

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10KSB

NEXT GENERATION MEDIA CORP
Form 10KSB
April 03, 2006

U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549
FORM 10-KSB

(MARK ONE)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER: 000-28083

NEXT GENERATION MEDIA CORP.

(Exact name of Company as specified in its charter)

Nevada

88-0169543

(State or jurisdiction of incorporation (I.R.S. Employer or organization)
Identification No.)

7644 Dynatech Court, Springfield, Virginia 22153

(Address of principal executive offices) (Zip Code)

Company's telephone number: (703) 644-0200

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the Company (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 Company was required to file such reports), and (2) been subject to such filing requirements for the past 90 days. Yes No

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

The Company had \$8,219,717 in revenue for the fiscal year ended on December 31, 2005. The aggregate market value of the voting stock held by non-affiliates of the Company as of March 29, 2006: Common Stock, par value \$0.001 per share -- \$805,374. As of December 31, 2005, the Company had 12,373,397 shares of common stock issued and outstanding, of which 6,711,452 were held by non-affiliates.

NEXT GENERATION MEDIA, CORP.

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10KSB

FORM 10-KSB

TABLE OF CONTENTS

PART I

ITEM 1.	Description of Business.....	3
ITEM 2.	Description of Property.....	4
ITEM 3.	Legal Proceedings.....	4
ITEM 4.	Submission of Matters to a Vote of Security Holders.....	4

PART II

ITEM 5.	Market for Common Equity and Other Shareholder Matters.....	5
ITEM 6.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7
ITEM 7.	Financial Statements.....	12
ITEM 8.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.....	12

PART III

ITEM 9.	Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act.....	13
ITEM 10.	Executive Compensation.....	14
ITEM 11.	Security Ownership of Certain Beneficial Owners and Management.....	15
ITEM 12.	Certain Relationships and Related Transactions.....	16
ITEM 13.	Exhibits and Reports on Form 8-K.....	17
ITEM 14.	Controls and Procedures.....	18
	Signatures.....	19

2

PART I.

RISK FACTORS AND CAUTIONARY STATEMENTS

Forward-looking statements in this report are made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. The Company wishes to advise readers that actual results may differ substantially from such forward-looking statements. Forward-looking statements include statements concerning underlying assumptions and other statements that are other than statements of historical facts. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by the statements, including, but not limited to, the following: the ability of the Company to provide for its obligations, to provide

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10KSB

working capital needs from operating revenues, to obtain additional financing needed for any future acquisitions, to meet competitive challenges and technological changes, and other risks detailed in the Company's periodic report filings with the Securities and Exchange Commission.

ITEM 1. BUSINESS.

INTRODUCTION

Next Generation Media Corporation (the "Company") was incorporated on November 21, 1980, under the laws of the State of Nevada under the name Micro Tech Industries, Inc. On February 6, 1997, an unrelated third party purchased 85.72% of the outstanding stock of Micro Tech Industries, Inc. from its majority shareholder for \$50,000 in cash. Effective March 31, 1997, Micro Tech Industries, Inc. changed its name to Next Generation Media Corporation. Management believes that prior to February 6, 1997, the Company was a "shell" company for at least five years without assets and liabilities. Management is unaware of any operating history prior to February 6, 1997.

REPORTING PERIOD PRINCIPLE SERVICES

During the reporting period, the Company operated as a holding company with one wholly-owned operating subsidiary, United Marketing Solutions, Inc. ("United").

The Company acquired United on April 1, 1999. Originally founded in 1981 as United Coupon Corporation, United has operated within the cooperative direct mail industry for twenty years. United has diversified and expanded its product lines and markets to evolve from a coupon company to a full-service marketing provider specializing in two communication mediums: direct mail and direct marketing. United offers advertising and marketing products and services through a network of franchisees in more than twenty states, with the largest concentration being in the northeast United States. United provides full-service design, layout, printing, packaging and distribution of marketing products and promotional coupons sold by the franchise network to local market businesses, services providers and professionals as resources to help them generate "trial and repeat" customers. United's core product, the cooperative coupon envelope, reaches in excess of nineteen million mailboxes per year with an estimated four hundred million coupons.

3

COMPETITION

The Company's current and future lines of business are highly competitive. First, the advertising business is highly competitive with many firms competing in various forms of media and possessing substantial resources. The direct mail industry is highly fragmented and includes a large number of small and independent cooperative direct mailers in addition to competition from companies for whom coupon advertising is not their primary line of business. In addition, several large firms, notably Val-Pak Direct Marketing Systems, Inc., Money Mailer and Advo, Inc., are direct competitors of United in its direct mail marketing business.

GOVERNMENT REGULATION

United is subject to state regulation as a franchisor, requiring United to file periodic state registration documents pertaining to the offering of area and

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10KSB

regional franchise licenses. Management believes that United is in substantial compliance with the applicable state franchise laws.

EMPLOYEES

As of December 31, 2005, the Company, through United, had approximately 68 employees. The Company does not have any collective bargaining agreements covering any of its employees, has not experienced any material labor disruption and is unaware of any efforts or plans to organize its employees. The Company considers relations with its employees to be good.

ITEM 2. DESCRIPTION OF PROPERTIES

The Company's principal executive and administrative offices are located at 7644 Dynatech Court, Springfield, Virginia 22153. The current rent for 2006 for this facility is \$294,449, has built in increases per year of four percent (4%) and has a term set to expire in January of 2012. The Company considers these offices to be adequate and suitable for its current needs.

ITEM 3. LEGAL PROCEEDINGS

Other than as set forth below, the Company is not a party to any material pending legal proceedings and, to the best of its knowledge, no such action by or against the Company has been threatened. The Company is subject to legal proceedings and claims that arise in the ordinary course of its business. Although occasional adverse decisions or settlements may occur, the Company believes that the final disposition of such matters will not have material adverse effect on its financial position, results of operations or liquidity.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the last quarter of fiscal year-ended December 2005, the Company did not submit any matters to a vote of security holders.

4

PART II.

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Market Information

The Company's Common Stock has been and is currently traded on the over-the-counter market and quotations are published on the OTC Bulletin Board under the symbol "NGMC" and began trading on June 11, 2001.

The following table sets forth the range of high and low bid prices of the Common Stock for each fiscal quarterly period. Prices reported represent prices between dealers, do not include retail markups, markdowns or commissions and do not represent actual transactions.

Per Share Common Stock Bid Prices by Quarter

For the Fiscal Year Ended on December 31, 2005

	HIGH	LOW
Quarter Ended December 31, 2005	0.16	0.057

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10KSB

Quarter Ended September 30, 2005	0.19	0.115
Quarter Ended June 30, 2005	0.15	0.11
Quarter Ended March 31, 2005	0.40	0.125
Per Share Common Stock Bid Prices by Quarter		
For the Fiscal Year Ended on December 31, 2004		

	HIGH	LOW
Quarter Ended December 31, 2004	0.17	0.10
Quarter Ended September 30, 2004	0.22	0.13
Quarter Ended June 30, 2004	0.30	0.11
Quarter Ended March 31, 2004	0.40	0.22

5

The ability of individual stockholders to trade their shares in a particular state may be subject to various rules and regulations of that state. A number of states require that an issuer's securities be registered in their state or appropriately exempted from registration before the securities are permitted to trade in that state. Presently, the Company has no plans to register its securities in any particular state. Further, most likely the Company's shares will be subject to the provisions of Section 15(g) and Rule 15g-9 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), commonly referred to as the "penny stock" rule. Section 15(g) sets forth certain requirements for transactions in penny stocks and Rule 15g-9(d)(1) incorporates the definition of penny stock as that used in Rule 3a51-1 of the Exchange Act.

The Commission generally defines penny stock to be any equity security that has a market price less than \$5.00 per share, subject to certain exceptions. Rule 3a51-1 provides that any equity security is considered to be a penny stock unless that security is: registered and traded on a national securities exchange meeting specified criteria set by the Commission; authorized for quotation on The NASDAQ Stock Market; issued by a registered investment company; excluded from the definition on the basis of price (at least \$5.00 per share) or the issuer's net tangible assets (at least \$2 million); or exempted from the definition by the Commission. If the Company's shares are deemed to be a penny stock, trading in the shares may be subject to additional sales practice requirements of broker-dealers who sell penny stocks to persons other than established customers and accredited investors.

For transactions covered by these rules, broker-dealers must make a special suitability determination for the purchase of such securities and must have received the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the rules require the delivery, prior to the first transaction, of a risk disclosure document relating to the penny stock market. A broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative, and current quotations for the securities. Finally, monthly statements must be sent disclosing recent price information for the penny stocks held in the account and information on the limited market in penny stocks. Consequently, these rules may restrict the ability of broker-dealers to trade and/or maintain a market in the Company's Common Stock and may affect the ability of stockholders to sell their shares.

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10KSB

----- Holders of Common Equity

As of March 29, 2006, there were approximately 600 shareholders of record of the Company's common stock.

----- Dividend Information

The Company has not declared or paid cash dividends on its Common Stock or made distributions in the past, and the Company does not anticipate that it will pay cash dividends or make cash distributions in the foreseeable future, other than non cash dividends described below. The Company currently intends to retain and invest future earnings, if any, to finance its operations.

----- Transfer Agent

The transfer agent and registrar for our common stock is OTR Transfer Agency.

6

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

When used in this Form 10-KSB and in our future filings with the Securities and Exchange Commission, the words or phrases will likely result, management expects, or we expect, will continue, is anticipated, estimated 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. These statements are subject to risks and uncertainties, some of which are described below. Actual results may differ materially from historical earnings and those presently anticipated or projected. We have no obligation to publicly release the result of any revisions that may be made to any forward-looking statements to reflect anticipated events or circumstances occurring after the date of such statements.

----- GENERAL OVERVIEW

The Company acquired United on April 1, 1999. Originally founded in 1981 as United Coupon Corporation, United has operated within the cooperative direct mail industry for twenty-five years. United has diversified and expanded its product lines and markets to evolve from a coupon company to a full-service marketing provider specializing in two communication mediums: direct mail and direct marketing. United offers advertising and marketing products and services through a network of franchisees in more than twenty states, with the largest concentration being in the northeast United States. United provides full-service design, layout, printing, packaging and distribution of marketing products and promotional coupons sold by the franchise network to local market businesses, services providers and professionals as resources to help them generate "trial and repeat" customers. United's core product, the cooperative coupon envelope, reaches in excess of nineteen million mailboxes per year with an estimated four hundred million coupons.

----- RESULTS OF OPERATIONS

The Company's revenues are difficult to forecast and may vary significantly from quarter to quarter and year to year. In addition, the Company's expense levels

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10KSB

for each quarter are, to a significant extent, fixed in advance based upon the Company's expectation as to the net revenues to be generated during that quarter. The Company therefore is generally unable to adjust spending in a timely manner to compensate for any unexpected shortfall in net revenues. Further as a result of these factors any delay in product introductions, whether due to internal delays or delays caused by third party difficulties, or any significant shortfall in demand in relation to the Company's expectations, would have an almost immediate adverse impact on the Company's operating results and on its ability to maintain profitability in a quarter.

Comparison of the Year Ended December 31, 2005 with the Year Ended December 31,

2004

During the year ending December 31, 2005 the Company experienced a five percent growth in revenues with sales of \$8,219,717 compared to \$7,821,606 in the year ending December 31, 2004. The increased frequency and distribution from our existing franchisees was responsible for this growth. Nevertheless, a shortfall in 2005 franchisee sales curtailed a greater anticipated overall revenue growth. Senior management changes have been implemented to address future franchise sales.

7

Cost of revenues consists of materials, labor costs and applied overhead expenses. Due to a significant increase in the cost of materials and a growth in direct labor costs, the cost of revenues as a percentage of net revenues were up from 67% for the year ended December 31, 2004 to 71% in the year ended December 31, 2005. While the cost of goods sold percentage will fluctuate from quarter to quarter and year to year as overhead expenses and labor ratios change, the Company is taking steps to lower costs. The growth in direct labor costs led to the acquisition and implementation of workflow software which should help contain future production staffing requirements. Additionally, the Company is also analyzing the acquisition of printing equipment that could also directly influence cost containment.

General and administrative (operating) expenses decreased during 2005 from \$2,485,024 in 2004 to \$2,245,916 in 2005 as management worked to control expenses despite a 5% growth in revenues.

Net Income

The Company realized net income of \$17,974 for the year ended December 31, 2005 as compared to net income of \$184,460 for the year ended December 31, 2004. A decline in 2005 franchise sales contributed to a reduction in anticipated revenues. Overall growth in revenue from 2004 to 2005 was limited to 5% by a 55% decrease in franchise sales revenue. In 2005, increased frequency and distribution from our existing franchisees provided an increase in core product revenues of 11% over 2004. Senior management has taken appropriate action to address future franchise sales. Additionally, production incentives to franchisees increased by 15% from 2004 to 2005 and the annual impact of those incentives will be reached in 2006 and beyond.

Liquidity and Capital Resources

The Company has relied primarily on funds generated from revenues, the issuance of common stock and use of its line of credit to finance its operations and expansion. Cash and cash equivalents at December 31, 2005 was \$610,885 and

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10KSB

\$395,575 at December 31, 2004. For the year ended December 31, 2005, we generated a cash flow surplus of \$215,310 from operating activities. The net cash provided by financing activities was \$107,050 while making repayment on notes payable. The Company has used its working capital to finance ongoing operations and the marketing of its products.

NEW ACCOUNTING PRONOUNCEMENTS

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities." Interpretation 46 changes the criteria by which one company includes another entity in its consolidated financial statements. Previously, the criteria were based on control through voting interest. Interpretation 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the

8

variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. A company that consolidates a variable interest entity is called the primary beneficiary of that entity. The consolidation requirements of Interpretation 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Company does not expect the adoption to have a material impact to the Company's financial position or results of operations.

In April 2003, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 149, AMENDMENT OF STATEMENT 133 ON DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES. SFAS 149 amends SFAS No. 133 to provide clarification on the financial accounting and reporting of derivative instruments and hedging activities and requires that contracts with similar characteristics be accounted for on a comparable basis. The provisions of SFAS 149 are effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The adoption of SFAS 149 will not have a material impact on the Company's results of operations or financial position.

In May 2003, the FASB issued SFAS No. 150, ACCOUNTING FOR CERTAIN FINANCIAL INSTRUMENTS WITH CHARACTERISTICS OF BOTH LIABILITIES AND EQUITY. SFAS 150 establishes standards on the classification and measurement of certain financial instruments with characteristics of both liabilities and equity. The provisions of SFAS 150 are effective for financial instruments entered into or modified after May 31, 2003 and to all other instruments that exist as of the beginning of the first interim financial reporting period beginning after June 15, 2003. The adoption of SFAS 150 will not have a material impact on the Company's results of operations or financial position.

Forward Looking Statements.

The foregoing Managements Discussion and Analysis of Financial Condition and Results of Operations "forward looking statements" within the meaning of Rule 175 under the Securities Act of 1933, as amended, and Rule 3b-6 under the Securities Act of 1934, as amended, including statements regarding, among other items, the Company's business strategies, continued growth in the Company's

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10KSB

markets, projections, and anticipated trends in the Company's business and the industry in which it operates. The words "believe," "expect," "anticipate," "intends," "forecast," "project," and similar expressions identify forward-looking statements. These forward-looking statements are based largely on the Company's expectations and are subject to a number of risks and uncertainties, including but not limited to, those risks associated with economic conditions generally and the economy in those areas where the Company has or expects to have assets and operations; competitive and other factors affecting the Company's operations, markets, products and services; those risks associated with the Company's ability to successfully negotiate with certain customers, risks relating to estimated contract costs, estimated losses on uncompleted contracts and estimates regarding the percentage of completion of contracts, associated costs arising out of the Company's activities and the matters discussed in this report; risks relating to changes in interest rates and in the availability, cost and terms of financing; risks related to the performance of financial markets; risks related to changes in domestic laws,

9

regulations and taxes; risks related to changes in business strategy or development plans; risks associated with future profitability; and other factors discussed elsewhere in this report and in documents filed by the Company with the Securities and Exchange Commission. Many of these factors are beyond the Company's control. Actual results could differ materially from these forward-looking statements. In light of these risks and uncertainties, there can be no assurance that the forward-looking information contained in this Form 10-KSB will, in fact, occur. The Company does not undertake any obligation to revise these forward-looking statements to reflect future events or circumstances and other factors discussed elsewhere in this report and the documents filed or to be filed by the Company with the Securities and Exchange Commission.

Inflation

In the opinion of management, inflation has not had a material effect on the operations of the Company.

Trends, Risks and Uncertainties

The Company has sought to identify what it believes to be the most significant risks to its business as discussed in "Risk Factors" above, but cannot predict whether or to what extent any of such risks may be realized nor can there be any assurances that the Company has identified all possible risks that might arise. Investors should carefully consider all of such risk factors before making an investment decision with respect to the Company's stock.

Limited operating history; anticipated losses; uncertainly of future results

The Company has a moderately limited operating history upon which an evaluation of the Company and its prospects can be based. The Company's prospects must be evaluated with a view to the risks encountered by a company in varying stages of development, particularly in light of the uncertainties relating to the business model that the Company intends to market and the potential acceptance of the Company's business model. The Company will be incurring costs to develop, introduce and enhance its products, to establish marketing relationships, to acquire and develop products that will complement each other, and to build an administrative organization. To the extent that such expenses are not

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10KSB

subsequently followed by commensurate revenues, the Company's business, results of operations and financial condition will be materially adversely affected. There can be no assurance that the Company will be able to generate sufficient revenues from the sale of its products and services. If cash generated by operations is insufficient to satisfy the Company's liquidity requirements, the Company may be required to sell additional equity or debt securities. The sale of additional equity or convertible debt securities would result in additional dilution to the Company's shareholders.

Potential fluctuations in quarterly operating results may fluctuate significantly in the future as a result of a variety of factors, most of which are outside the Company's control including: the demand for the Company's products and services; seasonal trends in demand and pricing of products and services; the amount and timing of capital expenditures and other costs relating to the expansion of the Company's operations; the introduction of new services and products by the Company or its competitors; price competition or pricing changes in the industry; political risks and uncertainties involving the world's markets; technical difficulties and general economic conditions. The Company's

10

quarterly results may also be significantly affected by the impact of the accounting treatment of acquisitions, financing transactions or other matters. Such accounting treatment can have a material impact on the results for any quarter. Due to the foregoing factors, among others, it may be that the Company's operating results will fall below the expectations of the Company or investors in some future quarter.

Management of Growth

The Company may experience growth in the number of employees relative to its current levels of employment and the scope of its operations. In particular, the Company may need to hire sales, marketing and administrative personnel. Additionally, acquisitions could result in an increase in employee headcount and business activity. Such activities could result in increased responsibilities for management. The Company believes that its ability to increase its customer support capability and to attract, train, and retain qualified technical, sales, marketing, and management personnel, will be a critical factor to its future success. In particular, the availability of qualified sales and management personnel is quite limited, and competition among companies to attract and retain such personnel is intense. During strong business cycles, the Company may experience difficulty in filling its needs for qualified sales, and other personnel.

The Company's future success will be highly dependent upon its ability to successfully manage the expansion of its operations. The Company's ability to manage and support its growth effectively will be substantially dependent on its ability to implement adequate financial and management controls, reporting systems, and other procedures and hire sufficient numbers of financial, accounting, administrative, and management personnel. The Company is in the process of establishing and upgrading its financial accounting and procedures. There can be no assurance that the Company will be able to identify, attract, and retain experienced accounting and financial personnel. The Company's future operating results will depend on the ability of its management and other key employees to implement and improve its systems for operations, financial control, and information management, and to recruit, train, and manage its employee base. There can be no assurance that the Company will be able to achieve or manage any such growth successfully or to implement and maintain adequate financial and management controls and procedures, and any inability to

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10KSB

do so would have a material adverse effect on the Company's business, results of operations, and financial condition.

The Company's future success depends upon its ability to address potential market opportunities while managing its expenses to match its ability to finance its operations. This need to manage its expenses will place a significant strain on the Company's management and operational resources. If the Company is unable to manage its expenses effectively, the Company's business, results of operations, and financial condition will be materially adversely affected.

Risks associated with acquisitions

Although the Company does not presently intend to do so, as part of its business strategy in the future, the Company could acquire assets and businesses relating to or complementary to its operations. Any acquisitions by the Company would involve risks commonly encountered in acquisitions of companies. These risks would include, among other things, the following: the Company could be exposed to unknown liabilities of the acquired companies; the Company could incur

11

acquisition costs and expenses higher than it anticipated; fluctuations in the Company's quarterly and annual operating results could occur due to the costs and expenses of acquiring and integrating new businesses or technologies; the Company could experience difficulties and expenses in assimilating the operations and personnel of the acquired businesses; the Company's ongoing business could be disrupted and its management's time and attention diverted; the Company could be unable to integrate successfully.

ITEM 7. FINANCIAL STATEMENTS.

Comparative Audited Financial Statements as of and for the year ended December 31, 2005, and for the year ended December 31, 2004 are presented in a separate section of this report following Part IV.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Other than as presented below, there were no changes in or disagreements with Accountants on Accounting and Financial Disclosure.

ITEM 8A. CONTROLS AND PROCEDURES.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure.

Evaluation of disclosure and controls and procedures. As of the end of the period covered by this Annual Report, we conducted an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) of the Exchange Act). Based on this evaluation, our chief

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10KSB

executive officer and chief financial officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

Changes in internal controls over financial reporting. There was no change in our internal controls, which are included within disclosure controls and procedures, during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls.

12

PART III.

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS AND COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT.

OFFICERS AND DIRECTORS.

The names and respective positions of the directors, executive officers, and key employees of the Company are set forth below; there are no other promoters or control persons of the Company. The directors named below will serve until the next annual meeting of the Company's stockholders or until their successors are duly elected and have qualified. Directors are elected or re-elected at stockholders' meeting. Officers will hold their positions at the will of the board of directors, absent any employment agreement. There are no arrangements, agreements or understandings between non-management shareholders and management under which non-management shareholders may directly or indirectly participate in or influence the management of the Company's affairs. The directors and executive officers of the Company are not a party to any material pending legal proceedings.

Darryl Reed, President/CEO/Director

Mr. Darryl Reed is the current President of the Company. His background includes seven years in the financial services industry. Mr. Reed formerly was with New York Life Insurance Company, a major insurance company, and certain of its subsidiaries since October 1995. Such subsidiaries included #1A Eagle Strategies Corp., a registered investment adviser, where Mr. Reed worked from April 1997 until May 2000. Mr. Reed held several licenses in the financial services industry, including Series 7, 63 and 65. He has a BS in Finance from the University of Florida and an MS from the American College, Philadelphia, PA.

Olin Greene, Treasurer

Hired as Director of Accounting in October 2002, Olin Greene is currently the Controller for United Marketing Solutions and Treasurer for Next Generation Media. Mr. Greene has over thirty years of experience in the accounting field; including twelve years of senior financial management experience. From March 2000 to April 2002, Mr. Greene was Controller of Craven Tire Company in Fairfax, Virginia, and from April 1998 to March 2000 he Comptroller/CFO of Douglas-Michaels Company, L.P. in Springfield, Virginia. Mr. Greene attended Virginia Polytechnic Institute and State University from 1967 to 1970.

Leon Zajdel, Director, Chairman of the Board

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10KSB

Leon Zajdel has been a director of the Company since April 1999. Mr. Zajdel was founder and has served as President of Energy Guard Corp., a manufacturer and retailer of replacement windows, located in Beltsville, MD, since 1972.

Melissa Held, Director

Ms. Held was appointed to the Board of Directors in November 2002. She possesses an extensive background in financial management and real estate. Ms. Held was with Merrill Lynch in a variety of positions over the past eight years, as a Sales Associate from 1994 to 1998, as a Senior Specialist, Interactive Technology from 1998 to 2000 and as Asst. Vice President, Consultative Training Services from 2000 to present. Ms. Held has a BA in Communications from Hollins College (1993).

Fernando Mathov, Director

Mr. Mathov was appointed to the Board of Directors in February 2003. He possesses an extensive background as a project manager, systems engineer and consultant in the telecommunications industry with various companies. Currently Mr. Mathov holds two positions, as a Technical Solutions Manager from 1997 to the present at Media and Entertainment Vertical EMC Corporation, and as a Project Manager at Informix Software from 1994 to the present. Mr. Mathov has a BS in Computer Science (1989) and an MBA in Management Science (1991), both from Virginia Polytechnic Institute and State University.

(b) COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT.

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors, certain officers and persons holding 10% or more of the Company's common stock to file reports regarding their ownership and regarding their acquisitions and dispositions of the Company's common stock with the Securities and Exchange Commission. Such persons are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on a review of the fiscal year ended December 31, 2005 and subsequently, the Company is unaware that any required reports were not timely filed.

ITEM 10. EXECUTIVE COMPENSATION.

The following table sets forth certain information relating to the compensation paid by the Company during the last three fiscal years to the Company's President. No other executive officer of the Company received total salary and bonus in excess of \$100,000 during the fiscal year ended December 31, 2005 and prior.

SUMMARY COMPENSATION TABLE

	ANNUAL COMPENSATION	LONG-TERM COMPENSATION
=====		

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10KSB

NAME AND PRINCIPAL POSITION (a)	YEAR (b)	SALARY (\$) (c)	BONUS (\$) (d)	OTHER ANNUAL COMPENSATION (\$) (e)	AWARDS		LTI PAYOUT (\$) (h)
					RESTRICTED STOCK AWARD (\$) (f)	SECURITIES UNDER- LYING OPTIONS/ SAR (#) (g)	
Darryl Reed, President	2005	199,650	0	0	\$10,000	1,000,000	0
	2004	180,000	0	0	0	0	0
	2003	165,000	0	0	0	0	0

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table sets forth information regarding the beneficial ownership of shares of the Company's common stock as of December 31, 2005 (issued and outstanding) by (i) all stockholders known to the Company to be beneficial owners of more than ten percent of the outstanding common stock; and (ii) all directors and executive officers of the Company as a group:

TITLE OF CLASS	NAME OF BENEFICIAL OWNER	AMOUNT OF BENEFICIAL OWNERSHIP (2)	PERCENT
CommonStock	Darryl Reed(1)	3,008,965	24
Common Stock	Leon Zajdel(1)	478,747	3.
Common Stock	Melissa Held Marsden(1)	100,000	1.
Common Stock	Fernando Mathov(1)	100,000	1.
Common Stock	Christoper Boeman 1827 E 298th St., Wickliffe, OH 44092	1,981,433	15
	All five persons listed above, together	5,661,945	45

15

(1) The address for all persons listed is 7644 Dynatech Court, Springfield, VA, 22153. Each person has sole voting power and sole right to dispose as to all of the shares shown as beneficially owned by them except as footnoted.

Insurance Plans

The Company makes available to all full-time employees medical and dental plan benefits. Employees are eligible to participate in company insurance plans when they complete 90 days of service with the Company.

Other Benefit Plans

401(k) Plan. The Company makes available a 401(k) Savings Plan (the "401(k) Plan"), a federally-qualified, tax-deferred plan administered by a third party.

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10KSB

The 401(k) Plan provides participants with savings or retirement benefits based on employee deferrals of compensation, as well as any matching and other discretionary contributions made by the Company. Employees are eligible to participate in the 401(k) Plan when they complete one month of service with the Company and have attained the age of 18. The employee can defer up to 15% of the compensation amount earned within a calendar year, not to exceed the ceiling set forth annually by the Internal Revenue Service. The Company matches the employee's contribution to the 401(k) Plan fifty cents-for-dollar up to 6% of the employee's annual salary. Participants become vested in any employer contributions to the 401(k) Plan after two years of service at a rate of 20% for each completed year of service. A participant is always 100% vested in his or her salary reduction contributions to the 401(k) Plan.

Stock Option Plan.

The Company has also filed a Stock Option Plan for Employees on Form S-8 in December 2001. The Company had not issued any Stock Options pursuant to the Plan included therein to any employees as of December 31, 2005.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

During the past two years, and as not otherwise disclosed of in any other filing, there have not been any transactions that have occurred between the Company and its officers, directors, and five percent or greater shareholders, unless listed below.

Certain of the officers and directors of the Company are engaged in other businesses, either individually or through partnerships and corporations in which they have an interest, hold an office, or serve on a board of directors. As a result, certain conflicts of interest may arise between the Company and its officers and directors. The Company will attempt to resolve such conflicts of interest in favor of the Company. The officers and directors of the Company are accountable to it and its shareholders as fiduciaries, which requires that such officers and directors exercise good faith and integrity in handling the

16

Company's affairs. A shareholder may be able to institute legal action on behalf of the Company or on behalf of itself and other similarly situated shareholders to recover damages or for other relief in cases of the resolution of conflicts is in any manner prejudicial to the Company.

PART IV

ITEM 13. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

EXHIBITS.

Exhibits included or incorporated by reference in this document are set forth in the Exhibit Index.

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES.

Report of Independent Registered Public Accounting Firm	F-2
Financial Statements	
Balance Sheet	F-4
Statements of Income	F-6

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10KSB

Statements of Stockholders' Equity	F-7
Statements of Cash Flows	F-8
Notes to Financial Statements	F-10

17

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth fees billed to us by our auditors during the years ended December 31, 2004 and 2003 for: (i) services rendered for the audit of our annual financial statements and the review of our quarterly financial statements, (ii) services by our auditor that are reasonably related to the performance of the audit or review of our financial statements and that are not reported as Audit Fees, (iii) services rendered in connection with tax compliance, tax advice and tax planning, and (iv) all other fees for services rendered.

		December 31, 2005	December 31, 2004
		-----	-----
(i)	Audit Fees	\$45,000	\$40,000
(ii)	Audit Related Fees	\$0	\$0
(iii)	Tax Fees	\$0	\$0
(iv)	All Other Fees	\$0	\$0
		-----	-----
	Total fees	\$45,000	\$40,000
		=====	=====

AUDIT FEES. Consists of fees billed for professional services rendered for the audit of the Company's consolidated financial statements and review of the interim consolidated financial statements included in quarterly reports and services that are normally provided by our auditors in connection with statutory and regulatory filings or engagements.

AUDIT-RELATED FEES. Consists of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements and are not reported under "Audit Fees." There were no Audit-Related services provided in fiscal 2005 or 2004.

TAX FEES. Consists of fees billed for professional services for tax compliance, tax advice and tax planning. There were no charges for tax services provided in fiscal 2005 or 2004.

ALL OTHER FEES. Consists of fees for products and services other than the services reported above. There were no management consulting services provided in fiscal 2005 or 2004.

POLICY ON AUDIT COMMITTEE PRE-APPROVAL OF AUDIT AND PERMISSIBLE NON-AUDIT SERVICES OF INDEPENDENT AUDITORS

The Company currently does not have a designated Audit Committee, and accordingly, the Company's Board of Directors' policy is to pre-approve all audit and permissible non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The Board of Directors may also pre-approve particular services on a case-by-case basis.

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10KSB

18

SIGNATURES

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

Signature	Title	Date
/s/Darryl Reed ----- Darryl Reed	President, Secretary, Director	March 29, 2006
/s/Olin Greene ----- Olin Greene	Treasurer	March 29, 2006
/s/Melissa Held Marsden ----- Melissa Held Marsden	Director	March 29, 2006
/s/ Fernando Mathov ----- Fernando Mathov	Director	March 29, 2006
/s/ Leon Zajdel ----- Leon Zajdel	Chairman of the Board	March 29, 2006

Exhibit No.	Description
3.1	Articles of Incorporation, under the name Micro Tech Industries, Inc. (incorporated by reference in the filing of the Company's annual report on Form 10KSB filed on April 15, 1998).
3.2	Amendment to the Articles of Incorporation (incorporated by reference in the Company's quarterly report filed on Form 10 Q filed on May 15, 1997).
3.3	Amended and Restated Bylaws (incorporated by reference in the filing of the Company's annual report on Form 10KSB filed on November 12, 1999).
16.1	Letter on change in certifying accountant (incorporated by reference in the filing of the Company's current report on Form 8-K filed on January 5, 2001).
Exhibit 31.1	Certification of Principal Executive Officer

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10KSB

Exhibit 31.2 Certification of Chief Financial Officer

Exhibit 32.1 Certification Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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

19

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FINANCIAL STATEMENTS AND SCHEDULES
DECEMBER 31, 2005 AND 2004
FORMING A PART OF ANNUAL REPORT
PURSUANT TO THE SECURITIES EXCHANGE ACT OF 1934
NEXT GENERATION MEDIA CORP.

NEXT GENERATION MEDIA CORP.

INDEX TO FINANCIAL STATEMENTS

	Page

Report of Independent Registered Public Accounting Firm	F-2
Financial Statements	
Balance Sheet	F-4
Statements of Income	F-6
Statements of Stockholders' Equity	F-7
Statements of Cash Flows	F-8
Notes to Financial Statements	F-10

F-1

Turner, Jones & Associates, P.L.L.C
Certified Public Accountants
108 Center Street, North, 2nd Floor
Vienna, Virginia 22180-5712
(703) 242-6500
FAX (703) 242-1600

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10KSB

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Next Generation Media Corporation
7644 Dynatech Court
Springfield, VA 22153

We have audited the accompanying consolidated balance sheet of Next Generation Media Corporation (a Nevada Incorporation) as of December 31, 2005, and the related consolidated statements of income, stockholders' equity and cash flows for each of the two years in the period ended December 31, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Next Generation Media Corporation as of December 31, 2005, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

/s/ Turner, Jones & Associates, P.L.L.C
Vienna, Virginia
March 23, 2005

F-2

Next Generation Media Corporation
and Subsidiary
Consolidated Financial Statements
For The Years Ended December 31, 2005 and 2004
With Audit Report of Independent
Registered Public Accounting Firm

TURNER, JONES AND ASSOCIATES, P.L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

F-3

NEXT GENERATION MEDIA CORPORATION
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2005

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 610,885
Accounts receivable, net of uncollectible accounts	231,285
Trade notes receivable	10,637
Inventories	60,847
Employee loans and advances	2,874
Prepaid expenses and other current assets	28,658

Total current assets	\$ 945,186

PROPERTY, PLANT AND EQUIPMENT:	
Equipment	1,475,962
Furniture and fixtures	69,348
Leasehold improvements	81,390
Computer equipment/software	192,140
Software development	157,981
Vehicles	9,200

Total property, plant and equipment	1,986,021
Less: accumulated depreciation	(1,454,008)

Net property, plant and equipment	532,013

OTHER ASSETS:	
Goodwill	951,133
Deposits	41,200

Total other assets	992,333

TOTAL ASSETS	\$ 2,469,532
	=====

See accompanying notes and accountant's audit report

F-4

NEXT GENERATION MEDIA CORPORATION
CONSOLIDATED BALANCE SHEET

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10KSB

AS OF DECEMBER 31, 2005

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:	
Obligation under capital leases, current portion	\$ 28,699
Notes payable, current portion	23,730
Accounts payable	216,168
Accrued expenses	149,519
Pension payable	48,519
Sales tax payable	1,794

Total current liabilities	\$ 468,429

LONG TERM LIABILITIES:	
Obligation under capital leases	\$ 85,204
Notes payable	\$ 63,861

Total long term liabilities	\$ 149,065

Total liabilities	\$ 617,494

STOCKHOLDERS' EQUITY:	
Common stock, \$.01 par value, 50,000,000 shares authorized, 12,373,397 issued and outstanding	123,734
Additional paid in capital	7,379,744
Accumulated deficit	(5,651,440)

Total stockholders' equity	1,852,038

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,469,532
	=====

See accompanying notes and accountant's audit report

F-5

NEXT GENERATION MEDIA CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
	-----	-----
REVENUES:		
Coupon and postage sales, net of discounts	\$ 8,017,717	\$ 7,369,106
Franchise fees	202,000	452,500
	-----	-----
Total revenues	\$ 8,219,717	\$ 7,821,606

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10KSB

COST OF GOODS SOLD	\$ 5,806,010	\$ 5,206,244
	-----	-----
GROSS MARGIN	\$ 2,413,707	\$ 2,615,362
	-----	-----
OPERATING EXPENSES:		
General and Administrative	2,245,916	2,485,024
Depreciation and amortization	163,873	130,079
	-----	-----
Total operating expense:	2,409,789	2,615,103
	-----	-----
Income (Loss) from operations	3,918	259
	-----	-----
OTHER INCOME AND EXPENSES:		
Gain on settlement of debt	--	188,673
Other income (expense)	21,711	717
Interest expense	(9,155)	(6,189)
Gain on sale of equipment	1,500	--
	-----	-----
Total other income (expense)	14,056	183,201
	-----	-----
Income (Loss) before provision for income tax	17,974	183,460
Provision for income tax	--	--
	-----	-----
Net income	17,974	183,460
	=====	=====
Income (loss) applicable to common shareholders	0.00	\$ 183,460
	-----	-----
Basic income/(loss) per common share	0.00	0.017
	-----	-----
Weighted average common shares outstanding	12,215,842	10,523,397
	-----	-----
Diluted income/(loss) per common share	0.00	0.013
	-----	-----
Fully diluted common shares outstanding	13,347,342	14,213,397
	-----	-----

See accompanying notes and accountant's audit report

F-6

NEXT GENERATION MEDIA CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10KSB

	Common Stock		Additional Paid In Capital	Accumulated Deficit
	Shares	Amount		
December 31, 2003	10,523,397	105,234	7,379,744	(5,852,874)
Net Income (Loss)	--	--	--	183,460
December 31, 2004	10,523,397	105,234	7,379,744	(5,669,414)
Net Income	--	--	--	17,974
Shares issued	1,850,000	18,500	--	--
Balance December 31, 2005	12,373,397	123,734	7,379,744	(5,651,440)

See accompanying notes and accountant's audit report

F-7

NEXT GENERATION MEDIA CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 17,974	\$ 183,460
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock issued for services	18,500	--
Depreciation and amortization	161,995	130,079
(Increase)/decrease in assets		
Receivables	237,026	252,786
Inventories	42,533	(36,970)
Prepays and other current assets	(4,221)	(21,278)
Increase/(decrease) in liabilities		
Accounts payable	47,063	45,497
Accrued expenses	(56,487)	50,003
Deferred revenue	(29,000)	29,000
Pension payable	41,961	1,599
Sales tax payable	(2,505)	(203,385)

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10KSB

Net cash flows provided/(used) by operating activities	474,839	430,791
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase and development of fixed assets	(368,079)	(81,255)
Sale of equipment	1,500	--
	-----	-----
Net cash used by investing activities	(366,579)	(81,255)
	-----	-----

See accompanying notes and accountant's audit report

F-8

NEXT GENERATION MEDIA CORPORATION
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing under capital lease	53,883	42,047
Borrowing under notes payable	100,990	
Repayment of notes payable and capital lease	(47,823)	(119,021)
	-----	-----
Net cash provided by financing activities	107,050	(76,974)
	-----	-----
NET INCREASE (DECREASE) IN CASH	215,310	272,562
CASH, BEGINNING OF PERIOD	395,575	123,013
	-----	-----
CASH, END OF PERIOD	\$ 610,885	\$ 395,575
	=====	=====

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

CASH PAID DURING THE YEAR FOR:

Income taxes	--	--
Interest	\$ 9,155	\$ 6,189

SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:

Common stock issued for services	\$ 18,500	\$ --
----------------------------------	-----------	-------

See accompanying notes and accountant's audit report

NEXT GENERATION MEDIA CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS:

Next Generation Media Corporation was incorporated in the State of Nevada in November of 1980 as Micro Tech Industries, with an official name change to Next Generation Media Corporation in April of 1997. The Company, through its wholly owned subsidiary, United Marketing Solutions, Inc., provides direct marketing products, which involves the designing, printing, packaging, and mailing of public relations and marketing materials and coupons for retailers who provide services. Sales are conducted through a network of franchises that the Company supports on a wholesale basis. At December 31, 2005, the Company had approximately 48 active area franchise license agreements located throughout the United States.

PROPERTY AND EQUIPMENT:

Property and equipment are stated at cost. The company uses the straight line method in computing depreciation for financial statement purposes.

Expenditures for repairs and maintenance are charged to income, and renewals and replacements are capitalized. When assets are retired or otherwise disposed of, the cost of the assets and the related accumulated depreciation are removed from the accounts.

Estimated useful lives are as follows:

Furniture, Fixtures and Equipment	7-10 years
Leasehold Improvements	10 years
Vehicles	5 years
Computers & Software	5 years
Software Development	5 years

Depreciation expense for the years ended December 31, 2005 and 2004 amounted to \$163,873 and \$129,329 respectively.

INTANGIBLES:

The Company has recorded goodwill based on the difference between the cost and the fair value of certain purchased assets. The Company annually evaluates the goodwill for possible impairment. The Company performed an assessment of the fair value of its sole reporting unit as defined by SFAS No. 142 and compared it to the carrying value of its reporting unit. The Company's market capitalization was less than the Company's book value indicating possible impairment under the test established by SFAS No. 142. The Company determined the fair value of its assets on a class-by-class basis. The fair values of the Company's assets were based upon the expected cash flow from the Company's business, assuming a discount rate that reflects the degree of risk involved with this type of

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10KSB

business. The fair value of goodwill was in excess of its carrying value, and therefore, no impairment was recorded.

In addition, the Company had a covenant not to compete, which was being amortized over five (5) years. The covenant not to compete was fully amortized during 2005.

ADVERTISING EXPENSE:

The Company expenses the cost of advertising and promotions as incurred. Advertising costs charged to operations for the years ended December 31, 2005 and 2004 were \$86,534 and \$46,170 respectively.

REVENUE RECOGNITION:

The Company recognizes revenue from the design production and printing of coupons upon delivery. Revenues from initial franchise fee is recognized when substantially all services or conditions relating to the sale have been substantially performed. Substantially all services or conditions are performed prior to receipt of payment from the franchisee. Franchise support of \$150 per quarter and other charges are recognized when billed to the franchisee. Amounts billed or collected in advance of final delivery or shipment are reported as deferred revenue.

IMPAIRMENT OF LONG-LIVED ASSETS:

The Company reviews the carrying values of its long-lived assets for possible impairment on an annual basis and whenever events or changes in circumstances indicate that the carrying amount of the assets should be addressed. The Company believes that no permanent impairment in the carrying value of long-lived assets exists for either of the two years ending December 31, 2005 and 2004.

F-11

COMPREHENSIVE INCOME:

The Company has adopted Statement of Financial Accounting Standards No. 130 "Reporting Comprehensive Income." Comprehensive income as defined includes all changes to equity except that resulting from investments by owners and distribution to owners. The Company has no item of comprehensive income to report.

NEW ACCOUNTING PRONOUNCEMENTS:

On December 15, 2004, the Financial Accounting Standards Board issued SFAS No. 123(R), Share-Based Payment, which amends SFAS No. 123, Accounting for Stock-Based Compensation. SFAS No 123 (R) requires that all share-based payments to employees, including grants of employee stock options, be accounted for at fair value. The pro forma disclosures previously permitted under SFAS No. 123 no longer will be an alternative to financial statement recognition. Under SFAS No. 123 (R), the Company must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at date of adoption. The Company previously adopted the fair-value-based method of accounting for share-based payments under SFAS No. 123 effective January 1, 2003 using the prospective method described in SFAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure. SFAS No. 123 (R) also amends SFAS No. 95, Statement of Cash Flows, to require that excess tax benefits be reported as a financing cash inflow rather than as a reduction of taxes paid. As

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10KSB

originally issued, SFAS No. 95 required all income tax payments to be classified as operating cash outflows. This statement is effective for fiscal periods beginning after June 15, 2005. The Company is still evaluating the impact of adopting SFAS No. 123 (R).

USE OF ESTIMATES:

The preparation of financial statements in accordance with 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F-12

INCOME TAXES:

The Corporation uses Statement of Financial Standards No. 109 Accounting for Income Taxes (SFAS No. 109) in reporting deferred income taxes. SFAS No. 109 requires a company to recognize deferred tax liabilities and assets for expected future income tax consequences of events that have been recognized in the company's financial statements. Under this method, deferred tax assets and liabilities are determined based on temporary differences in financial carrying amounts and the tax bases of assets and liabilities using enacted tax rates in effect in the years in which temporary differences are expected to reverse.

RISKS AND UNCERTAINTIES:

The Company operates in an environment where intense competition exists from other companies. This competition, along with increases in the price of paper, can impact the pricing and profitability of the Company.

The Company at times may have cash deposits in excess of federally insured limits.

ACCOUNTS RECEIVABLE:

The Corporation grants credit to its customers, which includes the retail sector and their own franchisees. The Company establishes an allowance for doubtful accounts based upon on a percentage of accounts receivable plus those balances the Company believes will be uncollectible. Allowance for uncollectible accounts as of December 31, 2005 was \$10,641.

CASH AND CASH EQUIVALENTS:

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents.

Earnings Per Common Share:

The Company calculates its earnings per share pursuant to Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS No. 128"). Under SFAS No. 128, basic earnings per share are computed by dividing reported earnings available to common stockholders by weighted average shares outstanding. Dilated

earnings per share reflects the potential dilution assuming the issuance of common shares for all potential dilutive common shares outstanding during the period. The Company had 1,131,500 and 3,690,000 options issued and outstanding as of December 31, 2005 and 2004 to purchase stock, respectively. The weighted average exercise price was \$0.62 and \$0.77 at December 31, 2005 and 2004, respectively.

INVENTORIES:

Inventories consist primarily of paper, envelopes, and printing materials and are stated at the lower of cost or market, with cost determined on the first-in, first-out method.

PRINCIPLES OF CONSOLIDATION:

The accompanying consolidated financial statements include the accounts of the parent company, Next Generation Media Corporation and its subsidiary United Marketing Solutions, Inc. for the years ended December 31, 2005 and 2004. All inter-company balances and transactions have been eliminated in consolidation.

GAIN ON SETTLEMENT OF DEBT:

During 2004, the Company settled its delinquent sales tax obligation with the Virginia Department of Taxation. The settlement resulted in a gain to the company of \$188,673.

NOTE 2 - RETIREMENT PLAN

The company maintains a 401(k) defined contribution plan covering substantially all employees. The Corporation may contribute up to 3% of each eligible employee's gross wages. Employees can elect up to 15% of their salary to be contributed before income taxes up to the annual limit set by the Internal Revenue Code. The Corporation contributed \$42,154 and \$43,054 in matching contributions, net of forfeitures for 2005 and 2004, respectively.

NOTE 3 - NOTES PAYABLE

Notes payable at December 31, 2005 consists of:

Obligation to Bank of America, bearing interest at 6.4% percent per annum, the loan is payable in forty-eight monthly installments of \$2,395, including interest, and is collateralized by the equipment financed. Balance outstanding at December 31, 2005 was \$87,591.

The 5 year schedule of maturities is as follows:

2006	23,730
2007	25,317
2008	27,011

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10KSB

2009	11,533
Thereafter	0

	87,591
	=====

NOTE 4 - COMMITMENTS AND CONTINGENCIES

 Future minimum annual lease payments for capital and operating leases as of December 31, 2005 are:

	Operating	Capital
2006	294,449	38,730
2007	219,107	38,730
2008	302,855	30,918
2009	314,969	12,930
2010	327,568	12,929
Total	1,458,948	134,237
	=====	=====

F-15

Rent expense for the years ended December 31, 2005 and 2004 was \$303,917 and \$282,640, respectively.

The Company has entered into various employment contracts. The contracts provided for the award of present and/or future shares of common stock and/or options to purchase common stock at fair market value of the underlying options at date of grant or vesting. The contracts can be terminated without cause upon written notice within thirty to ninety days. The Company is party to various legal matters encountered in the normal course of business. In the opinion of management and legal counsel, the resolution of these matters will not have a material adverse effect on the Company's financial position or the future results of operations.

NOTE 5 - INCOME TAXES

 Deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases.

Management has provided a valuation allowance for the total net deferred tax assets as of December 31, 2005 and 2004, as they believe that it is more likely than not that the entire amount of deferred tax assets will not be realized.

The company filed a consolidated return, with a tax liability of \$0 for the year 2005. At December 31, 2005, the Company had net operating loss carry forwards for federal income tax purposes of approximately \$2,391,535 which are available

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10KSB

to offset future taxable income, if any, on a scheduled basis through 2018.

NOTE 6 - OBLIGATION UNDER CAPITAL LEASE

The Company acquired machinery under the provisions of a long-term leases. For financial reporting purposes, minimum lease payments relating to the machinery have been capitalized.

F-16

The future minimum lease payments under capital leases and net present value of the future minimum lease payments as of December 31, 2005 are as follows:

Total minimum lease payments	\$134,239
Amount representing interest	20,336

Present value of net minimum lease payments	113,903
Current portion	28,699

Long-term capital lease obligation	\$ 85,204
	=====

NOTE 7 - COMMON STOCK

During 2005, the Company issued 1,850,000 shares of common stock, to various officers and directors. As a result the Company recognized \$18,500 of expense.

NOTE 8 - NOTE RECEIVABLE

On June 30, 2000, the Company executed a promissory note with UNICO, Inc. for \$200,000 in conjunction with the sale of Independent News, Inc. During 2005, the Company's management considered the note uncollectible and the unreserved remaining balance of \$40,000 was written off.

NOTE 9 - INTANGIBLE ASSETS

Intangible assets consist of the following items:

Goodwill	\$ 1,341,850

	1,341,850
Less accumulated amortization (Pre January 1, 2002)	(390,717)

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10KSB

Intangible assets, net

\$ 951,133
=====

F-17

NOTE 10 - PUBLIC STOCK LISTING

Next Generation Media Corporation common stock began trading on the OTC Bulletin Board on June 11, 2001, under the symbol NGMC.

NOTE 11 - SEGMENT INFORMATION

The Company has one reportable segment for the twelve-month periods ended December 31, 2005 and 2004: United Marketing Solutions. United was acquired on April 1, 1999. The entity is a wholly owned subsidiary. United operates a direct mail marketing business. The accounting policies of the reportable segments are the same as those set forth in the Summary of Accounting Policies. Summarized financial information concerning the Company's reporting segments for the periods ending December 31, 2005 and 2004 are presented below:

YEAR ENDED

DECEMBER 31, 2005	SEGMENT	PARENT	ELIMINATIONS	TOTAL
Revenue	8,219,717	225,000	225,000	8,219,717
Segment profit/(loss)	103,554	(85,580)	0	17,974
Total assets	2,170,725	1,730,636	(1,431,829)	2,469,532
Revenue	7,821,762	418,000	418,000	7,821,762
Segment profit/(loss)	83,324	100,136	0	183,460
Total assets	1,958,152	1,647,024	(1,280,200)	2,324,976

F-18

NOTE 12 - RECLASSIFICATIONS

Certain amounts on the 2004 financial statements have been reclassified to conform with the 2005 presentation.

NOTE 13 - EMPLOYEE STOCK INCENTIVE PLAN

One December 26, 2001, the Company adopted the Employee Stock Incentive Plan authorizing 3,000,000 shares at a maximum offering price of \$0.10 per share for

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10KSB

the purpose of providing employees equity-based compensation incentives.

NOTE 14 - SUBSEQUENT EVENTS

Subsequent to year end the Company extended the lease for its headquarters for five years.

F-19