

BEARINGPOINT INC
Form 10-Q/A
October 06, 2003
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q/A

Amendment No. 1

x Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934 for quarterly period ended December 31, 2002.

.. Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period to

Commission File Number 001-31451

BearingPoint, Inc.

(Exact name of registrant as specified in its charter)

DELAWARE

22-3680505

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

1676 International Drive, McLean, VA

22102

(Address of principal executive office)

(Zip Code)

(703) 747-3000

(Registrant's telephone number, including area code)

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(Former name, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

YES NO

The number of shares of common stock of the Registrant outstanding as of January 31, 2003 was 189,545,119.

Table of Contents

BEARINGPOINT, INC.

QUARTERLY REPORT ON FORM 10-Q/A

FOR THE QUARTER ENDED DECEMBER 31, 2002

INTRODUCTORY NOTE

Pursuant to Rule 12b-15 of the Rules and Regulations under the Securities and Exchange Act of 1934, the following is an amendment on Form 10-Q/A of BearingPoint, Inc. for the quarter ended December 31, 2002. This Amendment is being filed (i) to restate certain amounts (see also Note 2, Restatement, of the Notes to Consolidated Condensed Financial Statements for discussion of significant changes), (ii) to revise disclosures of the Company's Consolidated Financial Statements for the quarter ended December 31, 2002 and (iii) to amend Item 4, Controls and Procedures, to disclose certain matters identified in connection with the audit of the Company's consolidated financial statements for the year ended June 30, 2003 and to refer to the matter described below regarding Grant Thornton LLP. This filing should be read in conjunction with the Company's amendments on Form 10-Q/A for the quarter ended September 30, 2002. The circumstances necessitating the restatement and their effects on the three and six months ended December 31, 2002 are more fully described in Note 2, Restatement, of the Notes to Consolidated Condensed Financial Statements. This amendment continues to speak as of the date of the original filing of the Quarterly Report, and the Company has not updated the disclosures contained therein to reflect events that occurred at a later date, except for items relating to the restatement (see Note 2, Restatement, of the Notes to the Consolidated Condensed Financial Statements), disclosure relating to segment reporting (see Note 3, Segment Reporting, of the Notes to the Consolidated Condensed Financial Statements) and disclosure relating to controls and procedures.

In August 2003, the Company reported that it would restate its financial results for the first three quarters of fiscal year 2003 due to certain acquisition related and other accounting adjustments. The acquisition related adjustments were primarily attributable to the Company's reassessment of the prior allocations to identifiable intangible assets and goodwill, along with restructuring charges related to certain acquisitions during fiscal year 2003. During the Company's subsequent review of the identifiable intangible assets, such as customer contracts and relationships, it was determined that these assets were undervalued by approximately \$20.8 million. Accordingly, the first three quarters of fiscal year 2003 were restated to reflect the related additional non-cash amortization expense and the other accounting adjustments. The other accounting adjustments pertain to restructuring activities related to the recent acquisitions, revenue recognition and contract accounting, accrued liabilities and stock awards with related shareholder notes. In total, these adjustments resulted in a decrease in previously reported net income and earnings per share for the three months and six months ended December 31, 2002 of \$1.8 million, or \$0.01 per share, and \$4.7 million, or \$0.02 per share, respectively.

On September 29, 2003, the Company filed its Form 10-K for the fiscal year ended June 30, 2003, containing, among other items, the reports of Grant Thornton LLP on the Company's audited financial statements and financial statement schedule for 2001 and 2002, and the consent of Grant Thornton LLP on Exhibit 23.1. After the market close on October 3, 2003, Grant Thornton LLP informed the Company in writing that it had not provided its manually signed opinion or consent to the Company and had not otherwise authorized the filing of such report and consent. On October 6, 2003, Grant Thornton LLP provided to the Company its two manually signed reports and consent for inclusion in the Company's Form 10-K/A filed on October 6, 2003. Solely in light of Grant Thornton LLP's statement on October 3, 2003, PricewaterhouseCoopers LLP withdrew its reports and consent filed with the Company's Form 10-K on October 5, 2003. On October 6, 2003, PricewaterhouseCoopers LLP provided its reports and consent with respect to the Company's audited financial statements and schedule for fiscal year 2003 in connection with the Company's Form 10-K/A filed on October 6, 2003.

Table of Contents

BEARINGPOINT, INC.

QUARTERLY REPORT ON FORM 10-Q/A

FOR THE QUARTER ENDED DECEMBER 31, 2002

TABLE OF CONTENTS

PART I FINANCIAL STATEMENTS

Item 1:	Financial Statements (unaudited)	
	<u>Consolidated Condensed Statements of Operations for the Three and Six Months Ended December 31, 2002 and 2001</u>	4
	<u>Consolidated Condensed Balance Sheets as of December 31, 2002 and June 30, 2002</u>	5
	<u>Consolidated Condensed Statements of Cash Flows for the Six Months Ended December 31, 2002 and 2001</u>	6
	<u>Notes to Consolidated Condensed Financial Statements</u>	7
Item 2:	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	19
Item 3:	<u>Quantitative and Qualitative Disclosure about Market Risk</u>	27
Item 4:	<u>Controls and Procedures</u>	27
PART II OTHER INFORMATION		
Item 1:	<u>Legal Proceedings</u>	28
Item 2:	<u>Changes in Securities and Use of Proceeds</u>	28
Item 4:	<u>Submission of Matters to a Vote of Security Holders</u>	28
Item 6:	<u>Exhibits and Reports on Form 8-K.</u>	28
	<u>Signatures</u>	30

Table of Contents**BEARINGPOINT, INC.****CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS**

(in thousands, except share and per share amounts)

(unaudited)

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2002	2001	2002	2001
	<i>as restated</i>		<i>as restated</i>	
Revenue	\$ 807,573	\$ 593,218	\$ 1,540,272	\$ 1,202,109
Costs of service:				
Professional compensation	351,581	247,746	689,009	492,832
Other direct contract expenses	181,854	155,543	341,663	299,736
Other costs of service	75,872	57,000	141,266	112,648
Total costs of service	609,307	460,289	1,171,938	905,216
Gross profit	198,266	132,929	368,334	296,893
Amortization of purchased intangible assets	11,321	1,005	19,334	1,005
Selling, general and administrative expenses	149,810	113,985	283,581	233,171
Operating income	37,135	17,939	65,419	62,717
Interest expense	3,466	491	5,662	1,114
Interest income	(584)	(518)	(1,068)	(1,288)
Other (income) expense, net	277	(175)	21	572
Income before taxes	33,976	18,141	60,804	62,319
Income tax expense	19,427	11,547	33,944	33,410
Income before cumulative effect of change in accounting principle	14,549	6,594	26,860	28,909
Cumulative effect of change in accounting principle				(79,960)
Net income (loss)	\$ 14,549	\$ 6,594	\$ 26,860	\$ (51,051)
Earnings (loss) per share basic and diluted:				
Income before cumulative effect of change in accounting principle	\$ 0.08	\$ 0.04	\$ 0.15	\$ 0.18
Cumulative effect of change in accounting principle, net of tax				(0.51)
Net income (loss)	\$ 0.08	\$ 0.04	\$ 0.15	\$ (0.32)
Weighted average shares basic	189,007,187	156,772,191	180,278,748	157,551,858

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Weighted average shares diluted	189,091,947	157,472,735	180,408,595	157,955,443
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The accompanying notes are an integral part of these consolidated condensed financial statements.

Table of Contents**BEARINGPOINT, INC.****CONSOLIDATED CONDENSED BALANCE SHEETS****(in thousands, except share amounts)**

	December 31, 2002	June 30, 2002
	(unaudited) as restated	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 56,147	\$ 203,597
Accounts receivable, net	382,606	246,792
Unbilled revenue	199,742	128,883
Prepaid and other current assets	81,170	67,941
	<u>719,665</u>	<u>647,213</u>
Property and equipment, net	102,152	60,487
Goodwill	937,214	87,663
Other intangible assets, net	126,875	75,652
Other assets	18,368	24,116
	<u>1,904,274</u>	<u>\$ 895,131</u>
Total assets	<u>\$ 1,904,274</u>	<u>\$ 895,131</u>
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of notes payable	\$ 39,074	\$ 1,846
Accounts payable	105,934	62,810
Accrued payroll and employee benefits	219,325	130,554
Other current liabilities	174,493	88,085
	<u>538,826</u>	<u>283,295</u>
Total current liabilities	538,826	283,295
Noncurrent portion of notes payable	253,300	
Other liabilities	49,471	9,966
	<u>841,597</u>	<u>293,261</u>
Total liabilities	841,597	293,261
Stockholders' equity:		
Preferred Stock, \$.01 par value 10,000,000 shares authorized		
Common Stock, \$.01 par value 1,000,000,000 shares authorized, 193,357,369 shares issued on December 31, 2002 and 161,478,409 shares issued on June 30, 2002	1,924	1,605
Additional paid-in capital	1,065,428	689,210
Accumulated deficit	(6,484)	(41,421)
Notes receivable from stockholders	(9,199)	(10,151)
Accumulated other comprehensive income (loss)	46,735	(1,646)
Treasury stock, at cost (3,812,250 shares)	(35,727)	(35,727)
	<u>1,062,677</u>	<u>601,870</u>
Total stockholders' equity	1,062,677	601,870
Total liabilities and stockholders' equity	<u>\$ 1,904,274</u>	<u>\$ 895,131</u>

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

Table of Contents

BEARINGPOINT, INC.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Six Months Ended December 31,	
	2002	2001
	<i>as restated</i>	
Cash flows from operating activities:		
Net income (loss)	\$ 26,860	\$ (51,051)
Adjustments to reconcile to net cash provided by operating activities:		
Cumulative effect of change in accounting principle		79,960
Deferred income taxes and other	(8,479)	(2,507)
Stock awards	8,443	
Depreciation and amortization	47,075	23,015
Changes in assets and liabilities:		
Accounts receivable	(17,412)	83,486
Unbilled revenue	(37,747)	36,127
Prepaid expenses and other current assets	4,608	(7,677)
Other assets	(694)	12,971
Accrued payroll and employee benefits	(8,663)	(38,316)
Accounts payable and other current liabilities		