

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

NEXT GENERATION MEDIA CORP
Form 10QSB
November 14, 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
SEPTEMBER 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
(State or jurisdiction of incorporation
organization)

88-0169543
(I.R.S. Employer or
Identification No.)

7644 Dynatech Court, Springfield, Virginia
(Address of principal executive offices)

22153
(Zip Code)

Company's telephone number: (703) 644-0200

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 X No

As of October 30, 2003, the Company had 11,523,397 shares of common
stock issued and outstanding.

TABLE OF CONTENTS

	Page
Part I - Financial Information	
Review Report of Independent Certified Public Accountants	
Condensed Consolidated Interim Financial Statements	
Consolidated Statement of Earnings	
Consolidated Statement of Financial Position	
Consolidated Statement of Stockholders' Equity	
Consolidated Statement of Cash Flows	
Notes to Financial Statements	
Item 2. Management's Discussion And Analysis Of Financial Condition	

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

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

REVIEW REPORT

To the Board of Directors and Stockholders of
Next Generation Media Corporation

We have reviewed the accompanying condensed consolidated statement of financial position of Next Generation Media Corporation (a Nevada Corporation) as of September 30, 2003 and 2002, and the related statements of earnings, stockholders' equity, and cash flows for the three-month and six-month periods then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these condensed consolidated interim financial statements is the representation of the management of Next Generation Media Corporation.

A review of interim financial information consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in 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 financial statements in order for them to be in conformity with accounting principles accepted in the United States.

Vienna, Virginia
November 10, 2003

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Next Generation Media Corporation
Condensed Consolidated
Interim Financial Statements
For The Nine Months Ended September 30, 2003

With Review Report of Independent

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

Certified Public Accountants

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

Table of Contents	Page
Condensed Consolidated Interim Financial Statements	
Consolidated Statement of Earnings	
Consolidated Statement of Financial Position	
Consolidated Statement of Stockholders' Equity	
Consolidated Statement of Cash Flows	
Notes to Financial Statements	

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

	For the Three Months Ended		For the Nine Months Ended	
	September 30	September 30	September 30	September 30
	2003	2002	2003	2003
REVENUES (Note 1):				
Coupon sales, net of discounts	\$ 1,882,813	\$ 1,925,517	\$ 5,471,375	\$
Franchise fees	88,350	54,600	146,050	
Total revenues	1,971,163	1,980,117	5,617,425	
COST OF GOODS SOLD:				
Materials	249,464	243,085	799,561	
Direct labor	418,048	507,837	1,273,468	
Equipment repairs	8,096	20,090	28,269	
Postage and delivery	572,544	588,214	1,679,436	
Payroll taxes from direct labor	32,475	38,850	98,859	
Total cost of goods sold	1,280,627	1,398,076	3,879,594	
Gross margin	690,536	582,041	1,737,831	
OPERATING EXPENSES:				
401(k) administration fees	3,028		5,942	
401(k) matching (Note 2)	10,500	-	31,500	
Advertising (Note 1)	7,858	2,687	13,873	
Amortization (Note 1)	33,922	33,921	101,765	
Bad debt expense	7,500	7,500	22,500	
Bank charges				
Commissions and fees	36,000	13,436	48,000	
Credit card fees	5,580		11,942	
Depreciation (Note 1)	40,155	41,340	120,465	
Employee benefits	31,033	40,448	105,185	
Insurance - other	3,846	8,067	14,113	
Meals and entertainment	10,731	2,124	20,709	
Office expense	5,964	5,196	15,720	

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

Other expenses	13,336	2,836	60,627
Payroll	115,935	99,499	322,217
Payroll taxes	5,117	4,927	28,654
Postage and delivery	799	1,200	3,454
Professional fees	34,791	49,288	99,159
Property taxes	900	7,800	8,700
Rent and pass thru expenses	69,938	43,716	209,044
Repairs and maintenance	4,141	6,650	21,827
Telephone	6,907	11,392	23,081
Travel and conferences		-	1,641
Utilities	16,405	27,531	43,486
Total operating expenses	464,385	409,558	1,333,604
Gain/(Loss) from operations	226,150	172,483	404,228
OTHER INCOME AND EXPENSES:			
Interest income		-	
Other income (expense)	(1,033)	-	116
Gain/(Loss) on equipment disposal	-	-	-
Gain/(Loss) on account clean up	-	-	
Gain/(Loss) on legal settlement (Note 11)		33,035	
Interest expense	(1,776)	(7,341)	(3,623)
Total other income (expense)	(2,810)	25,694	(3,507)
Net Income/(Loss)	223,340	198,177	400,720
Gain/(Loss) applicable to common Shareholders	223,340	198,177	400,720
Basic gain/(loss) per common share (Note 1)	0.02	0.02	0.03
Weighted average common shares outstanding	11,523,397	10,223,397	11,523,397
Diluted gain per common share (Note 1)	0.02	0.02	0.03
Fully diluted common shares outstanding	12,863,397	12,093,547	12,863,397

See accompanying notes and accountant's review report

Next Generation Media Corporation
Consolidated Balance Sheets
For the Periods Ended

ASSETS

	(Unaudited) September 30 2003	(Audited) December 31 2002
CURRENT ASSETS:		
Cash and cash equivalents (Note 1)	\$ 183,377	\$ 125,356
Accounts receivable, net of uncollectible accounts (Note 1)	579,879	379,862
Notes receivable (Note 6)	341,108	321,108
Inventories (Note 1)	56,301	55,908
Prepaid expenses	52,829	64,857
Total current assets	1,213,493	947,091

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

PROPERTY, PLANT AND EQUIPMENT (Notes 1 and 3):		
Equipment	1,412,279	1,334,599
Furniture and fixtures	61,348	56,650
Leasehold improvements	80,644	78,921
 Total property, plant and equipment	 1,554,271	 1,470,170
Less accumulated depreciation	(1,189,842)	(1,069,377)
Net property, plant and equipment	364,429	400,793
Intangibles, net of accumulated amortization (Note 1)	720,433	822,197
TOTAL ASSETS	2,298,356	2,170,081

See accompanying notes and accountant's review report

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Notes payable, current portion (Note 4)	82,897	127,151
Obligation under capital lease, current portion (Note 5)	8,953	-
Accounts payable	181,033	377,017
Accrued expenses	139,499	181,311
Sales tax payable	208,766	228,759
 Total current liabilities	 621,149	 914,238
LONG TERM LIABILITIES:		
Notes payable (Notes 4)	71,268	97,215
Obligation under capital lease (Note 5)	46,591	-
 Total long term liabilities	 117,859	 97,215
 Total liabilities	 739,008	 1,011,453
STOCKHOLDERS' EQUITY (Note 7):		
Common stock, \$.01 par value, 50,000,000 shares authorized, 11,523,397	95,234	95,234
issued and outstanding		
Additional paid in capital	7,343,744	7,343,744
Accumulated deficit	(5,879,630)	(6,280,350)
Net Income - Year to Date		
Total stockholders' equity	1,559,348	1,158,628
 TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	 2,298,356	 2,170,081

See accompanying notes and accountant's review report

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

	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Accumulated Deficit
Balance: January 31, 2001	6,773,397	67,734	7,186,284	(6,483,873)

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

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)	(7,000)	(28,000)	-
Net Income - Year to date	-	-	-	203,523
Balance: December 31, 2002	9,523,397	95,234	7,343,744	(6,280,350)
Net Income - Year to date	-	-	-	400,720
Balance: September 30, 2003	11,523,397	115,234	7,343,744	(5,879,630)

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

	September 30 2003	September 30 2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss)	\$ 223,340	\$ 198,177
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	74,077	75,261
(Increase) decrease in assets		
Accounts receivable	(134,088)	(352,094)
Inventories	3,840	(17,612)
Deferred compensation	-	73,921
Prepays and other current assets	(37,767)	33,908
Increase (decrease) in liabilities		
Accounts payable	(43,313)	(58,523)
Accrued expenses	(13,285)	50,473
Wages payable		(108,338)
Severance payable		(68,619)
Pension payable	(3,167)	(2,271)
Deferred revenue		218,843
Net cash flows (used) by operating activities	69,637	43,126
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(15,563)	3,193
Net cash provided/(used) by investing activities	(15,563)	3,193
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in note payable	(30,393)	112,020
Net borrowing under		
Borrowing under capitol lease note 5 payable	-	
Net cash provided/(used) by financing activities	(30,393)	112,020
NET INCREASE/(DECREASE) IN CASH	23,592	158,339
CASH, BEGINNING OF PERIOD	159,785	140,853

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

CASH, END OF PERIOD	183,377	299,192
---------------------	---------	---------

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

CASH PAID DURING THE YEAR FOR:

Income taxes	-	-
Interest	1,776	7,341

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 nine month periods ended September 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-KSB40.

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 September 30, 2003, the Company had approximately 44 active area franchise licenses 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 or otherwise disposed of, the cost of the assets and the related

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

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 September 30, 2003 and 2002 amounted to \$40,155 and \$41,340 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 September 30, 2003 and 2002 amounted to \$33,922 and \$33,921 respectively.

Advertising Expense:

The Company expenses the cost of advertising and promotions as incurred. Advertising costs charged to operations for the three months ended September 30, 2003 and 2002 was \$7,858 and \$2,687 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 September 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.

Reclassifications:

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

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.

Credit Risk:

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

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 September 30, 2003 were \$304,697.

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 of September 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 September 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 September 30, 2003.

NOTE 2 - RETIREMENT PLAN

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

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

Corporation accrued \$10,500 and \$ 0 in the three months ended September 30, 2003 and 2002 respectively.

NOTE 3 - PROPERTY & EQUIPMENT

Property and Equipment consists of the following:

	September 30, 2003
Equipment	\$1,412,279
Furniture and fixtures	61,348
Leasehold improvements	80,644
	\$1,554,271
Accumulated depreciation and amortization	(1,189,842)
Net property and equipment	364,429

NOTE 4 - NOTES PAYABLE

Notes payable consists of the following:

	Amount
September 30, 2003	
Note payable to Capital York, unsecured with payments inclusive of interest of \$1,000 per month	\$ 22,500
Note payable to CIT Group, interest of 10% on principal only, collateralized by the equipment of United Marketing Solutions, Inc.	14,498
Note payable to PS Business Park, face amount of \$130,000, interest at 5%, payable over three years	59,390
Note payable to Western Washington no set repayment schedule or interest, repayment is in the form of production credits	13,777
Note payable to Xerox Corporation, face amount of \$14,500, payable over two years	1,500
Promissory note payable to former executive payable in twenty-four monthly installments of \$3,452 at 0% interest	42,500
	\$154,165
Less: Current portion	82,897
Long-term portion	71,268

NOTE 5 - OBLIGATION UNDER CAPITAL LEASE

The Company is obligated under a capital lease for the acquisition of two platesetters. The lease calls for sixty monthly payments of \$1,219, inclusive of interest.	55,554
Current portion	8,953
	46,591

NOTE 6 - NOTES RECEIVABLE

On June 30, 2000, the Company executed a promissory note with UNICO, Inc. for \$200,000 in conjunction with the sale of Independent News, Inc. The note is outstanding and currently in default, the Company's

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

management considers the note collectible.

NOTE 7 - COMMON STOCK

During the three months ended September 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 September 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 September 30, 2003.

Three months ended September 30, 2003	United	Parent	Eliminations	Total
Revenue	\$1,971,163	\$ 160,000	\$(160,000)	\$1,971,163
Segment profit (loss)	112,433	110,907	0	223,340
Total assets	2,463,787	229,495	(394,926)	2,298,356

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 \$1,971,163 in the quarter ended September 30, 2003 from \$1,980,1117 in the third quarter of 2003, a decrease of less than one percent. Total revenues decreased 2.0% to \$5,617,425 in the nine-month period ended September 30, 2003 from \$5,731,989 in the same period of 2003.

Total cost of goods sold decreased from \$1,398,076 in the quarter ended September of 2002 to \$1,280,627 in the quarter ended September of 2003, a reduction of 8.4%. The gross margin increased from \$582,041 in the quarter ended September of 2002 to \$690,536 in the quarter ended September 2003, an increase of 15.8%. There was a corresponding nine-month increase in the gross margin from \$1,570,759 in 2002 to \$1,737,831 in 2003, an increase of 9.7%.

Total operating expenses increased to \$464,385 in the quarter ended September 30, 2003 from \$409,558 in the third quarter of 2002. The greatest percentage of this increase in expenses was due to an increase of \$16,436 in payroll expense and an increase in commissions paid of \$22,564. Total operating expenses increased to \$1,333,604 in the nine-month period ended September 30, 2003 from \$1,211,416 in the

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

same period of 2002.

Total gain from operations for the quarter ending September 30, 2003 was \$226,750 as compared to a gain of \$172,483 for the quarter ending September 30, 2002. The nine months ended September 30, 2003 had a gain of \$404,228 as compared to a gain of \$359,343 for the same period in 2002.

Cash used in operating activities was \$69,637 for the period ended September 30, 2003 compared to cash provided of \$43,126 for the period ended June 30, 2002.

Cash used in investing activities was \$15,563 for the period ended September 30, 2003, compared to \$3,193 for the period ended September 30, 2002. This was primarily due to a purchase of property and equipment.

Cash used by financing activities was \$30,393 for the period ended September 30, 2003, compared to cash used in financing activities of \$112,020 for the period ended September 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.

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

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

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 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

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

changes in business strategy or development plans; risks associated with future profitability; and other factors discussed elsewhere in 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

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

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 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

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

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 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 September 30, 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 September 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

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

Exhibit No.	Description
3.1	Articles of Incorporation, under the name Micro Tech 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

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

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: November 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;

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

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, 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: November 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: November 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 September 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 September 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