

NEXIA HOLDINGS INC
Form 10QSB
November 19, 2007

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 September 30, 2007.

Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from ___ to ___.

Commission file number: 33-22128-D

NEXIA HOLDINGS, INC.
(Exact name of small business issuer as specified in its charter)

Nevada
**(State or other jurisdiction of
incorporation or
organization)**

84-1062062
**(I.R.S. Employer
Identification No.)**

59 West 100 South, Salt Lake City, Utah 84101
(Address of principal executive office) (Zip Code)

(801) 575-8073
(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

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Indicate by check mark whether the registrant is a shell company. Yes [] No [X]

The number of outstanding shares of the issuer's common stock, \$0.0001 par value, as of November 18, 2007 was 12,487,323,144.

NEXIA HOLDINGS, INC.

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ITEM 1. FINANCIAL STATEMENTS

As used herein, the term "Nexia" refers to Nexia Holdings, Inc., a Nevada corporation, its subsidiary corporations and predecessors unless otherwise indicated. The accompanying unaudited, condensed consolidated interim financial statements have been prepared in accordance with the instructions to Form 10-QSB pursuant to the Securities and Exchange Commission and, therefore, do not include all information and footnotes necessary for a complete presentation of our financial position, results of operations, cash flows and stockholders' equity in conformity with generally accepted accounting principles in the United States of America. These condensed financial statements should be read in conjunction with the annual financial statements included in our annual report on Form 10-KSB. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature.

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

	September 30, 2007 (Unaudited)	December 31, 2006
ASSETS		
CURRENT ASSETS		
Cash	\$ 15,104	\$ 124,158
Accounts and notes receivable, trade - net of allowance for doubtful accounts of \$91,036 and \$103,732, respectively	19,289	32,841
Accounts receivable - related parties	1,987	42,887
Notes receivable - net of allowance for doubtful accounts of \$90,000 and \$90,000, respectively	-	10,142
Inventory	374,173	370,639
Prepaid expenses	91,024	207,167
Investment in marketable equity securities - available for sale	30,485	265,532
TOTAL CURRENT ASSETS	532,062	1,053,366
PROPERTY AND EQUIPMENT, net of \$1,117,756 and \$796,483 of accumulated depreciation, respectively	3,163,652	3,033,228
LAND	633,520	633,520
OTHER ASSETS		
Goodwill	254,396	-
Loan costs, net	42,248	43,958
Trademarks	1,380	1,380
TOTAL ASSETS	\$ 4,627,258	\$ 4,765,452

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

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (Continued)

	September 30, 2007 (Unaudited)	December 31, 2006
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	\$ 701,258	\$ 765,059
Accounts payable - related parties	140,174	44,032
Checks in excess of bank statement balance	2,232	-
Accrued liabilities	796,737	613,169
Accrued interest - related parties	154,808	-
Refundable deposits	19,455	15,892
Convertible debenture	27,520	147,500
Put option liability	11,793	63,214
Current maturities of long-term debt	614,218	420,814
Current maturities of long-term debt - related parties	131,597	176,025
TOTAL CURRENT LIABILITIES	2,599,792	2,245,705
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	2,224,813	2,196,580
Long-term debt - related parties, net of current portion	390,000	437,000
TOTAL LONG-TERM LIABILITIES	2,614,813	2,633,580
TOTAL LIABILITIES	5,214,605	4,879,285
MINORITY INTEREST	97,678	91,344
STOCKHOLDERS' DEFICIT		
Preferred Series A stock-\$0.001 par value; 10,000,000 shares authorized; 150,000 shares outstanding	150	150
Preferred Series B stock - \$0.001 par value; 10,000,000 shares authorized; 10,000,000 shares outstanding	10,000	10,000
Preferred Series C stock - \$0.001 par value; 5,000,000 share authorized; 334,500 and 190,500 shares outstanding, respectively	335	191
Common stock - \$0.0001 par value; 50,000,000,000 shares authorized; 4,718,323,086 shares and 811,476,885 shares outstanding, respectively	471,832	81,148
Additional paid-in capital	17,638,884	15,602,504
Treasury stock, 0 shares and 1,469 shares, respectively, at cost	-	(100,618)
Accumulated other comprehensive income	12,280	219,585
Accumulated deficit	(18,818,506)	(16,018,137)
TOTAL STOCKHOLDERS' DEFICIT	(685,025)	(205,177)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 4,627,258	\$ 4,765,452

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

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations and Other Comprehensive Income (Loss)
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2007	2006	2007	2006
REVENUE				
Sales - Salon and Retail	\$ 711,557	\$ 383,072	\$ 2,097,611	\$ 971,059
Rental revenue	51,109	51,503	174,256	140,068
TOTAL REVENUE	762,666	434,575	2,271,867	1,111,127
COST OF REVENUE				
Cost of sales - Salon and Retail	297,115	114,175	1,069,561	340,888
Cost associated with rental revenue	24,167	15,169	113,151	79,998
Depreciation and amortization on rentals	21,891	27,962	67,670	79,001
TOTAL COST OF REVENUE	343,173	157,306	1,250,382	499,887
GROSS PROFIT	419,493	277,269	1,021,485	611,240
EXPENSES				
General and administrative expense	1,559,506	670,556	3,931,863	1,495,145
Consulting fees	15,125	1,081,831	249,305	1,456,491
Depreciation and amortization expense	41,745	19,144	101,601	43,716
Interest expense associated with rental revenue	42,765	30,884	121,619	106,335
TOTAL EXPENSES	1,659,141	1,802,415	4,404,388	3,101,687
OPERATING LOSS	(1,239,648)	(1,525,146)	(3,382,903)	(2,490,447)
OTHER INCOME (EXPENSE)				
Interest expense	(27,075)	(17,135)	(205,444)	(34,609)
Gain (loss) on sale of marketable securities	(12,677)	-	283,050	2,301,967
Loss on disposal of assets	-	48,370	(250)	(25,376)
Other income	3,861	114,641	16,253	132,704
TOTAL OTHER INCOME (EXPENSE)	(35,891)	145,876	93,609	2,374,686
NET INCOME (LOSS) BEFORE INCOME TAXES	(1,275,539)	(1,379,270)	(3,289,294)	(115,761)
Provision for state income tax	(3,900)	-	(3,900)	-
INCOME (LOSS) BEFORE MINORITY INTEREST	(1,279,439)	(1,379,270)	(3,293,194)	(115,761)
MINORITY INTEREST IN (INCOME) LOSS OF CONSOLIDATED SUBSIDIARIES	7,225	18,068	4,391	22,233

INCOME (LOSS) FROM CONTINUING OPERATIONS	(1,272,214)	(1,361,202)	(3,288,803)	(93,528)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	-	(298,760)	-	189,461
NET INCOME (LOSS)	\$ (1,272,214)	\$ (1,659,962)	\$ (3,288,803)	\$ 95,933

BASIC AND DILUTED INCOME (LOSS) PER SHARE

Continuing Operations	\$ -	\$ -	\$ -	\$ -
Discounted net loss per share	-	-	-	-
Net Income (Loss)	\$ -	\$ -	\$ -	\$ -

WEIGHTED - AVERAGE SHARES OUTSTANDING

2,805,010,953	1,121,063,874	2,119,864,661	802,518,173
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COMPREHENSIVE INCOME (LOSS)

Net Income (Loss)	\$ (1,272,214)	\$ (1,659,962)	\$ (3,288,803)	\$ 95,933
Change in unrealized value of marketable securities	1,373	549,929	(207,305)	488,221
Comprehensive Income (Loss)	\$ (1,270,841)	\$ (1,110,033)	\$ (3,496,108)	\$ 584,154

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

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

**For the Nine Months
 Ended
 September 30,
 2007 2006**

CASH FLOWS FROM OPERATING ACTIVITIES**(Restated)**

Net loss	\$ (3,288,803)	\$ 95,933
Adjustments to reconcile net loss		
to net cash used in operating activities:		
Allowance for doubtful accounts receivable	(12,696)	(6,174)
Change in minority interest income (loss)	6,334	(132,310)
Depreciation and amortization expense	170,670	122,371
Depreciation expense capitalized in inventory	36,943	-
Issued common stock for services	991,435	147,073
Expense stock sales at values lower than stock issue values	675,348	1,667
Retroactive adjustment of convertible debenture liability	(22,500)	-
Loss on disposal of assets	11	73,746
Stock issued in 2003 returned and cancelled	-	(11,800)
Prepaid expense	-	(982,172)
Net gain on sale of marketable securities	-	(2,301,967)
Sale of marketable securities	-	2,400,000
Decrease in expenses and changes in liabilities in 2006 resulting from change in accounting for convertible debenture from a derivative to a liability	-	(114,411)
Changes in operating assets and liabilities:		
Accounts receivable	29,296	33,106
Accounts receivable - related parties	40,900	(4,716)
Note receivable	-	(2,814)
Inventory	(3,534)	(192,021)
Prepaid expense	116,143	(510)
Accounts payable	281,963	144,910
Accounts payable - related parties	96,142	30,756
Checks in excess of bank statement balance	2,232	-
Accrued liabilities	183,596	95,383
Accrued liabilities - related parties	154,808	-
Refundable deposit	3,563	-
Deferred revenue	(28)	(829)
Net cash used in operating activities	(538,177)	(604,779)

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

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NEXIA HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Continued)
(Unaudited)

**For the Nine Months
 Ended
 September 30,
 2007 2006**

CASH FLOWS FROM INVESTING ACTIVITIES

Sale of commercial real estate	-	802,126
Sale of residential real estate	-	70,205
Sale of marketable securities	62,376	105,241
Purchase of marketable securities	(33,072)	(7,022)
Purchase of property, plant and equipment	(243,610)	(299,199)
Fixed assets acquired by issuing Nexia stock	10,000	17,625
Acquired equipment and loan costs by acquisition of Newby Salons, LLC	(90,917)	-
Goodwill from acquisition of Newby Salons, LLC	(254,396)	-
Issued preferred stock for acquisition of Newby Salons, LLC	299,940	-
Adjustment of investment in marketable securities	(1,562)	-
Vapitalized payroll expense as a fixed asset	-	(1,318)
Certain assets and liabilities of Black Chandelier acquired from DHX:		
by issuing a note payable and stock	-	482,989
Excess value of note payable and stock given over net assets received	-	(1,061,485)
Increased investment in Landis, LLC from 20% to 85%:		
by issuing a note payable and stock	-	1,339,423
Excess value of note payable and stock given over increase in investment		