VOIP INC
Form 8-K/A
September 13, 2004

UNITED STATES
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): June 28, 2004

VOIP, INC.
(Exact name of registrant as specified in its charter)

Texas	0-28985	75-2785941
(State of Incorporation)	(Commission File No.)	(IRS Employer Identification No.)

12330 SW 53rd Street, Suite 712, Ft. Lauderdale, Florida 33330
(Address of principal execute offices, including zip code)

(954) 434-2000
(Registrant's telephone number, including area code)

Registrant filed a Form 8K on July 9, 2004, describing in Items 1 and 2 a material acquisition and resulting change of control. Pursuant to Item 7(a)(4) of Form 8-K, the Management's Decision and Analysis or Plan of Operation, financial statements of the acquired businesses and financial statements are being filed by amendment hereby. This Amendment should be read in conjunction with the Form 8-K filed on July 9, 2004.

Item 2. Management's Discussion and Analysis of Financial Conditions and Results of Operations

The following discussion should be read in conjunction with and qualified in its entirety by the financial statements and related notes included elsewhere in this report. This section contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those we anticipate in these forward-looking statements.

OVERVIEW

VoIP, INC. ("VoIP" or the "Company") was incorporated in Texas in 1998 under the name "Millennia Tea Masters, Inc." In March 2000, VoIP became a reporting company when a Form 10SB filed with the Securities and Exchange Commission became effective. In April, 2004, the Company began trading on the NASD Over-the-Counter Bulletin Board market after satisfying all requirements of the OTCBB. The Company maintains a website at www.voipincorporated.com, and intends to publish all SEC reports on the website.

On June 28, 2004, VoIP. Inc. closed the acquisition of VCG Technologies, Inc. d/b/a DTNet Technologies, Inc., a Florida corporation. The acquisition took the form of an exchange of 2,500,000 shares of VoIP restricted common stock in exchange for all issues and outstanding shares of DTNet common stock, which was owned by Mr. Marc Moore, chairman of DTNet and 13 other shareholder/employees. Mr. Moore will become the second largest shareholder of VoIP. The purchase price was determined by means of arms-length negotiations between unrelated parties. DTNet provides customer premise equipment to cable and DSL Internet providers throughout North America. DTNet sales were approximately $4.7 million in 2003.

RESULTS OF OPERATION OF DTNET TECHNOLOGIES, INC.

The company was formed to engage principally in the distribution and sale Of network interface products primarily to companies providing internet related application services.

For the year ended December 31, 2003 DTNet had Revenues amounting to $4,779,124 and a gross profit of $984,132.

The General and administrative expenses for the year ended December 31, 2003 were $965,080. Major items are Payroll $560K , Freights and customs $124K, Commissions $66K and insurance $49K.

The company's income from the operations on that year was $19,052.

PLAN OF OPERATIONS

DTNet Technologies is a primary supplier of cable modems, DSL/ADSL modems and other customer premise equipment for cable and DSL providers. Working closely with Taiwanese and Chinese partners, the Company is able to offer excellent equipment at very competitive prices to providers throughout the United States and Canada. Our clients include many of the top ten largest Multimedia Service Operators (MSOs) as well as regional and local providers. Our customer support specialists are in daily contact with industry members, providing customer service and staying abreast of industry trends.

Forward Looking Statements

Certain statements contained in this Report and other written material and oral statements made from time to time by us do not relate strictly to historical or current facts. As such, they are considered "forward-looking statements" that provide current expectations or forecasts of future events. Such statements are typically characterized by terminology such as "believe," anticipate," "should," "intend," "plan," "will," "expect," "estimate," "project," "strategy" and similar expressions. Our forward-looking statements generally relate to the prospects for future sales of our products, the success of our marketing activities, and the success of our strategic corporate relationships. These statements are based upon assumptions and assessments made by our management in light of its experience and its perception of historical trends, current conditions, expected future developments and other factors our management believes to be appropriate. These forward-looking statements are subject to a number of risks and uncertainties, including the following: our ability to achieve profitable operations and to maintain sufficient cash to operate its business and meet its liquidity requirements; our ability to obtain financing, if required, on terms acceptable to it, if at all; the success of our research and development activities; competitive developments affecting our current products; our ability to successfully attract strategic partners and to market both new and existing products; exposure to lawsuits and regulatory proceedings; our ability to protect our intellectual property; governmental laws and regulations affecting operations; our ability to identify and complete diversification opportunities; and the impact of acquisitions, divestitures, restructurings, product withdrawals and other unusual items. Except as required by applicable law, we undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 9.01. Financial Statements and Exhibits

INDEX TO FINANCIAL STATEMENTS

DTNet Technologies, Inc.

VCG TECHNOLOGIES, INC.
d/b/a DTNet Technologies, Inc.

Financial Statements

December 31, 2003

(With Independent Auditors' Report Thereon)

VCG TECHNOLOGIES, INC.
d/b/a DTNet Technologies, Inc.

Table of Contents

TSCHOPP, WHITCOMB & ORR, P.A.
2600 Maitland Center Parkway, Suite 330
Maitland, FL 32751

Independent Auditors' Report

Board of Directors and Stockholder
VCG Technologies, Inc.
d/b/a DTNet Technologies, Inc.

We have audited the accompanying balance sheet of VCG Technologies, Inc., d/b/a DTNet Technologies, Inc. as of December 31, 2003 and the related statements of operations, changes in stockholders' deficit and cash flows for the years ended December 31, 2003 and 2002. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the 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 VCG Technologies, Inc., d/b/a DTNet Technologies, Inc. as of December 31, 2003, and the results of its operations and its cash flows for the years ended December 31, 2003 and 2002 in conformity with accounting principles generally accepted in the United States of America.

/s/ Tschopp, Whitcomb & Orr, P.A.

July 15, 2004
Maitland, Florida

1

VCG TECHNOLOGIES, INC.
d/b/a DTNet Technologies, Inc.

Balance Sheet

December 31, 2003

Assets

Current assets:	
Cash	$ 63,188
Accounts receivable, less allowance for doubtful accounts of $27,000 (notes 6 and 7)	534,812
Due from affiliates (note 3)	338,788
Due from stockholders (note 3)	12,500
Inventory (notes 4, 6 and 7)	110,827
Prepaid expenses and other current assets	27,028
Total current assets	1,087,143
Property and equipment (notes 5, 6 and 7)	44,594
Other assets, net	37,462
Total assets	$ 1,169,199

Liabilities and Stockholders' Deficit

Current liabilities:	
Line of credit (note 7)	$ 338,200
Accounts payable and accrued expenses	808,685
Due to stockholders (note 3)	55,379
Current installments of long-term debt (note 6)	67,386
Total current liabilities	1,269,650

Long term debt, less current installments (note 6)	85,180
Total liabilities	1,354,830
Stockholders' deficit (note 8):	
Common stock - no par value	
8,000,000 shares authorized	
3,500,000 shares issued and outstanding	317,556
Accumulated deficit	(503,187)
Total stockholders' deficit	(185,631)
Total liabilities and stockholders' deficit	$ 1,169,199

See accompanying notes to financial statements.

VCG TECHNOLOGIES, INC.
d/b/a DTNet Technologies, Inc.

Statements of Operations

Years ended December 31, 2003 and 2002

	2003	2002
Revenues	$ 4,779,124	3,893,043
Cost of sales	3,794,992	3,043,898
Gross profit	984,132	849,145
General and administrative expenses	965,080	955,061
Income (loss) from operations	19,052	(105,916)
Other income (expense):		
Interest expense	(37,405)	(22,520)
Net loss	$ (18,353)	(128,436)
Earnings per weighted-average share of common stock outstanding, basic and fully diluted	$ (0.01)	(0.09)
Weighted-average number of common shares		

outstanding	3,500,000	1,380,854

See accompanying notes to financial statements.

VCG TECHNOLOGIES, INC.
d/b/a DTNet Technologies, Inc.

Statements of Changes in Stockholders' Deficit

Years ended December 31, 2003 and 2002

	Common Stock			
	Number of Shares	Amount	Accumulated Deficit	Total
Balances at December 31, 2001	1,353,333	$ 140,842	(356,398)	(215,556)
Issuance of common stock	2,146,667	176,714	--	176,714
Net loss	--	--	(128,436)	(128,436)
Balances at December 31, 2002	3,500,000	317,556	(484,834)	(167,278)
Net loss	--	--	(18,353)	(18,353)
Balances at December 31, 2003	3,500,000	$ 317,556	(503,187)	(185,631)

See accompanying notes to financial statements.

VCG TECHNOLOGIES, INC.
d/b/a DTNet Technologies, Inc.

Statements of Cash Flows

Years ended December 31, 2003 and 2002

	2003	2002
Cash flows from operating activities:		
Net loss	$ (18,353)	$(128,436)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	40,173	89,142
Common stock issued for compensation and services	--	77,930
Changes in assets and liabilities:		
Accounts receivable	(170,320)	(193,101)
Due from affiliates	(205,424)	(113,076)
Due from stockholders	1,667	(14,167)
Inventory	167,660	(175,080)
Prepaid expenses	(23,369)	(3,659)
Accounts payable and accrued expenses	274,336	159,659
Due to stockholders	51,446	(11,697)
Net cash provided by (used in) operating activities	117,816	(312,485)
Cash flows from investing activities:		
Purchase of property and equipment	(9,335)	(31,310)
Decrease (increase) in other assets	1,401	(277)
Net cash used in investing activities	(7,934)	(31,587)
Cash flows from financing activities:		
Net proceeds (payments) on line of credit	(11,800)	151,225
Proceeds from long-term debt	25,000	200,000
Payments of principal on long-term debt	(62,480)	(9,954)

Net cash provided by (used in) financing activities	(49,280)	341,271
Increase (decrease) in cash	60,602	(2,801)
Cash at beginning of period	2,586	5,387
Cash at end of period	$ 63,188	$ 2,586
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 37,405	22,520
Common stock issued for loan costs	$ --	98,784

See accompanying notes to financial statements.

5

VCG TECHNOLOGIES, INC.
d/b/a DTNet Technologies, Inc.

Notes to Financial Statements

December 31, 2003

(1) Organization and Description of Business

VCG Technologies, Inc. (the "Company") was incorporated in 1999 under the laws of the State of Florida. The Company was formed to engage principally in the distribution and sale of network interface products primarily to companies providing internet related application services.

(2) Summary of Significant Accounting Policies

(a) Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers all cash on hand, in banks, including accounts in book overdraft positions, certificates of deposit and other highly liquid debt instruments with a maturity of three months or less at the date of purchase 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.

(b) Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts using the reserve method based on its assessment of the current status of the individual receivables and after using reasonable collection efforts. As of December 31, 2003, the balance of the reserve recorded for uncollectible amounts amounted to approximately $27,000.

(c) Inventory

Inventory consists substantially of finished products and is valued at the lower of cost or market using the first-in, first-out method.

(Continued)

(2) Summary of Significant Accounting Policies - (Continued)

(d) Property and Equipment

Property and equipment included in the accompanying balance sheet is recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets which range from 5-7 years.

(e) Revenue Recognition

The Company sells it products to the general public through direct sales. Accordingly, the Company recognizes revenue at the point of shipment to its customers. Sales allowances are recorded concurrent with the related sale of product. Sales returns are recorded at the time and point that products are received back from the consumer.

(f) Income Taxes

The Company has elected to be taxed under the Subchapter S provisions of the Internal Revenue Code. These provisions provide that the taxable income of the Company be included in the income tax returns of the respective stockholders. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

(g) Earnings Per Share

Basic earnings per share is computed by dividing the net income 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 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 December 31, 2003 and 2002, the Company had no warrants or options outstanding.

(h) 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Continued)

(2) Summary of Significant Accounting Policies - (Continued)

(i) Financial Instruments Fair Value, Concentration of Business and Credit Risk

The carrying amount reported in the balance sheet for cash, accounts receivable, due to stockholders and affiliates approximates fair value because of the immediate or short-term maturity of these financial statements. Financial statements, which potentially subject the Company to concentrations of credit risk, consist principally of accounts receivable which amount to approximately $535,000 as of December 31, 2003. The Company performs periodic credit evaluations of its trade customers and generally does not require collateral.

(3) Related Party Transactions

The balance due from (to) stockholders represents unsecured advances which are due on demand and non-interest bearing.

Amounts due from (to) affiliates represent net unsecured advances to/from affiliated entities which are due on demand and non-interest bearing.

(4) Inventories

Inventories consist primarily of network interface cards, cable modems and related products. Substantially all inventories are finished products held for sale to third parties.

(5) Property and Equipment

At December 31, 2003 property and equipment consist of the following:

Equipment	$ 50,839
Furniture and fixtures	35,731
Vehicles	20,000
	106,570
Less accumulated depreciation	61,976
	$ 44,594

VCG TECHNOLOGIES, INC.
d/b/a DTNet Technologies, Inc.

Notes to Financial Statements

(6) Long-Term Debt

At December 31, 2003 long-term debt consists of the following:

Promissory note payable in monthly installments of $6,231 including interest at 7.5% through October 2005. The note is secured by inventory, quipment and accounts receivable of the Company	$ 127,566
Other	25,000
	152,566
Less current installments	67,386
Long-term debt, less current installments	$ 85,180

At December 31, 2003, maturities of long-term debt amount to $67,386, $60,180 and $25,000 in 2004, 2005 and 2008, respectively.

(7) Revolving Line of Credit

The Company has entered into a revolving line of credit agreement subject to maximum borrowings of $350,000. Interest only is payable monthly at prime plus 1%. The outstanding principal balance and any unpaid interest is due on demand. The obligation is secured by accounts receivable, inventory and equipment.

(8) Subsequent Event

Effective June, 2004, the Company became a wholly-owned subsidiary of VoIP, Inc. ("VoIP") pursuant to a Purchase Agreement (the "Agreement") executed between the two formerly unrelated parties. Under provisions of the Agreement, VoIP acquired 100% of the outstanding common stock of the Company in exchange for the issuance of 2.5 million shares of VoIP common stock.

SIGNATURES

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.

Date: September 13, 2004

VOIP, INC.
(Registrant)

/s/ Steven Ivester

President and Chief Executive Officer