

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 September 30, 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 Nov 10, 2003, there were 5,821,211 shares of the issuer's common stock outstanding.

Transitional Small Business Disclosure Format (check one):

Yes No

Item 1. Financial Statements.

CORDIA CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	September 30, 2003	December 31, 2002
	-----	-----
ASSETS		
Current Assets		
Cash	\$ 27,713	\$ 234,770
Accounts receivable, less allowance for doubtful accounts of \$81,259 (2003) and \$65,000 (2002)		573,920 507,920
Investments	-	3,685
Prepaid expenses and other current assets		150,028 64,817
Other loans receivable	-	33,649
	-----	-----
TOTAL CURRENT ASSETS		751,661 844,841
	-----	-----
Property and equipment		
Cost of property and equipment		27,404 404,346
Less: Accumulated depreciation		7,901 141,140
	-----	-----
NET PROPERTY AND EQUIPMENT		19,503 263,206
	-----	-----
Other Assets		
Notes receivable, less reserve for impairment of \$165,000 (2003)		585,000 -
Security deposits	77,055	60,904
	-----	-----
TOTAL OTHER ASSETS		662,055 60,904
	-----	-----
TOTAL ASSETS	\$ 1,433,219	\$ 1,168,951

===== =====

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Current Liabilities

Book overdraft	\$ -	\$ 90,946	
Accounts payable and accrued expenses		1,102,973	1,782,184
Obligation under capital lease, current portion		-	25,672
Unearned income	179,407	93,237	
Loans payable to affiliates	32,174	9,744	
Loans payable-other	57,000	36,103	
	-----	-----	
TOTAL CURRENT LIABILITIES		1,371,554	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, 5,821,211 (2003) and 5,701,211 (2002) shares issued		5,821	5,701
Additional paid-in capital	4,171,457	3,956,739	
Common stock subscribed	-	60,000	
Accumulated deficit	(4,090,613)	(4,873,779)	
	-----	-----	
	86,665	(851,339)	
Less Treasury stock, 10,000 common shares at cost		(25,000)	(25,000)
	-----	-----	
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)		61,665	(876,339)
	-----	-----	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		\$ 1,433,219	\$ 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 Nine Months Ended		For the Three Months Ended	
	September 30,		September 30,	
	2003	*2002	2003	*2002
	-----	-----	-----	-----
Revenues				
Telecommunications Revenue	\$ 2,457,475		\$ 196,373	\$ 1,076,658
Other	142,055	172,367	83,462	3,183
	-----	-----	-----	-----
	2,599,530	368,740	1,160,120	193,672
	-----	-----	-----	-----
Operating Expenses				
Resale and wholesale line charges	1,134,614		106,022	470,473
Payroll and payroll taxes	648,553	320,472	302,044	119,833
Advertising and promotion	554,498	110,624	243,991	81,901
Professional and consulting fees	196,541	480,348	13,480	175,824
Depreciation	5,267	1,633	2,488	641
Insurance	58,429	12,730	24,099	3,188
Office expense	30,742	10,083	10,314	4,811
Telephone	46,292	21,597	16,458	15,447
Rent and building maintenance	38,877	22,616	10,995	13,342
Other selling, general and administrative	360,643	77,071	147,438	34,055
	-----	-----	-----	-----

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	3,074,456	1,163,196	1,241,780	552,333
	-----	-----	-----	-----
Operating Loss	(474,926)	(794,456)	(81,660)	(358,661)
	-----	-----	-----	-----
Other Income (Expenses)				
Impairment loss on note receivable	(165,000)	-	(165,000)	-
Income (loss) on investments	3,750	(32,943)	-	-
Other income	-	-	-	-
Interest income (expense)	5,762	(1,556)	(1,005)	(278)
	-----	-----	-----	-----
	(155,488)	(34,499)	(166,005)	(278)
	-----	-----	-----	-----
Loss From Continuing Operations	(630,414)	(828,955)	(247,665)	(358,939)
	-----	-----	-----	-----
Income (Loss) from Discontinued Operations				
Gain on disposal of subsidiary	1,554,306	337,793	-	-
Loss from operations of discontinued segments	(140,726)	(278,101)	-	245,283
	-----	-----	-----	-----
	1,413,580	59,692	-	245,283
	-----	-----	-----	-----
Net Income (Loss)	\$ 783,166	\$ (769,263)	\$ (247,665)	\$ (113,656)
	=====	=====	=====	=====
Income (Loss) per Share	\$ 0.14	\$ (0.14)	\$ (0.04)	\$ (0.02)
	=====	=====	=====	=====
Weighted Average Shares Outstanding	5,785,600	5,571,455	5,821,211	5,678,217
	=====	=====	=====	=====

See notes to condensed consolidated financial statements.

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

For the Nine Months Ended
September 30,
2003 2002
----- -----

Cash Flows From Operating Activities

Net income (loss)	\$ 783,166	\$ (769,263)	
Adjustments to reconcile net loss to net cash used by operations			
(Gain) on disposal of subsidiaries	(1,554,308)	(337,793)	
(Gain)loss on investments	(3,750)	32,943	
Consulting expense	116,338	296,968	
Depreciation expense	5,267	1,633	
Impairment loss note receivable	165,000	--	
Noncash expenses of discontinued business segments		13,920	100,926
(Increase) decrease in assets			
Accounts receivable	(233,606)	(276,207)	
Prepaid expenses and other current assets		(141,939)	(16,150)
Security deposits	(43,290)	(33,765)	
Increase (decrease) in liabilities			
Book overdraft	182,236	--	
Accounts payable and accrued expenses		430,840	1,665,305
Unearned income	252,836	(247,091)	
	-----	-----	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		(27,290)	417,506
	-----	-----	

Cash Flows From Investing Activities

Proceeds from sale of investments	6,550	26,547
Purchase of investments	--	(66,790)
(Increase) in loans receivable from affiliates	--	(318,500)
Decrease in loans receivable from affiliates	--	268,019
(Increase)in other loans receivable	(9,104)	(99,891)
Decrease in other loans receivable	1,750	--
Decrease in cash of sold subsidiaries	(241,055)	--
Purchase of property and equipment	(19,595)	(113,012)

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	-----	-----
NET CASH (USED) BY INVESTING ACTIVITIES		(261,454) (303,627)
	-----	-----
Cash Flows From Financing Activities		
Net proceeds from issuance and subscription of common stock		38,500 557,500
Payments of notes payable	--	(1,650)
Payments of obligations under capital lease	(9,884)	(12,339)
Proceeds from loans payable to affiliates	43,000	14,447
Payment of loans payable to affiliates	(10,826)	(8,296)
Proceeds from loans payable-other	42,000	25,242
Payments of loans payable-other	(21,103)	--
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES		81,687 574,904
	-----	-----
Increase (Decrease) in Cash	(207,057)	688,783
Cash, Beginning	234,770	185,348
	-----	-----
Cash, Ending	\$ 27,713	\$ 874,131
	=====	=====

See notes to condensed consolidated financial statements.

CORDIA CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED FINANCIAL STATEMENTS

September 30, 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- and nine-month periods ended September 30, 2003 are not necessarily indicative of the results to be expected for the full year.

The consolidated financial statements include the accounts of Cordia Corporation (Cordia), and Cordia Communications Corp. (CCC) for the nine months and three months ended September 30, 2003 and 2002. The consolidated financial statements also include the accounts of Cordia's 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) and for the nine and three months ended September 30, 2002. The consolidated financial statements also include the accounts of Cordia's discontinued business segment RiderPoint and subsidiary, for the nine months and three months ended September 30, 2002. Cordia Corporation and its subsidiaries are collectively referred to herein as the Company. All material intercompany balances and transactions have been eliminated.

Note 2: Investments

Trading Securities

At 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. All remaining shares of eLEC were sold during the second quarter of 2003.

During June 2002, we sold all of our common shares of RiderPoint Inc. and its subsidiary, RP Insurance Agency Inc., and our entire membership interest in Webquill Internet Services, LLC for \$1,000. As discussed below, the gain was principally the result of the assumption of debt by the buyer. The results of operations of RiderPoint Inc, RP Insurance Agency Inc, and Webquill are presented as losses from operations of discontinued segments in the accompanying condensed consolidated statements of operations.

On March 3, 2003, Cordia sold its equity interests in ISG to West Lane Group Inc., 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 Cordia's common stock owned by WestLane Group, Inc. During the third quarter of 2003, we re-evaluated the collectibility of the principal and interest related to the note and recorded a reserve in the amount of \$165,000. We believe this reserve to be adequate at this time.

NOTE 3 - SALE OF BUSINESS SEGMENTS

Sale of RiderPoint, Inc., and its subsidiary, and Webquill Internet Services, LLC:

On June 27, 2002, the Company sold for \$1,000 in cash, (a) its common stock equity interests in RiderPoint, Inc. and its subsidiary, RP Insurance Agency, Inc., and (b) its 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. The Company

CORDIA CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED FINANCIAL STATEMENTS
 September 30, 2003

NOTE 3 - SALE OF BUSINESS SEGMENTS (cont'd)

recognized a gain of \$337,793 on the sale of these interests. As a result of the sale of these business segments, the Company's net operating loss for Federal income tax reporting purposes decreased by approximately \$1,940,000.

The following is a summary of the sale transaction:

	RiderPoint, and subsidiary	Webquill	Total
	-----	-----	-----
Assets sold	\$(25,189)	\$(2,763)	\$(27,952)
Liabilities assumed by buyer	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):

(778,529)	Assets sold	\$
	Liabilities assumed by buyer	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
		=====

The Company's 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 common shares of the Company at \$7.50 per share expired, and (b) the Company's 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 CONDENSED FINANCIAL STATEMENTS
September 30, 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 discontinued business segments ISG:

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

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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.

CORDIA CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED FINANCIAL STATEMENTS
September 30, 2003

NOTE 3 - SALE OF BUSINESS SEGMENTS (cont'd)

Loss from operations of discontinued business segments includes the following:

September 30,	Nine months ended	
	2002	2003
Revenues:		
Subrogation Service Revenue, net	\$ 631,361	\$2,055,242

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Claims Administration income	197,667	1,982,224
Other	-	1,254
-----	-----	
Total Revenues:	\$ 829,028	\$4,038,720
Loss before income taxes	\$ 140,726	\$ (264,286)

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

License Agreement

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

CORDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED

FINANCIAL STATEMENTS

September 30, 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, September 30, 2003	678,000	\$.60 to 11.25

Note 5: Commitments

Description of Property.

As of November 10, 2003, 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 \$4,970.00 per month 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. The lease for the property in White Plains is a five-year lease with rent increases in years three and four. The lease

will commence when the landlord delivers possession of the premises to Cordia. The anticipated delivery date is December 1, 2003, however if landlord fails to deliver possession by December 16, 2003 Cordia may cancel the lease agreement and be released from all of its obligations. The lease for the property in Orlando is on a month-to-month basis. We believe our existing facilities are sufficient for our current operations.

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