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NEXT GENERATION MEDIA CORP  
Form 10QSB  
November 19, 2002

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, 2002

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 organization)	(I.R.S. Employer or 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 X No\_\_\_

As of November 5, 2002, the Company had 10,223,397 shares of common  
stock issued and outstanding.

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Signature

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCAL STATEMENTS.

Next Generation Media Corporation  
Condensed Consolidated  
Interim Financial Statements  
For The Three and Nine Month Periods Ended  
September 30, 2002  
With Review Report of Independent  
Certified Public Accountants

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

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REVIEW REPORT

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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, 2002 and 2001, and the related statements of earnings, stockholders' equity, and cash flows for the three-month and nine-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 14, 2002

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

	For the Three Months Ended		For the Nine Months	
	Sept. 30,	Sept. 30,	Sept. 30,	Sept. 30,
	2002	2001	2002	2001
REVENUES (Note 1):				
Coupon sales, net of discounts	\$ 1,925,517	\$ 1,677,938	\$ 5,647,689	\$ 5,647,689
Franchise fees	54,600	-	84,300	84,300
Commission income	-	12,946	-	-
Total revenues	1,980,117	1,690,884	5,731,989	5,731,989
COST OF GOODS SOLD:				
Materials	243,085	226,360	847,269	847,269
Direct labor	507,837	450,823	1,391,008	1,391,008
Equipment repairs	20,090	16,162	44,302	44,302
Postage and delivery	588,214	490,566	1,772,239	1,772,239
Payroll taxes from direct labor	38,850	34,459	106,412	106,412
Total cost of goods sold	1,398,076	1,218,380	4,161,230	4,161,230
Gross margin	582,041	419,506	1,570,759	1,570,759
OPERATING EXPENSES:				
401(k) administrative expense	-	2,200	-	-
401(k) matching	-	6,199	-	-

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Advertising (Note 1)	2,687	266	4,815
Amortization (Note 1)	33,921	33,921	101,764
Bad debt expense	7,500	7,500	22,500
Commissions and fees	13,436	9,741	22,819
Credit card fees	-	2,895	5,371
Depreciation (Note 1)	41,340	57,212	124,308
Employee benefits	40,448	49,968	114,150
Insurance	8,067	12,049	38,526
Meals and entertainment	2,124	524	2,703
Office expense	5,196	22,090	23,679
Officers compensation	68,288	45,965	234,010
Other expenses	2,836	50,549	7,721
Payroll	31,211	38,836	107,321
Payroll taxes	4,927	12,034	18,444
Postage and delivery	1,200	1,684	3,981
Professional fees	49,288	105,841	213,654
Property taxes	7,800	-	11,700
Rent and pass thru expenses	43,716	145,543	95,537
Repairs and maintenance	6,650	3,847	21,441
Telephone	11,392	11,279	34,179
Travel and conferences	-	8,372	3,500
Utilities	27,531	18,736	49,293
Total operating expenses	409,558	638,851	1,211,416
Gain/(Loss) from operations	172,483	(166,347)	359,343
OTHER INCOME AND EXPENSES:			
Interest income	-	3,404	-
Other income (expense)	-	615	-
Gain/(Loss) on lawsuit settlement	33,035	-	33,035
Gain/(Loss) on equipment disposal	-	-	2,230
Interest expense	(7,341)	1,323	(16,882)
Total other income (expense)	25,694	(1,466)	18,383
Net Income/(Loss)	198,177	(167,813)	377,726
Gain/(Loss) applicable to common shareholders	198,177	(167,813)	377,726
Basic gain/(loss) per common share (Note 1)	0.02	(0.03)	0.04
Weighted average common shares outstanding	10,223,397	6,262,071	9,021,016
Diluted gain per common share (Note 1)	0.02	NA	0.03
Fully diluted common shares outstanding	12,498,564	7,767,021	10,906,214

See accompanying notes and accountant's review report

Next Generation Media Corporation  
Consolidated Balance Sheets  
For the Periods Ended

ASSETS

(Unaudited)	(Audited)
September 30,	December 31,
2002	2001

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CURRENT ASSETS:		
Cash and cash equivalents (Note 1)	\$ 299,192	\$ 199,305
Accounts receivable, net of uncollectible accounts (Note 1)	606,307	228,478
Notes receivable (Note 6)	333,608	333,608
Inventories (Note 1)	72,420	49,978
Deferred compensation	-	73,921
Employee loans and advances	-	827
Prepaid expenses	33,311	8,105
 Total current assets	 1,344,838	 894,222
PROPERTY, PLANT AND EQUIPMENT (Notes 1 and 3):		
Computer equipment and software	511,684	497,339
Furniture and fixtures	2,133,642	2,116,511
Leasehold improvements	167,675	88,754
 Total property, plant and equipment	 2,813,001	 2,702,604
Less accumulated depreciation	(2,372,755)	(2,251,598)
 Net property, plant and equipment	 440,246	 451,006
Intangibles, net of accumulated amortization (Note 1)	856,119	957,883
 TOTAL ASSETS	 2,641,203	 2,303,111
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable, current portion (Note 4)	192,928	296,479
Accounts payable	506,817	790,379
Accrued expenses	82,867	48,713
Severance payable	-	68,619
Pension payable	-	3,853
Sales tax payable	233,545	228,537
Deferred revenue	218,843	96,386
 Total current liabilities	 1,235,000	 1,532,966
LONG TERM LIABILITIES:		
Notes payable (Note 4)	128,372	-
 Total long term liabilities	 128,372	 -
 Total liabilities	 1,363,372	 1,532,966
STOCKHOLDERS' EQUITY (Note 7):		
Common stock, \$.01 par value, 50,000,000 shares authorized, 10,223,397 and 6,773,397 issued and outstanding, respectively	102,234	67,734
Additional paid in capital	7,371,744	7,186,284
Less treasury stock, at cost, 1,800,000 shares	(90,000)	-
Accumulated deficit	(6,483,873)	(6,483,873)
Net Income - Year to Date	377,726	-
 Total stockholders' equity	 1,277,831	 770,145
 TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	 2,641,203	 2,303,111

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See accompanying notes and accountant's review report

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

	Common Stock Shares	Amount	Additional Paid In Capital	Accumulated Deficit
Balance: January 31, 2001	6,206,897	62,069	7,135,409	(5,586,878) \$1,
Common stock issued in exchange for services	300,000	3,000	33,000	-
Exercise of stock options	97,500	975	975	-
Common stock issued in exchange for services	169,000	16,900	16,900	-
Net loss	-	-	-	(896,995)
Balance: December 31, 2001	6,773,397	67,734	7,186,284	(6,483,873)
Common stock issued in exchange for services	1,450,000	14,500	70,500	-
Employee stock options	-	-	36,960	-
Common stock issued in exchange for services	2,000,000	20,000	78,000	-
Net Income - Year to Date	-	-	-	287,726
Balance: September 30, 2002	10,223,397	102,234	7,371,744	(6,196,147) 1,

See accompanying notes and accountant's review report

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

	September 30, 2002	September 30, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss)	\$ 198,177	\$ (167,813)
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock issued for services	-	36,000
Depreciation and amortization	75,261	91,133
(Increase) decrease in assets		
Accounts receivable	(352,094)	(336,251)
Inventories	(17,612)	57,626

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Deferred compensation	73,921	-
Prepays and other current assets	33,908	273,752
Increase (decrease) in liabilities		
Accounts payable	(58,523)	284,003
Accrued expenses	50,473	(198,660)
Wages payable	(108,338)	-
Severance payable	(68,619)	(16,761)
Pensions payable	(2,271)	-
Deferred revenue	218,843	(34,281)
Net cash flows provided/(used) by operating activities	43,126	(11,252)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	3,193	-
Net cash provided by investing activities	3,193	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds form issuance of stock	-	1,950
Change in note payable	112,020	(32,186)
Net cash provided/(used) by financing activities	112,020	(30,236)
NET INCREASE/(DECREASE) IN CASH	158,339	(41,488)
CASH, BEGINNING OF PERIOD	140,853	119,776
CASH, END OF PERIOD	299,192	78,288
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
CASH PAID DURING THE YEAR FOR:		
Interest	7,341	3,404

See accompanying notes and accountant's review report

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

	September 30, 2002	September 30, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss)	\$ 287,726	\$ (235,179)
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock issued for services	219,960	36,000
Depreciation and amortization	222,921	453,883
(Increase) decrease in assets		
Accounts receivable	(377,002)	98,621
Inventories	(22,442)	81,442
Deferred compensation	73,921	-
Prepays and other current assets	(25,206)	280,522
Increase (decrease) in liabilities		
Accounts payable	(170,216)	322,729
Accrued expenses	34,154	(338,184)
Wages payable	(108,338)	(19,655)
Severance payable	(68,619)	-
Pensions payable	(3,853)	-

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Deferred revenue	122,457	(126,600)
Net cash flows provided by operating activities	185,463	553,579
CASH FLOWS FROM INVESTING ACTIVITIES:		
Due to related parties	-	(112,288)
Purchase of property and equipment	(110,397)	(1,740)
Net cash provided by investing activities	(110,397)	(114,028)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds form issuance of stock options	-	1,950
Removal of note payable due to Big Hub settlement (Note 5)	-	(500,000)
Change in note payable	24,821	-
Net cash provided/(used) by financing activities	24,821	(498,050)
NET INCREASE/(DECREASE) IN CASH	99,887	(58,499)
CASH, BEGINNING OF PERIOD	199,305	136,787
CASH, END OF PERIOD	299,192	78,288
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
CASH PAID DURING THE YEAR FOR:		
Interest	16,882	27,341

See accompanying notes and accountant's review report

Next Generation Media Corporation  
Notes to Financial Statements-Unaudited  
September 30, 2002

### 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, 2002, 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 2001 Annual Report on Form 10-KSB40.



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### 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, 2002, the Company had approximately 39 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 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 September 30, 2002 and 2001 amounted to \$41,340 and \$57,212 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, 2002 and 2001 amounted to \$33,921 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, 2002 and 2001 was \$2,687 and \$266 respectively.

#### Revenue Recognition:

The Company recognizes revenue from the design production and

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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, 2002 and 2001.

### 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:

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

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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:

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, 2002 and 2001 was \$335,563 and \$25,839, respectively.

### 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 September 30, 2002, 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

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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, 2002	1,875,167
Stock options outstanding as of September 30, 2001	1,672,667

### 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, 2002 and 2001.

### 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 Corporation contributed \$0 and \$6,199 in the three months ended September 30, 2002 and 2001 respectively.

### NOTE 3 - PROPERTY & EQUIPMENT

Property and Equipment consists of the following:

	September 30, 2002
Furniture and equipment	\$2,133,642
Computer equipment	511,684
Leasehold improvements	167,675
	\$2,813,001
Accumulated depreciation and amortization	(2,372,755)
Net property and equipment	\$ 440,246
	September 30, 2001
Furniture, fixtures and equipment	\$3,615,017
Computer equipment	832,969
Leasehold improvements	88,754
	\$4,536,740
Accumulated depreciation and amortization	(3,955,741)
Net property and equipment	\$ 580,999

### NOTE 4 - NOTES PAYABLE AND LINE OF CREDIT

Notes payable consists of the following:

September 30, 2002	Amount
Obligation to CIT Group, bearing interest at 10%, the	

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loan is payable in fifty-six monthly installments of \$500, including interest, and is collateralized by the property and equipment of the Company.	\$ 20,388
Note payable to BancFirst, collateralized by the Company's property and equipment. Terms are a twenty-four monthly installments of \$8,200 principal plus accrued interest.	\$ 55,681
Confessed judgement promissory note to Joel Sens, collateralized by the good faith of the Company. Terms are a twenty-four month note at 10% interest, monthly payments of \$2,999 including interest.	\$ 52,505
Promissory note payable to former executive, payable in twenty-four installments of \$3,542 at 0% interest.	\$ 81,458
Obligation to PS Business Parks bearing interest at 5%. The loan is payable in thirty-six monthly installments of \$3,896, including interest, and is collateralized by the property and equipment of the Company.	\$102,769
Obligation to Xerox in twenty-four monthly installments of \$500. The obligation is collateralized by the good faith of the Company.	\$ 8,500
	\$321,300
Less: Current portion	\$192,928
Long-term portion	\$128,372
September 30, 2001	Amount
Line of credit from Prosperity Bank with a face amount of \$90,000, interest is payable as it accrues at the banks' prime rate (7.5% as of 12/31/2000), this line is secured by a Certificate of Deposit held by the former President of the Company.	\$ 90,000
Note payable to CIT Group, interest of 10% on principal only, monthly principal payments of \$8,200 plus interest, due in January 2001, collateralized by the equipment of United Marketing Solutions, Inc., and as of the date of this report is currently in default.	\$ 32,996
Note payable to BancFirst, interest at prime plus 1% (8.5% at December 31, 2000), monthly payments of principal and interest of \$12,500, collateralized by the Company's property, plant and equipment. The note payable was due in September of 2000 and was in default. Terms renegotiated to twenty-four month, interest at prime plus 1%, monthly payments of \$8,500 principal plus accrued interest.	\$171,730
Total notes payable and line of credit	\$294,726
Less: Current portion	\$294,726
Long-term portion	\$ 0

### NOTE 5 - BIG HUB SETTLEMENT

On February 6, 2001, a settlement was reached between TheBigHub.com ("Big Hub"), the Company, and major shareholders of the Company. As part of the settlement, Big Hub returned all but 242,732 shares of the Company's common stock to the major shareholders involved, and all stock options. The major shareholders retain their shares and options in Big Hub. Big Hub forever releases and discharges the Company from all obligations relating to the \$622,288 dollars

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advanced to the Company. The Company forever releases and discharges Big Hub from all obligations relating to \$199,620 owed to the Company from Big Hub. Additionally the Company releases Big Hub from all obligations in regards to the promised delivery of the "Tool Kit Technology" (never delivered). Big Hub retains the 250,000 shares of the Company's common stock transferred to Big Hub as original consideration of promised delivery of "Tool Kit Technology". The Company agrees to provide audited financial statements to Big Hub on a consolidated basis. The major shareholders of Big Hub and the Company agree to release, acquit and further discharge all parties involved as a result of this agreement.

### 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 management considers the note collectible.

### NOTE 7 - COMMON STOCK

During the three months ended September 30, 2002, the Company did not issue any shares.

On September 14, 2001, the Company issued 150,000 shares of common stock valued at \$18,000 to Dailyfinancial.com for future professional services to be rendered in public relations.

On September 14, 2001, the company issued 150,000 shares of common stock valued at \$18,000 to Paul Cummings for future professional services to be rendered in the development of the Company's web site.

### NOTE 8 - SEGMENT INFORMATION

The Company has one reportable segment for the three months ended September 30, 2002: 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, 2002 and 2001.

Three months ended September 30, 2002	United	Parent	Eliminations	Total
Revenue	\$1,944,700	\$ 0	\$ 0	\$1,944,700
Segment profit (loss)	369,217	(171,040)	0	198,177
Total assets	2,673,398	350,054	(382,249)	2,641,203
Three months ended September 30, 2001	United	Parent	Eliminations	Total
Revenue	\$1,690,884	\$ 0	\$ 0	\$1,690,884
Segment profit (loss)	(89,430)	(78,383)	0	(167,813)
Total assets	2,107,807	1,597,563	(678,165)	3,027,205

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### NOTE 9 - EMPLOYEE STOCK INCENTIVE PLAN

One 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.

### NOTE 10 - GOING CONCERN

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company's significant operating losses in past periods raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### NOTE 11 - GAIN ON LEGAL SETTLEMENT

The Company settled two lawsuits during the period ending September 30, 2002. A settlement with a former executive resulted in a \$98,035 gain. A settlement with a former consultant resulted in a \$65,000 loss.

### 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 revenues increased 14.7%, to \$1,980,117 in the quarter ended September 30, 2002 from \$1,690,884 in the third quarter of 2001. Total revenues increased 1.9%, to \$5,731,989 in the nine-month period ended September 30, 2002 from \$5,625,756 in the same period of 2001.

Total operating expenses decreased 35.9% to \$409,558 in the quarter ended September 30, 2002 from \$638,851 in the third quarter of 2002. The greatest percentage of this reduction in expenses was due to a reduction in rent, professional fees and pass through expense. Total operating expenses decreased 31.3% to \$1,211,416 in the nine-month period ended September 30, 2002 from \$1,737,935 in the same period of 2001.

Total gain from operations for the quarter ending September 30, 2002 was \$172,483 as compared to a loss of \$166,347 for the quarter ending September 30, 2001. The nine months ended September 30, 2002 had a gain of \$359,343 as compared to a loss of \$220,102 for the same period.

Cash provided by operating activities was \$43,126 for the period ended September 30, 2002 compared to cash used of \$11,252 for the period ended September 30, 2001. This was primarily due to an increase in deferred revenues.

Cash used in investing activities was \$3,193 for the period ended September 30, 2002, compared to \$0 for the period ended September 30, 2001. This was primarily due to a purchase of property and equipment.

Cash used by financing activities was \$112,020 for the period ended September 30, 2002, compared to cash used in financing activities of \$30,236 for the period ended September 30, 2001. This was primarily due to a change in a note payable.

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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 September 30, 2002 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.

### 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 non-compensatory 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 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



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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 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.

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### 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 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 could 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 of the Company 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 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 expects to experience significant 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

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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, trading 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 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

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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 which 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, 2002.

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, 2002.

### 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 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).

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- 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, 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

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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, 2002

/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

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

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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, 2002

/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, 2002

By: /s/ Darryl Reed  
Darryl Reed, President