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)

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

For the quarterly period ended September 30, 2004

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

For the transition period from ___________ to ___________.

Commission File Number: 33-23473

CORDIA CORPORATION

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

Nevada **11-2917728**

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(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 November 2, 2004, there were 4,470,710 shares of the issuer's common stock outstanding.

Transitional Small Business Disclosure Format (check one):

Yes [ ] No [X]

Item 1. Financial Statements.

CORDIA CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2004 (unaudited)	December 31, 2003
ASSETS		
Current Assets		
Cash	$ 258,352	$ 111,288
Accounts receivable, less allowance for doubtful accounts of $262,439 (2004) and $111,167 (2003)	2,033,659	600,840
Prepaid expenses and other current assets	390,756	193,157
Loans receivable from affiliates	-	30,000
TOTAL CURRENT ASSETS	2,682,767	935,285
Property and equipment, at cost		
Office equipment	161,129	39,759
Less: Accumulated depreciation	41,360	10,241
NET PROPERTY AND EQUIPMENT	119,769	29,518

Other Assets		
Note receivable	-	595,000
Security deposits	59,064	77,414
TOTAL OTHER ASSETS	59,064	672,414
TOTAL ASSETS	$2,861,600	$ 1,637,217

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Current Liabilities		
Accounts payable and accrued expenses	$3,172,573	$ 1,427,576
Unearned income	422,533	181,763
Loans payable to affiliates	28,074	8,074
Loans payable-other	57,000	57,000
TOTAL CURRENT LIABILITIES	3,680,180	1,674,413
Commitments and Contingencies		
Stockholders' Equity (Deficit)		
Preferred stock, $.001 par value; 5,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, $.001 par value; <R>100,000,000</R> shares authorized, 4,541,210 (2004) and 6,156,211 (2003) shares issued	4,541	6,156
Additional paid-in capital	3,660,087	4,271,622
Accumulated deficit	(4,439,014)	(4,289,974)
	(774,386)	(12,196)
Less Treasury stock, 63,000 (2004) and 10,000 (2003) common shares at cost	(44,194)	(25,000)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	(818,580)	(37,196)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,861,600	$ 1,637,217

See notes to condensed consolidated financial statements.

CORDIA CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	For the Nine Months Ended September 30, 2004	For the Nine Months Ended September 30, 2003	For the Three Months Ended September 30, 2004	For the Three Months Ended September 30, 2003
Revenues:				
Telecommunications Revenue	$ 6,674,533	$ 2,457,475	$ 3,276,862	$ 1,076,658
Other	450,661	142,055	134,945	83,462
	7,125,194	2,599,530	3,411,807	1,160,120
Operating Expenses:				
Resale and wholesale line charges	3,217,955	1,134,614	1,619,574	470,473
Payroll and payroll taxes	1,478,592	648,553	532,325	302,044
Advertising and promotion	1,333,616	554,498	685,285	243,991
Professional and consulting fees	114,202	196,541	32,850	13,480
Depreciation	31,119	5,267	13,087	2,488
Insurance	131,907	58,429	51,776	24,099
Office expense	79,392	30,742	39,485	10,314
Telephone	86,234	46,292	42,638	16,458
Rent and building maintenance	116,573	38,877	37,858	10,995
Other selling, general and administrative	658,993	360,643	336,600	147,438

	7,248,583	3,074,456	3,391,478	1,241,780
Operating (Loss) Income	(123,389)	(474,926)	20,329	(81,660)
Other Income (Expenses):				
Impairment loss on note receivable	-	(165,000)	-	(165,000)
Gain on investments	-	3,750	-	-
Interest income (expense)	(7,843)	5,762	(2,096)	(1,005)
Other Expenses	(17,808)	-	(16,554)	-
	(25,651)	(155,488)	(18,650)	(166,005)
Net (Loss)Income	(149,040)	(630,414)	1,679	(247,665)
Income (Loss) ncome from Discontinued Operations				
Gain on disposal of subsidiary	-	1,554,306	-	-
Loss from operations of discontinued segments	-	(140,726)	-	-
	-	1,413,580	-	-
Net (Loss) Income	$ (149,040)	$ 783,166	$ 1,679	$ (247,665)
(Loss) Income per Share basic and diluted	$ (0.03)	$ 0.14	$ 0.00	$ (0.04)
Weighted Average Shares Outstanding	4,806,579	5,785,600	4,504,808	5,821,211

See notes to condensed consolidated financial statements.

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CORDIA CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	For the Nine Months Ended September 30, 2004	2003
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Cash Flows From Operating Activities		
Net loss from continuing operations	$(149,040)	$ (630,414)
Adjustments to reconcile net loss to net cash provided (used) by operations		
Gain on investments	-	(3,750)
Compensatory stock expense	45,600	116,338
Provision for accounts receivable	252,825	81,876
Depreciation expense	31,119	5,267
Impairment loss note receivable	-	165,000
(Increase) decrease in assets		
Accounts receivable	(1,685,644)	(525,445)
Other receivables	-	76,082
Prepaid expenses and other current assets	(231,349)	(102,720)
Security deposits	18,350	(43,291)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	1,744,997	625,995
Unearned income	240,770	169,503
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NET CASH PROVIDED (USED) BY CONTINUING OPERATIONS	267,628	(65,559)
NET CASH USED BY DISCONTINUED OPERATIONS	-	(79,029)
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NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	267,628	(144,588)
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Cash Flows From Investing Activities		
Proceeds from sale of investments	-	6,550
Decrease in other loans receivable	-	1,750

Purchase of property and equipment	(121,370)	(14,758)
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NET CASH (USED) BY INVESTING ACTIVITIES	(121,370)	(6,458)
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Cash Flows From Financing Activities		
Net proceeds from issuance and subscription of common stock	-	38,500
Purchase of treasury stock	(19,194)	-
Proceeds from loans payable to affiliates	20,000	80,265
Payment of loans payable-other	-	(10,248)
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NET CASH PROVIDED BY FINANCING ACTIVITIES	806	108,517
	----------	------------
Increase (Decrease) in Cash	147,064	(42,529)
Cash, Beginning	111,288	70,243
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Cash, Ending	$ 258,352	$ 27,714
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Supplemental Disclosures of Cash Flow Information		
Cash paid during the period for:		
Interest	$ 7,843	$ 2,166
Income Tax	17,809	-
	==========	============
Non Cash Items:		
Stock received by Company to satisfy:		
Note receivable due of $595,000;		
Accrued interest on note receivable of $33,750;		
License fee payments due of $30,000	$ 658,750	
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See notes to condensed consolidated financial statements.

CORDIA CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2004
(Unaudited)

Note 1: Basis of Presentation

Our unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-QSB and do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America. Therefore, these financial statements should be read in conjunction with the financial statements and related footnotes included in our Annual Report on Form 10-KSB for the most recent year-end. These financial statements reflect all adjustments that are, in the opinion of management, necessary to fairly state the results for the interim periods reported. The results of operations for the three and nine month periods ended September 30, 2004 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 the accounts of our wholly owned subsidiaries Cordia Communications Corp. (CCC), My Tel Co, Inc (My Tel), and CordiaIP Corp. for the nine months and three months ended September 30, 2004. The consolidated financial statements include the accounts of Cordia and CCC for the nine and three months ended September 30, 2003 and 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). Cordia Corporation and its subsidiaries are collectively referred to herein as the Company. All material intercompany balances and transactions have been eliminated.

These consolidated financial statements have been prepared assuming that Cordia and its subsidiaries (the Company) will continue as a going concern. The Company has incurred substantial losses since its inception and also has a negative working capital and a deficiency in stockholders equity as of September 30, 2004. These conditions raise substantial doubt about the Company s ability to continue as a going concern. As discussed in Note 3, during 2003, the Company sold its interest in ISG. As a result of this transaction, the Company s stockholders equity increased by approximately $1,556,000. The Company disposed of business segments that historically generated net losses and working capital deficiencies. In addition the Company s remaining business segment, CCC, was profitable in 2003 and for the three and nine months ended September 30, 2004. Accordingly, management believes that the Company will be able to generate sufficient cashflows to meet its obligations as they come due during 2004. Management of the Company also intends to seek additional sources of capital, which sources may include public or private sales of the Company s securities and additional borrowings from affiliates and non-affiliates. Given current market conditions, there is no guarantee that the Company will be able to obtain such funding when needed, or that such funding, if available, will be obtainable on acceptable terms. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Note 2: Investments and Purchase of Treasury Stock

On January 7, 2004, the Board of Directors of Cordia Corporation unanimously authorized Cordia s management to spend an aggregate of $100,000 during 2004 to re-purchase Cordia s common stock when market conditions are favorable for that purpose. As of September 30, 2004, Cordia s management exercised the Board s authority and purchased 53,000 shares of Cordia common stock at purchase prices ranging from $0.30 to $0.44 per share. In addition, Cordia held common shares of eLEC Communications Corp. (eLEC) during fiscal year 2003 which were sold prior to December 31, 2003. All investments were classified as trading securities and accordingly, stated at fair value, which is based on market quotes. Adjustments to fair value of the equity securities are recorded as an increase or decrease in investment income in the accompanying statement of operations.

The cost of securities sold is based on the specific identification method. The realized gain on investments from continuing operations during the nine-month period ended September 30, 2003 was $3,750.

CORDIA CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2004
(Unaudited)

NOTE 3 Sale of Business Segments

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

The following is a summary of the sale transaction of ISG:

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

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

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

	Nine months ended		Three months ended	
	Sept. 30,		Sept. 30,	
	2004	2003	2004	2003
Revenues:				
Subrogation Service Revenue, net	$ -	$ 631,361	$ -	$ -
Claims Administration income	-	197,667	-	-
Total Revenues:	$ -	$ 829,028	$ -	$ -
Loss before income taxes	$ -	$(140,726)	$ -	$ -

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

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CORDIA CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2004

(Unaudited)

Note 4: Stockholders' Equity

On May 23, 2003, Cordia s shareholders voted to amend the 2001 Equity Incentive Plan (the Plan) by authorizing an additional 1,000,000 shares. The total number of shares of Cordia s common stock authorized for issuance under the Plan is 2,000,000, subject to adjustment for events such as stock dividends and stock splits.

A committee of the board of directors having full and final authority and discretion to determine when and to whom awards should be granted administers the Plan. The committee will also determine the terms, conditions and restrictions applicable to each award. Transactions under the Plan are summarized as follows:

	Stock Options	Exercise Price
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Balance, December 31, 2003	928,000	$ .60 to 11.25
Granted with 5 year vesting	209,000	$ .40
Exercised	-	$
Expired	-	$
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Balance, September 30, 2004	1,137,000	$ .40 to 11.25

In electing to follow APB 25 for expense recognition purposes, the Company is obliged to provide the expanded disclosures required under FAS No. 123 for stock-based compensation granted in 1996 and thereafter. The fair value of the employee stock options granted for the nine months ended September 30, 2004 and 2003 was approximately $490,114 and $406,550, respectively, based on the Black-Scholes option valuation model. For purposes of pro forma disclosures, stock-based compensation is recognized over the vesting period as vesting requirements are fulfilled.

The following table compares the nine months ended September 2004 and 2003 results as reported to the results had the Company adopted the expense recognition provisions of FAS No. 123:

	As reported	Pro Forma
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–2004		

Net Loss	$(149,040)	$(233,634)
Loss per share	$(0.03)	$(0.05)
2003		

Net Income	$783,166	$871,725
Income per share	$0.14	$0.15

The fair value of each option grant was estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted-average assumptions for 2004 and 2003 respectively, expected volatility of 300% and 155%; risk-free rate of 2.67% and 1.93%; and expected life of 4 and 2.5 years.

The effects of applying SFAS 123 in the above pro forma disclosures are not indicative of future amounts as future amounts are likely to be affected by the number of grants awarded and since additional awards are generally expected to be made at varying prices.

On June 1, 2004 we issued a total of 10,000 shares of Cordia s stock, to a current employee, when the market value was $0.36. As a result we recognized $3,600 as compensatory stock expense.

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CORDIA CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2004

(Unaudited)

Note 5: (Loss) Income Per Common Share

(Loss) income per common share is computed by dividing the net (loss) income by the weighted average number of common shares and common equivalent shares outstanding during each period. As promulgated in SFAS 128 Earnings Per Share (SFAS 128), SFAS 128 requires the presentation of basic and diluted earnings per share on face of the Statement of Operations.

Note 6: Commitments

As of September 30, 2004, the Company leased property at the following two locations: (1) approximately 2,840 square feet of office space for our offices in White Plains, New York at a rental price of $4,970 per month plus utilities for a term of five years, expiring December 31, 2008, with an increase in rent in years three and four and (2) approximately 4,000 square feet at our executive offices in Orlando, Florida at a rental price of $3,302 per month plus utilities on a month to month basis. We anticipate executing a lease during the fourth quarter of this fiscal year for additional space to house an inbound/outbound call center, development team, and technical support for our Voice over Internet Protocol business.

Note 7: Subsequent Events

Pursuant to the Board s authority, the Company purchased a total of 7,500 shares of Cordia common stock on October 5, 2004 at a purchase price of $0.50 per share.