BARRISTER GLOBAL SERVICES NETWORK INC
Form 8-K/A
August 13, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C., 20549

FORM 8-K/A
CURRENT REPORT

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

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED) July 15, 2002

BARRISTER GLOBAL SERVICES NETWORK, INC.
(Exact name of Registrant as specified in its charter)

Delaware	0-14063	16-1176561
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

290 Ellicott Street, Buffalo, New York	14203
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (716) 845-5010

Not Applicable

Former name or former address, if changed since last report.)

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ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

The following financial information is being filed to satisfy the financial statement requirements for the Form 8-K filed July 22, 2002.

(a) Financial Statements for Business Acquired

Financial statements of Advantage Innovation, Inc. as of and for the years ended March 31, 2002 and 2001, together with Independent Auditors Report.

ADVANTAGE INNOVATION, INC.

NEW ORLEANS, LOUISIANA

BALANCE SHEETS

MARCH 31, 2002 AND 2001

A S S E T S	2002	
CURRENT ASSETS		
Cash and cash equivalents	$354,855	
Accounts receivable, net of allowance	421,442	
Inventory	-	
Receivables from stockholders	117,489	
Current deferred tax asset	91,390	
Total current assets	985,176	
PROPERTY AND EQUIPMENT, NET	110,638	
OTHER ASSETS		
Due from affiliated company	37,000	
Deposits	4,454	
Noncurrent deferred tax asset	4,728	
Total other assets	46,182	
TOTAL ASSETS	$1,141,996	
L I A B I L I T I E S A N D S H A R E H O L D E R S' E Q U I T Y		
CURRENT LIABILITIES		
Accounts payable	$ 95,103	
Taxes payable	287,079	
Accrued expenses	17,601	
Accrued bonuses	375,000	
Accrued management fee	25,000	
Note payable	-	
Total current liabilities	799,783	
LONG-TERM NOTES PAYABLE TO STOCKHOLDER	46,072	
Total liabilities	845,855	
SHAREHOLDERS' EQUITY		

Common stock, no par value, 1,000 shares authorized, issued and outstanding	5,800	
Retained earnings	290,341	
Total shareholders' equity	296,141	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,141,996	

The accompanying notes are an integral part of these statements.

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ADVANTAGE INNOVATION, INC.

NEW ORLEANS, LOUISIANA

STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

FOR THE YEARS ENDED MARCH 31, 2002 AND 2001

	2002	2001
REVENUES	$ 3,805,963	$ 1,724,510
COST OF REVENUES	2,130,909	882,152
Gross Profit	1,675,054	842,358
SELLING, GENERAL AND ADMINISTRATIVE EXPENSE	1,279,574	649,182
Income (loss) from continuing operations	395,480	193,176
OTHER INCOME (EXPENSE)		
Gain on disposal of assets	-	55,000
Interest expense	(2,800)	-
Interest income	3,782	120
Total other income (expense)	982	55,120
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES	396,462	248,296
INCOME TAX EXPENSE	172,162	101,828

INCOME BEFORE DISCONTINUED OPERATIONS	224,300	146,468
INCOME (LOSS) FROM OPERATIONS OF DISCONTINUED BUSINESS	4,750	(39,882)
NET INCOME	229,050	106,586
RETAINED EARNINGS (ACCUMULATED DEFICIT), BEGINNING OF YEAR	61,291	(45,295)
RETAINED EARNINGS, END OF YEAR	$ 290,341	$ 61,291

The accompanying notes are an integral part of these statements.

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ADVANTAGE INNOVATION, INC.

NEW ORLEANS, LOUISIANA

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2002 AND 2001

CASH FLOWS FROM OPERATING ACTIVITIES:	2002
Reconciliation of net income to net cash provided by operating activities:	
Change in net assets	$ 229,050
Depreciation	38,455
Provision for bad debts	155,704
Provision for (benefit of) deferred taxes	17,324
Gain on sale of web services	-
Adjustments to reconcile change in net assets used in operating activities:	
Increase in accounts receivable	(95,151)
Decrease in other assets	9,140
Increase (decrease) in accounts payable and other	(8,402)
Increase in taxes payable	107,250
Increase in bonuses and management fee payable	226,000

Net cash provided by operating activities	679,370
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(142,721)
Loans to stockholders and affiliated company	(154,489)
Payments on receivables from stockholders	72,255
Proceeds from sale of web services	-
Net cash provided by (used in) investing activities	(224,955)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayment of debt	(33,063)
Payments on notes payable to stockholder	(180,638)
Net cash used in financing activities	(213,701)
Net change in cash and cash equivalents	240,714
Cash and cash equivalents, beginning of year	114,141
Cash and equivalents, end of year	$ 354,855

The accompanying notes are an integral part of these statements.

ADVANTAGE INNOVATION, INC.

NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS
Advantage Innovation, Inc. (the Company) was formed January 31, 1995, under the laws of the State of Louisiana. The Company initially sold medical equipment and provided repair services. Currently, the principal business of the Company is the repair of personal computers and home appliances for insurance companies who provide warranties on such equipment.

REVENUE AND COST RECOGNITION
For financial statement and income tax purposes, the Company recognizes revenue and records expenses on the accrual basis of accounting. Under this method, revenue is recognized when earned, and expenses are recorded when incurred.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS
For the purpose of the statement of cash flows, the Company considers all highly liquid accounts with an original maturity of three months or less to be cash equivalents.

INVENTORY
Inventory consists of parts and supplies purchased for sale to customers and is accounted for on the specific identification method.

PROPERTY AND EQUIPMENT
Property and equipment are stated at cost, less an allowance for accumulated depreciation. Useful lives range from 3 to 10 years. For financial statement purposes, depreciation is computed using the straight-line and double declining balance methods.

INCOME TAXES
Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to operating losses that are available to offset future taxable income and differences between the basis of depreciable assets for financial and income tax reporting. The deferred tax assets and liabilities represent future tax consequences of those differences, which will either be deductible or taxable when the assets and liabilities are recovered or settled.

NON-DIRECT RESPONSE ADVERTISING
The Company expenses all advertising costs as incurred. Advertising expense for the years ended March 31, 2002 and 2001 totaled $9,876 and $6,356, respectively.

2. ACCOUNTS RECEIVABLE
Accounts receivable includes earned but not billed revenue of $85,000 and $25,600 at March 31, 2002 and 2001, respectively. The allowance for doubtful accounts was $47,500 and $106,800 at March 31, 2002 and 2001, respectively.

3. CONCENTRATION OF CREDIT RISKS
The revenue from three customers comprised approximately 81% of sales in 2002 and 71% of sales in 2001. At March 31, 2002, 90% of accounts receivable was from four customers and at March 31, 2001, 58% of accounts receivable was from two customers.

4. PROPERTY AND EQUIPMENT
Property and equipment consisted of the following as of March 31, 2002 and 2001:

March 31

	2002	2001
Transportation equipment	$ 73,546	$ 25,747
Equipment	62,621	19,041
Furniture and fixtures	42,677	6,372
	178,844	51,160
Less accumulated depreciation	(68,206)	(44,788)
	$ 110,638	$ 6,372

5. LEASE OBLIGATIONS

The Company leases facilities under a co-tenancy agreement. Future minimum lease commitments as of March 31, 2002 are as follows:

Year Ending March 31,	
2003	$ 34,593
2004	36,502
2005	3,056
	$ 74,151

The Company is also responsible for monthly escrow charges for property taxes, insurance, and common area maintenance charges which are approximately $350 per month.

The Company also leases a variety of equipment under several month-to-month leases that have no future non-cancelable lease obligations. Rent expense for the years ended March 31, 2002 and 2001 was $43,946 and $73,363, respectively.

6. INCOME TAXES

Income tax expense for the years ended March 31, 2002 and 2001 consisted of the following components:

	2002	2001
Current tax expense	$ 157,838	$ 176,941
Deferred tax expense (benefit)	17,324	(102,827)
	$ 175,162	$ 74,114
Federal	$ 150,299	$ 63,146
State	24,863	10,968
	$ 175,162	$ 74,114
Continuing operations	$ 172,162	$ 101,828
Discontinued operations	3,000	(27,714)

	$ 175,162	$ 74,114

The Company's net deferred tax asset was comprised of the following as of March 31, 2002 and 2001:

	2002	2001
Allowance for doubtful accounts	$ 17,390	$ 39,516
Accrued bonuses and expenses	74,000	64,380
Excess of book deprecation over tax deprecation	4,728	9,546
	96,118	113,442
Current deferred tax asset	(91,390)	(103,896)
Long-term deferred tax asset	$ 4,728	$ 9,546

A valuation allowance for the deferred tax asset is not recognized since the Company's income in the carryback period exceeds the total of the temporary differences during the reversal period.

The Company's significant temporary differences arise from bonus accruals, allowance for doubtful accounts and the differences in the depreciation of assets for financial and income tax reporting. The Company's effective tax rate is higher than would be expected if the federal statutory rates were applied to income from continuing operations because of state income taxes and expenses deductible for financial reporting purposes that are not deductible for tax purposes.

7. RELATED PARTY TRANSACTIONS

At March 31, 2002 and 2001 the Company had outstanding loans to stockholders totaling $117,489 and $72,255, respectively. The loans bear interest ranging from 2.75% to 4.10% per annum and are to be forgiven upon disposition of the Company as discussed in note 9.

The Company had an outstanding note payable to a stockholder in the amount of $46,072 and $226,710 as of March 31, 2002 and 2001, respectively. Interest accrues at 1% per month until paid. A portion of this note was transferred to the discontinued operations as explained in note 8.

The Company advanced $37,000 to an affiliated company. There are no specific terms for repayment and are to be forgiven upon disposition of the Company as discussed in note 9.

The Company paid management fees to a company affiliated through stock ownership totaling $96,000 and $42,250 for the years ended March 31, 2002 and 2001, respectively.

Loans to stockholders totaling $24,414 were expensed as salary in the year ended March 31, 2002.

8. DISCONTINUED OPERATIONS

On November 1, 2001, the Company discontinued the operations of its medical services division. The assets and liabilities of the division were transferred into a separate company. Accordingly, the operations of this division have been reported separately as discontinued operations in the accompanying financial statements. Summarized results of operations for the discontinued operations for the years ended March 31, 2002 and 2001 consisted of the following:

	2002	2001
Net sales	$ 434,452	$ 802,083
Income (loss) from discontinued operations	$ 4,750	$ (39,882)

9. SUBSEQUENT EVENT

On July 15, 2002, an agreement to sell the stock of the Company was finalized. On that same date, all loans to stockholders and the affiliated company were forgiven and certain fixed assets of the Company, including vehicles and art work, with a net book value of $91,296 were distributed as bonuses to selected employees.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
Advantage Innovation, Inc.
New Orleans, Louisiana:

We have audited the accompanying balance sheets of Advantage Innovation, Inc. as of March 31, 2002 and 2001, and the related statements of operations and retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Advantage Innovation, Inc. as of March 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

POSTLETHWAITE & NETTERVILLE

New Orleans, Louisiana
July 15, 2002

(b) Pro Forma Financial Information

The following Unaudited Pro Forma Condensed Consolidated Balance Sheet and the Unaudited Pro Forma Condensed Consolidated Statements of Operations give effect to the acquisition of Advantage Innovation, Inc. ("Advantage") by the registrant, Barrister Global Services Network, Inc. (the "Company") as if the acquisition, as further described below, had occurred on March 31, 2002, for the Unaudited Pro Forma Condensed Consolidated Balance Sheet, April 1, 2000, for the Unaudited Pro Forma Condensed Consolidated Statement of Operations for the year ended March 31, 2001, and April 1, 2001 for the Unaudited Pro Forma Condensed Consolidated Statement of Operations for the year ended March 31, 2002.

The unaudited pro forma condensed consolidated financial statements are not necessarily indicative of the financial position or future results of operations or results that might have been achieved if the foregoing transaction had been consummated as of the indicated dates. The unaudited pro forma condensed consolidated financial statements should be read in conjunction with the related notes thereto and the Company's historical financial statements in its Annual Report on Form 10-K for the fiscal year ended March 31, 2002 filed with the Securities and Exchange Commission.

The unaudited pro forma condensed consolidated financial statements, presented below, incorporate the following transaction based on a preliminary allocation of the purchase price. On July 15, 2002, the Company acquired the stock of Advantage, a privately held technical and computer services company performing services nationwide generally in the consumer market for $1,200,000 in cash and future consideration of two contingent payments. The contingent payments are due on the first and second anniversaries of the closing, in an amount based upon the amount of earnings before interest, taxes, depreciation and amortization achieved by Advantage in each of the two years. The Company will account for the acquisition as a purchase. Assets acquired and liabilities assumed will be recorded at their estimated fair values at the date of acquisition. The excess of the purchase price over the fair value of tangible and intangible net assets acquired will be recorded as goodwill.

BARRISTER GLOBAL SERVICES NETWORK, INC.
AND ADVANTAGE INNOVATION INC.
Unaudited Pro Forma
Condensed Consolidated Statement of Operations
For the Year Ended March 31, 2001
(In thousands, except per share data)

	Barrister Global Services Network, Inc. For the Year Ended March 31, 2001	Advantage Innovation, Inc. For the Year Ended March 31, 2001	Unaudited Pr Forma Adjustments
Revenues	$ 11,085	$ 1,724	
Costs and expenses			
Cost of services	8,431	882	20
Selling, general, and administrative expenses	3,236	649	95
Operating (loss) income	(582)	193	(115
Gain on disposal of assets	-	(55)	
Interest income, net	(193)	-	_
Net (loss) earnings from continuing operations before income taxes	(389)	248	(115
Income tax (benefit) expense	(192)	102	
Net (loss) earnings from continuing operations	(197)	146	(115
Discontinued operations:			
Loss from discontinued operations, net of income tax benefit	-	(40)	
Gain from sale of discontinued operations net of income taxes	2,064	-	
Net earnings	$ 1,867	$ 106	$ (115

Basic and diluted earnings per share:			
Continuing operations	(.02)		
Discontinued operations	.18		
Total	$ .16		
Weighted average number of shares			
Basic and diluted	11,922		

See accompanying notes to the unaudited pro forma condensed consolidated financial statements.

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BARRISTER GLOBAL SERVICES NETWORK, INC.
AND ADVANTAGE INNOVATION INC.
Unaudited Pro Forma
Condensed Consolidated Statement of Operations
For the Year Ended March 31, 2002
(In thousands, except per share data)

	Barrister Global Services Network, Inc. For the Year Ended March 31, 2002	Advantage Innovation, Inc. For the Year Ended March 31, 2002	Unaudited Pr Forma Adjustments
Revenues	$ 12,845	$ 3,806	
Costs and expenses			
Cost of services	10,108	2,131	20
Selling, general, and administrative expenses	4,521	1,280	84
Operating (loss) income	(1,784)	395	(104
Interest income, net	(179)	(1)	
Net (loss) earnings from continuing operations before income taxes	(1,605)	396	(104
Income tax (benefit) expense	(487)	172	5
Net (loss) earnings from continuing operations	(1,118)	224	(109

Discontinued operations:			
Income from discontinued operations, net of income taxes	-	5	
Net (loss) earnings	$ (1,118)	$ 229	$ (109
Basic and diluted earnings per share:			
Continuing operations	(.09)		
Discontinued operations	-		
Total	$ (.09)		
Weighted average number of shares			
Basic and diluted	11,937		

See accompanying notes to the unaudited pro forma condensed consolidated financial statements.

BARRISTER GLOBAL SERVICES NETWORK, INC.
AND ADVANTAGE INNOVATION INC.
Unaudited Pro Forma
Condensed Consolidated Balance Sheet
March 31, 2002
(In thousands)

	Barrister Global Services Network, Inc. March 31, 2002	Advantage Innovation Inc. March 31, 2002	Unaudite Pro Form Adjustment
ASSETS			
Cash and equivalents	$ 1,222	$ 355	(1,2
Short term investments	1,040		
Accounts receivable	1,289	421	
Loans to stockholders	-	118	(1
Service parts inventory	933	-	
Income taxes	487	91	
Prepaid expenses	23	-	
Total current assets	4,994	985	(1,
Net equipment and leasehold Improvements	387	111	
Marketable securities	1,730	-	

Goodwill	-	-	
Intangible assets	-	-	
Due from LLC	-	37	
Other assets	25	9	
Total assets	$ 7,136	$ 1,142	(
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current installment of long term debt	307	-	
Accounts payable	761	120	
Income taxes	-	287	
Accrued compensation and benefits	677	18	
Accrued bonuses	-	375	
Customer advances and unearned Revenue	661	-	
Other liabilities	152	-	
Total current liabilities	2,558	800	
Deferred compensation	267	-	
Long-term debt, excluding current Installments	27	46	
Total stockholders' equity	4,284	296	(
Total liabilities and stockholders' Equity	$ 7,136	$ 1,142	(

See accompanying notes to the unaudited pro forma condensed consolidated financial statements.

BARRISTER GLOBAL SERVICES NETWORK, INC.

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

1. The accompanying pro forma condensed consolidated financial statements of Barrister Global Services Network, Inc. (the "Company") are presented to reflect the acquisition of Advantage Innovation, Inc. ("Advantage"). On July 15, 2002, the Company acquired the stock of Advantage for $1,200,000 in cash plus future consideration. The unaudited pro forma condensed consolidated balance sheet as of March 31, 2002, gives effect to the acquisition as if it had occurred on March 31, 2002. The unaudited pro forma condensed consolidated statements of operations for the years ended March 31, 2001 and March 31, 2002, give effect to the acquisition as if the transaction occurred on April 1, 2000, and April 1, 2001, respectively.

2. The acquisition is accounted for as a purchase. Accordingly, assets acquired and liabilities assumed are recorded at their estimated fair values at the date of acquisition. The pro forma financial statements reflect a preliminary allocation of the purchase price based on information presently available. The excess of the purchase price over the fair value

of net assets acquired is recorded as goodwill. The amount of any future consideration will be added to goodwill at the time it becomes due and payable.

3. Represents the amount of loans to stockholders and the amount due from an affiliated company that were forgiven and certain fixed assets with a net book value of $91,000, including vehicles and art work that were distributed to selected employees on the date of the acquisition. Also includes the associated tax effect of the transactions.

4. Represents adjustments to depreciation expense associated with items distributed per note 3 and the associated income tax effect.

5. Represents an adjustment to record assets at their estimated fair market values.

6. Represents the excess of the purchase price for Advantage over the fair value of the net assets acquired.

7. Represents depreciation of the fair value of tangible assets over a three to five year period and amortization of the fair value of intangible assets over a two to four year period.

8. Represents estimated legal and professional fees incurred in connection with the transaction.

9. Reflects the elimination of Advantage's stockholders' equity.

c) Exhibit No. 23-01 Consent of Postlethwaite & Netterville, Independent Auditors

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Barrister Global Services Network, Inc.
(Registrant)

Date: August 13, 2002

/s/ Richard P. Beyer
(Signature)
Richard P. Beyer
Senior Vice President and
Chief Financial Officer

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