

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

NEXT GENERATION MEDIA CORP
Form 10QSB
August 15, 2007

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

FORM 10-QSB

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE
30, 2007

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
or organization)

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

7644 Dynatech Court, Springfield, Virginia 22153
(Address of principal executive offices) (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 No

As of June 30, 2007, the Company had 12,373,397 shares of common
stock issued and outstanding.

TABLE OF CONTENTS

	Page
Part I - Financial Information	
Item 1	
Condensed Consolidated Interim Financial Statements	
Consolidated Balance Sheets	
Consolidated Statements of Income	
Consolidated Statements of Stockholders' Equity	
Consolidated Statements of Cash Flows	
Notes to Financial Statements	
Item 2. Management's Discussion And Analysis of Financial Condition And Results Of Operations	

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Turner, Jones & Associates, P.L.L.C.
Certified Public Accountants
108 Center Street, North, 2ndFloor
Vienna, Virginia 22180-5712
(703) 242-6500
FAX (703) 242-1600

To the Board of Directors and Stockholders of
Next Generation Media Corporation
7644 Dynatech Court
Springfield, VA 22153

We have reviewed the condensed consolidated balance sheet of Next Generation Media Corporation and subsidiary as of June 30, 2007, and the related condensed consolidated statements of income and cash flows for the six-month periods ended June 30, 2007 and 2006. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed financial statements, referred to above, for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Next Generation Media Corporation and subsidiary as of December 31, 2006, and the related consolidated statements of income, retained earnings, and cash flows for the year then ended (not presented herein);

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

and in our report dated March 1, 2007, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2006, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

s/s: Turner, Jones & Associates, P.L.L.C
Turner, Jones & Associates, P.L.L.C

Vienna, Virginia
August 8, 2007

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Next Generation Media Corporation

Condensed Consolidated

Interim Financial Statements

For The Six Months Ended June 30, 2007

With Review Report of Independent

Registered Public Accounting Firm

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

Table of Contents Page

Condensed Consolidated Interim Financial Statements

Consolidated Balance Sheets

Consolidated Statements of Income

Consolidated Statements of Stockholders' Equity

Consolidated Statements of Cash Flows

Notes to Financial Statements

Next Generation Media Corporation
Condensed Consolidated Balance Sheets

ASSETS

	(Unaudited) June 30, 2007	(Audited) December 31, 2006
CURRENT ASSETS:		
Cash and cash equivalents	\$ 329,339	\$ 181,196
Accounts receivable, net of uncollectible accounts	373,320	166,325
Inventories	84,676	97,434

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

Employee loans and advances	-	1,883
Prepaid expenses and other current assets	57,033	25,103
Total current assets	844,368	471,941
PROPERTY, PLANT AND EQUIPMENT:		
Equipment	1,236,672	1,143,943
Furniture and fixtures	38,757	38,757
Leasehold improvements	107,300	107,300
Computer equipment/software	384,589	329,917
Software development	411,391	411,391
Vehicles	9,200	9,200
Total property, plant and equipment	2,187,909	2,040,508
Less: accumulated depreciation	(1,079,619)	(973,071)
Net property, plant and equipment	1,108,290	1,067,437
OTHER ASSETS:		
Goodwill	951,133	951,133
Deposits	41,200	41,200
Total other assets	992,333	992,333
TOTAL ASSETS	\$ 2,944,991	\$ 2,531,711
LIABILITIES AND STOCKHOLDERS' EQUITY		
Obligation under capital leases, current portion	85,252	46,871
Notes payable, current portion	23,877	25,317
Line of credit	150,000	100,000
Accounts payable	363,808	203,670
Accrued expenses	103,446	127,891
Pension payable	52,046	34,264
Deferred rent	66,949	-
Deferred revenue	65,094	-
Sales tax payable	-	1,338
Total current liabilities	910,472	539,351
LONG TERM LIABILITIES:		
Obligation under capital leases	247,255	79,563
Notes payable	25,700	36,725
Total long term liabilities	272,955	116,288
Total liabilities	1,183,427	655,639
STOCKHOLDERS' EQUITY:		
Common stock, \$.01 par value, 50,000,000 shares authorized, 12,373,397 issued and outstanding	123,734	123,734
Additional paid in capital	7,379,744	7,379,744
Accumulated deficit	(5,741,914)	(5,627,406)
Total stockholders' equity	1,761,564	1,876,072
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,944,991	\$ 2,531,711

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

See accompanying notes and accountant's review report

Next Generation Media Corporation Condensed Consolidated Statement of Income (Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Revenues:				
Sales, net of discounts	\$ 2,084,370	\$ 2,146,121	\$ 4,067,707	\$ 4,118,800
Franchise fees	-	36,000	79,000	-
Total revenues	2,084,370	2,182,121	4,146,707	4,200,800
Cost of Goods Sold:				
	1,636,164	1,744,886	3,092,649	3,130,800
Gross margin	448,206	437,235	1,054,058	1,069,999
General and administrative expenses				
	529,259	522,816	1,086,459	1,070,000
Depreciation	57,167	45,000	106,549	90,000
Total operating expenses	586,426	567,816	1,193,008	1,160,000
Gain/(Loss) from operations	(138,220)	(130,581)	(138,950)	(90,000)
Other income and (expenses):				
Interest income	-	-	-	-
Miscellaneous income (expense)	24,307	15,685	40,815	10,000
Gain on disposal of equipment	-	-	-	-
Interest expense	(11,714)	(4,566)	(19,372)	(10,000)
Total other income (expense)	12,593	11,119	21,443	0
Net income	(125,627)	(119,462)	(117,507)	(80,000)
Gain applicable to common shareholders	(125,627)	(119,462)	(117,507)	(80,000)
Basic gain/(loss) per common share	-0.010	-0.010	-0.009	-0.010
Weighted average common shares outstanding	12,373,397	12,215,842	12,373,397	12,215,842
Diluted gain per common share	N/A	N/A	N/A	N/A
Fully diluted common shares outstanding	13,075,547	13,347,342	13,075,547	13,347,342

See accompanying notes and accountant's review report

Next Generation Media Corporation Statement of Cash Flows - Unaudited

For The Six Months Ended
30-Jun 30-Jun

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss)	\$ (114,507)	\$ (89,042)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	106,549	90,000
(Increase) decrease in assets		
Accounts & notes receivable	(206,995)	(133,123)
Inventories	12,758	(12,278)
Prepays and other current assets	(31,930)	10,994
Employee loans	1,883	-
Increase (decrease) in liabilities		
Accounts and other payables	152,137	45,472
Deferred rent	66,949	-
Deferred revenue	65,094	-
Customer deposits	-	201,026
Net cash flows (used) by operating activities	51,938	113,049
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment, net	(147,401)	(66,703)
Net cash provided/(used) by investing activities	(147,401)	(66,703)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under Capital leases	236,941	28,390
Line of Credit	50,000	-
Repayment of capital leases	(30,870)	(12,797)
Repayment of notes payable	(12,465)	(11,687)
Net cash provided/(used) by financing activities	243,606	3,906
NET INCREASE/(DECREASE) IN CASH	148,143	50,252
CASH, BEGINNING OF PERIOD	181,196	610,885
CASH, END OF PERIOD	\$ 329,339	\$ 661,137
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
CASH PAID DURING THE PERIOD FOR:		
Income taxes	-	-
Interest	19,372	8,068

See accompanying notes and accountant's review report

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

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

	Common Stock Shares	Amount	Additional Paid In Capital	Accumulated Deficit	
Balance: December 31, 2006	12,373,397	123,734	7,379,744	(5,627,406)	\$
Shares issued	-	-	-	-	
Net Income	-	-	-	11,119	
Balance: March 31, 2007	12,373,397	123,734	7,379,744	(5,616,287)	\$
Shares issued	-	-	-	-	\$
Net Loss	-	-	-	(125,627)	
Balance June 30 2007	12,373,397	123,734	7,379,744	(5,741,914)	\$

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 months ended June 30, 2007, 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.

The balance sheet at December 31, 2006 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Registrant Company

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

and Subsidiaries' annual report on Form 10-KSB for the year ended December 31, 2006.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business:

Next Generation Media Corporation was incorporated in the State of Nevada in November of 1980 as Micro Tech Industries Inc., with an official name change to Next Generation Media Corporation in April of 1997. The Company, through its wholly owned subsidiary, United Marketing Solutions, Inc., provides direct marketing products, which involves the designing, printing, packaging, and mailing of public relations and marketing materials and coupons for retailers who provide services. Sales are conducted through a network of franchises that the Company supports on a wholesale basis. At June 30, 2007, the Company had approximately 37 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:

Furniture, fixtures and equipment	7-10 years
Leasehold improvements	10 years
Vehicles	5 years
Computer equipment & software	5 years

Depreciation expense for the six months ended June 30, 2007 and 2006 was \$106,549 and \$90,000, respectively.

Intangibles:

The Company has recorded goodwill based on the difference between the cost and the fair value of certain purchased assets. The Company annually evaluates the goodwill for possible impairment. The analysis consists of a comparison of the Company's market capitalization under SFAS No. 142 to the net fair market value of all identifiable assets plus goodwill and/or projected cash flows to the carrying value of the goodwill. Any excess book value over market capitalization would be written off due to impairment.

Advertising Expense:

The Company expenses the cost of advertising and promotions as incurred. Advertising costs charged to operations for the three months ended June 30, 2007 and 2006 was \$21,892 and \$31,833.

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

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

relating to the sale have been substantially performed. Substantially all services and conditions are performed upon payment of the fee. Initial franchise fees are a one-time fee charged per franchise license agreement. The initial franchise fees are non-refundable. Franchise support of \$150 per quarter per franchise and other fees are recognized when billed to the franchisee. Amounts billed or collected in advance of final delivery or shipments 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 an annual basis and whenever events or changes in circumstances indicate that the carrying amount of the assets should be addressed. The Company believes that no permanent impairment in the carrying value of long-lived assets exists as of June 30, 2007.

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 items of comprehensive income to report.

Reclassifications:

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

New Accounting Pronouncements:

On December 15, 2004, the Financial Accounting Standards Board issued SFAS No. 123(R), Share-Based Payment, which amends SFAS No. 123, Accounting for Stock-Based Compensation. SFAS No 123 (R) requires that all share-based payments to employees, including grants of employee stock options, be accounted for at fair value. The pro forma disclosures previously permitted under SFAS No. 123 no longer will be an alternative to financial statement recognition. Under SFAS No. 123 (R), the Company must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at date of adoption. The Company previously adopted the fair-value-based method of accounting for share-based payments under SFAS No. 123 effective January 1, 2003 using the prospective method described in SFAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure. SFAS No. 123 (R) also amends SFAS No. 95, Statement of Cash Flows, to require that excess tax benefits be reported as a financing cash inflow rather than as a reduction of taxes paid. As originally issued, SFAS No. 95 required all income tax payments to be classified as operating cash outflows. This statement is effective for fiscal periods beginning after June 15, 2005. The adoption of SFAS No. 123 (R) had no material effect on the financial position or results of operation.

FIN48 In July 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 clarifies the accounting for income taxes is prescribing a minimum probability threshold that a tax position must meet before a

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

financial statement benefit is recognized. The minimum threshold is defined in FIN 48 as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit realized upon ultimate settlement. FIN 48 must be applied to all existing tax positions upon initial adoption. The cumulative effect of applying FIN 48 at adoption, if any, is to be reported as an adjustment to opening retained earnings for the year of adoption. FIN 48 is effective for the Company's 2008 fiscal year, although early adoption is permitted. The Company is currently assessing the potential effect of FIN 48 on its financial statements.

SFAS 157 In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FASB 157). SFAS 157 provides a common definition of fair value in generally accepted accounting principles more consistent and comparable. SFAS 157 also requires expanded disclosures to provide information about the extent to which fair value is used to measure assets and liabilities, the methods and assumptions used to measure fair value, and the effect of fair value measures on earnings. SFAS 157 is effective for the Company's 2009 fiscal year, although early adoption is permitted. The Company is currently assessing the potential effect of SFAS 157 on its financial statements.

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:

The Company at times may have cash deposits in excess of federally insured limits.

Accounts Receivable:

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

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. Allowance for uncollectible accounts as of June 30, 2007 and 2006 was \$23,755 and \$27,973, respectively.

Cash and Cash Equivalents:

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

Earnings 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 March 31, 2007, 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

Stock options outstanding as of June 30, 2007 with a weighted average exercise price per share of \$0.57	1,131,500
--	-----------

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 subsidiary as of June 30, 2007.

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 15% of their salary to be contributed before income taxes, up to the annual limit set by the Internal Revenue Code. The company accrued a matching contribution for the quarter ended June 30, 2007 of \$9,000.

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

NOTE 3 - NOTES PAYABLE

Notes payable at June 30, 2007 consists of:

Obligation to Bank of America, bearing interest at 6.4% percent per annum, the loan is payable in forty-eight monthly installments of \$2,395, including interest, and is collateralized by the equipment financed. Balance outstanding at June 30, 2007 was \$49,577.

The 5 year schedule of maturities is as follows:

2007	12,492
2008	27,011
2009	10,074
Thereafter	0

\$ 49,577

NOTE 4 - COMMON STOCK

During the three months ended June 30, 2007 and 2006, the Company issued no shares of common stock.

NOTE 5 - 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. The Company issued no shares under the plan during the periods.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

The Company acquired machinery under the provisions of long-term leases. For financial reporting purposes, minimum lease payments relating to the machinery have been capitalized.

Future minimum annual lease payments for capital and operating leases as of December 31, 2007 are:

	Operating	Capital
2007	146,071	54,732
2008	302,855	99,215
2009	314,969	86,224
2010	327,568	45,740
2011	355,549	33,944
Thereafter	0	84,859
Total	1,447,012	404,714

Rent expense for the period ended June 30, 2007 and 2006 was \$139,049 and \$139,553 respectively.

The Company has entered into various employment contracts. The contracts provided for the award of present and/or future shares of common stock and/or options to purchase common stock at fair market value of the underlying options at date of grant or vesting. The contracts can be terminated without cause upon written notice within thirty to ninety days. The Company is party to various legal matters encountered in the normal course of business. In the opinion of

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

management and legal counsel, the resolution of these matters will not have a material adverse effect on the Company's financial position or the future results of operations.

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.

During the three months ended June 30, 2007 the Company experienced a decrease in revenue of 4.4% with sales of \$2,084,370, compared to \$2,182,121 for the three months ended June 30, 2006. While core product sales remained constant, decreases in pass-thru & ancillary product sales, and the adjustment or cancellation of scheduled production contributed to the net decline. An increase of 16% in national insert sales helped to bolster overall revenue. The Company continues to offer significant incentive programs designed to facilitate growth of existing franchises, and will continue to evaluate staffing requirements and various opportunities to increase the visibility necessary to achieve additional network growth.

Total costs of goods sold in the three-month period ended June 30, 2007 were down 6.2% from the same period in 2006, \$1,636,164 compared to \$1,744,886. Cost of goods as a percentage of sales also decreased from 79.9% for the three-month period ended June 30, 2006 to 78.4% for the three-month period ended June 30, 2007. While the costs of labor and core raw materials such as paper, ink and envelopes continue to rise, the Company continues to build stronger relationships with core material vendors in order to contain cost increases. Cost of goods will fluctuate from quarter to quarter and year to year based on production workflow and market conditions. These cost fluctuations may result in the need for rightsizing adjustments to maintain competitive market position.

Total operating expenses for the three months ended June 30, 2007 rose 3.2% (\$586,426 compared to \$567,816) from the same period in 2006. Additional advertising costs incurred to increase franchise opportunity visibility and additional depreciation expense from equipment and production workflow software acquisitions contributed to the increase.

Total assets increased from \$2,630,850 at June 30, 2006 to \$2,944,991 at June 30, 2007 as result of a continuing investment in workflow software and production equipment. Total current liabilities also increased from \$867,854 at June 30, 2006 to \$910,472 at June 30, 2007 due in part to additional short term financing of capitalized assets. The Company uses credit to manage cash flow and build cash reserves. Finance charges are avoided by paying outstanding balances in full by due dates.

Net cash flows provided by operating activities were \$51,398 for the six-month period ended June 30, 2007 as compared to net cash flows provided by operating activities of \$113,049 for the six-month period ended June 30, 2006.

Net cash used by investing activities was \$66,703 for the six-month period ended June 30, 2006, as compared to net cash used by investing activities of \$147,401 for the six-month period ended June 30, 2007.

Net cash provided by financing activities was \$243,606 for the six-

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

month period ended June 30, 2007, as compared to net cash of \$3,906 provided by financing activities for the six-month period ended June 30, 2006.

The Company incurred a net loss of \$125,627 for the three months ended June 30, 2007, compared to a loss of \$119,462 for the three months ended June 30, 2006. The results of operations for the three months ended June 30, 2007 are not necessarily indicative of the results to be expected for the full year. Despite sub par performance for a three-month period in the past, the Company has produced annual profits on a regular basis.

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 requirements. As previously mentioned, the Company has obtained financing in the forms of equity as well as commercial financing 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 acquiring additional financing.

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 2004, the FASB issued EITF No. 03-1, The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments which provides additional guidance on how companies, carrying debt and equity securities at amounts higher than the securities fair values, evaluate whether to record a loss on impairment. In addition, EITF No. 03-1 provides guidance on additional disclosures required about unrealized losses. The impairment accounting guidance is effective for reporting periods beginning after June 15, 2004 and the disclosure requirements are effective for annual reporting periods ending after June 15, 2004. On September 30, 2004, the FASB approved the issuance of FASB Staff Position EITF No. 03-1-1, which delays the effective date for the application of the recognition and measurement provisions of EITF No. 03-1 to investments in securities that are impaired. Certain disclosure provisions in EITF No. 03-1 were effective for fiscal years ended after December 15, 2003 and other disclosure provisions are effective for annual reporting periods after June 15, 2004. The adoption of this statement is not expected to have a material effect on the Company's consolidated financial statements.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), Share-Based Payment ("SFAS 123 r"). This statement is a revision of SFAS No. 123, Accounting for Stock-Based Compensation, and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and its related implementation guidance. SFAS 123r requires that compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

instruments issued. This statement is effective beginning with the Company's third quarter of fiscal year 2005. The Company is currently evaluating the requirements of SDAF 123r and has not yet fully determined the impact on its consolidated financial statements. The adoption of this statement is not expected to have a material effect on the Company's 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.

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.

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

Limited operating history; anticipated losses; uncertainty of future results

The Company has only a limited operating history upon which an evaluation of the Company and its prospects can be based. The Company's prospects must be evaluated with a view to the risks encountered by a company in an early stage of development, particularly in light of the uncertainties relating to the business model that the Company intends to market and the potential acceptance of the Company's business model. The Company will be incurring costs to develop, introduce and enhance its products, to establish marketing relationships, to acquire and develop products that will complement each other, and to build an administrative organization.

To the extent that such expenses are not subsequently followed by commensurate revenues, the Company's business, results of operations and financial condition will be materially adversely affected. There can be no assurance that the Company will be able to generate sufficient revenues from the sale of its products and services. The Company expects that negative cash flow from operations may exist for the next 12 months as it continues to develop and market its products and services. If cash generated by operations is insufficient to satisfy the Company's liquidity requirements, the Company may be required to sell additional equity or debt securities. The sale of additional equity or convertible debt securities would result in additional dilution to the Company's shareholders.

Potential fluctuations in quarterly operating results may fluctuate significantly in the future as a result of a variety of factors, most of which are outside the Company's control including: the demand for the Company's products and services; seasonal trends in demand and pricing of products and services; the amount and timing of capital expenditures and other costs relating to the expansion of the Company's operations; the introduction of new services and products by the Company or its competitors; price competition or pricing changes in the industry; political risks and uncertainties involving the world's markets; technical difficulties and general economic conditions. The Company's quarterly results may also be significantly 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

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

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 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.

Edgar Filing: NEXT GENERATION MEDIA CORP - Form 10QSB

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

Sales of Unregistered Securities.

Not Applicable.

Use of Proceeds.

Not Applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not Applicable.

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

There were not any matters submitted requiring a vote of security holders during the three-month period ending June 30, 2007.

ITEM 5. OTHER INFORMATION.

Not Applicable.

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

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

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

EXHIBIT INDEX

Exhibit	Description
3.1	Articles of Incorporation, under the name Micro Tech Industries, Inc. (previously filed).
3.2	Amendment to the Articles of Incorporation (previously filed).
3.3	Amended and Restated Bylaws (previously filed).
10.1	Employment Agreement for Darryl Reed (previously filed).
16.1	Letter on change in certifying accountant (previously filed).
31.1	Certification of Principal Executive Officer
31.2	Certification of Chief Financial Officer
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002