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NEXT GENERATION MEDIA CORP
Form 10QSB
May 14, 2004

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 MARCH
31, 2004

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM
_____ TO _____

COMMISSION FILE NUMBER: 000-28083

NEXT GENERATION MEDIA CORP.
(Exact name of Company as specified in its charter)

Nevada 88-0169543
(State or jurisdiction of incorporation (I.R.S. Employer
or organization) Identification No.)

7644 Dynatech Court, Springfield, Virginia 22153
(Address of principal executive offices) (Zip Code)

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

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 March 31, 2004, the Company had 10,523,397 shares of common
stock issued and outstanding.

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Signature

REVIEW REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have reviewed the accompanying consolidated balance sheets of Next Generation Media Corporation (a Nevada Corporation) as of March 31, 2004 and the related statements of income, stockholders' equity, and cash flows for the three months 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 consolidated interim financial statements is the representation of the management of Next Generation Media Corporation.

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

Vienna, Virginia
May 7, 2004

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Next Generation Media Corporation
Consolidated Interim Financial Statements
For The Three Months Ended March 31, 2004
With Review Report of Independent
Certified Public Accountants

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

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Next Generation Media Corporation Consolidated Balance Sheets For the Periods Ended

ASSETS

| | (Unaudited) March 31, 2004 | (Audited) December 31, 2003 |
|--|----------------------------------|-----------------------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents (Note 1) | \$ 223,040 | \$ 123,013 |
| Accounts receivable, net of uncollectible accounts (Note 1) | 526,246 | 411,256 |
| Notes receivable (Note 4) | 313,919 | 321,279 |
| Inventories (Note 1) | 58,327 | 66,410 |
| Prepaid expenses & other current assets | 49,519 | 46,434 |
| Total current assets | 1,171,051 | 968,392 |
| PROPERTY, PLANT AND EQUIPMENT (Notes 1 and 3): | | |
| Equipment & vehicles | 1,428,440 | 1,424,882 |
| Furniture and fixtures | 61,348 | 61,348 |
| Leasehold improvements | 70,188 | 80,644 |
| Total property, plant and equipment | 1,559,976 | 1,566,874 |
| Less accumulated depreciation | (1,222,239) | (1,191,372) |
| Net property, plant and equipment | 337,737 | 375,502 |
| Intangibles, net of accumulated amortization (Note 1) | 652,591 | 686,512 |
| TOTAL ASSETS | 2,161,379 | 2,030,406 |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|---|----------------|----------------|
| CURRENT LIABILITIES: | | |
| Notes payable, current portion (Note 3) | 99,235 | 99,190 |
| Accounts and other payables | 183,891 | 128,567 |
| Accrued expenses | 153,652 | 156,003 |
| Sales tax payable | 214,573 | 207,684 |
| Obligation under capital lease (Note 8) | 9,753 | 9,753 |
| Total current liabilities | 661,104 | 601,197 |
| LONG TERM LIABILITIES: | | |
| Notes payable (Notes 3) | 10,436 | 18,815 |
| Obligation under capital lease (Note 8) | 41,055 | 43,660 |

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| | | |
|---|-------------|-------------|
| Total long term liabilities | 51,491 | 62,475 |
| Total liabilities | 712,595 | 663,672 |
| STOCKHOLDERS' EQUITY (Note 5): | | |
| Common stock, \$.01 par value, 50,000,000 shares authorized and 10,523,397 issued and outstanding | 105,234 | 105,234 |
| Additional paid in capital | 7,379,744 | 7,379,744 |
| Accumulated deficit | (6,036,194) | (6,118,244) |
| Total stockholders' equity | 1,448,784 | 1,366,734 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | 2,161,379 | 2,030,406 |

See accompanying notes and accountant's review report

Next Generation Media Corporation Consolidated Statements of Income - Unaudited For The Three Months Ended

| | March 31, 2004 | March 31, 2003 |
|--------------------------------------|-------------------|-------------------|
| REVENUES (Note 1): | | |
| Coupon sales, net of discounts | \$ 1,799,105 | \$ 1,772,527 |
| Franchise fees | 116,500 | 26,600 |
| Total revenues | 1,915,605 | 1,799,127 |
| COST OF GOODS SOLD: | | |
| Materials | 229,704 | 257,128 |
| Direct labor | 374,155 | 369,780 |
| Other direct costs | 36,871 | 51,207 |
| Postage and delivery | 513,082 | 551,811 |
| Payroll taxes from direct labor | 28,623 | 28,293 |
| Total cost of goods sold | 1,182,435 | 1,258,219 |
| Gross margin | 733,170 | 540,908 |
| GENERAL AND ADMINISTRATIVE EXPENSES: | | |
| 401(k) matching (Note 2) | 12,000 | 10,500 |
| Advertising (Note 1) | 11,763 | 4,906 |
| Amortization (Note 1) | 33,921 | 33,922 |
| Bad debt expense | 30,000 | 7,500 |
| Depreciation (Note 1) | 30,867 | 40,155 |
| Franchise development & support | 82,002 | 15,632 |
| Insurance | 15,026 | 11,437 |
| Meals and entertainment | 650 | 4,898 |
| Office expense | 27,134 | 16,548 |
| Other expenses | 30,900 | 31,538 |
| Payroll | 217,123 | 142,565 |
| Payroll taxes | 25,446 | 19,515 |
| Professional fees | 30,505 | 45,426 |
| Property taxes | 3,375 | 3,900 |
| Rent and pass thru expenses | 70,228 | 67,672 |
| Repairs and maintenance | 6,812 | 4,392 |
| Travel and conferences | 442 | 5,039 |

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| | | |
|---|------------|------------|
| Utilities | 18,238 | 20,935 |
| Total operating expenses | 646,432 | 486,480 |
| Gain/(Loss) from operations | 86,738 | 54,428 |
| OTHER INCOME AND EXPENSES: | | |
| Interest expense | 5,339 | 4,087 |
| Total other income (expense) | 5,339 | 4,087 |
| Net income | 82,050 | 73,288 |
| Gain applicable to common shareholders | 82,050 | 73,288 |
| Basic gain/(loss) per common share (Note 1) | 0.0078 | 0.0077 |
| Weighted average common shares outstanding | 10,523,397 | 9,523,397 |
| Diluted gain per common share | 0.0058 | 0.0064 |
| Fully diluted common shares outstanding | 14,213,397 | 11,371,897 |

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 1, 2003 | 9,523,397 | 95,234 | 7,343,744 | (6,280,350) |
| Common stock issued in exchange for services | 1,000,000 | 10,000 | 36,000 | - |
| Net Income - Year to Date | - | - | - | 162,106 |
| Balance: December 31, 2003 | 10,523,397 | 105,234 | 7,343,744 | (6,118,244) |
| Net Income - Year to Date | - | - | - | 82,050 |
| Balance: March 31, 2004 | 10,523,397 | 105,234 | 7,343,744 | (6,036,194) |

See accompanying notes and accountant's review report

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

| | |
|-------------------|-------------------|
| March 31, 2004 | March 31, 2003 |
|-------------------|-------------------|

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| | | |
|---|-----------|-----------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income/(loss) | \$ 82,050 | \$ 73,288 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 64,788 | 74,077 |
| (Increase) decrease in assets | | |
| Accounts & notes receivable | (107,630) | (42,898) |
| Inventories | 8,083 | (5,021) |
| Prepays and other current assets | (3,085) | 23,811 |
| Increase (decrease) in liabilities | | |
| Accounts and other payables | 62,213 | 215 |
| Accrued expenses | (2,351) | 19,030 |
| Net cash flows (used) by operating activities | 104,068 | 142,502 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property and equipment | - | (923) |
| Disposal of property & equipment, net | 6,898 | |
| Net cash provided/(used) by investing activities | 6,898 | (923) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of capital leases | (2,605) | - |
| Repayment of notes payable | (8,334) | (54,508) |
| Net cash provided/(used) by financing activities | (10,939) | (54,508) |
| NET INCREASE/(DECREASE) IN CASH | 100,027 | 87,071 |
| CASH, BEGINNING OF PERIOD | 123,013 | 199,305 |
| CASH, END OF PERIOD | 223,040 | 286,376 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| CASH PAID DURING THE YEAR FOR: | | |
| Income taxes | - | - |
| Interest | 5,339 | 5,547 |

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 March 31, 2004, 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

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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 2003 Annual Report on Form 10-KSB.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business:

Next Generation Media Corporation was incorporated in the State of Nevada in November of 1980 as Micro Tech Industries Inc., with an official name change to Next Generation Media Corporation in April of 1997. The Company, through its wholly owned subsidiary, United Marketing Solutions, Inc., provides direct marketing products, which involves the designing, printing, packaging, and mailing of public relations and marketing materials and coupons for retailers who provide services. Sales are conducted through a network of franchises that the Company supports on a wholesale basis. At March 31, 2004, the Company had approximately 50 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 & Software | 5 years |

Depreciation expense for the three months ended March 31, 2004 and 2003 was \$30,867 and \$40,155 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 March 31, 2004 and 2003 was \$33,921 and \$33,922, respectively.

Advertising Expense:

The Company expenses the cost of advertising and promotions as incurred. Advertising costs charged to operations for the three

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months ended March 31, 2004 and 2003 was \$11,763 and \$4,906.

Revenue Recognition:

The Company recognizes revenue from the design production and printing of coupons upon delivery. Revenue from initial franchise fees is recognized when substantially all services or conditions relating to the sale have been substantially performed. Franchise support and other fees are recognized when billed to the franchisee. Amounts billed or collected in advance of final delivery or shipment are reported as deferred revenue.

Impairment of Long-Lived Assets:

The Company reviews the carrying values of its long-lived assets for possible impairment on a periodic basis and whenever events or changes in circumstances indicate that the carrying amount of the assets should be addressed. The Company believes that no permanent impairment in the carrying value of long-lived assets exists as of March 31, 2004.

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:

FASB Interpretation No. 45 - In November 2002, the FASB issued interpretation No. 45, Guarantor's Accounting and Disclosures Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others (FIN 45), which changes the accounting for, and disclosure of, guarantees. Beginning with transactions entered into after December 31, 2002, the Interpretation requires certain guarantees to be recorded at fair value, which is different from prior practice, which was generally to record a liability only when a loss was probable and reasonably estimable, as defined by SFAS No. 5, Accounting for Contingencies. In general, FIN 45 applies to contracts or indemnification agreements that require Next Generation Media Corporation to make payments to a guaranteed third-party based on changes in an underlying that is related to an asset, liability, or an equity security of the guaranteed party. The accounting provisions of FIN 45 apply only to new transactions entered into after December 31, 2002. FIN 45 immediately requires new disclosures effective immediately. The adoption of FIN45 does not have a material impact on the Company's financial position, results of operations or cash flows.

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

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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. Allowance for uncollectible accounts as of March 31, 2004 and 2003 was \$88,314 and \$29,104 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, 2004, 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

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corresponding terms of each individual instrument or obligation.

Instrument or Obligation

| | |
|---|-----------|
| Stock options outstanding as of March 31, 2004 with a weighted average exercise price per share of \$0.26 | 3,690,000 |
|---|-----------|

Inventories:

Inventories consist primarily of paper, envelopes, and printing materials and are stated at the lower of cost or market, with cost determined on the first-in, first-out method.

Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of the parent company, Next Generation Media Corporation and its subsidiaries as of March 31, 2004.

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 estimated matching contribution for the quarter ended March 31, 2004 is \$12,000.

NOTE 3 - NOTES PAYABLE AND LINE OF CREDIT

Notes payable consists of the following:

| March 31, 2004 | Amount |
|---|-----------|
| Note payable to CIT Group, interest of 10% on principal only, collateralized by the equipment of United Marketing Solutions, Inc. | \$ 10,998 |
| Note payable to PS Business Parks, face amount of \$130,000, interest at 5%, payable over three years. | \$ 38,084 |
| Note payable to Capital York, unsecured with payments inclusive of interest of \$1,000 per month | \$ 16,500 |
| Note payable to Frank Parsons Paper payable in monthly installments of inclusive of interest | \$ 22,839 |
| Promissory note payable to former executive payable in twenty-four monthly installments of \$3,452 at 0% interest | \$ 21,250 |
| | \$109,671 |
| Less: Current portion | \$ 99,235 |
| Long-term portion | \$ 10,436 |

NOTE 4 - NOTES RECEIVABLE

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

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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 5 - COMMON STOCK

During the three months ended March 31, 2004 and 2003, the Company issued no shares of common stock.

In 2003, the Company issued 2,350,000 options to purchase shares of common stock at \$0.01 per share to members of the Company's Board of Directors and employees. The options were issued at the then fair market value of the underlying shares. In addition, the Company issued 1,000,000 shares of common stock valued at \$46,000 to various consultants and employees for services rendered.

NOTE 6 - 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 7 - COMMITMENTS AND CONTINGENCIES

Future minimum annual lease payments for capital and operating leases as of March 31, 2004 are:

| | Operating | Capital |
|------------|-----------|---------|
| 2004 | 217,253 | 9,418 |
| 2005 | 282,780 | 14,628 |
| 2006 | 280,006 | 14,628 |
| 2007 | 23,409 | 14,628 |
| 2008 | 0 | 6,095 |
| Thereafter | 0 | 0 |
| Total | 803,448 | 59,317 |

Rent expense for the years ended March 31, 2004 and 2003 were \$64,096 and \$61,631.

The Company has entered into various employment contracts. The contracts provided for the award of present and/or future options to purchase common stock at then fair market value of the underlying shares 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 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.

NOTE 8 - OBLIGATION UNDER CAPITAL LEASE

The Company acquired machinery under the provisions of a long-term leases. For financial reporting purposes, minimum lease payments relating to the machinery have been capitalized. The future minimum lease payments under capital leases and net present value of the future minimum lease payments as of March 31, 2004 are as follows:

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| | |
|---|----------|
| Total minimum lease payments | \$59,397 |
| Amount representing interest | 8,589 |
| Present value of net minimum lease payments | 50,808 |
| Current portion | 9,753 |
| Long-term capital lease obligation | 41,055 |

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 to \$1,915,605 in the quarter ended March 31, 2003 as compared to \$1,799,127 in the quarter ended March 31, 2003, an increase of nearly six percent.

Total cost of goods sold decreased from \$1,258,219 in the quarter ended March 31, 2003 as compared to \$1,182,435 in the quarter ended March 31, 2004, a reduction of approximately 6%. The gross margin increased from \$540,908 in the quarter ended March 31, 2003 to \$733,170 in the quarter ended March 31, 2004, an increase of approximately 26%.

Total operating expenses increased to \$646,432 in the quarter ended March 31, 2004 from \$486,480 in the quarter ended March 31, 2003. The greatest percentage of this increase in expenses was due to an increase of \$74,558 in payroll expense and an increase in franchise development and support paid of \$66,370.

Total gain from operations for the quarter ending March 31, 2004 was \$82,050 as compared to a gain of \$73,288 for the quarter ending March 31, 2003.

Total assets grew from \$2,030,406 at December 31, 2003 to \$2,161,379 at March 31, 2004. Total current liabilities increased from \$663,672 at December 31, 2003 to \$712,595 at March 31, 2004.

Net cash flows by operating activities was \$104,068 for the period ended March 31, 2004 as compared to \$142,502 for the period ended March 31, 2003.

Cash provided by investing activities was \$6,898 for the period ended March 31, 2004, as compared to net cash used by investing activities of \$923 for the period ended March 31, 2003.

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.

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Quantitative And Qualitative Disclosures About Market Risk

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

New Accounting Pronouncements

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

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, Business Combinations (FAS 141), and FAS 142, Goodwill and Other Intangible Assets (FAS 142). FAS 141 addresses the initial recognition and measurement of goodwill and other intangible assets acquired in a business combination. FAS 142 addresses the initial recognition and measurement of intangible assets acquired outside of a business combination, whether acquired individually or with a group of other assets, and the accounting and reporting for goodwill and other intangibles subsequent to their acquisition. These standards require all future business combinations to be accounted for using the purchase method of accounting. Goodwill will no longer be amortized but instead will be subject to impairment tests at least annually. The Company is required to adopt FAS 141 and FAS 142 on a prospective basis as of January 1, 2002; however, certain provisions of these new standards may also apply to any acquisitions concluded subsequent to June 30, 2001. As a result of implementing these new standards, the Company will discontinue the amortization of goodwill as of December 31, 2001. The Company does not believe that the adoption of FAS 141 or 142 will have a material impact on its consolidated financial statements.

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

Forward Looking Statements.

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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.

Limited operating history; anticipated losses; uncertainly 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

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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 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,

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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.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

Sales of Unregistered Securities.

The Registrant had no sales of unregistered securities during the three-month period ending March 31, 2004.

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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 March 31, 2003.

ITEM 5. OTHER INFORMATION.

None.

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

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

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

EXHIBIT INDEX

| Exhibit | Description |
|---------|---|
| 3.1 | Articles of Incorporation, under the name Micro Tech 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). |

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

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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 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: May 13, 2004

/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

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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 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: May 13, 2004

/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.

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Next Generation Media Corp.

Dated: May 14, 2004

By: /s/ Darryl Reed
Darryl Reed, President