

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

NEXT GENERATION MEDIA CORP  
Form 10QSB  
August 15, 2003

U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE  
30, 2003

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: Common  
Stock, \$0.001 Par Value

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

As of June 30, 2003, the Company had 9,523,397 shares of common stock  
issued and outstanding.

TABLE OF CONTENTS

Part I - Financial Information	Page
Item 1. Condensed Consolidated Interim Financial Statements	
Consolidated Statement of Earnings	
Consolidated Statement of Financial Position	
Consolidated Statement Of Stockholders' Equity	

# Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

Consolidated Statements Of Cash Flows

Notes To Financial Statements

Item 2. Management's Discussion And

Analysis Of Financial Condition  
And Results Of Operations

Part II - Other Information

Item 1. Legal Proceedings

Item 2. Changes In Securities And Use Of Proceeds

Item 3. Defaults Upon Senior Securities

Item 4. Submission Of Matters To A Vote Of Security Holders

Item 5. Other Information

Item 6. Exhibits And Reports On Form 8-K

Signature

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCAL STATEMENTS.

Next Generation Media Corporation  
Condensed Consolidated  
Interim Financial Statements  
For The Six Months Ended June 30, 2003  
With Review Report of Independent  
Certified Public Accountants

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

Table of Contents	Page
Review Report of Independent Certified Public Accountants	2
Condensed Consolidated Interim Financial Statements Consolidated Statement of Earnings	3
Consolidated Statement of Financial Position	5
Consolidated Statement of Stockholders' Equity	7
Consolidated Statement of Cash Flows	8
Notes to Financial Statements	10

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of  
Next Generation Media Corporation  
7644 Dynatech Court

## Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

Springfield, VA 22153

We have reviewed the accompanying consolidated balance sheet of Next Generation Media Corporation (a Nevada Incorporation) as of June 30, 2003 and 2002 and the related consolidated statements of income, stockholders' equity and cash flows for each of the six months and three months then ended, in accordance with Statements of Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these consolidated interim financial statements is the representation of the management of Next Generation Media Corporation.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements in order for them to be in conformity with generally accepted accounting principles of the United States of America.

Vienna, Virginia  
August 4, 2003

### Next Generation Media Corporation Condensed Consolidated Statement of Earnings (Unaudited) For The Periods Ended

	For the Three Months		For the Six Months	
	Ended		Ended	
	June 30, 2003	June 30, 2002	June 30, 2003	June 30, 2002
<b>REVENUES (Note 1):</b>				
Coupon sales, net of discounts	\$ 1,816,035	\$ 2,017,442	\$ 3,588,563	\$ 3,722,172
Franchise fees	31,100	29,700	57,700	29,700
<b>Total revenues</b>	<b>1,847,135</b>	<b>2,047,142</b>	<b>3,646,263</b>	<b>3,751,872</b>
<b>COST OF GOODS SOLD:</b>				
Materials	291,099	330,526	550,097	604,184
Direct labor	438,111	462,641	863,167	883,170
Equipment repairs	7,982	9,265	20,173	24,212
Postage and delivery	555,082	726,573	1,106,893	1,179,478
Payroll taxes from direct labor	33,707	34,737	66,384	67,563
<b>Total cost of goods sold</b>	<b>1,325,981</b>	<b>1,563,742</b>	<b>2,606,714</b>	<b>2,758,607</b>
<b>Gross margin</b>	<b>521,154</b>	<b>483,400</b>	<b>1,039,549</b>	<b>993,265</b>
<b>OPERATING EXPENSES:</b>				
401(k) matching (Note 2)	10,500	-	21,000	-
Advertising (Note 1)	18,365	1,628	23,417	2,128
Amortization (Note 1)	33,921	33,742	67,843	67,843
Bad debt expense	7,500	7,500	15,000	15,000
Bank charges	4,390	-	6,362	-
Commissions and fees	-	6,517	-	8,508
Credit card fees	-	2,634	-	5,371

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

Depreciation (Note 1)	40,155	42,813	80,310	82,968
Employee benefits	33,186	34,526	74,151	73,702
Insurance - other	5,127	14,638	10,267	30,459
Meals and entertainment	5,080	385	9,978	579
Office expense	7,440	3,926	13,171	9,481
Other expenses	7,727	3,355	31,308	6,092
Payroll	103,872	45,734	199,876	241,832
Payroll taxes	7,512	5,982	22,195	13,518
Postage and delivery	1,210	1,325	2,655	2,781
Professional fees	18,941	39,006	64,368	115,242
Property taxes	3,900	-	7,800	3,900
Rent and pass thru expenses	75,805	43,716	151,188	51,821
Repairs and maintenance	12,030	12,678	17,687	14,791
Telephone	7,596	9,735	16,174	22,787
Travel and conferences	-	7,351	141	8,047
Utilities	14,725	6,886	27,081	21,762
Total operating expenses	418,982	377,094	861,972	798,612
Gain/(Loss) from operations	102,172	106,306	177,577	194,653
OTHER INCOME AND EXPENSES:				
Interest income	268	-	-	-
Other income (expense)	1,650	-	1,650	-
Gain/(Loss) on equipment disposal	-	-	-	2,230
Gain/(Loss) on debt settlement	-	-	-	(7,793)
Interest expense	-	(3,993)	(1,846)	(9,540)
Total other income (expense)	1,918	(3,993)	(196)	(15,103)
Net Income/(Loss)	104,090	102,313	177,381	179,550
Gain/(Loss) applicable to common Shareholders	104,090	102,313	177,381	179,550
Basic gain/(loss) per common share (Note 1)	0.01	0.01	0.02	0.02
Weighted average common shares outstanding	9,523,397	8,293,727	9,523,397	8,140,248
Diluted gain per common share (Note 1)	0.01	0.01	0.02	0.02
Fully diluted common shares Outstanding	10,863,397	10,168,894	10,863,397	10,002,155

See accompanying notes and accountant's review report

Next Generation Media Corporation  
Consolidated Balance Sheets  
For the Periods Ended  
ASSETS

	(Unaudited) June 30 2003	(Audited) December 31, 2002
CURRENT ASSETS:		
Cash and cash equivalents (Note 1)	\$ 159,785	\$ 125,356
Accounts receivable, net of uncollectible accounts (Note 1)	445,791	379,862

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

Notes receivable (Note 6)	311,108	321,108
Inventories (Note 1)	60,141	55,908
Prepaid expenses	45,061	64,857
Total current assets	1,021,886	947,091
PROPERTY, PLANT AND EQUIPMENT (Notes 1 and 3):		
Equipment	1,399,761	1,334,599
Furniture and fixtures	58,213	56,650
Leasehold improvements	80,644	78,921
Total property, plant and equipment	1,538,618	1,470,170
Less accumulated depreciation	(1,149,687)	(1,069,377)
Net property, plant and equipment	388,931	400,793
Intangibles, net of accumulated amortization (Note 1)	754,355	822,197
TOTAL ASSETS	2,165,172	2,170,081

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Notes payable, current portion (Note 4)	115,452	127,151
Obligation under capitol lease, current portion (Note 5)	8,953	-
Accounts payable	234,471	377,017
Accrued expenses	146,941	181,311
Sales tax payable	207,653	228,759
Total current liabilities	713,470	914,238
LONG TERM LIABILITIES:		
Notes payable (Notes 4)	66,621	97,215
Obligation under capitol lease (Note 5)	49,072	-
Total long term liabilities	115,693	97,215
Total liabilities	829,163	1,011,453
STOCKHOLDERS' EQUITY (Note 7):		
Common stock, \$.01 par value, 50,000,000 shares authorized, 9,523,397 and 8,423,397 issued and outstanding, respectively	95,234	95,234
Additional paid in capital	7,343,744	7,343,744
Accumulated deficit	(6,102,969)	(6,280,350)
Total stockholders' equity	1,336,009	1,158,628
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	2,165,172	2,170,081

See accompanying notes and accountant's review report

Next Generation Media Corporation  
Consolidated Statements of Stockholders' Equity-Unaudited

Common Stock	Additional Paid In	Accumulated
--------------	-----------------------	-------------

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

	Shares	Amount	Capital	Deficit	To
Balance: January 31, 2001	6,773,397	67,734	7,186,284	(6,483,873)	\$
Common stock issued in exchange for services	3,450,000	34,500	148,500	-	
Employee stock options	-	-	36,960	-	
Cancellation of shares issued	(700,000)	(700,000)	(28,000)	-	
Net Income - Year to date	-	-	-	203,523	
Balance: December 31, 2002	9,523,397	95,234	7,343,744	(6,280,350)	1,
Net Income - Year to date	-	-	-	177,381	
Balance: June 30, 2003	9,523,397	95,234	7,343,744	(6,102,969)	1,

See accompanying notes and accountant's review report

Next Generation Media Corporation  
Statement of Cash Flows - Unaudited  
For The Three Months Ended

	June 30 2003	June 30 2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss)	\$ 104,090	\$ 102,313
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	74,076	75,695
(Increase) decrease in assets		
Accounts receivable	(23,032)	(128,260)
Inventories	788	10,845
Prepays and other current assets	5,985	50,783
Increase (decrease) in liabilities		
Accounts payable	(163,511)	114,102
Accrued expenses	(53,400)	-
Pension payable	(366)	-
Net cash flows (used) by operating activities	(55,370)	225,478
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(67,526)	(8,938)
Net cash provided/(used) by investing activities	(67,526)	(8,938)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds form issuance of common stock	-	8,000
Net borrowing under	12,229	
Borrowing under capitol lease note 5 payable	58,025	(302,831)
Net cash provided/(used) by financing activities	70,254	(294,831)
NET INCREASE/(DECREASE) IN CASH	(52,642)	(78,291)
CASH, BEGINNING OF PERIOD	212,427	219,144

## Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

CASH, END OF PERIOD	159,785	140,853
---------------------	---------	---------

### SUPPLEMENTAL DISCLOSURE OF:

#### CASH FLOW INFORMATION

#### CASH PAID DURING THE YEAR FOR:

Income taxes	-	-
Interest	-	3,993

See accompanying notes and accountant's review report

### UNAUDITED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements included herein have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (SEC). The interim condensed consolidated accounts of Next Generation Media Corporation and its subsidiary (collectively, the Company). In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of the financial position, results of operations and cash flows for the interim periods presented have been made. The preparation of the financial statements includes estimates that are used when accounting for revenues, allowance for uncollectible receivables, telecommunications expense, depreciation and amortization and certain accruals. Actual results could differ from those estimates. The results of operations for the three and six month periods ended June 30, 2003, are not necessarily indicative of the results to be expected for the full year. Some information and footnote disclosures normally included in financial statements or notes thereto prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to SEC rules and regulations. The Company believes, however, that its disclosures are adequate to make the information provided not misleading. You should read these interim consolidated financial statements in conjunction with the consolidated financial statements and notes thereto included in the Company's 2002 Annual Report on Form 10-KSB.

### 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 Inc., 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 June 30, 2003, the Company had approximately 40 active area franchise operations 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

## Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

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:

Computers	3 years
Furniture, fixtures and equipment	10 years

Leasehold improvements are amortized over the lesser of the lease term or the useful life of the property.

Depreciation expense for the three months ended June 30, 2003 and 2002 amounted to \$40,155 and \$42,813 respectively.

Intangibles:

The Company has recorded goodwill based on the difference between the cost and the fair value of certain purchased assets and it is being amortized on a straight-line basis over the estimated period of benefit, which ranges from five (5) to ten (10) years. The Company periodically evaluates the goodwill for possible impairment. The analysis consists of a comparison of future projected cash flows to the carrying value of the goodwill. Any excess goodwill would be written off due to impairment. In addition, the Company has a covenant not to compete, which is being amortized over five (5) years. Amortization expense for the three months ended June 30, 2003 and 2002 amounted to \$33,921 and \$33,742 respectively.

Advertising Expense:

The Company expenses the cost of advertising and promotions as incurred. Advertising costs charged to operations for the three months ended June 30, 2003 and 2002 was \$18,365 and \$1,628 respectively.

Revenue Recognition:

The Company recognizes revenue from the design production and printing of coupons upon delivery. Revenue from initial franchise fees is recognized when substantially all services or conditions relating to the sale have been substantially performed. Franchise support and other fees 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 a periodic 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 as of June 30, 2003.

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 distributions to owners. The company has no item of comprehensive income to report.



## Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

### Reclassifications:

Certain prior year amounts have been reclassified to conform to the current year presentation.

### New Accounting Pronouncements:

In June of 1998, the Financial Accounting Standards Board issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. The new standard requires that all companies record derivatives on the balance sheet as assets or liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. The Company does not use derivative instruments either in hedging or as investments. The Company adopted this accounting standard, as amended, on January 1, 2001. Accordingly, the Company believes it will have no material impact on its financial position or results of operations.

In December of 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin 101, "Revenue Recognition in Financial Statements" ("SAB 101"), which provides guidance related to revenue recognition based on interpretations and practices followed by the SEC. SAB 101 is effective in the quarter ended December 31, 2000, and requires companies to report any changes in revenue recognition as a cumulative effect of a change in accounting principle at the time of implementation in accordance with Accounting Principles Board Opinion No. 20, "Accounting Changes". The Company has assessed the impact of SAB 101 on its financial position and results of operations and believes the effect to be minimal.

### 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.

### 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.

## Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

### Credit Risk:

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 feels will be uncollectible. Uncollectible accounts as of June 30, 2003 was \$297,197.

### Cash and Cash Equivalents:

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

### Loss 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 is computed by dividing reported earnings available to common stockholders by weighted average shares outstanding. Diluted earnings per share reflect the potential dilution assuming the issuance of common shares for all potential dilutive common shares outstanding during the period. As a result of the Company's net losses, all potentially dilutive securities including warrants and stock options, would be anti-dilutive and thus, excluded from diluted earnings per share.

As of June 30, 2003, the Company had financial obligations that could create future dilution to the Company's common shareholders and are not currently classified as common shares of the company. The following table details such instruments and obligations and the common stock comparative for each. The common stock number is based on specific conversion or issuance assumptions pursuant to the corresponding terms of each individual instrument or obligation.

Instrument or Obligation	Common Stock
Stock options outstanding as of June 30, 2003 with a weighted average exercise price per share of \$0.57	1,340,000

### 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 subsidiaries as of June 30, 2003.

### NOTE 2 - RETIREMENT PLAN

The company maintains a 401(k) defined contribution plan covering

## Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

substantially all employees. The Corporation may elect to contribute up to 3% of each eligible employee's gross wages. Employees can elect up to 12% of their salary to be contributed before income taxes, up to the annual limit set by the Internal Revenue Code. The Corporation contributed \$10,500 and \$ 0 in the three months ended June 30, 2003 and 2002 respectively.

### NOTE 3 - PROPERTY & EQUIPMENT

Property and Equipment consists of the following:

June 30, 2002

Equipment	\$1,399,761
Furniture and fixtures	58,213
Leasehold improvements	80,644
	\$1,538,618
Accumulated depreciation and amortization	(1,149,687)
Net property and equipment	388,931

### NOTE 4 - NOTES PAYABLE

Notes payable consists of the following:

June 30, 2003	Amount
Note payable to Capital York, unsecured with payments inclusive of interest of \$1,000 per month	\$ 25,500
Note payable to CIT Group, interest of 10% on principal only, collateralized by the equipment of United Marketing Solutions, Inc.	15,498
Note payable to PS Business Park, face amount of \$130,000, interest at 5%, payable over three years	71,031
Note payable to Western Washington no set repayment schedule or interest	13,919
Note payable to Xerox Corporation, face amount of \$14,500, payable over two years	3,000
Promissory note payable to former executive payable in twenty-four monthly installments of \$3,452 at 0% interest	53,125
	182,073
Less: Current portion	115,452
Long-term portion	66,621

### NOTE 5 - OBLIGATION UNDER CAPITAL LEASE

The Company is obligated under a capital lease for the acquisition of two platesetter. The lease calls for sixty monthly payments of \$1,219, inclusive of interest.	58,025
Current portion	8,953
	49,072

### NOTE 6 - NOTES RECEIVABLE

On June 30, 2000, the Company executed a promissory note with UNICO,

## Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

Inc. for \$200,000 in conjunction with the sale of Independent News, Inc. The note is outstanding and currently in default, the Company's management considers the note collectible.

### NOTE 7 - COMMON STOCK

During the three months ended June 30, 2003 and 2002, the Company issued 0 and 200,000 shares respectively in exchange for services rendered.

### NOTE 8 - SEGMENT INFORMATION

The Company has one reportable segment for the three months ended June 30, 2003: United Marketing Solutions. United was acquired on April 1, 1999. United is a wholly owned subsidiary, with different management teams and different products and services. United operates a direct mail marketing business.

The accounting policies of the reportable segment is the same as those set forth in the Summary of Accounting Policies. Summarized financial information concerning the Company's reporting segment for the three months ended June 30, 2003.

Three months ended June 30, 2003	United	Parent	Eliminations	Total
Revenue	\$1,847,135	\$ 60,000	\$(60,000)	\$1,847,135
Segment profit (loss)	102,135	1,955	0	104,090
Total assets	2,328,512	231,586	(382,249)	2,177,849

### NOTE 9 - EMPLOYEE STOCK INCENTIVE PLAN

On 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 the purpose of providing employees equity-based compensation incentives.

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

The following Management Discussion and Analysis should be read in conjunction with the financial statements and accompanying notes included in this Form 10-QSB.

Total revenue decreased to \$1,874,135 in the quarter ended June 30, 2003 from \$2,047,142 in the second quarter of 2002. Total revenues decreased 2.9% to \$3,646,263 in the six-month period ended June 30, 2003 from \$3,751,872 in the same period of 2002.

Total operating expenses increased 10.0% to \$418,982 in the quarter ended June 30, 2003 from \$377,094 in the second quarter of 2002. The greatest percentage of this increase in expenses was due to an increase of \$58,000 in payroll expense for employees who had foregone pay raises since 2000. Total operating expenses increased 7.0% to \$861,972 in the six-month period ended June 30, 2003 from \$798,612 in the same period of 2002.

Total gain from operations for the quarter ending June 30, 2003 was \$102,172 as compared to a gain of \$106,306 for the quarter ending June 30, 2002. The six months ended June 30, 2003 had a gain of \$177,577 as compared to a gain of \$194,653 for the same period in 2002.

## Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

Cash used in operating activities was \$55,370 for the period ended June 30, 2003 compared to cash provided of \$225,478 for the period ended June 30, 2002. This was primarily due to an decrease in accounts payable, as well as a decrease in accrued expenses.

Cash used in investing activities was \$67,526 for the period ended June 30, 2003, compared to \$8,398 for the period ended June 30, 2002. This was primarily due to a purchase of property and equipment.

Cash provided by financing activities was \$70,254 for the period ended June 30, 2003, compared to cash used in financing activities of \$294,831 for the period ended June 30, 2002. This was primarily due a change in a note payable.

While the Company has raised capital to meet its working capital and financing needs in the past, additional financing may be required in order to meet the Company's current and projected cash flow deficits from operations. As previously mentioned, the Company has obtained financing in the form of equity in order to provide the necessary working capital. The Company currently has no other commitments for financing. There are no assurances the Company will be successful in raising the funds required.

The Company has issued shares of its common stock from time to time in the past to satisfy certain obligations, and expects in the future to also acquire certain services, satisfy indebtedness and/or make acquisitions utilizing authorized shares of the capital stock of the Company.

The independent auditors unaudited quarterly report for the period ended June 30, 2003 included in this Form states that the Company's working capital deficiency and shareholder's deficit raise substantial doubts about the Company's ability to continue as a going concern.

### Quantitative And Qualitative Disclosures About Market Risk

In the normal course of business, operations of the Company may be exposed to fluctuations in interest rates. These fluctuations can vary the cost of financing, investing, and operating transactions. Because the Company has only fixed rate short-term debt, there are no material impacts on earnings due to fluctuations in interest rates.

### New Accounting Pronouncements

In March 2000, the Financial Accounting Standards Board issued interpretation No. 44 ("FIN 44"), "Accounting for Certain Transactions Involving Stock Compensation, an Interpretation of APB Opinion No. 25". FIN 44 clarifies the application of APB No. 25 for (a) the definition of employee for purposes of applying APB No. 25, (b) the criteria for determining whether a plan qualifies as a noncompensatory plan, (c) the accounting consequences of various modifications to previously fixed stock option or award, and (d) the accounting for an exchange of stock compensation awards in a business combination. FIN 44 is effective July 2, 2000 but certain conclusions cover specific events that occur after either December 15, 1998 or January 12, 2000. The adoption of FIN 44 did not have an affect on the Company's financial statements but may impact the accounting for grants or awards in future periods

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, Business Combinations (FAS 141), and FAS 142, Goodwill and Other Intangible

## Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

Assets (FAS 142). FAS 141 addresses the initial recognition and measurement of goodwill and other intangible assets acquired in a business combination. FAS 142 addresses the initial recognition and measurement of intangible assets acquired outside of a business combination, whether acquired individually or with a group of other assets, and the accounting and reporting for goodwill and other intangibles subsequent to their acquisition. These standards require all future business combinations to be accounted for using the purchase method of accounting. Goodwill will no longer be amortized but instead will be subject to impairment tests at least annually.

The Company is required to adopt FAS 141 and FAS 142 on a prospective basis as of January 1, 2002; however, certain provisions of these new standards may also apply to any acquisitions concluded subsequent to June 30, 2001. As a result of implementing these new standards, the Company will discontinue the amortization of goodwill as of December 31, 2001. The Company does not believe that the adoption of FAS 141 or 142 will have a material impact on its consolidated financial statements.

In October 2001, the Financial Accounting Standards Board issued FAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (FAS 144). FAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This statement supersedes FAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" (FAS 121) and related literature and establishes a single accounting model, based on the framework established in FAS 121, for long-lived assets to be disposed of by sale. The Company is required to adopt FAS 144 no later than January 1, 2002. The Company does not believe that the adoption of FAS 144 will have a material impact on its consolidated financial statements.

### 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 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, regulations and taxes; risks related to changes in business strategy or development plans; risks associated with future profitability; and other factors discussed elsewhere in

## Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

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-QSB 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; uncertainty of future results

The Company has only a 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 an early stage 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 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. The Company expects that negative cash flow from operations may exist for the next 12 months as it continues to develop and market 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 quarterly results may also be significantly

## Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

affected by the impact of the accounting treatment of acquisitions, financing transactions or other matters. Particularly the Company's early stage of development, such accounting treatment can have a material impact on the results for any quarter. Due to the foregoing factors, among others, it is likely 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 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



## Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

things, the following: the Company could be exposed to unknown liabilities of the acquired companies; the Company could incur 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.

### PART II.

#### ITEM 1. LEGAL PROCEEDINGS.

Other than as set forth below, the Registrant is not a party to any material pending legal proceedings and, to the best of its knowledge, no such action by or against the Registrant has been threatened.

The Company is subject to other 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 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

##### Sales of Unregistered Securities.

The Registrant had no sales of unregistered securities during the three-month period ending March 31, 2003.

##### Use of Proceeds.

Not Applicable.

#### ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not Applicable.

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

There were not any matters submitted requiring a vote of security holders during the three-month period ending June 30, 2003.

#### ITEM 5. OTHER INFORMATION.

None.

#### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Reports on Form 8-K. No reports on Form 8-K were filed during the three-month period covered in this Form 10-QSB.

(b) Exhibits. Exhibits included or incorporated by reference herein: See Exhibit Index.

#### EXHIBIT INDEX

Exhibit	Description
3.1	Articles of Incorporation, under the name Micro Tech

## Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

- 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).
- 99.1 Certification pursuant of President to 18 U.S.C. Section 1350, as adopted to Section 906 of the Sarbanes Oxley Act of 2002.
- 99.2 Certification pursuant of Chief Financial Officer to 18 U.S.C. Section 1350, as adopted to Section 906 of the Sarbanes Oxley Act of 2002.

### CERTIFICATIONS

I, Darryl Reed, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Next Generation Media Corp.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14 for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed,

## Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize, and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions, with regard to significant deficiencies and material weaknesses.

Date: August 14, 2003

/s/ Darryl Reed  
Darryl Reed, President

### CERTIFICATIONS

I, Phillip Trigg, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Next Generation Media Corp.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14 for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize, and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions, with regard to significant deficiencies and material weaknesses.

Date: August 14, 2003

/s/ Phillip Trigg  
Phillip Trigg, Treasurer

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Next Generation Media Corp.

Dated: August 14, 2003

By: /s/ Darryl Reed  
Darryl Reed, President

Exhibit 99.1

In connection with the Quarterly Report of Next Generation Media Corp. (the "Company") on Form 10-QSB for the period ending June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Darryl Reed, President, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act, that:

(1) The Report fully complies with Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The Information contained in the Report fairly represents, in all material aspects, the financial condition and result of operations on the Company.

## Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

By: /s/ Darryl Reed  
Darryl Reed, President

### Exhibit 99.2

In connection with the Quarterly Report of Next Generation Media Corp. (the "Company") on Form 10-QSB for the period ending June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Phillip Trigg, Treasurer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act, that:

- (1) The Report fully complies with Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The Information contained in the Report fairly represents, in all material aspects, the financial condition and result of operations on the Company.

By: /s/ Phillip Trigg  
Phillip Trigg, Treasurer