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 June 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

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(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
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(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 [X] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS

As of Aug 6, 2004, there were 4,541,210 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

	June 30, 2004 (unaudited)	December 31, 2003
ASSETS		
Current Assets		
Cash	$ 104,424	$ 111,288
Accounts receivable, less allowance for doubtful accounts of $153,251 (2004) and $111,167 (2003)	1,051,504	600,840
Prepaid expenses and other current assets	282,341	193,157
Loans receivable from affiliates	-	30,000
TOTAL CURRENT ASSETS	1,438,269	935,285
Property and equipment at cost		
Office equipment	128,403	39,759
Less: Accumulated depreciation	28,273	10,241
NET PROPERTY AND EQUIPMENT	100,130	29,518

Other Assets		
Notes Receivable	-	595,000
Security Deposits	49,064	77,414
TOTAL OTHER ASSETS	49,064	672,414
TOTAL ASSETS	$1,587,463	$ 1,637,217

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Current Liabilities		
Accounts payable and accrued expenses	$2,097,091	$ 1,427,576
Unearned income	206,363	181,763
Loans payable to affiliates	28,074	8,074
Loans payable-other	57,000	57,000
TOTAL CURRENT LIABILITIES	2,388,528	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 and outstanding	4,541	6,156
Additional paid-in capital	3,660,087	4,271,622
Accumulated deficit	(4,440,693)	(4,289,974)
	(776,065)	(12,196)
Less Treasury stock, 10,000 common shares at cost	(25,000)	(25,000)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	(801,065)	(37,196)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 1,587,463	$ 1,637,217

See notes to condensed consolidated financial statements.

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CORDIA CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	For the Six Months Ended June 30, 2004	For the Six Months Ended June 30, 2003	For the Three Months Ended June 30, 2004	For the Three Months Ended June 30, 2003
Revenues				
Telecommunications Revenue	$ 3,397,671	$ 1,380,817	$ 1,818,242	$ 776,243
Other	315,716	58,593	126,713	40,575
	3,713,387	1,439,410	1,944,955	816,818
Operating Expenses				
Resale and wholesale line charges	1,598,381	664,141	802,611	366,950
Payroll and payroll taxes	946,267	346,509	473,283	185,393
Advertising and promotion	648,331	310,506	342,016	239,342
Professional and consulting fees	81,352	183,061	34,856	70,299
Depreciation	18,032	2,779	9,012	1,531
Insurance	80,131	34,331	37,815	16,265
Office expense	39,907	20,427	20,115	11,849
Telephone	43,596	29,834	27,179	16,065
Rent and building maintenance	78,715	27,883	41,570	14,113
Other selling, general and administrative	322,393	212,999	166,286	118,295

	3,857,105	1,832,470	1,954,743	1,040,102
Operating Loss	(143,718)	(393,060)	(9,788)	(223,284)
Other Income (Expenses)				
Gain on investments	-	3,750	-	950
Interest income (expense)	(5,746)	6,767	(2,705)	3,471
Other expenses	(1,255)	-	(1,100)	-
	(7,001)	10,517	(3,805)	4,421
Loss From Continuing Operations	(150,719)	(382,543)	(13,593)	(218,863)
Income (Loss) 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	$ (150,719)	$ 1,031,037	$ (13,593)	$ (218,863)
Basic and diluted Income(Loss) per Share	$ (0.03)	$ 0.18	$ (0.003)	$ (0.04)
Weighted Average Shares Outstanding	4,968,577	5,792,747	4,534,512	5,811,973

See notes to condensed consolidated financial statements.

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CORDIA CORPORAT1ION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	For the Six Months Ended June 30, 2004	2003
Cash Flows From Operating Activities		
Net(loss) from continuing operations	$ (150,719)	$ (382,543)
Adjustments to reconcile net(loss) to net cash provided (used) by operations:		
(Gain)on investments	-	(3,750)
Compensatory stock expense	45,600	104,704
Provision for bad debts	42,084	43,974
Depreciation expense	18,032	2,779
(Increase) decrease in assets:		
Accounts receivable	(492,748)	(318,063)
Other receivables	-	76,082
Prepaid expenses and other current assets	(122,934)	(67,047)
Security deposits	28,350	(28,173)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	669,515	420,457
Unearned income	24,600	130,963
Net cash provided by continuing operations	61,780	20,617
Net cash (used) by discontinued operations	-	(79,029)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	61,780	(99,646)
Cash Flows From Investing Activities		
Decrease in other loans receivable	-	1,750
Proceeds from sale of investments	-	6,550
Purchase of property and equipment	(88,644)	-

NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	(88,644)	8,300
Cash Flows From Financing Activities		
Net Proceeds from issuance and subscription of common stock	-	38,500
Proceeds from loans payable to affiliates	20,000	48,372
Payment of loans payable to affiliates	-	(10,248)
NET CASH PROVIDED BY FINANCING ACTIVITIES	20,000	76,624
(Decrease) in Cash	(6,864)	(14,722)
Cash, Beginning	111,288	70,243
Cash, Ending	$ 104,424	$ 55,521

Supplemental Disclosures of Cash Flow Information

Cash paid during the year for:		
Interest	$ 5,746	$ 2,705

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

See notes to condensed consolidated financial statements.

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Note 1: Basis of Presentation

Our unaudited condensed financial statements have been prepared in accordance with the instructions to Form 10-QSB and do not include all of the information and disclosures required by accounting principals generally accepted in the United States of America. Therefore, these financial statements should be read in conjunction with the financial statements and related footnotes included in our Annual Report on Form 10-KSB for the most recent year-end. These financial statements reflect all adjustments that are, in the opinion of management, necessary to fairly state the results for the interim periods reported. The results of operations for the three and six month periods ended June 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 six months and three months ended June 30, 2004. The consolidated financial statements include the accounts of Cordia and CCC for the six and three months ended June 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 deficiency in stockholders equity as of June 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 six months ended June 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

Cordia did not have any investments to report at June 30, 2004. Cordia did, however, hold common shares of eLEC Communications Corp. (eLEC) during fiscal year 2003 which were sold prior to December 31, 2003. All investments 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 six-month period ended June 30, 2003 was $3,750.

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:

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

On February 6, 2004, Cordia entered into a Mutual Release and Satisfaction of Promissory Note and License Agreement whereby Cordia agreed to release West Lane of its payment obligations under the promissory note and licensing agreement in exchange for the return of 1,412,500 shares of Cordia s Common Stock, a fifteen (15) month option to purchase 100,000 shares at a price of forty cents ($0.40) per share and the release of Cordia s service obligations under the License Agreement. In addition to Cordia s release of West Lane, Cordia 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.

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	200,000	$ .40
Exercised	-	$
Expired	-	$
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Balance, June 30, 2004	1,128,000	$ .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 six months ended June 30, 2004 and 2003 was approximately $80,000 and $407,000, 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 six months ended June 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

$(150,719) $(179,462)

Loss per share $(0.03) $ (0.04)

2003

Net Income $1,031,037 $950,410

Income per share $0.18 $0.16

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 respectivily, expected volatility of 300% and 328%; risk-free rate of 3.33% and 2.5%; 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.

Note 5: Commitments

As of June 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 leasing additional space during the third quarter of this fiscal year to house an inbound/outbound call center, development team, and technical support for our Voice over Internet Protocol business.

Note 6: Subsequent Events

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 June 30, 2004 Cordia had not re-purchased any of its stock. However, on July 14, 2004, Cordia s management exercised the Board s authority and purchased 15,800 shares of Cordia common stock at a purchase price of $0.30 per share.