

CORDIA CORP
Form 10KSB/A
March 11, 2005

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-KSB/A

AMENDMENT NO. 1

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2003

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 33-23473

CORDIA CORPORATION

(Name of small business issuer in its charter)

Nevada **112917728**

(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

2500 Silverstar Road, Suite 500, Orlando, Florida 32804

(Address of principal executive offices) (Zip Code)

Issuer's telephone number: (866) 777-7777

Securities registered under Section 12(b) of the Act: None

Securities registered under Section 12(g) of the Exchange Act: None

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Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Check if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

State issuer's revenues for its most recent fiscal year. \$4,035,777

As of April 5, 2004, the issuer had 4,531,211 outstanding shares of its common stock.

As of April 5, 2004, the aggregate market value of the issuer's common stock held by non-affiliates was \$544,341 (based upon the price at which the common stock was sold on such date).

DOCUMENTS INCORPORATED BY REFERENCE

Part Item

1. Proxy Statement for the 2004 Annual Meeting of Stockholders III 9, 10, 11, 12, 15

Transitional Small Business Disclosure Format (check one) Yes No

**CORDIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

	December 31,	
	----- 2003	2002 -----
ASSETS		
Current Assets		
Cash	\$ 111,288	\$ 70,243
Accounts receivable, less allowance for doubtful accounts of \$111,167 (2003) and \$12,416 (2002)		600,840 130,351
Investments		
-		
2,800		
Prepaid expenses and other current assets		193,157 47,305
Loans receivable from affiliates	30,000	57,924
Other loans receivable	-	1,750
Net assets of discontinued subsidiary		- 872,726
	-----	-----
TOTAL CURRENT ASSETS		935,285 1,183,099
	-----	-----
Property and equipment, at cost		
Office equipment	39,759	12,646
Less: Accumulated depreciation	10,241	2,634
	-----	-----
NET PROPERTY AND EQUIPMENT		29,518 10,012
	-----	-----
Other Assets		
Note Receivable	595,000	-
Security Deposits	77,414	33,764
	-----	-----
TOTAL OTHER ASSETS		672,414 33,764
	-----	-----
TOTAL ASSETS	\$ 1,637,217	\$ 1,226,875
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

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Current Liabilities

Accounts payable and accrued expenses	\$ 1,427,576	\$ 462,975
Unearned income	181,763	9,904
Loans payable to affiliates	8,074	-
Loans payable-other	57,000	15,000
Net liabilities of discontinued subsidiary	-	1,615,335
	-----	-----
TOTAL CURRENT LIABILITIES	1,674,413	2,103,214
	-----	-----

Commitments and Contingencies

Stockholders' Equity (Deficit)

Preferred stock, \$.001 par value; 5,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, \$.001 par value; <R>100,000,000</R> shares authorized, 6,156,211 (2003) and 5,701,211 (2002) shares issued and outstanding	6,156	5,701
Additional paid-in capital	4,271,622	3,956,739
Common stock subscribed	-	60,000
Accumulated deficit	(4,289,974)	(4,873,779)
	-----	-----
	(12,196)	(851,339)
Less Treasury stock, 10,000 common shares at cost	(25,000)	(25,000)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	(37,196)	(876,339)
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,637,217	\$ 1,226,875
	=====	=====

See notes to consolidated financial statements.

CORDIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Year Ended December 31,	
	2003	2002
	-----	-----
Revenues		
Telecommunications revenue	\$ 3,489,779	\$ 547,780
Other	545,998	172,667
	-----	-----
	4,035,777	
	-----	-----
720,447		
	-----	-----
Operating Expenses		
Resale and wholesale line charges	1,814,602	306,124
Payroll and payroll taxes	1,105,818	453,935
Advertising and promotion	755,965	129,017
Professional and consulting fees	198,411	644,689
Depreciation	7,607	2,274
Insurance	87,817	26,502
Office expense	43,408	17,076
Telephone	65,814	39,516
Rent and building maintenance	52,795	36,078
Other selling, general and administrative	623,401	141,995
	-----	-----
	4,755,638	1,797,206
	-----	-----
Operating Loss	(719,861)	(1,076,759)
	-----	-----
Other Income (Expenses)		
Impairment loss on note receivable	(155,000)	-
Income(loss) on investments	3,750	(75,708)
Other expense	(1,640)	(355)
Interest income	46,775	14

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Interest expense	(3,799)	(1,921)
	-----	-----
	(109,914)	(77,970)
	-----	-----
Loss From Continuing Operations	(829,775)	(1,154,729)
	-----	-----
Income (Loss) from Discontinued Operations		
Gain on disposal of subsidiaries	1,554,306	337,793
Loss from operations of ISG & subsidiary	(140,726)	(326,633)
Loss from operations of discontinued segments	-	(13,815)
	-----	-----
	1,413,580	(2,655)
	-----	-----
Net Income(loss)	\$ 583,805	\$(1,157,384)
	=====	=====
Basic and Diluted Income(loss) per Share	\$.10	\$ (0.21)
	=====	=====
Weighted Average Shares Outstanding	5,796,581	5,603,952
	=====	=====

See notes to consolidated financial statements.

CORDIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
YEARS ENDED DECEMBER 31, 2003 AND 2002

	Common Stock		Treasury Stock					
	----- Additional -----		Common -----					
	Number of	Paid-In	Stock	Number of	Accumulated	Deficit	Total	
	Shares	Amount	Capital	Shares	Amount	Deficit	Total	
	-----	-----	-----	-----	-----	-----	-----	
Balance, December 31, 2001	5,445,811	\$5,446	\$2,880,438	\$ -	-	\$ -	\$(3,716,395) \$	
(830,511)								
Options granted and consulting expense								
Employees	-	-	30,000	-	-	-	30,000	
Non-employees	-	-	420,156	-	-	-	420,156	
Options exercised								
Employees	55,000	55	137,445	-	-	-	137,500	
Non-employees	190,000	190	444,810	-	10,000	(25,000)	- 420,000	
Common stock subscribed by nonaffiliates	-	-	-	60,000	-	-	-	
60,000							60,000	
Common stock issued to non-employees								
For professional fees	10,400	10	43,890	-	-	-	-	
43,900							43,900	
Net Loss	-	-	-	-	-	(1,157,384)	(1,157,384)	
	-----	-----	-----	-----	-----	-----	-----	
Balance, December 31, 2002	5,701,211	\$5,701	\$3,956,739	\$60,000	10,000	\$(25,000)	\$(4,873,779) \$	
(876,339)								
Common stock purchased by nonaffiliates	60,000	60	44,440	-	-	-	-	
44,500							44,500	
Common stock issued								
Employees	335,000	335	100,165	-	-	-	-	
100,500							100,500	
Non-employees, net of expenses	60,000	60	53,940	(60,000)	-	-	-	
(6,000)							(6,000)	

Options granted and consulting

expense									
Employees	-	15,000	-	-	-	-	-	15,000	
Non-employees	-	101,338	-	-	-	-	-	101,338	
Net Income	-	-	-	-	-	-	583,805	583,805	
	-----	-----	-----	-----	-----	-----	-----	-----	
Balance December 31, 2003	6,156,211	\$6,156	\$4,271,622	\$	-	10,000	\$(25,000)	\$(4,289,974)	\$
(37,196)									
	=====	=====	=====	=====	=====	=====	=====	=====	
	=====	=====	=====	=====	=====	=====	=====	=====	

See notes to consolidated financial statements.

CORDIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended December 31,	
	2003	2002
Cash Flows From Operating Activities		
Net(loss) from continuing operations	\$ (829,775)	\$(1,154,729)
Adjustments to reconcile net loss to net cash provided(used) by operations		
(Gain) loss on investments	(3,750)	75,708
Compensatory stock expense	216,838	450,156
Professional fees	-	43,900
 Provision for accounts receivable		
 247,668		
 12,515		
 Depreciation expense	7,607	2,274
Impairment loss on note receivable	155,000	
-		
(Increase) decrease in assets:		
Accounts receivable	(718,158)	(140,366)
 Other receivables		
 46,082		
(77,832)		
Prepaid expenses and other current assets	(145,850)	(43,235)
Security deposits	(43,650)	(33,764)
Increase (decrease) in liabilities:		
Accounts payable	964,599	297,718
Unearned income	171,859	9,904
Net cash provided (used) by continuing operations	68,470	(557,751)
 Net cash (used) provided by discontinued operations	(79,029)	20,477

NET CASH (USED) IN OPERATING ACTIVITIES	-----	-----	(10,559)	
(537,274)				
	-----	-----		
Cash Flows From Investing Activities				
Decrease (increase) in other loans receivable		1,750	(1,750)	
Proceeds from sale of investments		6,550	9,457	
Purchase of property and equipment		(27,113)	(8,107)	
	-----	-----		
NET CASH USED BY INVESTING ACTIVITIES			(18,813)	(400)
	-----	-----		
Cash Flows From Financing Activities				
Proceeds from issuance of common stock		-	582,500	
Proceeds from loans payable - other		42,000	-	
Payments of loans payable - other		(10,083)	(11,609)	
Purchase of treasury stock				
-				
(25,000)				
Proceeds from sale of subscription stock				
38,500	60,000			
	-----	-----		
NET CASH PROVIDED BY FINANCING ACTIVITIES			70,417	605,891
	-----	-----		
Increase in Cash	41,045	68,217		
Cash, Beginning	70,243	2,026		
	-----	-----		
Cash, Ending	\$ 111,288	\$ 70,243		
	=====	=====		

Supplemental Disclosures of Cash Flow Information - Cash paid during the year

for:

Interest

\$ 3,799

\$ 1,921

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Non Cash Items:

Common stock issued

\$ 54,000

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See notes to consolidated financial statements.

CORDIA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

The Company

Cordia Corporation (formerly CyberOpticLabs, Inc.) ("Cordia") was organized on June 22, 1988 and consummated an Initial Public Offering of its common stock on March 15, 1989. On February 26, 1992, Cordia filed a current report on Form 8-K reporting that it had ceased operations and was liquidating its assets to pay off existing liabilities due to a lack of working capital.

On November 30, 2000, Cordia acquired all of the outstanding common stock of ISG Group, Inc. ("ISG") and U.S. Direct Agency, Inc. ("USD") in exchange for 4,330,200 shares of Cordia's common stock (approximately 84 percent of Cordia's common shares issued and outstanding). For accounting purposes, the transaction had been treated as the acquisition of Cordia by ISG and USD, with ISG and USD as the acquirer (reverse acquisition).

The acquisition of Cordia had been accounted for as a series of capital stock transactions by ISG and USD. Accordingly, no goodwill had been recorded and no pro-forma information had been provided.

Operations

Cordia Communications Corp. ("CCC"), a wholly-owned subsidiary, which was formed during 2001 and commenced operations during 2002, is a competitive local exchange carrier that provides local and long distance telecommunications services to businesses and individuals in New York, New Jersey and Pennsylvania. The telecommunications services provided by CCC are subject to significant regulation at the federal, state and local levels. Delays in receiving required regulatory approvals or the enactment of new adverse regulation or regulatory requirements may have a material adverse effect upon CCC.

Principles of Consolidation

The consolidated financial statements include the accounts of Cordia, My Tel (an inactive subsidiary) and CCC for the years ended December 31, 2003 and 2002. The consolidated financial statements also include the accounts of its discontinued business segment, RiderPoint Inc. and Subsidiary for the period January 1, 2002 through June 27, 2002 (date of disposal) and the period January 1, 2002 through March 3, 2003 (date of disposal) for its ISG and Subsidiary discontinued segment. All material intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Accordingly, actual results could differ from those estimates.

CORDIA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (cont'd)

Basis of Presentation

These consolidated financial statements have been prepared assuming that Cordia and its subsidiaries ("the Company") will continue as a going concern. The Company has incurred substantial losses since its inception and also has a negative working capital and deficiency in stockholders' equity as of December 31, 2003. These conditions raise substantial doubt about the Company's ability to continue as a going concern. As discussed above, during 2003, the Company sold its interests in ISG. As a result of this transaction, the Company's stockholders' equity increased by approximately \$1,556,000. The Company disposed of business segments that have historically generated net losses and working capital deficiencies, and the Company received a \$750,000 note secured by 700,000 shares of the Company's common stock. In addition, the Company's remaining business segment, CCC, was profitable in 2003. Accordingly, management believes that the Company will be able to generate sufficient cash flows to meet its obligations as they come due during 2004. Management of the Company also intends to seek additional sources of capital, which sources may include public and private sales of the Company's securities and additional borrowings from affiliates and non-affiliates. Given current market conditions, there is no guarantee that the Company will be able to obtain such funding when needed, or that such funding, if available, will be obtainable on acceptable terms. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Cash and Cash Equivalents

The Company classifies as cash and cash equivalents amounts on deposit in banks and cash invested temporarily in various instruments with maturities of three months or less at time of purchase.

Fair Value of Financial Instruments

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash, accounts receivable and trading securities. Concentrations with regard to accounts receivable are limited due to the Company's large customer base.

The Company from time to time may maintain cash balances which exceed the Federal Depository Insurance Coverage limit. The Company performs periodic reviews of the relative credit rating of its bank to lower its risk.

The carrying amounts of cash, accounts receivable, trading securities, accounts payable and accrued expenses approximate fair value due to the short-term nature of these items. The carrying amount of debt also approximates fair value since the interest rates on these instruments approximate market interest rates.

Investments

The Company's investments in marketable equity securities have been recorded at fair value, and are classified as trading securities.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. For financial reporting purposes, depreciation is provided using straight-line and accelerated methods over useful lives ranging from three to seven years. Expenditures that significantly increase value or extend useful asset lives are capitalized. Expenditures for

maintenance, repairs and renewals of a minor nature are charged against operations as incurred.

Revenue Recognition

Telecommunication income is recognized as services are provided. The Company recognizes revenues in accordance with the Securities and Exchange Commission, Staff Accounting Bulletin 104, Revenue Recognition (SAB 104). Under SAB 104, revenue is recognized when there is persuasive evidence of an arrangement, delivery has occurred or services have been rendered, the sales price is determinable, and collectability is reasonably assured.

Amounts invoiced and collected in advance of being earned are recorded as unearned income.

Advertising and Promotion

Advertising and promotion costs are expensed as incurred. For the years ended December 31, 2003 and 2002, advertising and promotion costs aggregated \$755,965 and \$129,017 respectively.

Bad Debt Expense

The Company provides for estimated losses on accounts receivable, using the allowance method, based on prior bad debt experience and a review of existing receivables.

Comprehensive Income (Loss)

The Company has no items of other comprehensive income in any period presented. As such, Net Income(loss) as presented in the statement of operations equals comprehensive income (loss).

CORDIA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (cont'd)

Stock-Based Compensation

The Company accounts for employee stock options in accordance with Accounting Principles Board Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees." During 2003, the Company recognized \$216,838 of compensatory stock expense related to employee stock options, as compared to \$30,000 during 2002.

In 1996, SFAS No. 123, "Accounting for Stock-Based Compensation," prescribed that the recognition of compensation be based on the fair value of options on the grant date, and allowed companies to continue applying APB 25 if certain pro forma disclosures are made assuming hypothetical fair value method application. See Note 6 for pro forma disclosures required by SFAS No. 123 plus additional information on the Company's stock options.

Income Taxes

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities using enacted tax rates in effect for the years in which the differences are expected to reverse.

Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Reclassifications

Certain amounts in the 2002 consolidated financial statements have been reclassified to conform with the current period presentation (see Note 3).

Earnings(loss)Per Share

Earnings (loss) per common share are calculated under the provisions of SFAS No. 128, Earnings per Share. SFAS No. 128 requires the Company to report both basic earnings per share, which is based on the weighted-average number of common share outstanding, and diluted earnings per share, which is based on the weighted-average number of common shares outstanding plus all potential dilutive common shares outstanding. Diluted earnings(loss) per share has not been presented as the effect of the common stock purchase warrants outstanding, on such calculation, would have been anti dilutive.

Weighted average number of shares outstanding were 5,796,581 and 5,603,952 for 2003 and 2002, respectively.

Recent Accounting Pronouncements

In May 2003, Statement of Financial Accounting Standards (SFAS) No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity, was issued effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. This statement establishes standards for how an issuer classifies and measures certain financial

instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). The adoption of SFAS No. 150 did not result in the reclassification of any financial instruments in the Company's financial statements.

In April 2003, SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities, was issued effective for contracts entered into or modified after June 20, 2003, with certain exceptions. This statement amends and clarifies financial accounting and reporting for derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activity. The Company does not currently engage in hedging activities and the adoption of this statement did not have any effect on its financial statements.

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities (FIN No. 46). FIN No. 46 addresses consolidation by business enterprises of variable interest entities that possess certain characteristics. The interpretation requires that if a business enterprise has a controlling financial interest in a variable interest entity, the assets, liabilities and results of operations of the variable interest entity must be included in the consolidated financial statements with those of the business enterprise. This interpretation applies immediately to variable interest entities created after January 31, 2003 and to variable interest entities in which an enterprise obtains an interest after that date. In December 2003, the FASB issued FASB Interpretation No. 46R, Consolidation of Variable Interest Entities - an interpretation of ARB 51 (revised December 2003) (FIN No. 46R), which includes significant amendments to previously issued FIN No. 46. Among other provisions, FIN No. 46R includes revised transition dates for public entities. The Company is now required to adopt the provisions of FIN No. 46R no later than the end of the first reporting period that ends after March 15, 2004. The adoption of this interpretation is not expected to have a material effect on the Company's financial statements or results of operations.

CORDIA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (cont'd)

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure an Amendment to FASB Statement No. 123. SFAS No. 148 amends SFAS No. 123, Accounting for Stock-Based Compensation, to provide alternative methods for transition to SFAS No. 123's fair value method of accounting for stock-based compensation. As amended by SFAS No. 148, SFAS No. 123 also requires additional disclosure regarding stock-based compensation in annual and condensed interim financial statements.

In June 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. This standard requires that costs associated with exit or disposal activities be recognized when they are incurred rather than at the date of commitment to an exit or disposal plan. SFAS No. 146 applies to exit or disposal activities initiated by the Company after fiscal 2002.

In April 2002, the FASB issued SFAS No. 145, Rescission of Statements No. 4,44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections. SFAS No. 145 generally requires that gains and losses on extinguishment of debt be classified as income or loss from continuing operations rather than as extraordinary items. The adoption of this interpretation in 2003 did not have a material effect on the Company's financial statements or results of operations.

NOTE 2 INVESTMENTS

Trading Securities

At December 31, 2002, investments included common shares of eLEC Communications Corp. ("eLEC"). All investments are classified as trading securities and accordingly, stated at fair value, which is based on market quotes. Adjustments to fair value of the equity securities are recorded as an increase or decrease in investment income in the accompanying statements of operations.

The cost of securities sold is based on the specific identification method. The following is a reconciliation of loss on investments from continuing operations during the years ended December 31, 2003 and 2002.

	2003	2002
	-----	-----
Net change in unrealized (losses)	\$ -	\$ (12,400)
Realized gain(losses)	3,750	(63,308)
	-----	-----
Total	\$ 3,750	\$ (75,708)
	=====	=====

During the years ended December 31, 2003 and 2002, the Company realized proceeds of \$6,550 and \$9,457 respectively, from the sale of investments.

CORDIA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

NOTE 3 - SALE OF BUSINESS SEGMENTS

Sale of RiderPoint, Inc., and its subsidiary, and Webquill Internet Services, LLC:

On June 27, 2002, the Company sold for \$1,000 in cash, (a) its common stock equity interests in RiderPoint, Inc. and its subsidiary, RP Insurance Agency, Inc., and (b) its entire membership interest in Webquill. RiderPoint had focused on the development of technological systems, solutions and processes that would allow it to become a nationwide distributor of insurance products through the internet and traditional insurance agents. RP Insurance Agency, Inc. acted as an insurance broker for individuals, purchasing property and liability insurance for power sports vehicles. Webquill provided internet hosting services to businesses and individuals. The Company recognized a gain of \$337,793 on the sale of these interests. As a result of the sale of these business segments, the Company's net operating loss for Federal income tax reporting purposes decreased by approximately \$1,940,000.

The following is a summary of the sale transaction:

	RiderPoint, and subsidiary	Webquill	Total
	-----	-----	-----
Assets sold	\$(25,189)	\$(2,763)	\$(27,952)
Liabilities assumed by buyer	412,917	15,701	428,618
Cash payment received	500	500	1,000
Write-off of inter-company receivables and payables	(63,873)	-0-	(63,873)
	-----	-----	-----
Gain on sale	\$324,355	\$13,438	\$337,793

=====

The loss from operations of this discontinued business segment was \$13,815 for the year ended December 31, 2002.

Sale of ISG:

On March 3, 2003, Cordia sold its equity interests in ISG to West Lane Group, Inc., a company owned by the then current management of ISG for a purchase price of \$750,000. The \$750,000 was represented by a two-year promissory note bearing interest at a rate of 6% per annum and secured by 700,000 shares of Cordia's stock owned by West Lane. Cordia also entered into a licensing and services agreement with ISG whereby ISG purchased an unlimited license to SUBRO AGS software. Under the terms of the agreement, ISG paid Cordia \$100,000 upon execution of the agreement and agreed to pay \$6,000 per month (including interest) for a period of twenty five (25) months. (See Note 8)

The following is a summary of the sale transaction of ISG (unaudited):

Assets sold	\$ (872,726)
Liabilities assumed by buyer	1,615,335
Note received	750,000
Write-off of inter-company receivables and payables	61,697

Gain on sale, before income taxes	\$1,554,306
-----------------------------------	-------------

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As a result of the sale of ISG, employee stock options to purchase 83,000 common shares of the Company at \$7.50 per share expired.

CORDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED FINANCIAL STATEMENTS

December 31, 2003 and 2002

NOTE 3 - SALE OF BUSINESS SEGMENTS (cont'd)

The accompanying consolidated balance sheet at December 31, 2002 includes the following assets and liabilities of the discontinued business segments of ISG:

Current Assets

Cash	\$ 164,527
Accounts receivable, net	377,568
Investments	886
Prepaid expenses and other current assets	17,512
Loans receivable from affiliates	31,899

Total current assets	592,392

Property and equipment

Office equipment	218,015
Equipment - capital leases	58,567
Vehicles	16,743
Furniture and fixtures	98,376

	391,701

Less: Accumulated depreciation	138,506

	253,195

Other assets

Security deposits	27,139

Total assets	\$ 872,726
	=====
Current Liabilities	
Book overdraft	\$ 90,946
Accounts payable and accrued expenses	1,319,207
Obligation under capital lease, current portion	25,672
Unearned income	83,333
Loans payable to affiliates	9,744
Loans payable to parent and subsidiaries*	79,029*

Total current liabilities	1,607,931

Obligation under capital lease, less current portion	7,404

Accumulated deficit	(742,609)

Total liabilities and accumulated deficit	\$ 872,726
	=====

*Eliminated in consolidation.

CORDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED FINANCIAL STATEMENTS

December 31, 2003 and 2002

NOTE 3 - SALE OF BUSINESS SEGMENTS (cont'd)

The following is a summary of the revenues and loss from operations of the discontinued business segments:

	Year Ended December 31,	
	2003	2002
Revenues:		
Subrogation Service Revenue, net	\$ 631,361	\$2,837,346
Claims Administration income	197,667	2,597,467
Other	-	1,254
Total Revenues	\$ 829,028	\$5,436,067
Loss before income taxes	\$ (140,726)	\$ (340,448)

The 2002 statement of operations was reclassified to show the results of operations for the RiderPoint and ISG business segments as discontinued.

License Agreement

On March 3, 2003, Cordia entered into a licensing agreement with ISG whereby ISG purchased an unlimited license to certain software owned by Cordia. The license agreement provides for ISG to pay Cordia \$100,000 on execution of the license agreement, plus \$6,000 per month (including interest) for a period of twenty-five months. Cordia shall provide software updates and maintenance as necessary, during this twenty-five month period. (See Note 8)

NOTE 4 - RELATED PARTY TRANSACTIONS

During 2003 and 2002 respectively, the Company paid \$15,000 & \$21,000 to eLEC for office rent.

The Company periodically borrows funds from shareholders and affiliates of shareholders. The loans bear interest at a rate of 12% per annum and are payable on demand. Interest expense resulting from related party loans totaled \$673 and \$1,645 during the years ended December 31, 2003 and 2002, respectively.

CORDIA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5 - STOCKHOLDERS' EQUITY

During June 2002, Cordia approved a 5-for-1 reverse split of its common stock with no change in its par value of \$.001. All references in the consolidated financial statements and in the notes to consolidated financial statements with respect to the number of common shares and per share amounts have been restated to reflect the stock split.

On May 23, 2003, Cordia's shareholders voted to amend the 2001 Equity Incentive Plan (the "Plan") by authorizing an additional 1,000,000 shares. The total number of shares of Cordia's common stock authorized for issuance under the Plan is 6,000,000, subject to adjustment for events such as stock dividends and stock splits.

The Plan is administered by a committee of the board of directors having full and final authority and discretion to determine when and to whom awards should be granted. The committee will also determine the terms, conditions and restrictions applicable to each award. Transactions under the Plan are summarized as follows:

	Stock Options	Exercise Price
	-----	-----
Balance, January 1, 2002	379,000	\$ 2.50 to 15.00
Granted with immediate vesting	150,000	2.00 to 2.50
Exercised and forfeited	(383,000)	2.00 to 15.00

Balance December 31, 2002	146,000	

Granted with 5 year vesting	915,000	.60
Exercised	-	

Expired (133,000) .60 to 7.50

Balance, December 31, 2003 928,000

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In electing to follow APB 25 for expense recognition purposes, the Company is obliged to provide the expanded disclosures required under FAS No. 123 for stock-based compensation granted in 1996 and thereafter. The fair value of the employee stock options granted during 2003 and 2002 was approximately, \$266,000 and \$102,000, respectively, based on the Black-Scholes option valuation model. For purposes of pro forma disclosures, stock-based compensation is recognized over the vesting period as vesting requirements are fulfilled.

The following table compares 2002 and 2003 results as reported to the results had the Company adopted the expense recognition provisions of FAS No. 123:

	As reported -----	Pro Forma -----
2003		

Net loss	\$ 583,805	\$ 380,797
Income per share	\$.10	\$.07
2002		

Net loss	(\$1,157,384)	(\$1,141,934)
Loss per share	\$.21	\$.20

The fair value of each option grant was estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted-average assumptions for 2003: expected volatility of 328%; risk-free rate of 1.8%; and expected life of 2 ½ years.

The effects of applying SFAS 123 in the above pro forma disclosures are not indicative of future amounts as future amounts are likely to be affected by the number of grants awarded and since additional awards are generally expected

to be made at varying prices.

CORDIA CORPORATION AND SUBSIDIARIES
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NOTE 6 - INCOME TAXES

The tax effect of the temporary differences that give rise to deferred tax assets and liabilities as of December 31, 2003 and 2002 was as follows:

	2003	2002	
	----	----	
Deferred income tax assets:			
Accounts payable and accrued expenses	\$ 565,512	\$ 527,683	
Unearned income	72,705	33,333	
Investments	-	26,365	
Net operating loss carryover	920,000	1,119,082	
Less: Valuation allowance	(1,240,619)	(1,506,430)	
	-----	-----	
	317,598	200,033	
	-----	-----	
Deferred income tax liabilities:			
Accounts receivable	240,336	151,026	
Prepaid expenses and other current assets	77,262	33,202	
Accumulated depreciation	-	15,805	
	-----	-----	
	317,598	200,033	
	-----	-----	
Net deferred income tax liability	\$ -	\$ -	
	=====	=====	

The consolidated financial statements have been presented on the accrual method of accounting. For income tax reporting purposes, the Company is on the cash method. Accordingly, for income tax purposes, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

Cordia and its subsidiaries have incurred losses since inception that have generated net operating loss carryforwards aggregating approximately \$3,500,000 at December 31, 2003 for federal and state income tax purposes. These carryforwards are available to offset future taxable income and expire at various dates through 2022 for income tax

purposes. These losses are subject to limitation on future years' utilization. The Company experienced a decrease in its net operating loss carryforward during 2003 due to the sale of ISG of approximately \$141,000, offsetting the net operating loss carryforward increase during 2002 as a result of current year net operating losses.

In consideration of the uncertainty about the Company's ability to realize the benefit of their deferred tax assets, the accompanying financial statements reflect a valuation allowance of \$1,240,619 and \$1,506,430 at December 31, 2003 and 2002, respectively, to fully offset the deferred tax benefit amount.

A reconciliation of the difference between the expected income tax rate using the statutory federal tax rate and the Company's effective tax rate was as follows:

	2003 ----	2002 ----	
U.S. Federal income tax statutory rate		34.0%	34.0%
Investments	-	(7.2)	
NOL of discontinued business segments		(5.8)	(44.6)
Consulting fees expense		26.2	30.4
Change in valuation allowance, net		27.3	9.5
Other, net	(81.7)	(22.1)	
	-----	-----	
Effective tax rate		-%	-%
	=====	=====	

CORDIA CORPORATION AND SUBSIDIARIES
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NOTE 7 COMMITMENTS

Operating Leases

The Company is committed for annual rentals under non-cancelable operating leases for its office space. Future minimum rental commitments under these leases for years subsequent to December 31, 2003 are as follows:

Year Ending December 31:	

2004	\$59,640
2005	59,640
2006	62,480

65,320

2

65,320

Total \$312,400

=====

Rent and other occupancy charges included in operating expenses was \$74,761 and \$36,078 for the years ended December 31, 2003 and 2002, respectively.

NOTE 8 - SUBSEQUENT EVENTS

(a) Mutual Release and Satisfaction of Promissory Note and License Agreement

On February 6, 2004, Cordia entered into a Mutual Release and Satisfaction of Promissory Note and License Agreement whereby Cordia has agreed to release West Lane of its payment obligations under the promissory note and licensing agreement in exchange for the return of 1,412,500 shares of Cordia's Common Stock, a fifteen (15) month option to purchase 100,000 shares at a price of forty cents (\$0.40) and the release of Cordia's service obligations under the License Agreement. In addition to Cordia's release of West Lane, Cordia will transfer all ownership interest to the technology and source code of SUBRO AGS software to West Lane. Upon transfer of the shares to Cordia, Cordia's outstanding shares will be reduced to 4,431,211.

(b) Employee Benefit Plan

Cordia has a defined contribution (SIMPLE SRA) plan covering all eligible employees. Cordia will match 50% of the first 6% of the eligible employee's contribution to the plan. Participating employees shall become vested in employer contributions after 3 years of service. If a participating employee is terminated or resigns before the 3 year vesting period employer contributions shall be forfeited. The plan became effective January 1, 2004 and employee and employer contributions shall commence April 16, 2004. Accordingly, to date there have been no employer or employee contributions to the plan.