(36,038,994)	(36,956,207)
Accumulated other comprehensive income	(16,455)	(16,597)
Total Nexia Holdings, Inc. and subsidiaries stockholders' deficit	(329,064)	(941,354)
Non-controlling interest	(912,420)	(862,072)
Total stockholders' deficit	(1,241,484)	(1,803,426)
Total liabilities and stockholders' deficit	$ 3,335,847	$ 3,177,776

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

Nexia Holdings, Inc. and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	Three months ended March 31, 2014	Three months ended March 31, 2013
Revenue		
Services, net of discounts	$ 616,567	$ 621,482
Product, net of discounts	220,898	232,831
Rent	22,988	13,583
Film distribution and commissions	87,853	261,049
Consulting	61,360	---
Total revenue	1,009,666	1,128,945
Costs and Expenses		
Cost of services	363,853	402,343
Cost of product	128,803	137,250
Depreciation and amortization	40,283	38,986
Amortization of film costs	2,291	105,602
General and administrative	578,919	444,941
Total operating expenses	1,114,149	1,129,122
Income (loss) from operations	(104,483)	(177)
Other income (expense)		
Interest income	211	206
Interest expense	(40,891)	(55,913)
Interest expense, related parties	(1,504)	(1,236)
Gain (loss) on derivative fair value adjustment	7,766	(5,633)
Gain on disposal of assets	---	---
Gain on foreign currency translation	4,170	---
Gain (loss) on sale of securities	1,000,000	---
Gain (loss) on forgiveness of debt	7,994	---
Bad debt expense	(5,442)	(3,687)
Other income (expense)	(956)	1,634
Total other income (expenses), net	971,348	(64,629)
Net income (loss)	866,865	(64,806)
Less net loss attributable to noncontrolling interest	50,348	42,774
Net income (loss) attributable to stockholders	$ 917,213	$ (22,032)
Earnings (loss) per share		
Basic:		
Earnings (loss) per common share	$ 0.02	$ (0.00)
Weighted average common shares outstanding	45,419,512	75,419,512
Diluted:		
Earnings (loss) per common share	$ 0.00	N/A
Weighted average common shares outstanding	1,079,381,883	N/A

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

Nexia Holdings, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Deficit
For the three months and year ended March 31, 2014 and December 31, 2013, respectively (Unaudited)

	Series A Preferred		Series B Preferred		Series C Preferred		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Non-controlling interest	Total Shareholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount					
Balances at December 31, 2012	151,000	$ 151	15,000,000	$15,000	1,976,882	$ 1,977	75,419,512	$ 7,542	$ 36,687,882	$ (37,905,900)	$ (17,027)	$ (890,091)	$ (2,100,466)
Series C preferred shares issued for cash	---	---	---	---	40,000	40	---	---	49,960	---	---	---	50,000
Series C preferred and common shares returned in exchange for "Revel Entertainment" name	---	---	---	---	(140,000)	(140)	(30,000,000)	(3,000)	3,140	---	---	---	---
Issuance of additional preferred shares by a subsidiary for services by employees	---	---	---	---	---	---	---	---	160,000	---	---	---	160,000
Issuance of additional shares by a subsidiary for cash	---	---	---	---	---	---	---	---	50,000	---	---	---	50,000
Conversion of notes payable to subsidiary common shares	---	---	---	---	---	---	---	---	58,896	---	---	---	58,896
Series C preferred shares cancelled in exchange for return of non-marketable securities	---	---	---	---	(179,000)	(179)	---	---	(999,821)	---	---	---	(1,000,000)
Other Comprehensive Income adjustment	---	---	---	---	---	---	---	---	---	---	430	---	430
Net loss	---	---	---	---	---	---	---	---	---	949,693	---	28,019	977,712
Balances at December 31, 2013	151,000	151	15,000,000	15,000	1,697,882	1,698	45,419,512	4,542	36,010,059	(36,956,207)	(16,597)	(862,072)	(1,803,426)
Series C preferred shares cancelled in exchange for return of non-marketable securities	---	---	---	---	(200,000)	(200)	---	---	(999,800)	---	---	---	(1,000,000)
Conversion of notes payable to subsidiary common shares	---	---	---	---	---	---	---	---	694,935	---	---	---	694,935
Other Comprehensive Income adjustment	---	---	---	---	---	---	---	---	---	---	142	---	142
Net loss	---	---	---	---	---	---	---	---	---	917,213	---	(50,348)	866,865
Balances at March 31, 2014	151,000	$ 151	15,000,000	$15,000	1,497,882	$ 1,498	45,419,512	$ 4,542	$ 35,705,194	$ (36,038,994)	$ (16,455)	$ (912,420)	$ (1,241,484)

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

Nexia Holdings, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	Three months ended March 31, 2014	2013
Cash flows from operating activities		
Net income (loss)	$ 866,865	$ (64,806)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	40,283	38,986
Amortization of film costs	2,291	105,602
(Gain) loss on derivative liability fair value adjustment	(7,766)	5,633
(Gain) loss on settlement of debenture debt	(6,994)	---
(Gain) loss on sale of investments (see Note 4)	(1,000,000)	---
Gain on forgiveness of non-related party notes payable	(600)	---
Amortization of debt discount	15,167	14,568
Changes in assets and liabilities:		
Accounts receivable	(47,335)	(24,624)
Inventories	(8,693)	(5,480)
Prepaid expenses	(3,533)	5,197
Other assets	(29,731)	(1,166)
Accounts payable and accrued liabilities	251,241	(13,248)
Deferred revenue	(8,484)	(7,176)
Deferred rent expense	(1,307)	2,591
Net cash provided by (used in) operating activities	61,404	56,077
Cash flows from investing activities		
Purchases of property, plant, & equipment	(51,938)	(2,315)
Net cash provided by (used in) investing activities	(51,938)	(2,315)
Cash flows from financing activities		
Payments made on capital leases	(4,309)	(3,501)
Payments made on notes payable	(16,890)	(18,254)
Payments made on notes payable, related parties	(9,237)	(16,133)
Payments made on convertible notes payable	---	---
Proceeds from issuance of preferred and common stock	---	50,000
Proceeds from issuance of subsidiary stock	40,000	---
Proceeds from issuance of notes payable	38,949	38,160
Proceeds from issuance of notes payable to related parties	---	---
Proceeds from issuance of convertible notes payable	---	---
Net cash provided by (used in) financing activities	48,513	50,272
Net increase (decrease) in cash	57,979	104,034
Cash at beginning of period	429,396	261,322
Cash at end of period	$ 487,375	$ 365,356
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$ 5,264	$ 15,340
Noncash investing and financing activities:		
Other comprehensive income adjusted	$ 142	$ ---
Conversions of convertible notes and accrued interest to subsidiary stock	661,896	---
Equipment purhcased under capital lease	$ ---	$ 6,042

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

Nexia Holdings, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

NOTE 1 – ORGANIZATION

Organization and Nature of Operations

Nexia Holdings, Inc. ("Nexia") was incorporated under the laws of the State of Colorado on April 20, 1987 as Metropolitan Acquisition Corporation. On October 5, 2000, Nexia merged with a Nevada corporation with the same name, effectively changing its state of domicile from Colorado to Nevada. Nexia later changed its state of incorporation to Utah. Nexia is a holding company of a number of subsidiary companies.

Nexia's operating subsidiaries during the three months ending March 31, 2014 include the following:

- WG Productions Company. ("WG")
- Redline Entertainment, Inc. ("Redline")
- Green Endeavors, Inc. ("Green");
    - Landis Salons, Inc. ("Landis");
    - Landis Salons II, Inc. ("Landis II"); and
    - Landis Experience Center, LLC. ("LEC")
- Downtown Development Corporation ("DDC");
- Wasatch Capital Corporation ("WCC");
- Diversified Management Solutions, Inc. ("DMS");

WG Productions Company ("WG"), a 100% owned subsidiary of Nexia, a Utah corporation, was incorporated on August 6, 2009, as Revel Entertainment, Inc. In May 2013, its name was changed to WG Productions Company. WG was formed to produce films for its own account and for third parties. Nexia purchased WG for 200,000 shares of Series C preferred stock valued at $1,000,000.

Redline Entertainment, Inc. ("Redline"), a Utah corporation, was incorporated on April 15, 2010. Redline is a wholly-owned subsidiary of Nexia and was incorporated to license the foreign distribution rights of films produced by WG and third-party production companies.

Green Endeavors, Inc. ("Green"), currently a Utah corporation, is a 55.85% owned subsidiary of Nexia. As of March 31, 2014 Nexia controlled 92.14% of outstanding votes. Green is a publicly traded corporation under the stock symbol GRNE.

- Landis Salons, Inc. ("Landis"), a Utah corporation, was organized on May 4, 2005 for the purpose of operating an Aveda™ Lifestyle Salon. Landis is a wholly-owned subsidiary of Green Endeavors, Inc.

- Landis Salons II, Inc. ("Landis II"), a Utah corporation, was organized on March 17, 2010 for the purpose of opening a second Aveda™ Lifestyle Salon in the Marmalade area of Salt Lake City. Landis II is a wholly-owned subsidiary of Green Endeavors, Inc.

- Landis Experience Center, LLC ("LEC"), a Utah limited liability company, was organized in August, 2012 primarily for the purpose of selling Aveda™ retail products in the City Creek mall in downtown Salt Lake City. LEC is a wholly-owned subsidiary of Green Endeavors, Inc.

Downtown Development Corporation ("DDC"), a 100% owned subsidiary, was incorporated by Nexia on November 30, 1999 in Utah as A-Z South State Corporation. On August 22, 2001, its name was changed to Downtown Development Corporation. DDC owns a 6,000 square foot property in Salt Lake City, Utah.

Wasatch Capital Corporation ("WCC"), a Utah corporation, a 100% owned subsidiary, was incorporated on June 10, 1991. WCC owned a mixed use property in downtown Salt Lake City. The property was sold on November 1, 2008 to Bandaloops LLC. Nexia and subsidiaries are continuing as tenants of the purchaser. Nexia owned 100% of Wasatch common stock as of March 31, 2014.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of Nexia Holdings, Inc. and its subsidiaries after elimination of intercompany accounts and transactions. In addition, Nexia consolidates various entities for which it is deemed to be the primary beneficiary. Nexia's controlling share of earnings or losses of subsidiaries is included in the consolidated operating results using the equity method of accounting.

Nexia consolidates entities under control and records a noncontrolling interest for the portions not owned by Nexia. Control is determined, where applicable, by the sufficiency of equity invested and the rights of the equity holders, and by the ownership of a majority of the voting interests, with consideration given to the existence of approval or veto rights granted to the minority shareholder. If the minority shareholder holds substantive participating rights, it overcomes the presumption of control by the majority voting interest holder. In contrast, if the minority shareholder simply holds protective rights (such as consent rights over certain actions), it does not overcome the presumption of control by the majority voting interest holder.

The consolidated balance sheets as of December 31, 2013 and 2012 and the consolidated statements of operations and cash flows for the periods presented have been prepared by Nexia and are unaudited. In the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial position, results of operations, and cash flows for all periods presented have been made.

Accounting Policies

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to a going concern, which contemplates the realization of assets and the liquidation of liabilities in the normal course of business.

Use of Estimates

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

Cash and Cash Equivalents

Investments with original maturities of three months or less at the time of purchase are considered cash equivalents. As of March 31, 2014 and December 31, 2013, Nexia had no cash equivalents.

Inventory

Inventory consists of items held for resale and is carried at the lower of cost or market. Nexia's inventory consists of hair care products in its salon operations. Cost is determined using the first-in, first-out ("FIFO") method. Market is determined based on the estimated net realizable value, which generally is the merchandise selling price. Inventory levels are reviewed in order to identify slow-moving merchandise and damaged items and markdowns are used to clear merchandise.

Film Costs

All direct negative film costs incurred in the physical production of a film are capitalized and included separately on the Balance Sheet as Film costs. Direct negative film costs include costs of story and scenario; compensation of cast, directors, producers, extras, and miscellaneous staff; costs of set construction and operations, wardrobe, and accessories; costs of sound synchronization; rental facilities on location; and postproduction costs, such as music, special effects and editing. The costs incurred for significant changes shall be added to film costs and subsequently charged to expense when the related revenue is recognized.

Amortization of film costs begin when a film is released and it begins to recognize revenue from that film. The film costs are amortized using the individual-film-forecast-computation method, which amortizes film costs in the same ratio that current period actual revenue bears to estimated remaining unrecognized ultimate revenue as of the beginning of the current fiscal year.

Ultimate revenue to be included in the denominator of the individual-film-forecast-computation method fraction shall include estimates of revenue that is expected to be recognized from the exploitation, exhibition, and sale of a film in all markets and territories.

See FASB Accounting Standards Codification ("ASC") Topic 926-20-35.

Property and Equipment

Property and equipment are stated at cost. Expenditures that materially increase the life of the assets are capitalized. Ordinary maintenance and repairs are charged to expense as incurred. When assets are sold, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized at that time. All capital leases are added to the property and equipment and depreciated over the life of the assets. Depreciation is computed on the straight-line method over the following useful lives:

Buildings	39 years
Computer equipment and related software	3 years
Leasehold improvements	Shorter of the lease term or the estimated useful life
Furniture, equipment and fixtures	3-10 years
Vehicles	5 years

When commercial buildings are sold, the net depreciated basis is deducted from the net cash and other consideration received and the difference is reported as a net gain or loss.

Nexia Holdings, Inc.
Notes to Consolidated Financial Statements Continued
(Unaudited)

The following is a summary of Nexia's Property, plant and equipment by major category as of March 31, 2014:

	Cost	Accumulated Depreciation	Net
Computer equipment and related software	$ 83,312	$ (74,655)	$ 8,657
Leasehold improvements	625,004	(354,498)	270,506
Furniture and fixtures	50,698	(46,963)	3,735
Leased equipment	76,298	(27,358)	48,940
Equipment	247,494	(164,920)	82,574
Vehicle	75,121	(28,180)	46,941
Building and Improvements	733,436	(238,982)	494,454
Land	467,220	- - - -	467,220
Signage	25,154	(9,000)	16,154
Total	$ 2,383,737	$ (944,556)	$ 1,439,181

The following is a summary of Nexia's Property, plant and equipment by major category as of December 31, 2013:

	Cost	Accumulated Depreciation	Net
Computer equipment and related software	$ 78,661	$ (73,602)	$ 5,059
Leasehold improvements	625,004	(336,023)	288,981
Furniture and fixtures	48,844	(45,865)	2,979
Leased equipment	76,298	(23,543)	52,755
Equipment	232,275	(158,528)	73,747
Vehicle	48,193	(25,818)	22,375
Building and Improvements	730,149	(232,736)	497,413
Land	467,220	- - - -	467,220
Signage	25,154	(8,310)	16,844
Total	$ 2,331,798	$ (904,425)	$ 1,427,373

Fair Value of Financial Instruments

On a quarterly basis, Nexia measures at fair value its available-for-sale securities. Inputs to valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect Nexia's market assumptions. These two types of inputs have created the following fair-value hierarchy:

- Level 1 – Quoted prices for identical instruments in active markets;
- Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires Nexia to minimize the use of unobservable inputs and to use observable market data, if available, when determining fair value.

The fair value of Nexia's cash, short-term investments, receivables and accounts payable approximate their carrying value due to the short-term nature of these instruments. The fair market values of Nexia's long-term investments approximate their carrying values based upon current market rates of interest.

Investments in Equity Securities

Marketable Securities

Nexia considers all of its investments in marketable securities as available-for-sale. Available-for-sale securities are stated at fair value, with the unrealized gains and losses presented net of tax and reported as a separate component of Stockholders' equity. Realized gains and losses are determined using the specific identification method. Gains are recognized when realized and are recorded in the Consolidated Statements of Operations as Other income. Losses are recognized as realized or when Nexia has determined that an other-than-temporary decline in fair value has occurred.

Non-Marketable Securities

Nexia uses either the cost or the equity method of accounting to account for its long-term, non-marketable investment securities. If Nexia determines that an other-than-temporary decline exists in a non-marketable equity security, Nexia writes down the investment to its fair value and records the related write-down as an investment loss in the Consolidated Statements of Operations.

Impairment of Long-Lived Assets

Nexia’s long-lived assets consist of property, plant, and equipment and other intangible assets, excluding goodwill. Nexia recognizes impairment losses as the difference between historical cost and fair value of the asset, less costs to sell, when management determines that events and circumstances indicate a need to assess impairment, and when that assessment indicates that historical cost materially exceeds fair value, less costs to sell. There was no impairment expense of long-lived assets during the nine months ended March 31, 2014 and for the year ended December 31, 2013.

Basic and Diluted Income (Loss) per Common Share

Nexia computes net income (loss) per common share by dividing the net income (loss) available to common stockholders for the period by the weighted average number of common and potentially dilutive shares during the specified period. The calculation of diluted net income (loss) per share gives effect to common stock equivalents; however, potential common shares are excluded if their effect is anti-dilutive. For the three months ended March 31, 2014, diluted earnings per common share amounted to $0.0008. For the three months ended March 31, 2013, potential common shares were excluded from the computation of diluted loss per share because their effect would be anti-dilutive. There were 5,013,963,905 such potentially dilutive shares excluded as of March 31, 2013.

Deferred Revenue

Deferred revenue arises when customers pay for products and/or services in advance of revenue recognition. Nexia’s deferred revenue consists solely of unearned revenue associated with the purchase of gift certificates for which revenue is recognized only when the service is performed or the product is delivered.

Revenue Recognition

Nexia recognizes revenue from its three main sources of revenue as follows:

Sales – Salon

Revenue from sale of services and products is recognized at the date the services are provided, or when the products are delivered to the customer.

Rental Revenue

Rental revenue is recorded in the period in which it is earned in accordance with rental agreements and lease contracts. Rent payments are typically due by the first of each month.

Film Distribution

Film revenue is recorded in the period in which it is earned in accordance with film commission agreements and contracts. Film commissions are typically due when a distributor has executed a distribution contract and received notice of delivery of materials. See FASB Accounting Standards Codification ("ASC") Topic 926-605 and Accounting Standards Update ("ASU") 2011-04.

Advertising and Promotional Expense

Nexia expenses advertising costs the first time the advertising occurs. Advertising expense was $19,956 for the three months ended March 31, 2014, and $18,056 for the three months ended March 31, 2013.

Stock-based Compensation

Nexia recognizes the cost of employee services received in exchange for awards of equity instruments as stock-based compensation expense. Stock-based compensation expense is measured at the grant date based on the value of the restricted stock award, option or purchase right and is recognized as expense, less expected forfeitures, over the requisite service period, which typically equals the vesting period. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. The fair value of each restricted stock issuance is determined using the fair value of Nexia's common stock on the grant date.

Determining the fair value of stock-based awards at the grant date requires judgment, including estimating the following:

- Expected volatility of our stock;
- Expected term of stock options;
- Risk-free interest rate for the period;
- Expected dividends, if any; and
- Expected forfeitures.

The computation of the expected volatility assumption used in the Black-Scholes option pricing model for new grants is based on implied volatility when the remaining maturities of the underlying traded options are at least one year and, when the remaining maturities of the underlying traded options are less than one year, it is based on an equal weighting of historical and implied volatilities.

When establishing the expected life assumption, Nexia reviews annual historical employee exercise behavior with respect to option grants having similar vesting periods. The risk-free interest rate for the period within the expected term of the option is based on the yield of United States Treasury notes in effect at the time of grant. Nexia has not historically paid dividends, thus the expected dividends used in any calculations are zero. Judgment is required in estimating the amount of stock-based awards that Nexia expects to be forfeited. Nexia calculates an expected forfeiture rate for stock options issuances based on historical trends.

The valuation of all options, including the expected life and forfeiture rates of stock options, are calculated based on one employee pool because there is no significant difference in exercise behavior between classes of employees.

Options granted by Nexia are most often exercised immediately after the grant date. Consequently, Nexia has determined the fair value of the options based on the market price of Nexia’s stock on the date of grant.

As of March 31, 2014 and December 31, 2013, Nexia had no outstanding options or warrants to purchase shares of its common stock.

Income Taxes

Deferred income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. 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 income in the period that includes the enactment date. Also, Nexia's practice is to recognize interest and/or penalties related to income tax matters in income tax expense.

As of March 31, 2014, Nexia’s deferred tax assets, which are solely related to net operating losses, have been fully offset by a valuation allowance.

Noncontrolling Interest in Subsidiary

On January 1, 2009, Nexia adopted new accounting guidance which clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. The new guidance also requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest and requires disclosure, on the face of the consolidated statement of operations, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. In addition, it establishes a single method of accounting for changes in a parent’s ownership interest in a subsidiary that does not result in deconsolidation and requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated unless the deconsolidation is an in-substance sale of real estate.

The new guidance on noncontrolling interests was required to be applied prospectively after adoption, with the exception of the presentation and disclosure requirements, which were applied retrospectively for all periods presented. As a result, Nexia reclassified noncontrolling interests to permanent equity in the accompanying consolidated balance sheets.

Recent Accounting Pronouncements

Management believes the impact of other recently issued standards and updates, which are not yet effective, will not have a material impact on Nexia’s consolidated financial position, results of operations or cash flows upon adoption.

NOTE 3 – GOING CONCERN

Nexia's consolidated financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. Nexia has incurred a cumulative deficit through March 31, 2014 of $36,038,994. In addition, Nexia has defaulted on several of its liabilities. These matters raise substantial doubt about Nexia’s ability to continue as a going concern.

Primarily, revenues have not been sufficient to cover Nexia's operating costs. Management's plans to enable Nexia to continue as a going concern include the following:

- Creating new lines of business including events such as Slide The City™ and The Lantern Festival;
- Increasing the number of films produced for our own account and third parties;
- Generating additional revenues through increasing the number films we distribute for third parties;
- Producing higher quality films specifically tailored to sell in specific markets;
- Increase retail sales of Landis Salons, Inc.;
- Open new salon locations;
- Increasing revenues from rental properties by implementing new marketing programs;
- Making improvements to certain rental properties in order to make them more marketable;
- Reduce expenses through consolidating or disposing of certain subsidiary companies;
- Convert certain debt into shares of Nexia's common stock; and
- Purchasing revenue-producing real estate.

There can be no assurance that Nexia can or will be successful in implementing any of its plans or that it will be successful in enabling Nexia to continue as a going concern. Nexia's consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 4 – FINANCIAL INSTRUMENTS

Marketable Securities

Nexia considers all of its investments in marketable equity securities as available-for-sale. Available-for-sale equity securities are stated at fair value, with the unrealized gains and losses presented net of tax and reported as a separate component of Stockholders' equity. Realized gains and losses are determined using the specific identification method. Gains are recognized when realized and are recorded in the Consolidated Statements of Operations as Other income (expense), net. Losses are recognized as realized or when Nexia has determined that an other-than-temporary decline in fair value has occurred.

On a quarterly basis, Nexia measures its available-for-sale securities at fair value. The fair value of financial assets was determined using the following levels of inputs as of March 31, 2014:

	Fair Value Measurements as of March 31, 2014:			
Assets	Total	Level 1	Level 2	Level 3
Available-for-sale securities	$ 1,292	$ 1,292	$ - - - -	$ - - - -
Total	$ 1,292	$ 1,292	$ - - - -	$ - - - -

On a quarterly basis, Nexia measures its available-for-sale securities at fair value. The fair value of financial assets was determined using the following levels of inputs as of December 31, 2013:

	Fair Value Measurements as of December 31, 2013:			
Assets	Total	Level 1	Level 2	Level 3
Available-for-sale securities	$ 1,151	$ 1,151	$ - - - -	$ - - - -
Total	$ 1,151	$ 1,151	$ - - - -	$ - - - -

It is Nexia's policy to review the fair value of these marketable equity securities on a regular basis to determine whether its investments in these companies are other-than-temporarily impaired. This evaluation includes, but is not limited to, reviewing each company's cash position, financing needs, earnings or revenue outlook, operational performance, management or ownership changes and competition. If Nexia believes the carrying value of an investment is in excess of its fair value, and this difference is other-than-temporary, it is Nexia's policy to write down the investment to reduce its carrying value to fair value. These impairments are included in Other income (expense), net in the Consolidated Statement of Operations. Nexia did not recognize an other-than-temporary impairment of its available-for-sale equity securities during the three months ended March 31, 2014 and the year ended December 31, 2013.

Non-Marketable Securities

Nexia uses either the cost or equity method of accounting to account for its long-term, non-marketable investment securities. Nexia realized a non-cash gain of $1,000,000 on the disposal of non-marketable investments during the three months ending March 31, 2014 as compared to no gain in the three months ended March 31, 2013. If Nexia determines that an other-than-temporary decline exists in a non-marketable equity security, Nexia writes down the investment to its fair value and records the related write-down as an investment loss in the Consolidated Statements of Operations. As of March 31, 2014 and December 31, 2013, the non-marketable securities were $0. There was a write-down due to other-than-temporary declines in the amount of $2,000,000 during the year ended December 31, 2011. The securities written down have subsequently been exchanged back for the original consideration given. This has resulted in a gain on sale of securities, but is a non-cash gain.

	March 31, 2014	December 31, 2013
Non-marketable securities – Application of cost method	$ - - - -	$ - - - -
Total Non-marketable securities	$ - - - -	$ - - - -

NOTE 5 – INVENTORY

Nexia's inventory consists of finished goods products that are held for resale at all locations or that are used for the services provided by the two salons. Inventory is carried at the lower of cost or market. As of March 31, 2014 and December 31, 2013, inventory amounted to $153,010 and $144,317, respectively.

Nexia calculates its inventory on a first-in, first-out basis. Below shows the inventory broken out by class:

	March 31, 2014	December 31, 2013
Raw materials	$ - - - -	$ - - - -
Work in process	- - - -	- - - -
Finished goods	153,010	144,317
Total inventory	$ 153,010	$ 144,317

NOTE 6 – NOTES RECEIVABLE

A summary of notes receivable as of March 31, 2014 and December 31, 2013 is as follows:

	Interest Rate	Maturity Date	March 31, 2014	December 31, 2013
Bandaloops, LLC	- - - -	05/01/21	$ 169,826	$ 168,531
Total			169,826	168,531
Less: current portion of notes receivable			- - - -	- - - -
Total long-term portion of notes receivable			$ 169,826	$ 168,531

NOTE 7 – NOTES PAYABLE AND CAPITAL LEASE COMMITMENTS

A summary of notes payable as of March 31, 2014 and December 31, 2013 is as follows:

Notes Payable:	Interest Rate	Maturity Date	March 31, 2014	December 31, 2013
Note payable due to an individual	11.00%	02/27/16	$ 27,802	$ 30,858
Note payable due to a corporation	3.25%	08/01/15	28,273	33,439
Note payable due to a corporation	10.00%	05/12/08	171,000	171,000
Note payable due to a corporation	5.00%	09/01/17	36,287	38,644
Note payable due to a corporation	10.00%	06/01/08	214,177	214,177
Note payable due to a partnership	8.00%	07/21/12	37,873	38,473
Note payable due to a bank	2.69%	12/05/14	8,314	10,920
Note payable due to a bank	6.50%	05/23/21	585,585	588,840
Note payable due to a bank	0.00%	02/09/19	26,478	- - - -
Note payable due to a partnership	7.99%	03/03/19	12,021	- - - -
Note payable due to a corporation	20.00%	05/17/07	250,000	250,000
Total notes payable			1,397,810	1,376,351
Less: current portion of notes payable			(525,243)	(525,575)
Total long-term portion of notes payable			$ 872,567	$ 850,776

A summary of convertible notes payable as of March 31, 2014 and December 31, 2013 is as follows:

Convertible Notes Payable:	Interest Rate	Maturity Date	March 31, 2014	December 31, 2013
Note payable due to a partnership	- - - -	02/28/13	$ 75,000	$ 75,000
Note payable due to a corporation	8.00%	08/17/14	35,000	35,000
Note payable due to an individual	8.00%	06/27/13	25,000	25,000
Debt discount – convertible notes, net			(6,664)	(10,979)
Total, net			128,336	124,021
Less: current portion of notes payable			(128,336)	(124,021)
Total long-term portion of notes payable			$ - - - -	$ - - - -

A summary of capital lease commitments as of March 31, 2014 and December 31, 2013 is as follows:

Lease Commitments:	Interest Rate	Maturity Date	March 31, 2014	December 31, 2013
Capitalized lease for equipment with monthly payments of $1,535, secured by the equipment	16.96%	04/23/16	$ 32,136	$ 35,289
Capitalized lease for equipment with monthly payments of $128, secured by the equipment	10.90%	02/25/18	4,893	5,139
Capitalized lease for equipment with monthly payments of $485, secured by the equipment	17.75%	09/05/16	11,679	12,589
Total lease commitments			48,708	53,017
Less: current portion of lease commitments			(19,419)	(18,367)
Total long-term portion of lease commitments			$ 29,559	$ 34,650

Nexia Holdings, Inc.
Notes to Consolidated Financial Statements Continued
(Unaudited)

NOTE 8 – RELATED PARTIES

A summary of related party notes payable commitments as of March 31, 2014 and December 31, 2013 is as follows:

	Interest Rate	Maturity Date	March 31, 2014	December 31, 2013
Note payable due to Richard Surber, President and CEO of Nexia, with annual payments of $50,000 plus accrued interest	24%	11/20/11	$ 19,760	$ 28,997
Note payable due to Richard Surber, President and CEO of Nexia, with monthly payments of $662 plus accrued interest	20%	11/20/11	25,000	25,000
Total related party notes payable			44,760	53,997
Less: current portion of related party notes payable			(44,760)	(53,997)
Total long-term portion of related party notes payable			$ - - - -	$ - - - -

NOTE 9 – LEASE COMMITMENTS

Operating Leases

Facilities are leased under operating leases expiring at various dates through 2020. Certain of these leases contain renewal options. Rental expense was $52,738 for the three months ended March 31, 2014 as compared to $58,714 for the three months ended March 31, 2013.

Landis has signed a ten year lease agreement for its Salt Lake salon location until September 30, 2015. Landis II has signed a ten year lease agreement for its Marmalade salon location until September 30, 2020. Nexia also has commitments on operating leases for equipment used in product production or office use. Future payments for maintenance, insurance and taxes to which Nexia is obligated are excluded from minimum lease payments.

As of March 31, 2014, future minimum lease payments under non-cancelable operating leases were as follows:

For the fiscal years ending December 31:	Operating Leases
2014 – remainder	150,417
2015	188,415
2016	131,741
2017	137,801
2018	145,575
Thereafter	203,149
Total lease payments	$ 957,098

Capital Leases

The following is a summary of the gross amount of assets by class recorded under capital leases as of March 31, 2014 and December 31, 2013:

Classes of Property	March 31, 2014	December 31, 2013
Salon equipment	$ 76,298	$ 76,298

Capital leases payable outstanding as of:	March 31, 2014	December 31, 2013
Total, net	$ 48,707	$ 53,017
Less current portion	(19,148)	(18,368)
Long-term portion	$ 29,559	$ 34,650

As of March 31, 2014, future minimum lease payments under non-cancelable capital leases were as follows:

For the fiscal years ending December 31:	Capital Leases
2014 – remainder	$ 19,332
2015	25,776
2016	12,042
2017	1,539
2018	259
Thereafter	- - - -
Total capital lease payments	58,948
Less interest for the terms	(10,242)
Total, net	$ 48,706

NOTE 10 – REAL PROPERTY LEASES

Nexia owns one commercial building and two residential homes which it leases out. Lease agreements are generally five years for the commercial building and one year for the residential homes. Annual lease amounts generally increase each year. Commercial tenant leases include reimbursement to Nexia for allocated property taxes, insurance on the building and common area expenses.

NOTE 11 – EQUITY

Preferred Stock

Nexia is authorized to issue 50,000,000 shares of preferred stock with a par value of $0.001 per share. The Preferred Stock can be issued in various series with varying dividend rates and preferences.

As of March 31, 2014 and December 31, 2013, the number of shares of Series A Convertible Preferred Stock issued and outstanding was 151,000 shares. The Series A Preferred shares have voting rights equal to 100 shares of common stock for every 1 Series A Preferred share, and it may be converted into $10 worth of common stock. A total of 10,000,000 shares have been designated and authorized as Series A Preferred Stock.

As of March 31, 2014 and December 31, 2013, the number of shares of Series B Convertible Preferred Stock issued and outstanding was 15,000,000. The Series B preferred stock holds voting rights equal to 2,000 shares of common stock for each share of the Series B Preferred Stock issued. The shares do not have any conversion rights into common stock or any other class of stock of Nexia. A total of 20,000,000 shares have been designated and authorized as Series B Preferred Stock pursuant to a filing on November 3, 2009.

On March 23, 2014, the Board of Directors approved the settlement of a stock exchange agreement executed in March 2009 whereby Nexia issued 200,000 shares of Series C Preferred stock valued at $1,000,000 in exchange for 1,000,000 shares of Series C Preferred stock of Green Day Technologies (fka GDT Tek Inc., and Seamless Corporation). The 1,000,000 Series C Preferred stock were returned, and 200,000 shares of Nexia Series C Preferred stock were cancelled and returned to Nexia.

As of March 31, 2014 and December 31, 2013, the number of shares of Series C Preferred Stock issued and outstanding was 1,497,882 and 1,697,882, respectively. The Series C Preferred shares may be converted into $5.00 worth of common stock and are subject to redemption by Nexia upon a $5.00 cash payment. The Series C Preferred shares hold voting rights equal to 1 share of common stock for every 1 Series C Preferred share. A total of 5,000,000 shares have been designated and authorized as Series C Preferred Stock.

Common Stock

Nexia was authorized as of March 31, 2014, to issue 25 billion shares of common stock with a par value of $0.0001 per share. As of both March 31, 2014 and December 31, 2013, the number of common shares issued and outstanding was 45,419,512. The common stock holds voting rights of one vote per share. It has no dividend or preemptive rights.

NOTE 12 – SUBSEQUENT EVENTS

On May 30, 2014 in Spokane, Washington, the Lantern Fest held its test event with great success. A large crowd attended to witness the amazing view of hundreds of burning lanterns lifting into the night after an evening of fun, family-friendly events including music, food, and roasting smores. The Lantern Fest has plans to hold events in more than thirty additional cities across the US and Canada. The web site for Lantern Fest is http://www.thelanternfest.com. .

On July 19, 2014 Slide the City™ held an event in Salt Lake City, Utah that attracted over 3,000 participants and an almost equal number of observers where three city blocks were shut down to create an over 200 yard long water slide for participants. The plan is to hold similar events annually in cities across the country building on the success of the first event. The website for Slide the City is http://www.slidethecity.com.

The Company believes that setting up these types of events across the nation will lead to additional opportunities in the entertainment industry and generate revenues in new areas.

Nexia has evaluated subsequent events through July 29, 2014, which is the date the financial statements were issued.

Item IV: Management's Discussion and Analysis of Plan of Operation

Cautionary Statement Regarding Forward-Looking Statements

The information herein contains certain forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. Investors are cautioned that all forward looking statements involve risks and uncertainty, including, without limitation, the ability of Nexia to continue its business strategy, changes in the real estate markets, labor and employee benefits, as well as general market conditions, competition, and pricing. Although Nexia believes that the assumptions underlying the forward looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore, there can be no assurance that the forward looking statements included in this disclosure will prove to be accurate. In view of the significant uncertainties inherent in the forward looking statements included herein, the inclusion of such information should not be regarded as a representation by Nexia or any other person that the objectives and plans of Nexia will be achieved.

General

The current operations of Nexia Holdings, Inc. ("Nexia" or the "Company") consist of three principal areas: (1) assisting with the development and production of events and film products (2) the operation of Landis Lifestyle Salons through Nexia's ownership interest in Green Endeavors, Inc. ("GRNE") and (3) the acquisition, leasing and selling of real estate. The following discussion examines Nexia's financial condition as a result of operations for the three and nine months ended March 31, 2014 and 2013.

Results of Operations

The following discussion examines our results of operations and financial condition based on our consolidated financial statements for the three months ended March 31, 2014 and 2013.

Revenue

Three months ended March 31, 2014 and 2013

Gross revenues for the three months ended March 31, 2014, were $1,009,666 as compared to $1,128,945 for the same period in 2013. The decrease in revenue for the three months ended March 31, 2014 compared with the same period in 2013 was $119,279, or 10.6%, is due to an overall decrease of the number of film distribution contracts executed in the three months ended March 31, 2014.

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013	Change
Services, net of discounts	$ 616,567	$ 621,782	$ (4,915)
Product, net of discounts	220,898	232,831	(11,933)
Rent	22,988	13,583	9,405
Film distribution and commissions	87,853	261,049	(173,196)
Consulting	63,360	- - - -	61,360
Total revenue	$ 1,009,666	$ 1,128,945	$ (119,279)

Costs and Expenses

Three months ended March 31, 2014 and 2013

Costs of revenue for the three months ended March 31, 2014, decreased to $492,656 from $539,593 for the three months ended March 31, 2013, a decrease of $46,937 or 15.7%. This decrease over the comparable quarterly periods is primarily attributable to staffing changes, less product inventory shrink, and reduced sales.

Cost of services for three months ended March 31, 2014, decreased to $363,853 from $402,343 for the three months ended March 31, 2013. Cost of products for the three months ended March 31, 2014, decreased to $128,803 from $137,250 for the three months ended March 31, 2013.

The following table shows general and administrative expense for the three months ended March 31, 2014 and 2013:

	Three Months Ended		
	March 31, 2014	March 31, 2013	Change
Salaries and wages	$ 204,548	$ 154,819	$ 49,729
Rent	62,899	58,804	4,095
Advertising and promotional	20,462	18,402	2,060
Credit card merchant fees	15,037	16,934	(1,897)
Insurance	24,688	23,426	1,262
Utilities and telephone	19,200	18,444	756
Professional services	110,090	73,225	36,865
Repairs and maintenance	14,518	8,847	5,671
Finance charges	1,512	1,125	388
Office expense	19,345	13,654	5,691
Travel	4,245	4,097	148
Other	82,375	53,164	29,211
Total general and administrative expenses	$ 578,919	$ 444,941	$ 133,979

The increase in general and administrative expenses over the comparable quarterly periods is primarily due to increases in salaries and wages, professional fees and office expense. Other general and administrative expenses are individually insignificant and include dues and subscriptions, property taxes, office supplies, and transfer agent expenses.

Depreciation and amortization expense for the three months ended March 31, 2014, increased to $40,283 from $38,986 for the three months ended March 31, 2013.

Amortization of film costs for the three months ended March, 2014, decreased to $2,291 from $105,602 for the three months ended March 31, 2013. This was primarily due to the less distribution contracts executed for WG production films as opposed to films from third parties.

Other Expenses, net

Three months ended March 31, 2014 and 2013

Other expenses, net for the three months ended March 31, 2014, was income of $971,348 as compared to expenses of $64,629 for the comparable period in 2013. This increase over the comparable quarterly period is primarily due to a gain on sale of securities of $1,000,000 (see Note 4 – Financial Instruments) and a reduction of interest expense of $15,022 and a change in valuation of the derivative liability of $13,399.

Net Income (loss)

Three months ended March 31, 2014 and 2013

Our net income for the three months ended March 31, 2014 increased to $866,865 from a loss of $64,806 for the three months ended March 31, 2013. This increase is primarily due to a gain on sale of securities, and reduction of operating expenses offset by a reduction in overall revenue due to senior salon artists focusing more on training new stylist.

Liquidity and Capital Resources

As of March 31, 2014 and December 31, 2013

We had a working capital deficit of $2,541,121 as of March 31, 2014. Our current assets were $1,109,084, which consisted of $487,375 in cash, $1,292 in available-for-sale securities, $463,874 in accounts receivable net of allowance for doubtful accounts, $153,010 in inventory, and $3,533 in prepaid expenses. Our total assets were $3,335,847, which included $1,439,181 in property and equipment (net), $169,826 in notes receivable, and $347,885 in film costs, net of amortization, and $269,871 in other assets. Our current liabilities were $3,650,205, including $2,695,345 in accounts payable and accrued liabilities, $55,346 in deferred revenue, $112,193 in deferred rent, $47,500 due to related parties, $47,333 in the derivative liability, $525,243 in current portion of notes payable, $44,760 in current portion of notes payable, related party, $44,760 in current portion of capital lease obligations, and $103,336 in current portion of convertible notes payable, net of debt discount. Our long-term liabilities were $927,126. Our total stockholders' deficit at March 31, 2014, was $1,241,484.

Cash Flows from Operating Activities

Cash flows from operating activities include net income (loss), adjusted for certain non-cash charges, as well as changes in the balances of certain assets and liabilities.

Three months ended March 31, 2014 and 2013

Net cash provided by operating activities for the three months ended March 31, 2014, was $61,404 as compared to $56,077 for the three months ended March 31, 2013. The increase in cash provided by operating activities over the comparable period is primarily due to a change in net income for the three months ended March 31, 2014 to $866,865 from a loss of $64,806 in the comparable quarter and the change in accounts payable and accrued liabilities of $264,489 offset by the change in gain on sale of investments of $1,000,000.

We expect to increase cash provided by operating activities over the next twelve months by executing the individual business strategies of our subsidiaries which include, increasing operational efficiencies, reduce discretionary spending and opening an additional salon. As additional locations are opened, we hope to achieve economies of scale by operating multiple salons with minimal general and administrative staff and expenses.

Cash Flows from Investing Activities

Three months ended March 31, 2014 and 2013

Cash flow used in investing activities for the three months ended March 31, 2014, was $51,938 as compared to $2,315 for the three months ended March 31, 2013. The increase in cash flows provided by investing activities is primarily due to an increase in the purchases of property, plant, and equipment of $49,623.

We expect to continue our investing activities, including purchasing both property and equipment for an additional salon location.

Cash Flows from Financing Activities

Three months ended March 31, 2014 and 2013

Cash flows provided by financing activities for the three months ended March 31, 2014, was $48,513 as compared to $50,272 for the three months ended March 31, 2013. The decrease in cash flows provided by financing activities over the comparable period is due to a decrease in proceeds from the issuance of preferred stock and subsidiary stock, partially offset by a decrease of payments on notes payable to both related and unrelated parties in the current period.

Other Factors Affecting Liquidity and Capital Resources

We have insufficient current assets to meet our current liabilities due to negative working capital of $2,541,121 as of March 31, 2014. Historically, we have funded our cash needs from a combination of revenues, carried payables, sales of equity, and debt transactions. Since we are not currently realizing net cash flows from our business, we may need to seek financing to continue our operations. Prospective sources of funding could include shareholder loans, equity sales or loans from other sources though no assurance can be given that such sources would be available or that any commitment of support is forthcoming to date.

We do not intend to pay cash dividends in the foreseeable future.

We expect to purchase property or equipment for an additional salon location. We are currently seeking and analyzing equipment loans and capital leasing options to fund a significant portion of the equipment needed.

We expect to hire approximately 15 stylists over the course of the next 12 months to fully staff our existing salons and in the range of 20 to 30 stylists in the next 12 months to staff an additional salon location. The operating funds needed to carry out this plan will be generated through equity or debt financing.

Going Concern

Primarily, revenues have not been sufficient to cover Nexia's operating costs. Management's plans to enable Nexia to continue as a going concern include the following:

- Creating new lines of business including events such as Slide The City™ and The Lantern Festival;
- Increasing the number of films produced for our own account and third parties;
- Generating additional revenues through increasing the number films we distribute for third parties;
- Producing higher quality films specifically tailored to sell in specific markets;
- Increase retail sales through our Landis Lifestyle Salons;
- Open new salon locations;
- Increasing revenues from rental properties by implementing new marketing programs;
- Making improvements to certain rental properties in order to make them more marketable;
- Reduce expenses through consolidating or disposing of certain subsidiary companies;
- Convert certain debt into shares of Nexia's common stock; and
- Purchasing revenue-producing real estate.

There can be no assurance that Nexia can or will be successful in implementing any of its plans or that it will be successful in enabling Nexia to continue as a going concern. Nexia's consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Impact of Inflation

We compensate some of our salon employees with percentage commissions based on sales they generate. Accordingly, this provides us certain protection against inflationary increases, as payroll expense is a variable cost of sales. In addition, we may increase pricing in our salons to offset any significant increases in wages and cost of services provided. Therefore, we do not believe inflation has had a significant impact on the results of our operations.

Off Balance Sheet Arrangements

We do not have any off-balance sheet financing arrangements.

Known Trends, Events, or Uncertainties

General Real Estate Investment Risks

Nexia's investments are subject to varying degrees of risk generally incident to the ownership of real property.

Real estate values and income from Nexia's current properties may be adversely affected by changes in national or local economic conditions and neighborhood characteristics, changes in interest rates and in the availability, cost and terms of mortgage funds, the impact of present or future environmental legislation and compliance with environmental laws, the ongoing need for capital improvements, changes in governmental rules and fiscal policies, civil unrest, acts of God, including earthquakes and other natural disasters which may result in uninsured losses, acts of war, adverse changes in zoning laws and other factors which are beyond the control of Nexia.

Value and Illiquidity of Real Estate

Real estate investments are relatively illiquid. The ability of Nexia to vary its ownership of real estate property in response to changes in economic and other conditions is limited. If Nexia must sell an investment, there can be no assurance that Nexia will be able to dispose of it in the time period it desires or that the sales price of any investment will recoup the amount of Nexia's investment.

Property Taxes

Nexia's real property is subject to real property taxes. The real property taxes may increase or decrease as property tax rates change and as the property is assessed or reassessed by taxing authorities. If property taxes increase, Nexia's operations could be adversely affected.

Item V: Legal proceedings

None.

Item VI: Defaults upon senior securities

None.

Item VII: Other information

None.

Item VIII: Exhibits

Material Contracts

None.

Subsequent Events

None.

Articles of Incorporation

The following items are incorporated by reference from the Annual Report of Nexia Holdings, Inc. filed with Pink Sheets on July 14, 2009:

Restated Articles of Incorporation of the Company
Articles of Incorporation of Nexia Holdings, Inc. in Utah
Plan of Merger and Share Exchange Agreement
Bylaws of Nexia Holdings, Inc.

Item IX: Certifications.

I, Richard D. Surber, certify that:

1. I have reviewed this disclosure statement for the quarter ended March 31, 2014 of Nexia Holdings, Inc.;

2. Based on my knowledge, this disclosure statement 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 disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: July 29, 2014

/s/ Richard Surber
Richard D. Surber
President, CEO, CFO and Director