NEXT GENERATION MEDIA CORP
Form 10QSB
November 16, 2004

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

FORM 10-QSB

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 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 or organization)	(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 X No___

As of September 30, 2004, the Company had 10,523,397 shares of common stock issued and outstanding.

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REVIEW REPORT

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

We have reviewed the accompanying condensed consolidated statement of financial position of Next Generation Media Corporation (a Nevada Corporation) as of September 30, 2004 and 2003, and the related statements of earnings, stockholders' equity, and cash flows for the three-month and nine-month periods then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these condensed consolidated interim financial statements is the representation of the management of Next Generation Media Corporation.

A review of interim financial information consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with accounting principles accepted in the United States.

Vienna, Virginia
November 9, 2004

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Next Generation Media Corporation

Condensed Consolidated

Interim Financial Statements

For The Nine Months Ended September 30, 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 Statements of Financial Position
For the Periods Ended

ASSETS

	(Unaudited) September 30, 2004	(Audited) December 3 2003
CURRENT ASSETS:		
Cash and cash equivalents	$ 448,328	$ 123,0
Accounts receivable, net of allowance for uncollectible accounts	402,244	411,2
Notes receivable, net of allowance for uncollectible accounts	162,863	321,2
Inventories	86,032	66,4
Prepaid expenses & other current assets	145,696	46,4
Total current assets	1,245,163	968,3

PROPERTY, PLANT AND EQUIPMENT:		
Equipment & vehicles	1,444,707	1,424,8
Furniture and fixtures	63,214	61,3
Leasehold improvements	76,362	80,6
Total property, plant and equipment	1,584,283	1,566,8
Less accumulated depreciation	(1,302,549)	(1,191,3
Net property, plant and equipment	281,734	375,5
Intangibles, net of accumulated amortization	584,749	686,5
TOTAL ASSETS	2,111,646	2,030,4

See accompanying notes and accountant's review report

Next Generation Media Corporation
Consolidated Statements of Financial Position (Continued)
For the Periods Ended

LIABILITIES AND STOCKHOLDERS' EQUITY

	(Unaudited) September 30, 2004	(Audited) December 3 2003
CURRENT LIABILITIES:		
Notes payable, current portion	$ 37,074	$ 99,190
Accounts and other payables	230,050	128,567
Accrued expenses	250,414	156,003
Sales tax payable	5,537	207,684
Obligation under capital lease	15,526	9,753
Total current liabilities	538,601	601,197
LONG TERM LIABILITIES:		
Notes payable	6,086	18,815
Obligation under capital lease	29,908	43,660
Total long term liabilities	35,994	62,475
Total liabilities	574,595	663,672
STOCKHOLDERS' EQUITY :		
Common stock, $.01 par value, 50,000,000 shares authorized and 10,523,397	105,234	105,234

issued and outstanding		
Additional paid in capital	7,379,744	7,379,744
Accumulated deficit	(5,947,927)	(6,118,244
Total stockholders' equity	1,537,051	1,366,734
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	2,111,646	2,030,406

See accompanying notes and accountant's review report

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

	For the Three Months Ended		For the Nine Mon	
	September 30, 2004	September 30, 2003	September 30, 2004	Septem 20
REVENUES (Note 1):				
Coupon sales, net of discounts	$ 1,969,597	$ 1,885,805	$ 5,748,813	$
Franchise fees	122,500	88,350	358,000	
Total revenues	2,092,097	1,974,155	6,106,813	
COST OF GOODS SOLD:				
Materials	263,808	248,398	782,749	
Direct labor	427,962	365,449	1,202,116	
Equipment repairs	9,857	3,854	22,398	
Other direct costs	29,794	30,887	93,678	
Postage and delivery	576,004	571,742	1,741,923	
Payroll taxes from direct labor	32,739	27,849	91,969	
Total cost of goods sold	1,340,164	1,248,179	3,934,833	
Gross margin	751,933	725,976	2,171,980	
OPERATING EXPENSES:				
401(k) matching (Note 2)	12,000	10,500	36,000	
Advertising (Note 1)	2,980	5,090	26,495	
Amortization (Note 1)	33,921	33,922	101,763	
Bad debt expense	30,000	7,500	240,000	
Bank charges Depreciation (Note 1)	40,155	40,155	111,177	

Franchise development and support	90,576	56,211	261,313
Insurance	14,057	10,768	42,321
Meals and entertainment	1,376	2,656	3,495
Office expense	22,089	17,114	75,628
Payroll	221,774	158,341	683,268
Payroll taxes	13,023	10,190	58,673
Professional fees	45,609	29,024	105,894
Property taxes	3,375	900	11,964
Rent and pass thru expenses	70,228	68,472	211,517
Repairs and maintenance	16,063	3,763	32,343
Utilities	26,761	23,311	63,332
Total operating expenses	643,987	477,917	2,065,183
Gain/(Loss) from operations	107,946	248,059	106,797
OTHER INCOME AND EXPENSES:			
Interest income		-	-
Other income (expense)	(14,519)	(17,363)	(88,095)
Gain/(Loss) on legal settlement (Note 11)	290	-	176,954
Interest expense	(8,671)	(7,356)	(25,339)
Total other income (expense)	(22,900)	(24,719)	63,520
Net Income/(Loss)	85,046	223,340	170,317
Gain/(Loss) applicable to common shareholders	85,046	223,340	170,317
Basic gain/(loss) per common share (Note 1)	0.0081	0.0194	0.0162
Weighted average common shares outstanding	10,523,397	11,523,397	10,523,397
Diluted gain per common share (Note 1)	0.0060	0.0174	0.012000
Fully diluted common shares outstanding	14,213,397	12,863,397	14,213,397

See accompanying notes and accountant's review report

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

	Common Stock	Additional Paid In	Accumulated

	Shares	Amount	Capital	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	7,379,744	(6,118,244)
Net Income - Year to Date	-	-	-	170,317
Balance: September 30, 2004	10,523,397	105,234	7,379,744	(5,947,927)

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

	September 30, 2004	Septembe 2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss)	$ 85,046	$ 223
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	74,076	74
(Increase) decrease in assets		
Accounts & notes receivable	(172,309)	(134
Inventories	2,256	3
Prepaids and other current assets	(45,664)	(37
Increase (decrease) in liabilities		
Accounts and other payables	(1,746)	(43
Pension payable	-	(3
Accrued expenses	121,687	(13
Net cash flows (used) by operating activities	63,346	69
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(18,291)	(15
Net cash provided/(used) by investing activities	(18,291)	(15
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of notes payable and capital leases	(36,081)	(30
Net cash provided/(used) by financing activities	(36,081)	(30
NET INCREASE/(DECREASE) IN CASH	8,974	23

CASH, BEGINNING OF PERIOD	439,354	159
CASH, END OF PERIOD	448,328	183
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
CASH PAID DURING THE PERIOD FOR:		
Income taxes	-	
Interest	8,671	1

See accompanying notes and accountant's review report

UNAUDITED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements included herein have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (SEC). The interim condensed consolidated accounts of Next Generation Media Corporation and its subsidiary (collectively, the Company). In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of the financial position, results of operations and cash flows for the interim periods presented have been made. The preparation of the financial statements includes estimates that are used when accounting for revenues, allowance for uncollectible receivables, telecommunications expense, depreciation and amortization and certain accruals. Actual results could differ from those estimates. The results of operations for the three and nine month periods ended September 30, 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 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-KSB40.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business:

Next Generation Media Corporation was incorporated in the State of Nevada in November of 1980 as Micro Tech Industries Inc., with an official name change to Next Generation Media Corporation in April of 1997. The Company, through its wholly owned subsidiary, United Marketing Solutions, Inc., provides direct marketing products, which involves the designing, printing, packaging, and mailing of public relations and marketing materials and coupons for retailers who provide services. Sales are conducted through a network of franchises that the Company supports on a wholesale basis. At September 30, 2004, the Company had approximately 50 active area franchise licenses located throughout the United States.

Property and Equipment:

Property and equipment are stated at cost. The company uses the straight-line method in computing depreciation for financial statement purposes.

Expenditures for repairs and maintenance are charged to income, and renewals and replacements are capitalized. When assets are retired or otherwise disposed of, the cost of the assets and the related accumulated depreciation are removed from the accounts.

Estimated useful lives are as follows:

Computers	3 years
Furniture, fixtures and equipment	10 years

Leasehold improvements are amortized over the lesser of the lease term or the useful life of the property.

Depreciation expense for the three months ended September 30, 2004 and 2003 was $40,155.

Intangibles:

The Company has recorded goodwill based on the difference between the cost and the fair value of certain purchased assets and it is being amortized on a straight-line basis over the estimated period of benefit, which ranges from five (5) to ten (10) years. The Company periodically evaluates the goodwill for possible impairment. The analysis consists of a comparison of future projected cash flows to the carrying value of the goodwill. Any excess goodwill would be written off due to impairment. In addition, the Company has a covenant not to compete, which is being amortized over five (5) years. Amortization expense for the three months ended September 30, 2004 and 2003 amounted to $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 months ended September 30, 2004 and 2003 was $2,980 and $5,090 respectively.

Revenue Recognition:

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

Impairment of Long-Lived Assets:

The Company reviews the carrying values of its long-lived assets for possible impairment on a periodic basis and whenever events or changes in circumstances indicate that the carrying amount of the assets should be addressed. The Company believes that no permanent impairment in the carrying value of long-lived assets exists as of September 30, 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 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 September 30, 2004 and 2003 was $481,940 and $304,697 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 of September 30, 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 corresponding terms of each individual instrument or obligation.

Instrument or Obligation	Common Stock
Stock options outstanding as of September 30, 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 September 30, 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 company anticipates making a contribution for 2004. The Corporation accrued $12,000 and $10,500 in the three months ended September 30, 2004 and 2003 respectively.

NOTE 3 - NOTES PAYABLE

Notes payable consists of the following:

September 30, 2004	Amount
Note payable to Capital York, unsecured with payments inclusive of interest of $1,000 per month	$ 10,500
Note payable to CIT Group, interest of 10% on principal only, collateralized by the equipment of United Marketing Solutions, Inc.	$ 7,998
Note payable to PS Business Park, face amount of $130,000, interest at 5%, payable over three years	$ 15,424
Note payable to Frank Parsons Paper payable in monthly Installments	$ 9,238
	$ 43,160
Less: Current portion	$ 37,074
Long-term portion	$ 6,086

NOTE 4 - NOTES RECEIVABLE

On June 30, 2000, the Company executed a promissory note with UNICO, Inc. for $200,000 in conjunction with the sale of Independent News, Inc. The note is outstanding and currently in default, the Company's management considers a portion of the note collectible. Accordingly, the Company recognized $150,000 of bad debt expense during the quarter ended June 30, 2004.

NOTE 5 - COMMON STOCK

During the three months ended September 30, 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

One December 26, 2001, the Company adopted the Employee Stock Incentive Plan authorizing 3,000,000 shares at a maximum offering price of $0.10 per share for the purpose of providing employees equity-based compensation incentives.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

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.

Future minimum annual lease payments for capital and operating leases as of September 30, 2004 are:

	Operating	Capital
2004	162,940	4,555
2005	282,780	14,628
2006	280,006	14,628
2007	23,409	14,628
2008	0	4,916
Thereafter	0	0
Total	749,135	53,355

Rent expense for the quarters ended September 30, 2004 and 2003 were $70,229 and $68,472 Respectively.

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 September 30, 2004 are as follows:

Total minimum lease payments	$53,355
Amount representing interest	7,921
Present value of net minimum lease payments	45,434
Current portion	15,526
Long-term capital lease obligation	29,908

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 in the quarter ended September 30, 2004 and the nine months ended September 30, 2004, respectively $2,092,097 and $6,106,813, increased from $1,974,155 in the quarter ended September 30, 2003 and $5,621,492 in the nine months ended September 30, 2003, a three month increase of five percent (5%) and a nine month increase of eight percent (8%).

Total cost of goods sold in the quarter ended September 30, 2004 and the nine months ended September 30, 2004, respectively, $1,340,164 and $3,934,833, increased from $1,248,179 in the quarter ended September 30, 2003 and $3,779,412 in the nine months ended September 30, 2003. The gross margin in the quarter ended September 30, 2004 and the nine months ended September 30, 2004, respectively, $751,933 and $2,171,980, increased from $725,976 in the quarter ended September 30, 2003 and $1,842,080 in the nine months ended September 30, 2003.

Total operating expenses in the quarter ended September 30, 2004 and the nine months ended September 30, 2004, respectively, $643,987 and

$2,065,183, increased from $477,917 in the quarter ended September 30, 2003 and $1,369,088 in the nine months ended September 30, 2003. The greatest percentage of this increase in expenses was due to an increase in franchise development and support of $34,365 and an increase in payroll expense of $63,433.

Total net gain from operations in the quarter ended September 30, 2004 and the nine months ended September 30, 2004, respectively, $85,046 and $170,317, decreased from a gain of $223,340 in the quarter ended September 30, 2003 and $400,720 in the nine months ended September 30, 2003.

Net cash flows provided by operating activities was $63,346 for the period ended September 30, 2004 as compared to $69,548 provided for the period ended September 30, 2003.

Cash used by investing activities was $18,291 for the period ended September 30, 2004, as compared to net cash provided by investing activities of $69,548 for the period ended September 30, 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.

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.

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 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, 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 September 30, 2004.

Use of Proceeds.

Not Applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not Applicable.

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

There were not any matters submitted requiring a vote of security holders during the three-month period ending September 30, 2004.

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).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Next Generation Media Corp.

Dated: November 13, 2004

By: /s/ Darryl Reed
Darryl Reed, President