

CORDIA CORP  
Form 10-Q  
November 14, 2007

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2007

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: \_\_\_\_\_

CORDIA CORPORATION

-----  
(Exact Name of Registrant as Specified in Its Charter)

Nevada

11-2917728

-----  
(State or Other Jurisdiction of      (I.R.S. Employer Identification No.)

Incorporation or Organization)

13275 W. Colonial Drive, Winter Garden, Florida 34787

-----  
(Address of Principal Executive Offices)

866-777-7777

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(Registrant's Telephone Number, Including Area Code)

Check whether the registrant (1) 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 registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.      Yes  No

Check whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer: in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS**

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes  No

**APPLICABLE ONLY TO CORPORATE ISSUERS**

As of November 14, 2007, there were 6,308,774 shares of the issuer's common stock outstanding.

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**CORDIA CORPORATION**

**FORM 10-Q**

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**PART I**  
**FINANCIAL INFORMATION**

## ITEM 1. FINANCIAL STATEMENTS.

**CORDIA CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

ASSETS	September 30, <u>2007</u> (unaudited)	December 31, <u>2006</u>
Current Assets		
	\$	\$
Cash and cash equivalents	1,484,569	370,832
Cash restricted	172,795	1,003,707
Accounts receivable, less allowance for doubtful accounts of \$2,588,637 (2007) and \$931,050 (2006)	4,331,390	4,538,342
Prepaid expenses and other current assets	1,184,397	620,338
Accrued usage receivable	523,116	340,498
<b>TOTAL CURRENT ASSETS</b>	<b>7,696,267</b>	<b>6,873,717</b>
Property and equipment, at cost		
Office and computer equipment	1,901,513	1,166,522
Computer software	1,882,251	1,353,670
Leasehold Improvements	543,888	370,236
	4,327,652	2,890,428
Less: Accumulated depreciation/amortization	1,905,946	1,110,326
<b>NET PROPERTY AND EQUIPMENT</b>	<b>2,421,706</b>	<b>1,780,102</b>
Other Assets		
Goodwill	3,293,468	383,317
Security deposits and other assets	923,477	253,417
<b>TOTAL OTHER ASSETS</b>	<b>4,216,945</b>	<b>636,734</b>
	\$	\$
<b>TOTAL ASSETS</b>	<b>14,334,918</b>	<b>9,290,553</b>

## LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

## Current Liabilities

	\$	\$
Current portion, capital lease obligations	12,705	11,990
Current portion, note payable	583,333	-
Accounts payable	3,855,604	3,445,144
Accrued expenses	1,322,976	846,391
Billed taxes payable	7,796,197	4,120,786
Unearned income	1,471,363	1,198,727
<b>TOTAL CURRENT LIABILITIES</b>	<b>15,042,178</b>	<b>9,623,038</b>

## Noncurrent Liabilities

Deferred rent	86,154	72,037
Notes payable, net of current	1,166,667	-
Capital lease obligation, net of current	28,554	38,175
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>1,281,375</b>	<b>110,212</b>

<b>MINORITY INTEREST IN SUBSIDIARY</b>	-	2,745
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## COMMITMENT AND CONTINGENCIES

## Stockholders' Equity (Deficit)

Preferred stock, \$0.001 par value; 5,000,000 shares authorized, 707,800 shares issued and outstanding	708	708
Common stock, \$0.001 par value; 100,000,000 shares authorized, 6,108,774 (2007) and 5,808,774 (2006) shares issued and outstanding	6,109	5,809
Additional paid-in capital	6,601,558	6,159,395
Comprehensive income (loss)	3,723	(3,540)
Accumulated deficit	(8,479,215)	(6,502,020)
	(1,867,117)	(339,648)
Less: Treasury stock, at cost 206,094 (2007) and 187,594 (2006) common shares	(121,518)	(105,794)
<b>TOTAL STOCKHOLDERS' (DEFICIT)</b>	<b>(1,988,635)</b>	<b>(445,442)</b>
	\$	\$
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>	<b>14,334,918</b>	<b>9,290,553</b>

See notes to condensed consolidated financial statements.

**CORDIA CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

**(UNAUDITED)**

	Nine Months Ended September 30,		Three Months Ended September 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues				\$
Wireline services	\$ 31,094,084	\$ 26,924,187	\$11,528,987	8,212,492
VoIP services	602,454	381,037	275,037	124,312
Business process outsourcing services	382,894	476,229	129,685	155,600
	32,079,432	27,781,453	11,933,709	8,492,404
Cost of Revenues				
Resale and Wholesale Line Charges	17,454,317	14,888,545	6,570,388	4,579,237
Gross Profit	14,625,115	12,892,908	5,363,321	3,913,167
Operating Expenses				
Sales and Marketing	2,962,642	2,483,749	836,169	947,012
Bad debts	2,687,514	2,308,687	1,113,398	708,072
General and Administrative	9,897,728	8,525,562	3,428,471	2,964,650
Impairment of goodwill	284,117	-	-	
Depreciation and amortization	803,470	697,369	291,872	271,130
	16,635,471	14,015,367	5,669,910	4,890,864
Operating (Loss)	(2,010,356)	(1,122,459)	(306,589)	(977,697)
Other Income (Expenses)				
Other (expense)	661	-	661	-
Interest income	32,445	11,833	2,925	6,892
Interest expense	(2,690)	(3,428)	(835)	(1,076)



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	30,416	8,405	2,751	5,816
(Loss) Before Income Taxes and Minority Interest	(1,979,940)	(1,114,054)	(303,838)	(971,881)
Income Tax Provision (Benefit)	-	65,417	-	(29,554)
(Loss) Before Minority Interest	(1,979,940)	(1,179,471)	(303,838)	(942,327)
Minority interest in loss of subsidiary	2,745	9,918	-	9,918
Net (Loss)	\$ (1,977,195)	\$ (1,169,553)	\$ (303,838)	\$ (932,409)
Basic and Diluted (Loss) per share	\$ (0.34)	\$ (0.21)	\$ (0.05)	\$ (0.17)
Basic and Diluted Weighted Average Common Shares Outstanding	5,664,305	5,596,117	5,611,473	5,626,874

See notes to condensed consolidated financial statements.

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

	For the Nine Months Ended	
	September 30,	
	<u>2007</u>	<u>2006</u>
Cash Flows From Operating Activities		
	\$	\$
Net (Loss) Income from continuing operations	(1,977,195)	(1,169,553)
Adjustments to reconcile net income (loss) to net cash (used) provided by operations		
Compensatory stock expense	202,462	154,766
Provision for doubtful accounts	2,687,514	2,308,687
Depreciation expense	803,470	697,369
Impairment of goodwill	284,117	-
Deferred taxes	-	26,576
Minority interest	(2,745)	(9,918)
(Increase) decrease in assets, net of acquisition:		
Restricted cash	830,912	419,955
Accounts receivable	(1,399,779)	(357,832)
Prepaid expenses and other current assets	(327,828)	(148,930)
Accrued usage receivable	(132,771)	43,058
Security deposits	(62,009)	(84,058)
Other long term assets	-	(29,752)
Increase (decrease) in liabilities:		
Accounts payable	(188,145)	(232,925)
Income taxes payable	-	(53,201)
Accrued expenses	(46,738)	57,903
Billed taxes payable	2,234,671	(320,564)
Unearned income	(124,214)	(82,756)
Deferred rent	14,117	27,358
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>2,795,839</b>	<b>1,246,183</b>

Cash Flows from Investing Activities

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Capitalized software costs	(528,581)	(566,243)
Leasehold improvements	(173,652)	(106,683)
Purchase of property and equipment	(595,294)	(490,239)
Payment for majority interest in Canal West, net of cash acquired	(25,000)	(9,279)
Payment for acquisition of Midwest, net of cash acquired	(342,207)	-
Payment for acquisition of Triamis, net of cash acquired	-	(211,410)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(1,664,734)</b>	<b>(1,383,854)</b>
Cash Flows From Financing Activities		
Principal payments on capital leases	(8,906)	(8,244)
Payments of loans payable to affiliates	-	(57,000)
Payment of warrant buyback	-	(309,000)
Payment for treasury stock	(15,725)	(9,796)
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<b>(24,631)</b>	<b>(384,040)</b>
Effect of exchange rate changes on cash	7,263	(5,568)