

FINDEX COM INC
Form 10QSB/A
December 14, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-QSB/A

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2005.

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____.

Commission File Number: 0-29963

FINDEX.COM, INC.

(Exact name of small business issuer as specified in its charter)

Nevada 88-0379462
(State or other (I.R.S. Employer
jurisdiction of
incorporation or Identification No.)
organization)

11204 Davenport Street, Suite 100,
Omaha, Nebraska 68154
(Address of principal executive offices)

(402) 333-1900
(Issuer's telephone number)

NA.

(Former name, former address and former fiscal year, if changed since last report)

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**

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. **Yes** **No**

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 48,619,855 common shares as of December 13, 2005.

Transitional Small Business Disclosure Format (Check one): **Yes** **No**

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PART I - FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS.**

Findex.com, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS

	(Unaudited) (Restated) September 30, 2005	(Unaudited) (Restated) September 30, 2004
Assets		
Current assets:		
Cash and cash equivalents	\$ 39,838	\$ 539,399
Accounts receivable, trade	465,383	296,850
Inventory	211,769	162,800
Other current assets	308,956	139,495
Total current assets	1,025,946	1,138,544
Property and equipment, net	123,653	61,518
Software license, net	1,888,153	2,391,660
Capitalized software development costs, net	942,451	602,276
Other assets	432,124	136,655
Total assets	\$ 4,412,327	\$ 4,330,653
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable, trade	\$ 687,662	\$ 410,179
Accrued royalties	328,345	236,949
Notes payable	---	240,000
Derivatives	2,843,742	3,062,500
Other current liabilities	578,751	445,776
Total current liabilities	4,438,500	4,395,404
Long-term obligations	167,927	808,083
Commitments and contingencies		
Stockholders' equity:		
Common stock	48,620	46,153
Paid-in capital	7,521,339	7,260,469
Retained (deficit)	(7,764,059)	(8,179,456)
Total stockholders' equity	(194,100)	(872,834)
Total liabilities and stockholders' equity	\$ 4,412,327	\$ 4,330,653

See accompanying notes.

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Findex.com, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2005	2004	2005	2004
	(Restated)	(Restated)	(Restated)	(Restated)
Revenues, net of reserves and allowances	\$ 1,023,609	\$ 1,010,207	\$ 3,978,019	\$ 3,664,060
Cost of sales	316,449	431,592	1,276,227	1,171,661
Gross profit	707,160	578,615	2,701,792	2,492,399
Operating expenses:				
Sales and marketing	295,902	287,909	1,030,870	798,410
General and administrative	613,191	478,781	1,819,987	1,650,355
Bad debt expense	6,981	8,566	29,650	11,066
Depreciation and amortization	145,355	141,607	436,903	416,246
Total operating expenses	1,061,429	916,863	3,317,410	2,876,077
Loss from operations	(354,269)	(338,248)	(615,618)	(383,678)
Other income	75	1,010,288	75	1,010,288
Loss on valuation adjustment of derivatives	(328,121)	(1,385,422)	(874,992)	(1,385,422)
Other expenses	(164,101)	(162,826)	(289,876)	(193,344)
Loss before income taxes	(846,416)	(876,208)	(1,780,411)	(952,156)
Provision for income taxes	(111,976)	(31,095)	187,182	(92,417)
Net loss	\$ (958,392)	\$ (907,303)	\$ (1,593,229)	\$ (1,044,573)
Retained deficit at beginning of year			(6,170,830)	(7,130,758)
Preferred stock dividend			---	(4,125)
Retained deficit at end of period			\$ (7,764,059)	\$ (8,179,456)
Net loss per share:				
Basic	\$ (0.02)	\$ (0.02)	\$ (0.03)	\$ (0.03)
Diluted	\$ (0.02)	\$ (0.02)	\$ (0.03)	\$ (0.03)
Weighted average shares outstanding:				
Basic	48,619,855	46,153,189	48,619,855	30,146,980
Diluted	48,619,855	46,153,189	48,619,855	30,146,980

See accompanying notes.

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Findex.com, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

Nine Months Ended September 30,	2005	2004
	(Restated)	(Restated)
Cash flows from operating activities:		
Cash received from customers	\$ 4,049,153	\$ 3,607,255
Cash paid to suppliers and employees	(3,565,309)	(4,368,409)
Other operating activities, net	(3,910)	(34,235)
Net cash provided (used) by operating activities	479,934	(795,389)
Cash flows from investing activities:		
Software development costs	(766,151)	(415,197)
Other investing activities, net	15,300	(7,152)
Net cash (used) by investing activities	(750,851)	(422,349)
Cash flows from financing activities:		
Payments on line of credit, net	---	(20,933)
Payments made on long-term notes payable	(30,604)	(202,551)
Proceeds from convertible notes payable	---	240,000
Stock offering costs paid	---	(51,047)
Proceeds from issuance of common stock and warrants	---	1,750,000
Net cash (used) provided by financing activities	(30,604)	1,715,469
Net (decrease) increase in cash and cash equivalents	(301,521)	497,731
Cash and cash equivalents, beginning of year	341,359	41,668
Cash and cash equivalents, end of period	\$ 39,838	\$ 539,399
Reconciliation of net loss to cash flows from operating activities:		
Net loss	\$ (1,593,229)	\$ (1,044,573)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Software development costs amortized	524,989	397,627
Stock and warrants issued for services	---	73,700
Loss on valuation adjustment of derivatives	874,992	1,385,422
Debt forgiveness	---	(1,000,662)
Provision for bad debts	29,650	11,066
Depreciation & amortization	436,903	416,245
Loss on disposal of property and equipment	1,869	141
Change in assets and liabilities:		
Decrease in accounts receivable	71,786	57,887
Decrease in inventories	22,231	109,800
Decrease (increase) in refundable taxes	7,164	(2,948)
Decrease (increase) in prepaid expenses	55,509	(114,629)
Increase (decrease) in accrued royalties	40,831	(381,677)
Increase (decrease) in accounts payable	65,858	(407,683)
Increase (decrease) in income taxes payable	180	(950)
(Decrease) increase in deferred taxes	(187,362)	90,931
Increase (decrease) in other liabilities	128,563	(385,086)

Net cash provided (used) by operating activities	\$	479,934	\$	(795,389)
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See accompanying notes.

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Findex.com, Inc.
Notes to Condensed Consolidated Financial Statements
September 30, 2005
(Unaudited)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Restated)

BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles for interim financial information and with the instructions to Form 10-QSB and Item 310 of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by Generally Accepted Accounting Principles for complete financial statements. The accompanying unaudited condensed consolidated financial statements reflect all adjustments that, in the opinion of management, are considered necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented. The results of operations for such periods are not necessarily indicative of the results expected for the full fiscal year or for any future period. The accompanying financial statements should be read in conjunction with the audited consolidated financial statements of Findex.com, Inc. included in our Form 10-KSB/A for the fiscal year ended December 31, 2004.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Significant estimates used in the consolidated financial statements include the estimates of (i) doubtful accounts, sales returns, price protection and rebates, (ii) provision for income taxes and realizability of the deferred tax assets, (iii) the life and realization of identifiable intangible assets, and (iv) provisions for obsolete inventory. The amounts we will ultimately incur or recover could differ materially from current estimates.

INVENTORY

Inventory, including out on consignment, consists primarily of software media, manuals and related packaging materials and is recorded at the lower of cost or market value, determined on a first-in, first-out, and adjusted on a per-item, basis.

ACCOUNTING FOR LONG-LIVED ASSETS

We review property and equipment and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of our carrying amount to future net cash flows the assets are expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair market value. Property and equipment to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

INTANGIBLE ASSETS

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*, intangible assets with an indefinite useful life are not amortized. Intangible assets with a finite useful life are amortized on the straight-line method over the estimated useful lives. The software license is amortized over a 10 year

useful life.

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SOFTWARE DEVELOPMENT COSTS

In accordance with SFAS No. 86, *Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed*, software development costs are expensed as incurred until technological feasibility and marketability has been established, generally with release of a beta version for customer testing. Once the point of technological feasibility and marketability is reached, direct production costs (including labor directly associated with the development projects), indirect costs (including allocated fringe benefits, payroll taxes, facilities costs, and management supervision), and other direct costs (including costs of outside consultants, purchased software to be included in the software product being developed, travel expenses, material and supplies, and other direct costs) are capitalized until the product is available for general release to customers. We amortize capitalized costs on a product-by-product basis. Amortization for each period is the greater of the amount computed using (i) the straight-line basis over the estimated product life (generally from 12 to 18 months), or (ii) the ratio of current revenues to total projected product revenues. Total cumulative capitalized software development costs were \$2,514,885, less accumulated amortization of \$1,572,434 at September 30, 2005.

Capitalized software development costs are stated at the lower of amortized costs or net realizable value. Recoverability of these capitalized costs is determined at each balance sheet date by comparing the forecasted future revenues from the related products, based on management's best estimates using appropriate assumptions and projections at the time, to the carrying amount of the capitalized software development costs. If the carrying value is determined not to be recoverable from future revenues, an impairment loss is recognized equal to the amount by which the carrying amount exceeds the future revenues. To date, no capitalized costs have been written down to net realizable value.