

CYIOS CORP
Form 10QSB
November 22, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-QSB
(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2005
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 No. 000-27243

CYIOS CORPORATION, INC.
(Exact name of Registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation or
organization)

03-7392107
(I.R.S. Employer Identification Number)

1300 PENNSYLVANIA AVE, SUITE 700
WASHINGTON DC
(Address of principal executive offices)

20004
(Zip/Postal Code)

(202) 204-3006
(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 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

State the number of shares outstanding of each of the Issuer's classes of common equity, as of the latest practicable date. There were 21,567,910 common stock shares, par value \$0.001, as of November 1, 2005.

Note Regarding FORWARD-LOOKING STATEMENTS

In addition to historical information, this Report contains forward-looking statements. Such forward-looking statements are generally accompanied by words such as "intends," "projects," "strategies," "believes," "anticipates," "plans," and similar terms that convey the uncertainty of future events or outcomes. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in ITEM 2 of this Report, the section entitled "MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION." Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof and are in all cases subject to the Company's ability to cure its current liquidity problems. There is no assurance that the Company will be able to generate sufficient revenues from its current business activities to meet day-to-day operation liabilities or to pursue the business objectives discussed herein.

The forward-looking statements contained in this Report also may be impacted by future economic conditions. Any adverse effect on general economic conditions and consumer confidence may adversely affect the business of the Company.

CYIOS Corporation. undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof. Factors that could cause actual results or conditions to differ from those anticipated by these and other forward-looking statements include those more fully described in the "Risk Factors" section of the Company's Registration Statement filed with the Securities and Exchange Commission (the "SEC") on April 20, 2004 on Form 10KSB. In addition, readers should carefully review the risk factors described in other documents the Company files from time to time with the Securities and Exchange Commission.

Part I
Financial Information

Item 1. Financial Statement

In the opinion of management, the accompanying unaudited financial statements included in this Form 10-QSB reflect all adjustments necessary for a fair presentation of the results of operations for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

ITEM 1. FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

CYIOS CORPORATION. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
September 30, 2005
(unaudited)

Assets

	(unaudited) September 30, 2005	(audited) December 31,2004
Current Assets:		
Cash	\$ 825	0
Restricted Cash	0	0
Accounts Receivable	185,794	35,914
Other Current Assets	75,094	848
Total current assets	261,713	36,762
Equipment, net	98,623	7,185
Customer base	50,000	38,452
Accumulated Ammortization	(20,833)	-
Net Fixed Assets	29,167	38,452
Total assets	\$ 389,503	82,399
Current Liabilities		
Note payable to stockholder	\$ 82,660	187,432
Note payable	177,374	3,000
Accounts Payable	472,942	318,292
Accrued expenses	0	70,438
Total current liabilities	732,972	579,162
Commitments and contingencies		
Stockholders' Deficit		
Convertible preferred stock, \$.001 par value, 5,000,000 shares authorized, 911,553 shares issued and outstanding	911	911

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Common stock, \$.001 par value, 100,000,000 shares authorized, 21,567,190 shares issued and outstanding	2,158	3,569
Paid in capital	22,604,046	22,564,785
Retained deficit	(22,952,999)	(23,005,159)
Shareholder Receivable	-	(58,500)
Total stockholders' deficit	(343,473)	(494,394)
Total liabilities and stockholders' deficit	\$ 389,503	84,768

CYIOS CORPORATION. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Sales	\$ 611,796	\$ 110,748	\$ 1,565,827	\$ 334,686
Cost of Sales	108,397	45,232	145,693	206,614
Gross profit	503,398	65,516	1,420,134	128,072
Selling, general and administrative expenses	611,827	393,365	1,791,050	901,962
Income (loss) from operations	(108,429)	(327,849)	(370,916)	(773,890)
Interest Expense	-	1,250	5,800	14,139
Net income (loss)	\$ (108,429)	\$ (329,099)	(376,716)	(780,029)
Basic and diluted income (loss) per share:	\$ (0.00)	\$ (0.01)	(0.01)	\$ (0.02)
Weighted Average Shares Outstanding	21,567,910	34,372,413	21,567,910	32,634,190

CYIOS CORPORATION. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS CASH FLOWS
(unaudited)

	9 Months Ended September 30,	
Cash Flows Used in Operating Activities	2005	2004
Net Income (Loss)	\$ (376,716)	(780,029)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	8,666	19,098
Stock For Services	0	382,000
Stock option expense	0	220,000
Change in:		
Accounts Receivable	(39,217)	(30,252)
Other Current Assets	(41,697)	(15,272)
Accounts Payable	152,863	(235)
Accrued Expenses	-	11,888
Deferred Revenue	-	-
Net Cash Used In Operating Activities	(296,101)	(192,802)
Cash Flows Used In Investing Activities		
Purchases	85,269	(54,609)
Cash Flows Provided By Financing Activities Proceeds from shareholder note payable	-	-
Exercise of stock options	-	-
Payments on note payable	(169,558)	(3,088)
Stock Issued For Cash	283,540	260,000
Net cash from financing activities	113,982	256,912
Net Change in Cash	96,850	9,501
Cash - beginning of year	1,029	31,807
Cash - End of Quarter	95,821	41,308

CYIOS CORPORATION. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2005
(Unaudited)

NOTE 1 - ORGANIZATION, OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND BUSINESS

China Print, Inc. formerly known as WorldTeq Group International, Inc. merged on September 19, 2005 with CYIOS Corporation of Washington DC. During the merger the company's former CEO notified the public of his resignation and the assignment of a new CEO, CFO, and president, Mr. Timothy Carnahan. The consolidated financial statements include of CYIOS Corporation, formerly China Print, Inc. includes its subsidiary by the same name CYIOS Corporation, in addition to CKO, Inc. and WorldTeq Corporation. The Company, through its subsidiary CYIOS Corporation does business as a leading systems integrator and Knowledge Management Solutions provider supporting the United States Army. The company contracts its services for single and multiple year awards to different US Army and US Government agencies. CKO Incorporated owns a custom designed online office management tool called XO Office (www.xooffice.com). The company is launching this product in November of 2005 to the general public and commercial businesses. WorldTeq Corporation in the last three years has engaged primarily in the long distance service business.

USE OF ESTIMATES

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

CASH EQUIVALENTS

All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments, including cash, receivables and other current assets, are carried at amounts that approximate fair value. Accounts payable, loans and notes payable and other liabilities are carried at amounts that approximate fair value.

PROPERTY AND EQUIPMENT

The Company provides for depreciation of equipment using accelerated and straight-line methods based on estimated useful lives of five years. Depreciation of aircraft is computed using the straight-line method based on an estimated useful life of ten years.

CONTRACTS

GOODWILL

Goodwill is amortized over the lesser of the useful life of the related assets or ten years.

LONG-LIVED ASSETS

The Company reviews its long-lived assets for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For purposes of evaluating the recoverability of long-lived assets, the recoverability test is performed using undiscounted net cash flows estimated to be generated by the asset.

REVENUE RECOGNITION

The Company recognizes revenue from government contracts, xo office sales, and long distance business. Long distance will only be with the company through end of November 2005.

NET LOSS PER SHARE OF COMMON STOCK

Net loss per share of common stock is based on the weighted average number of shares of common stock outstanding. Common stock equivalents are not included in the weighted average calculation since their effect would be anti-dilutive.

BASIS OF PRESENTATION

The interim financial statements and summarized notes included herein were prepared in accordance with accounting principals generally accepted in the United States of America for interim financial information, pursuant to rules and regulations of the Securities and Exchange Commission. Because certain information and notes normally included in complete financial statements prepared in accordance with accounting principals generally accepted in the United States of America were condensed or omitted pursuant to such rules and regulations, it is suggested that these financial statements be read in conjunction with the Consolidated Financial Statements and the Notes thereto, included in Worldteq's Report 10KSB-A filed June 3, 2005. These interim financial statements and notes hereto reflect all adjustments that are, in the opinion of management, necessary for a fair statement of results for the interim periods presented. Such financial results should not be construed as necessarily indicative of future results.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the financial statements, related notes, and other detailed information included elsewhere in this Form 10QSB. Certain information contained below and elsewhere in this Form 10QSB, including information regarding our plans and strategy for our business, are forward-looking statements. See "Note Regarding Forward-Looking Statements."

Our business plan for the next twelve months is to demonstrate the efficacy of our product candidate in animal models. It is necessary for us to establish evidence of efficacy of our approach in order to advance to subsequent milestones.

OVERVIEW

CYIOS Corporation operates three subsidiaries, the first two CYIOS Corporation and CKO Incorporated are the two vehicles the company will be operating its business in, going forward after its merger on September 19, 2005. WorldTeq Corporation has been ordered to dismantle its long distance program and what is to be done with that subsidiary will be decided at a later date.

Through our subsidiary CYIOS we provide leading systems integrations and knowledge management solutions to the United States Army, Dept of Defense, and other prospective U.S. Government agencies. As a leading defense contractor we offer service and products that reduce the time frame for achieving mission-critical goals by delivering the right information, in the right context, when employees need it. Our Subsidiary CKO Incorporated owns and has developed XO Office.com, an online office management tool that has been model after AKO (Army Knowledge Online) which CYIOS Corporatin original developed.

RECENT DEVELOPMENTS

During the third quarter of 2006, The previously known China Print, Inc. merged with CYIOS Corporation and officially changed its name. The company now trades on the OTC-BB under CYIO.

FINANCIAL CONDITION

We currently have limited financial resources but the company is able to support its 25+ member staff in addition to its investment in operations and product, like the development of XO Office

RESULTS OF OPERATIONS

Total sales for the second quarter 2005 was \$611,796 as compared to \$110,748 for the quarter ended September 30, 2004, an approximately 500% decrease. This due to the merger that took place during the third quarter.

Our net loss for the quarter ending September 30, 2005 was \$108,439 or less than \$.01 per share, as compared to \$327,849 for the same period in 2004. The reduction in loss is due to the lower expenses of WorldTeq Corporation in Q3 of 2005 then in 2004. The quarter in 2005 would have most likely shown a gain it wasn't for the losses from WorldTeq Corporation whose operations will soon be discontinued.

Selling, general and administrative expenses for the third quarter of fiscal 2005 were \$611,827 as compared to \$393,365 for the same quarter in fiscal 2004.

Cost of sales for the third quarter of fiscal 2005 was \$108,397 as compared to \$45,232 for the same quarter in fiscal 2004. This increase of 250% was primarily attributable to additional COGS in CYIOS Corporation's business

(296,101) (192,802)

LIQUIDITY AND CAPITAL RESOURCES

Net cash used in operating activities for the period ended September 30th, 2005 and 2004 was (\$296,101) and (\$192,802) respectively. These losses were once again mainly attributable to the operations of WorldTeq Corporation.

The Company, at September 30th, 2005 and Year End of 2004, respectively, had total assets of approximately \$389,503 and \$82,399. The increase in assets is largely attributable to the merger and the addition of CYIOS Corporation's subsidiaries assets.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements with any party.

Critical Accounting Estimates

There have been no material changes in our critical accounting policies or critical accounting estimates since 2000 nor have we adopted an accounting policy that has or will have a material impact on our consolidated financial statements. For further discussion of our accounting policies see Footnote 1

"Summary of Significant Accounting Policies" in this Quarterly Report on Form 10-QSB and the Notes to Consolidated Financial Statements in our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2004.

ITEM 3. Controls and Procedures

(a) The Company maintains controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon their evaluation of those controls and procedures performed within 90 days of the filing date of this report, the chief executive officer and the principal financial officer of the Company concluded that the Company's disclosure controls and procedures were adequate.

(b) Changes in internal controls. The Company made no significant changes in its internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation of those controls by the chief executive officer and principal financial officer.

Part II
OTHER INFORMATION

Item 1. Legal Proceedings

Not Applicable

Item 2. Changes in Securities and Small Business Issuer Purchases of Equity Securities

Will be reported on upcoming Schedule D and 2005 10K filing

Item 3. Defaults Upon Senior Securities

Not Applicable

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

Not Applicable

Item 5. Other Information

Not Applicable

(b) REPORTS ON FORM 8-K

The Form 8-K were filed by the Company during the fiscal quarter ended September 30, 2005 are listed as Exhibit 40.1 and 40.2

SIGNATURE

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CYIOS Corporation.

/s/ Timothy Carnahan

Timothy Carnahan
Chief Executive Officer,
President,
Treasurer, and
Chairman of the Board

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Timothy Carnahan
Timothy Carnahan
Chief Executive Officer,
President,
Treasurer, and
Chairman of the Board

Dated: November 15, 2005
