

CORDIA CORP
Form 10QSB/A
March 11, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-QSB/A

AMENDMENT NO. 1

(Mark One)

Quarterly report under Section 13 or 15(d) of the Securities exchange Act of
1934

For the quarterly period ended March 31, 2004

Transition report under Section 13 or 15(d) of the Exchange Act

For the transition period from _____ to _____.

Commission File Number: 33-23473

CORDIA CORPORATION

(Exact Name of Small Business Issuer as Specified in Its Charter)

Nevada

11-2917728

(State or Other Jurisdiction of (I.R.S. Employer Identification No.)
Incorporation or Organization)

2500 Silverstar Road, Suite 500, Orlando, Florida 32804

(Address of Principal Executive Offices)

866-777-7777

(Issuer's Telephone Number, Including Area Code)

**APPLICABLE ONLY TO ISSUERS INVOLVED IN
BANKRUPTCY PROCEEDINGS DURING THE
PRECEDING FIVE YEARS**

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court.

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

As of May 5, 2004, there were 4,531,210 shares of the issuer's common stock outstanding.

Transitional Small Business Disclosure Format (check one):

Yes No

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements.

CORDIA CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31	December 31,	
	2004	2003	
	-----	-----	
	(Unaudited)		
ASSETS			
Current Assets			
Cash	\$ 72,387		
\$ 111,288			
Accounts receivable, less allowance for doubtful accounts of \$123,317 (2004) and \$111,167 (2003)		940,878	600,840
Prepaid expenses and other current assets		265,907	193,157
Loans receivable from affiliates			
-			
30,000			
	-----	-----	
TOTAL CURRENT ASSETS		1,279,172	935,285
	-----	-----	
Property and equipment, at cost			
Office equipment	108,616	39,759	
Less: Accumulated depreciation	19,261	10,241	
	-----	-----	
NET PROPERTY AND EQUIPMENT		89,355	29,518
	-----	-----	
Other Assets			
Notes Receivable	-	595,000	
Security Deposits	49,064	77,414	
	-----	-----	
TOTAL OTHER ASSETS		49,064	672,414

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TOTAL ASSETS		\$1,417,591	\$1,637,217
	=====	=====	
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)			
Current Liabilities			
Accounts payable and accrued expenses		\$1,992,183	\$1,427,576
Unearned income	146,406	181,763	
Loans payable to affiliates	13,074	8,074	
Loans payable-other	57,000	57,000	
	-----	-----	
TOTAL CURRENT LIABILITIES		2,208,663	1,674,413
	-----	-----	
Commitments and Contingencies			
Stockholders' Equity (Deficit)			
Preferred stock, \$.001 par value; 5,000,000 shares authorized, no shares issued and outstanding		-	-
Common stock, \$.001 par value; <R>100,000,000</R> shares authorized, 4,531,210 (2004) and 6,156,211 (2003) shares issued and outstanding		4,531	6,156
Additional paid-in capital	3,656,497	4,271,622	
Accumulated deficit	(4,427,100)	(4,289,974)	
	-----	-----	
	(766,072)	(12,196)	
Less Treasury stock, 10,000 common shares at cost		(25,000)	(25,000)
	-----	-----	
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)		(791,072)	(37,196)
	-----	-----	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		\$1,417,591	\$1,637,217
	=====	=====	

Note: See notes to consolidated financial statements.

CORDIA CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended March 31,	
	2004	2003
	-----	-----
Revenues		
Telecommunications revenue	\$1,579,429	\$612,592
Other	189,003	10,000
	-----	-----
	1,768,432	622,592
	-----	-----
Operating Expenses		
Resale and wholesale line charges	795,770	297,191
Payroll and payroll taxes	472,984	161,117
Advertising and promotion	306,315	71,164
Professional and consulting fees	46,496	112,762
Depreciation	9,020	1,248
Insurance	42,316	18,066
Office expense	19,770	8,578
Telephone	16,417	13,769
Rent and building maintenance	37,145	13,771
Other selling, general and administrative	156,130	94,603
	-----	-----
	1,902,363	792,269
	-----	-----
Operating Loss	(133,931)	(169,677)
	-----	-----
Other Income (Expenses)		
Gain on investments		
-		
2,800		
Other (expense) or income	(154)	3,633
Interest expense	(3,041)	(337)
	-----	-----
	(3,195)	6,096
	-----	-----

Loss From Continuing Operations	(137,126)	(163,581)
	-----	-----
Income (Loss) from Discontinued Operations		
Loss from operations of discontinued segments	-	(140,726)
Gain on disposal	- 1,554,306	
	-----	-----
	- 1,413,580	
	-----	-----
Net (Loss) Income	\$ (137,126)	\$ 1,249,999
	=====	=====
Basic and diluted (Loss) Income per share	\$ (0.03)	\$ 0.22
	=====	=====
Weighted Average Shares Outstanding	5,402,639	5,722,537
	=====	=====

See notes to consolidated financial statements.

CORDIA CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

For the Three Months Ended
March 31,
2004 2003
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Cash Flows From Operating Activities:

Net(loss) from continuing operations	\$ (137,126)	\$ (163,581)
Adjustments to reconcile net (loss) to net cash provided(used) by operations		
(Gain) on investments	-	(2,800)
Compensatory stock expense	42,000	60,400
Provision for accounts receivable	12,150	

43,974

Depreciation expense	9,020	1,248
(Increase) decrease in assets:		
Accounts receivable	(352,188)	(217,528)

Other receivables

-

76,082

Prepaid expenses and other current assets	(106,499)	18,105
Security deposits	28,350	(28,086)
Increase (decrease) in liabilities:		
Accounts payable	564,607	113,770
Unearned income	(35,357)	95,957

Net cash provided (used) by continuing operations	24,957	(2,459)
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Net cash (used) by discontinued operations	-	(79,029)
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NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES		24,957
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(81,488)

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Cash Flows From Investing Activities:			
Decrease (increase) in other loans receivable		-	1,750
Purchase of property and equipment		(68,858)	-
	-----	-----	
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES		(68,858)	1,750
Cash Flows From Financing Activities:			
Proceeds from loans payable - other		5,000	-
Payments of loans payable - other		-	(10,248)
Proceeds from sale of subscription stock			
-	38,500		
	-----	-----	
NET CASH PROVIDED BY FINANCING ACTIVITIES		5,000	28,252
Decrease in Cash			
	(38,901)	(51,486)	
Cash, Beginning			
	111,288	70,243	
Cash, Ending			
	<u>\$ 72,387</u>	<u>\$ 18,757</u>	

Supplemental Disclosures of Cash Flow Information

Cash paid during the year for:

Interest

\$ 1,632	\$ 337
=====	=====

Non Cash Items:

Stock received by Company to satisfy:

Note receivable due of \$595,000;

Accrued interest on note receivable of \$33,750;

License fee payments due of \$30,000

\$ 658,750

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CORDIA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2004

Unaudited

Note 1: Basis of Presentation

Our unaudited condensed financial statements have been prepared in accordance with the instructions to Form 10-QSB and do not include all of the information and disclosures required by accounting principals generally accepted in the United States of America. Therefore, these financial statements should be read in conjunction with the financial statements and related footnotes included in our Annual Report on Form 10-KSB for the most recent year-end. These financial statements reflect all adjustments that are, in the opinion of management, necessary to fairly state the results for the interim periods reported. The results of operations for the three-month period ended March 31, 2004 are not necessarily indicative of the results to be expected for the full year.

The consolidated financial statements include our accounts and the accounts of Cordia Communications Corp. for the years ended December 31, 2003 and for the three months ended March 31, 2004 and 2003. The consolidated financial statements also include the accounts of its discontinued business ISG Group, Inc. ("ISG") and its subsidiaries (Universal Recoveries, Inc. and U.L.A.E., Inc., both wholly-owned) for the period January 1, 2003 through March 3, 2003 (date of disposal). All material intercompany balances and transactions have been eliminated.

Note 2: Investments

Cordia did not have any investments to report at March 31, 2004 and December 31, 2003. Cordia did, however, hold common shares of eLEC Communications Corp. (eLEC) during fiscal year 2003 which were sold prior to December 31, 2003. All investments are classified as trading securities and accordingly, stated at fair value, which is based on market quotes. Adjustments to fair value of the equity securities are recorded as an increase or decrease in investment income in the accompanying statement of operations.

The cost of securities sold is based on the specific identification method. The following is a reconciliation of gain on investments from continuing operations during the three-month period ended March 31, 2003.

—

Net change in unrealized (losses)

\$ -

Realized gain (losses)

2,800

Total

\$ 2,800

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NOTE 3: Sale of Business Segments

On March 3, 2003, Cordia sold its equity interests in Insurance Subrogation Group, Inc. (ISG) to West Lane Group Inc., a company owned by the then current management of ISG for a purchase price of \$750,000. The purchase price was represented by a two-year promissory note, which bore interest at a rate of 6% per annum and was secured by 700,000 shares of Cordia's stock owned by West Lane. Cordia also entered into a licensing and services agreement with ISG whereby ISG purchased an unlimited license to SUBRO AGS software. Upon execution of the licensing and services agreement, ISG paid Cordia \$100,000 and pursuant to the terms of the agreement agreed to make monthly payments of \$6,000 (including interest) for a twenty-five (25) month period in exchange for Cordia's agreement to provide software updates and maintenance as necessary during this period.

The following is a summary of the sale transaction of ISG (unaudited):

Assets sold	\$ (872,726)	
Liabilities sold	1,615,335	
Note received	750,000	
Write-off of inter-company receivables and payables		61,697

Gain on sale, before income taxes	\$1,554,306	
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As a result of the sale of ISG, employee stock options to purchase 83,000 of the Company's common shares at \$7.50 per share expired.

CORDIA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2004

Unaudited

Note 3: Sale of Business Segments (cont'd)

The following is a summary of the revenues and loss from operations of the discontinued business segments:

	Three months ended March 31,	
	2004	2003
	-----	-----
Revenues:		
Subrogation Service Revenue, net	\$ -	\$ 631,361
Claims Administration income	-	197,667
Other	-	-
	-----	-----
Total Revenues:	\$ -	\$ 829,028
	=====	=====
Loss before income taxes	\$ -	\$ (140,726)
	=====	=====

On February 6, 2004, Cordia entered into a Mutual Release and Satisfaction of Promissory Note and License Agreement whereby Cordia agreed to release West Lane of its payment obligations under the promissory note and licensing agreement in exchange for the return of 1,412,500 shares of Cordia's Common Stock, a fifteen (15) month option to purchase 100,000 shares at a price of forty cents (\$0.40) per share and the release of Cordia's service obligations under the License Agreement. In addition to Cordia's release of West Lane, Cordia will transfer all ownership interest to the technology and source code of SUBRO AGS software to West Lane. The 1,412,501 shares were cancelled upon transfer to Cordia. As a result, Cordia's outstanding shares were reduced to 4,431,210.

Note 4: Commitments

As of March 31, 2004, we leased property at the following two locations: (1) approximately 2,840 square feet of office space for our offices in White Plains, New York at a rental price of \$4,970 per month plus utilities for a term of five years, expiring December 31, 2008, with an increase in rent in years three and four and (2) approximately 4,000 square feet at our executive offices in Orlando, Florida at a rental price of \$3,301.50 per month plus utilities on a month to month basis. We believe our existing facilities are sufficient for our current operations.