

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, 2003

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 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 10, 2003, there were 5,821,211 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
(UNAUDITED)

	March 31, 2003	December 31, 2002	
	-----	-----	
ASSETS			
Current Assets			
Cash	\$ 18,757	\$ 234,770	
Accounts receivable, less allowance for doubtful accounts of \$56,390 (2003) and \$65,000 (2002)		303,905	507,920
Investments	5,600	3,685	
Prepaid expenses and other current assets		29,200	64,817
Other loans receivable	-	33,649	
	-----	-----	
TOTAL CURRENT ASSETS		357,462	844,841
	-----	-----	
Property and equipment, at cost			
Office equipment	13,228	230,660	
Equipment - capital leases	-	58,567	
Vehicles	-	16,743	
Furniture and fixtures	-	98,376	
	-----	-----	
	13,228	404,346	
Less: Accumulated depreciation		3,882	141,140
	-----	-----	
NET PROPERTY AND EQUIPMENT		9,346	263,206
	-----	-----	
Other Assets			
Notes Receivable	750,000	-	
Security Deposits	61,850	60,904	
	-----	-----	
TOTAL OTHER ASSETS		811,850	60,904
	-----	-----	
TOTAL ASSETS	\$ 1,178,658	\$ 1,168,951	

===== =====

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Current Liabilities

Book Overdraft	\$ -	\$ 90,946	
Accounts payable and accrued expenses		576,746	1,782,184
Obligation under capital lease, current portion		-	25,672
Unearned income	105,861	93,237	
Loans payable to affiliates	-	9,744	
Loans payable-other	23,491	36,103	
	-----	-----	
TOTAL CURRENT LIABILITIES		706,098	2,037,886
	-----	-----	

Noncurrent Liabilities

Obligation under capital lease, less current portion		-	7,404
	-----	-----	
TOTAL NONCURRENT LIABILITIES		-	7,404
	-----	-----	

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, 5,761,211 (2003) and 5,701,211 (2002) shares issued and outstanding		5,761	5,701
Additional paid-in capital	4,071,079	3,956,739	
Common stock subscribed	44,500	60,000	
Accumulated deficit	(3,623,780)	(4,873,779)	
	-----	-----	
	497,560	(851,339)	
Less Treasury stock, 10,000 common shares at cost		(25,000)	(25,000)
	-----	-----	
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)		472,560	(876,339)
	-----	-----	

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		\$ 1,178,658	\$ 1,168,951
	=====	=====	

Note: The balance sheet at December 31, 2002 has been derived from audited financial statements at that date but does not include all the information and footnotes required by generally accepted accounting principles in the United States.

See notes to consolidated financial statements.

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

	For the Three Months Ended March 31,	
	2003	2002
	-----	-----
Revenues		
Telecommunications revenue	\$ 612,592	-
Other	10,000	76,409
	-----	-----
	622,592	76,409
	-----	-----
Operating Expenses		
Resale and wholesale line charges	297,191	-
Payroll and payroll taxes	161,117	108,751
Advertising and promotion	71,164	7,857
Professional and consulting fees	112,762	172,563
Depreciation	1,248	437
Insurance	18,066	5,084
Office expense	8,578	2,166
Telephone	13,769	1,606
Rent and building maintenance	13,771	6,000
Other selling, general and administrative	94,603	8,222
	-----	-----
	792,269	312,686
	-----	-----
Operating Loss	(169,677)	(236,277)
	-----	-----
Other Income (Expenses)		
Income (loss) on investments	2,800	(31,343)
Other income	3,633	-
Interest expense	(337)	(727)
	-----	-----
	6,096	(32,070)
	-----	-----
Loss From Continuing Operations	(163,581)	(268,347)
	-----	-----

Edgar Filing: CORDIA CORP - Form 10QSB/A

Income (Loss) from Discontinued Operations		
Loss from operations of discontinued segments	(140,726)	(339,175)
Gain on disposal	1,554,306	-
	-----	-----
	1,413,580	(339,175)
	-----	-----
Net Income (Loss)	\$ 1,249,999	\$ (607,522)
	=====	=====
Income (Loss) per Share	\$ 0.22	\$ (0.11)
	=====	=====
Weighted Average Shares Outstanding	5,722,537	5,461,713
	=====	=====

See notes to consolidated financial statements.

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

For the Three Months Ended
March 31,
2003 2002

Cash Flows From Operating Activities

Net income (loss)	\$ 1,249,999	\$(607,522)	
Adjustments to reconcile net loss to net cash used by operations			
(Gain) on disposal of subsidiaries	(1,554,308)	-	
(Gain) loss on investments	(2,800)	52,349	
Consulting expense	60,400	136,509	
Professional fees	-	11,000	
Depreciation expense	1,249	24,941	
Non cash expenses of discontinued business segments		13,919	-
(Increase) decrease in assets			
Accounts receivable	36,409	(110,398)	
Prepaid expenses and other current assets		(21,111)	(36,698)
Security deposits	(28,085)	-	
Increase (decrease) in liabilities			
Book overdraft	182,236	-	
Accounts payable and accrued expenses		(95,388)	526,253
Unearned income	179,290	259,451	
	-----	-----	
NET CASH PROVIDED BY OPERATING ACTIVITIES		21,810	255,885
	-----	-----	

Cash Flows From Investing Activities

(Increase) in loans receivable from affiliates	(9,104)	(157,334)	
Decrease in loans receivable from affiliates	1,750	128,500	
Decrease in cash of sold subsidiaries	(241,055)	-	
Proceeds from sale of investments	-	26,546	
Decrease in securities sold but not purchased	-	(66,790)	
Purchase of property and equipment	(5,419)	(66,336)	
	-----	-----	
NET CASH (USED) BY INVESTING ACTIVITIES		(253,828)	(135,414)
	-----	-----	

Cash Flows From Financing Activities

Proceeds from issuance and subscription of common stock		38,500	35,000
Payment of capital lease obligation	(9,884)	(4,531)	
Payment of notes payable	-	(993)	
Proceeds from loans payable to affiliates	-	9,000	

Edgar Filing: CORDIA CORP - Form 10QSB/A

Payment of loans payable to affiliates	-	-	
Proceeds from other loans payable	25,468	10,599	
Payment of loans payable other	(38,079)	-	
	-----	-----	
NET CASH PROVIDED BY FINANCING ACTIVITIES			16,005 49,075
	-----	-----	
Increase (Decrease) in Cash	(216,013)	169,546	
Cash, Beginning	234,770	185,348	
	-----	-----	
Cash, Ending	\$ 18,757	\$ 354,894	
	=====	=====	

See notes to condensed consolidated financial statements.

CORDIA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2003

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 generally accepted accounting principles. 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, 2003 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, 2002 and for the three months ended March 31, 2003 and 2002. 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) as of December 31, 2002, and for the three months ended March 31, 2002 and the period January 1, 2003 through March 3, 2003 (date of disposal). The consolidated financial statements also include the accounts of our discontinued business segment, RiderPoint, Inc. ("RiderPoint") and subsidiary, for the three months ended March 31, 2002. All material intercompany balances and transactions have been eliminated.

Note 2: Investments

At March 31, 2003 and December 31, 2002, investments included common shares of eLEC Communications Corp. ("eLEC"). 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 statements of operations.

During June 2002, we sold all of our common shares of RiderPoint and its subsidiary, RP Insurance Agency Inc. ("RP Insurance Agency"), and our entire membership interest in Webquill Internet Services, LLC ("Webquill") for \$1,000. We recognized a gain of \$322,796 in connection with such sale. The results of operations of RiderPoint, RP Insurance Agency and Webquill are presented as losses from operations of discontinued segments in the accompanying condensed consolidated statements of operations.

On March 3, 2003, we sold our equity interests in ISG to West Lane Group Inc. ("West Lane Group"), a company owned by the then-current management of ISG. The \$750,000 selling price of ISG is evidenced by a promissory note bearing interest at the rate of 6% per annum. The principal obligation of \$750,000 under the note is payable on or before March 3, 2005, and is secured by 700,000 shares of our common stock owned by West Lane Group.

NOTE 3: Sale of Business Segments

Sale of RiderPoint, Inc. and its subsidiary:

On June 27, 2002, we sold for \$1,000 in cash, (a) our common stock equity interests in RiderPoint, and its subsidiary, RP Insurance Agency, and (b) our entire membership interest in Webquill. RiderPoint had focused on the development of technological systems, solutions and processes that would allow it to become a nationwide distributor of insurance products through the internet and traditional insurance agents. RP Insurance Agency, Inc. acted as an insurance broker for individuals purchasing property and liability insurance for power sports vehicles. Webquill

provided internet hosting services to businesses and individuals. We recognized a gain of \$337,793 on the sale of these interests. As a result of the sale of these business segments, our net operating loss for Federal income tax reporting purposes decreased by approximately \$1,940,000.

CORDIA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 March 31, 2003

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

The following is a summary of the sale transaction:

	RiderPoint, and subsidiary	Webquill	Total
	-----	-----	-----
Assets sold	\$(25,189)	\$(2,763)	\$(27,952)
Liabilities sold	412,917	15,701	428,618
Cash payment received	500	500	1,000
Write-off of inter-company receivables and payables	(63,873)	-0-	(63,873)
	-----	-----	-----
Gain on sale	\$324,355	\$13,438	\$337,793
	=====	=====	=====

Sale of ISG:

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

Assets sold	\$ (778,529)
Liabilities sold	1,658,917
Note received	750,000
Write-off of inter-company receivables and payables	(76,082)

Gain on sale, before income taxes	\$1,554,306
	=====

Our net operating losses are expected to offset the gain on the sale of ISG.

As a result of the sale of ISG, (a) employee stock options to purchase 83,000 of our common shares at \$7.50 per share expired, and (b) our net operating loss carry-forward for Federal income tax reporting purposes, on a pro-forma basis giving retroactive effect to the sale of ISG as of December 31, 2002, would have been approximately \$2,220,000.

CORDIA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2003

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

The accompanying consolidated balance sheet at December 31, 2002 include the following assets and liabilities of the ISG discontinued business segments:

	2002	

Current Assets		
Cash	\$ 164,527	
Accounts receivable, net	377,568	
Investments	886	
Prepaid expenses and other current assets	17,512	
Loans receivable from affiliates	31,899	
Loans receivable from parent and subsidiaries*	-	

Total current assets	592,392	

Property and equipment		
Office equipment	218,015	
Equipment - capital leases	58,567	
Vehicles	16,743	
Furniture and fixtures	98,376	

	391,701	
Less: Accumulated depreciation	138,506	

	253,195	

Other assets		
Security deposits	27,139	

Total assets	\$ 872,726	
	=====	
Current Liabilities		
Book overdraft	\$ 90,946	
Accounts payable and accrued expenses	1,319,207	
Obligation under capital lease, current portion	25,672	
Unearned income	83,333	
Loans payable to affiliates	9,744	
Loans payable to parent and subsidiaries*	76,082	

Total current liabilities	1,604,984

Obligation under capital lease, less current portion	7,404

Accumulated deficit	(739,662)

Total liabilities and accumulated deficit	\$ 872,726
	=====

*Eliminated in consolidation.

License Agreement

On March 3, 2003, we entered into a licensing agreement with ISG whereby ISG purchased an unlimited license to certain of our software. The license agreement provides for ISG to pay us \$100,000 on execution of the license agreement, plus \$6,000 per month (including interest) for a period of twenty-five months. We agreed to provide software updates and maintenance as necessary, during this twenty-five month period.

Loss from operations of discontinued business segments includes the following:

	Three months ended March 31,	
	2003	2002
	-----	-----
Revenues:		
Subrogation Service Revenue, net	\$ 631,361	\$ 559,695
Claims Administration income	197,667	667,374
Other	-	(761)
	-----	-----
Total Revenues:	\$ 829,028	\$1,226,308
	=====	=====
Loss before income taxes	\$ 140,726	\$ 339,175
	=====	=====

The accompanying 2002 statement of operations was reclassified to show the results of operations for the RiderPoint and ISG business segments as discontinued.

CORDIA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2003

Note 4: Stockholders' Equity

During June 2002, we approved a 5-for-1 reverse split of our common stock with no change in its par value of \$.001. All references in the consolidated financial statements and in the notes to consolidated financial statements with respect to the number of common shares and per share amounts have been restated to reflect the stock split.

During September 2000, we issued warrants to purchase 22,400 shares of our common stock. The warrants had an exercise price of \$12.50 per share and expired during the period from July through September 2002. No warrants were exercised prior to expiration.

Effective January 5, 2001, we established our 2001 Equity Incentive Plan (the "Plan"). The total number of shares of our common stock issuable under the Plan is 1,000,000, subject to adjustment for events such as stock dividends and stock splits. The Plan is administered by a committee of the Board of Directors having full and final authority and discretion to determine when and to whom awards should be granted. The committee will also determine the terms, conditions and restrictions applicable to each award.

Transactions under the Plan are summarized as follows giving retroactive effect to the reverse stock split:

	Stock Options -----	Exercise Price -----
Balance, December 31, 2002	146,000	\$ 7.50 to 11.25
Granted:	615,000	\$.60
Exercised	-	\$
Expired	(83,000)	\$ 7.50
	-----	-----
Balance, March 31, 2003	678,000	\$.60 to 11.25

Note 5: Commitments

We have no commitments for annual rentals under noncancelable operating leases.