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VOIP INC
Form 10QSB
May 17, 2004

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

FORM 10-QSB

(Mark One)

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

For the quarterly period ended March 31, 2004

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

For the transition period from _____ to _____

Commission file number 0-28985

VoIP, Inc.
(formerly known as Millennia Tea Masters, Inc.)
(Exact name of small business issuer as specified in its charter)

Texas
(State or other jurisdiction of
incorporation or organization)

75-2785941
(IRS Employer
Identification No.)

12330 SW 53rd Street, Suite 712, Fort Lauderdale, Florida 33330
(Address of principal executive offices)

(954) 434-2000
(Issuer's telephone number)

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 .

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Check whether the registrant filed all documents and reports required to be
filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of
securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common
equity, as of May 7, 2004: 14,230,939

Transitional Small Business Disclosure Format (Check one): Yes No

Include whether Registrant is an accelerated filer: Yes No

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VoIP, Inc.

Form 10-QSB for the Quarter ended March 31, 2004

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Item 1 - Part 1 - Financial Statements

VoIP, Inc.
(a development stage company)
Balance Sheets
March 31, 2004 and December 31, 2003

(Unaudited)

	March 31, 2004 (Unaudited)	December 31, 2003
	-----	-----
ASSETS		
Current assets		
Cash in bank	\$ --	3,499
Inventory, net of reserve	251,767	251,534

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Prepaid expenses	8,175	4,425
	-----	-----
Total current assets	259,942	259,458
	-----	-----
TOTAL ASSETS	\$ 259,942	259,458
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 10,308	--
Due to affiliates	151,166	151,166
	-----	-----
Total Liabilities	161,474	151,166
	-----	-----
Commitments and contingencies		
Shareholders' equity		
Common stock - \$0.001 par value		
25,000,000 shares authorized 14,230,939 and		
1,730,939 issued and outstanding	14,231	1,731
Additional paid-in capital	731,208	731,208
Deficit accumulated during the development stage	(646,971)	(624,647)
	-----	-----
Total Shareholders' equity	98,468	108,292
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 259,942	259,458
	=====	=====

The accompanying notes are an integral part of these financial statements.

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Three months ended March 31, 2004 and 2003 and
Period from August 3, 1998 (date of inception) through March 31, 2004

(Unaudited)

	Three months ended March 31, 2004	Three months ended March 31, 2003	Period August 3 (date of i thro March 31
	-----	-----	-----
Revenues	\$ --	60	
Cost of Sales	--	10	
	-----	-----	-----
Gross Profit	--	50	
	-----	-----	-----
Operating expenses			
Marketing, promotion and product development	--	--	
Warehouse rent	11,250	7,713	
General and administrative expenses	11,074	4,084	
	-----	-----	-----
Total operating expenses	22,324	11,797	
	-----	-----	-----
Loss from operations	(22,324)	(11,747)	
Other expense	--	--	
	-----	-----	-----
Loss before income taxes	(22,324)	(11,747)	
Provision for income taxes	--	--	
	-----	-----	-----
Net loss	\$ (22,324)	(11,747)	
	=====	=====	=====
Loss per weighted-average share of common stock outstanding, computed on net loss basic and fully diluted	\$ (0.01)	(0.01)	
	=====	=====	=====
Weighted-average number of shares of common stock outstanding basic and fully diluted	3,814,272	1,730,939	
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

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VoIP, Inc.
(a development stage company)
Statements of Cash Flows
Three months ended March 31, 2004 and 2003 and
Period from August 3, 1998 (date of inception) through March 31, 2004

(Unaudited)

	Three months ended March 31, 2004	Three months ended March 31, 2003
	-----	-----
Cash flows from operating activities		
Net loss for the period	\$ (22,324)	(11,747)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Inventory reserve	--	--
Changes in assets and liabilities:		
Inventory	(233)	10
Prepaid expenses	(3,750)	--
Accounts payable and accrued expenses	10,308	2,298
	-----	-----
Net cash provided by (used in) operating activities	15,999	(9,439)
	-----	-----
Cash flows from investing activities	--	--
	-----	-----
Cash flows from financing activities		
Proceeds from sale of common stock	12,500	--
Advances from affiliates	--	9,700
	-----	-----
Net cash provided by financing activities	12,500	9,700
	-----	-----
INCREASE (DECREASE) IN CASH	(3,499)	261
Cash at beginning of period	3,499	9
	-----	-----
Cash at end of period	\$ --	270
	=====	=====
Supplemental disclosure of interest and income taxes paid		
Interest paid for the year	\$ --	--
	=====	=====
Income taxes paid for the year	\$ --	--
	=====	=====

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The accompanying notes are an integral part of these financial statements.

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VoIP, Inc.

Notes to Financial Statements

Note A - Organization and Description of Business

Millennia Tea Masters, Inc.(Company) was incorporated on August 3, 1998 under the laws of the State of Texas. The Company was formed to engage principally in the marketing and sale of imported teas.

The Company began operations in October 1998 with its initial order of imported teas from Sri Lanka, has elected a year-end of December 31 and uses the accrual method of accounting.

On April 13, 2004, the Company changed its name to VoIP, Inc.

On February 27, 2004, the Company entered into a stock purchase agreement which provided for the sale of 12,500,000 shares of its common stock in exchange for \$12,500 and a commitment by the purchaser to contribute the assets of two start-up companies, eGlobalPhone, Inc. and VOIP Solutions, Inc., which occurred effective April 15, 2004.

During interim periods, the Company follows the accounting policies set forth in its Annual Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934 on Form 10-KSB filed with the United States Securities and Exchange Commission. The information presented herein may not include all disclosures required by generally accepted accounting principles and the users of financial information provided for interim periods should refer to the annual financial information and footnotes contained in its Annual Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934 on Form 10-SB when reviewing the interim financial results presented herein.

In the opinion of management, the accompanying interim financial statements, prepared in accordance with the instructions for Form 10-QSB, are unaudited and contain all material adjustments, consisting only of normal recurring adjustments necessary to present fairly the financial condition, results of operations and cash flows of the Company for the respective interim periods presented. The current period results of operations are not necessarily indicative of results which ultimately will be reported for the full fiscal year ending December 31, 2004.

The preparation of financial statements in conformity 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.

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The Company's principal product, imported teas from Sri Lanka, is processed by a single unrelated Sri Lankan entity. In the event of any disruption in the availability of imported teas from Sri Lanka, if any, the Company may experience a negative economic impact. The Company believes that other processors of imported teas of comparable quality and price are available from the same region and that no interruption of product availability will occur.

Note B - Going Concern Uncertainty

The Company commenced operations during the fourth quarter of 1998 and focused significant resources during prior periods in procuring and importing inventory and developing sales and distribution channels. Accordingly, the Company has generated only minimal revenues and experienced cumulative losses of approximately \$647,000. The Company's audited financial statements for each year have contained a statement from its auditors expressing doubts on the Company's ability to continue as a going concern.

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VoIP, Inc.

Notes to Financial Statements - Continued

Note B - Going Concern Uncertainty - Continued

Management has taken actions directly related to the acquisition of new business to provide, from their operations, sufficient working capital to preserve the entity during this development phase. Additional funds will be obtained from private placements of debt and equity securities.

Note C - Summary of Significant Accounting Policies

1. Cash and cash equivalents

For Cash Flows purposes, the Company considers all cash on hand and in banks, including accounts in book overdraft positions, certificates of deposit and other highly-liquid investments with maturities of three months or less, when purchased, to be cash and cash equivalents.

Cash overdraft positions may occur from time to time due to the timing of making bank deposits and releasing checks, in accordance with the Company's cash management policies.

2. Inventory

Inventory consists of imported tea products from Sri Lanka and are valued at the lower of cost or market using the first-in, first-out method. The product life of imported teas is approximately five (5) years and, accordingly, the Company anticipates limited obsolescence or deterioration in its products' quality.

3. Organization costs

The Company has adopted the provisions of AICPA Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities" whereby all organization

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and initial costs incurred with the incorporation and initial capitalization of the Company were charged to operations as incurred.

4. Advertising expenses -----

Advertising and marketing expenses are charged to operations as incurred.

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VoIP, Inc.

Notes to Financial Statements - Continued

Note C - Summary of Significant Accounting Policies - Continued

5. Income Taxes -----

The Company uses the asset and liability method of accounting for income taxes. At March 31, 2004 and December 31, 2003, the deferred tax asset and deferred tax liability accounts, as recorded when material, are entirely the result of temporary differences. Temporary differences represent differences in the recognition of assets and liabilities for tax and financial reporting purposes.

At March 31, 2004 and December 31, 2003 deferred tax assets are related solely to the Company's net operating loss carryforward of approximately \$647,000 and \$625,000, respectively, which is fully reserved. If these carry forwards are not utilized, they will begin to expire in 2018.

6. Earnings (loss) per share -----

Basic earnings (loss) per share is computed by dividing the net income (loss) by the weighted-average number of shares of common stock and common stock equivalents (primarily outstanding options and warrants). Common stock equivalents represent the dilutive effect of the assumed exercise of the outstanding stock options and warrants, using the treasury stock method. The calculation of fully diluted earnings (loss) per share assumes the dilutive effect of the exercise of outstanding options and warrants at either the beginning of the respective period presented or the date of issuance, whichever is later. As of March 31, 2004 and 2003, the Company had no warrants and/or options outstanding.

Note D - Fair Value of Financial Instruments

The carrying amounts of cash, accounts receivable, accounts payable and accrued expenses and due to affiliates, as applicable, approximate fair value due to the short term nature of these items and/or the current interest rates payable in relation to current market conditions.

Note E - Related Party Transactions

As of March 31, 2004, the Company has amounts due to affiliated entities and/or

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shareholders and/or officers of approximately \$151,000. These advances are unsecured, due upon demand and are non-interest bearing. Subsequently, in April 2004, the company issued 339,242 shares of common stock to satisfy the balance due at March 31, 2004.

Note F - Subsequent Events

Effective April 15, 2004 and as described in Note A to the company acquired two subsidiaries: eGlobalPhone, Inc. and VOIP Solutions, Inc. These subsidiaries develop and distribute innovative technology, services and solutions for voice over the Internet protocol, wireless and multimedia applications.

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Part I - Item 2

Management's Discussion and Analysis of Financial Condition and Results of Operations

(1) Caution Regarding Forward-Looking Information

This quarterly report contains certain forward-looking statements and information relating to the Company that are based on the beliefs of the Company or management as well as assumptions made by and information currently available to the Company or management. When used in this document, the words "anticipate," "believe," "estimate," "expect" and "intend" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the current view of the Company regarding future events and are subject to certain risks, uncertainties and assumptions, including the risks and uncertainties noted. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended. In each instance, forward-looking information should be considered in light of the accompanying meaningful cautionary statements herein.

(2) Results of Operations

The Company is considered a development stage company and as such has generated no significant operating revenues and has incurred cumulative operating losses of approximately \$647,000.

For the respective three month periods ended March 31, 2004 and 2003, the Company experienced net sales of approximately \$0 and \$60. The Company's expenses during these corresponding periods relate principally to the maintenance of the Company's inventory and compliance with certain requirements for quarterly and annual financial reporting.

Total net losses for the respective three month periods ended March 31, 2004 and 2003 were approximately \$22,000 and \$12,000. Net loss per share was approximately \$.01 for each three month period.

(3) Liquidity and Capital Resources

Liquidity for the period from inception through March 31, 2004 has been provided from advances from significant stockholders.

(4) Subsequent Events

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By the acquisition of eGlobalPhone, Inc. and VoIp Solutions, Inc., the company has entered the voice over internet "VoIP" business.

The term "VoIP" refers to a category of hardware and software that enables people to use the Internet as the Transmission medium for telephone calls. For users who have free, or fixed price Internet Access, Internet telephony hardware and software essentially provides free telephone calls anywhere in the world. The clear benefits of this technology can be divided into four categories:

Cost Reduction- Reducing long distance telephone costs provides a competitive advantage for VoIP. Today flat rate long distance pricing is available with the Internet and can result in considerable savings for both voice and facsimile. The sharing of equipment and operations costs across both data and voice users can also improve network efficiency since excess bandwidth on one network can be used by the other, thereby creating economies of scale for voice (especially given the rapid growth in data traffic).

Advanced Applications- Even though basic telephony and facsimile are the initial applications for VoIP, the longer term benefits are expected to be derived from multimedia and multi-service applications. For example, internet commerce solutions can combine WWW access to information with a voice call button that allows immediate access to a call center agent from the PC. Needless to say, voice is an integral part of conferencing systems that may also include shared screens, white boarding, etc. Combining voice and data features into new applications will provide the greatest returns over the longer term.

Much like the cellular phone industry, VoIP renders traditional notions of geography irrelevant. Specifically, the Company's products and services allow any user in the world to make a call through any Internet-connection to any telephone in the world for free or nearly free. In addition unlike other VoIP providers, the Company's products and services can be used on any Internet connection, from dial-up to broadband, due to the Company's patent-pending "call signaling" technology.

The company has identified that all working capital requirements for the current annual period will be satisfied from the operation of the newly acquired businesses and the sales of additional common shares through private placements.

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ITEM 3. CONTROLS AND PROCEDURES

a) Within the 90-day period prior to the date of this report, we carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-14 of the Securities Exchange Act of 1934 (the "Exchange Act"). Based upon that evaluation, the Chief Executive officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to the Company required to be included in our Exchange Act filings. The two Executive Officers responsible for the financial reporting and disclosure are in direct control of the books and records of the Company and are involved first-hand in the decision making process for material transactions.

b) There have been no significant changes in our internal controls or in other factors, which could significantly affect internal controls subsequent to the date we carried out our evaluation.

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Part II - Other Information

Item 1 - Legal Proceedings

None

Item 2 - Changes in Securities

On February 27, 2004, the Company issued and sold 12,500,000 shares of its common stock to Steven Ivester in exchange for cash of \$12,500 and a commitment to contribute the assets of two affiliated, start-up companies, eGlobalPhone, Inc. and VoIP Solutions, Inc., which subsequently occurred in April, 2004.

Item 3 - Defaults on Senior Securities

None

Item 4 - Submission of Matters to a Vote of Security Holders

The Company has held no regularly scheduled, called or special meetings of shareholders during the reporting period.

Item 5 - Exhibits and Reports on Form 8-K

(a) Exhibits

No.	Description
-----	-----
31.1	Certification by CEO pursuant to 18 USC Section 1350 as adopted by Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by CFO pursuant to 18 USC Section 1350 as adopted by Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by CEO pursuant to 18 USC Section 1350 as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by CFO pursuant to 18 USC Section 1350 as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

Form 8-K filed with the SEC on March 3, 2004
Form 8-K filed with the SEC on April 12, 2004
Form 8-K filed with the SEC on April 15, 2004
Form 8-K filed with the SEC on April 19, 2004

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused

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this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VoIP, Inc.

May 17, 2004

--

/s/ Steven Ivester

Steven Ivester
Chief Executive Officer

/s/ Osvaldo Pitters

Osvaldo Pitters
Chief Financial Officer