

FINDEX COM INC  
Form 10QSB/A  
September 30, 2005

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

**FORM 10-QSB/A  
Amendment No. 1**

(Mark One)

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

For the quarterly period ended March 31, 2004.

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

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

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

(402) 333-1900  
(Issuer's telephone number, including area code)

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 September 29, 2005.

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

---

### Explanatory Note

We are filing this Amendment Number 1 to our Quarterly Report on Form 10-QSB for the three months ended March 31, 2004 to restate our financial statements for the quarter then ended to reflect certain issues identified during a regulatory review of our financial statements associated with a certain registration statement filed with the SEC on November 22, 2004 on Form SB-2 and which is pending effectiveness as of the date of this filing of Amendment Number 1 to Form 10-QSB for the quarter ended March 31, 2004. There was no net effect on either cash provided by operating activities, cash used by investing activities or cash used by financing activities as a result of the corrections to the financial statements for the period covered by this report. Our management and our board of directors have concluded that these restatements are necessary to reflect the following changes.

Revisions affecting our condensed consolidated statements of operations:

- In June 1999 we entered into a certain software license agreement with Parsons Technology, Inc. to manufacture, distribute and sell a variety of software titles, including QuickVerse® and Membership Plus®, by far our two largest selling titles. During the quarter ended June 30, 2002, we reached a tentative settlement agreement in an arbitration arising out of the 1999 license with The Learning Company (“TLC”), the licensor-assignee at the time. The tentative settlement agreement forgave the final, unpaid installment due on the 1999 license and extended the term from 10 years to 50 years. We originally recorded the final, unpaid installment (\$1,051,785) as an offset against the recorded historical cost of the 1999 license and recalculated the amortization based on this reduced amount and the extension of the useful life to 50 years. Although paragraph 6 of Statement of Financial Accounting Standards (“SFAS”) No. 141, *Business Combinations*, which guides the recognition and measurement of intangible assets, provides that the measurement of an asset in which the consideration given is cash is measured by the amount of cash paid, our management has since concluded that too much time had elapsed between the date of the 1999 license and the date of the tentative settlement agreement for such an offset to be appropriate. Therefore, we have recognized the extinguishment of the liability owed to TLC as income in our consolidated statement of operations for the year ended December 31, 2002. This adjustment reduced our retained deficit at the year ended December 31, 2003 from that which was originally reported but had no effect on the condensed consolidated statements of operations or consolidated statements of cash flows for the period ended March 31, 2004.
- During the quarter ended December 31, 2003, we reached a final settlement agreement in a second dispute arising out of the 1999 license with Zondervan and TLC. This final settlement extended the life of the 1999 license, and the trademarks included therein, indefinitely. We originally reassessed the useful life of the 1999 license to be indefinite, based on the guidelines provided by paragraphs 11 and 53 of SFAS No. 142, *Goodwill and Other Intangible Assets*. Our management has since concluded a 10 year life is appropriate based on our going concern opinion for the years ended December 31, 2002 and 2003. Therefore, we have restored the estimated economic useful life to the original 10 years and have recalculated annual amortization accordingly. This adjustment increased the retained deficit at December 31, 2003 (for the prior years’ amortization and related income tax effects) and decreased net income for the three months ended March 31, 2004. There was no net effect on our consolidated statements of cash flows for the three months ended March 31, 2003 and 2004, respectively.

Revisions resulting in reclassifications or clarification with no net effect on our condensed consolidated statements of operations:

- During the year ended December 31, 2003, we decided to no longer provide support for and to destroy all remaining inventory of certain of our. We originally recorded this as a non-recurring item in the “Other income (expense)” section of our consolidated statements of operations for the year ended December 31, 2003. We have revised our condensed consolidated statement of operations for the three months ended March 31, 2003 to reflect this obsolete inventory in the “Cost of Sales” section.

- During the three months ended March 31, 2004, and as a direct result of the final settlement agreement with Zondervan and TLC, we wrote-off certain inventory containing Zondervan-owned content. Though not technologically obsolete, we were unable to sell the inventory under the final settlement agreement. We originally recorded this event as a non-recurring item in the “Other income (expense)” section of our condensed consolidated statement of operations. We have revised our condensed consolidated statement of operations for the three months ended March 31, 2004 to reflect this inventory adjustment in “Cost of Sales” section.

- We had previously and erroneously treated our 2004 rebates reserve adjustment as an expense recovery in operating expenses. The more appropriate presentation should have been, and is now, as an adjustment to revenue, as provided by EITF 01-09, *Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)*.
- Rebates payable to a third-party processor were overstated on our consolidated financial statements for the year ended December 31, 2000. We discovered this error during the preparation of our condensed consolidated financial statements for the three months ended March 31, 2004. We originally recorded the error correction as an adjustment to the beginning retained earnings of the year ended December 31, 2003 on our Forms 10-QSB and 10-KSB for the year ended December 31, 2004. We have revised our consolidated statement of operations for the year ended December 31, 2000 to reflect an adjustment to revenue and reported the correction on our Form 10-KSB/A for the year then ended. This revision had no net effect on the net income (loss) for the three months ended March 31, 2004 and 2003 or retained earnings (deficit) at March 31, 2004 and 2003.
- We also have reclassified various other expense items in our condensed consolidated statements of operations for the three months ended March 31, 2004 and 2003 to conform with the presentation in our consolidated statements of operations for the years ended December 31, 2004 and 2003, respectively. There was no net effect on net income from these reclassifications for the three months ended March 31, 2004 and 2003, respectively.

A discussion of the restatement for the quarter ended March 31, 2004 is included in Note 11 of the condensed consolidated financial statements included in this Amendment Number 1 to Form 10-QSB for the quarter ended March 31, 2004. Changes have also been made to the following items as a result of the restatement:

Part I Item 1 Financial Statements.

Item 2 Management's Discussion and Analysis of Financial Condition or Plan of Operations.

This Amendment Number 1 to Form 10-QSB for the quarter ended March 31, 2004 does not otherwise change or update the disclosures set forth in the Form 10-QSB as originally filed and does not otherwise reflect events occurring after the filing of the form 10-QSB. For a description of our business and the risks related to our business, see our Annual Report on Form 10-KSB/A for the year ended December 31, 2004.

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

**Findex.com, Inc.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**

	<b>March 31, 2004 (Restated)</b>	<b>March 31, 2003 (Restated)</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 30,584	\$ 1,508
Accounts receivable, trade	443,781	208,325
Inventory	173,000	315,200
Other current assets	23,670	39,448
Total current assets	671,035	564,481
Property and equipment, net	69,703	86,263
Software license, net	2,643,413	3,146,921
Software development, net	506,121	306,155
Restricted cash	100,354	38,636
Other assets	68,818	39,495
Total assets	\$ 4,059,444	\$ 4,181,951
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Notes payable	\$ 89,999	\$ 749,999
Accrued royalties	1,398,570	2,132,263
Accounts payable, trade	737,358	912,741
Current maturities of long-term notes payable	128,344	58,125
Other current liabilities	939,563	1,161,729
Total current liabilities	3,293,834	5,014,857
Long-term note payable	54,612	34,069
Non-current deferred taxes	747,464	886,998
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	51	51
Common stock	21,011	19,811
Paid-in capital	7,080,629	7,029,079
Retained (deficit)	(7,138,157)	(8,802,914)
Total stockholders' equity	(36,466)	(1,753,973)
Total liabilities and stockholders' equity	\$ 4,059,444	\$ 4,181,951

*See accompanying notes.*

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

<b>Three Months Ended March 31</b>	<b>2004</b>		<b>2003</b>	
	<b>(Restated)</b>		<b>(Restated)</b>	
Revenues, net of reserves and allowances	\$	<b>1,566,393</b>	\$	1,068,841
Cost of sales		<b>468,659</b>		298,821
Gross profit		<b>1,097,734</b>		770,020
Operating expenses:				
Sales and marketing		<b>242,599</b>		178,685
General and administrative		<b>555,679</b>		469,806
Bad debts		<b>2,500</b>		---
Depreciation and amortization		<b>135,452</b>		137,100
Total operating expenses		<b>936,230</b>		785,591
Earnings (loss) from operations		<b>161,504</b>		(15,571)
Other income		<b>---</b>		989
Other expenses, net		<b>(14,330)</b>		(14,801)
Income (loss) before income taxes		<b>147,174</b>		(29,383)
Provision for income taxes		<b>(30,311)</b>		56,616
Net income		<b>116,863</b>		27,233
Retained (deficit) at beginning of year		<b>(7,255,020)</b>		(8,830,147)
Retained (deficit) at end of period	\$	<b>(7,138,157)</b>	\$	(8,802,914)
Net earnings per share:				
Basic	\$	<b>0.01</b>	\$	---
Diluted	\$	<b>0.01</b>	\$	---
Weighted average shares outstanding:				
Basic		<b>21,011,438</b>		19,811,437
Diluted		<b>23,090,892</b>		22,047,255

*See accompanying notes.*

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

<b>Three Months Ended March 31</b>	<b>2004</b>	<b>2003</b>
	<b>(Restated)</b>	<b>(Restated)</b>
Cash flows from operating activities:		
Cash received from customers	\$ 1,450,002	\$ 1,084,519
Cash paid to suppliers and employees	(1,353,784)	(1,029,165)
Other operating activities, net	(13,921)	29,648
Net cash provided by operating activities	82,297	85,002
Cash flows from investing activities:		
Acquisition of property and equipment	(13,674)	(3,820)
Software development costs	(73,628)	(66,075)
Website development costs	(4,516)	(11,054)
Deposits made	(484)	(500)
Net cash (used) by investing activities	(92,302)	(81,449)
Cash flows from financing activities:		
Proceeds from line of credit, net	16,605	11,790
Payments made on long-term notes payable	(17,684)	(13,850)
Net cash (used) by financing activities	(1,079)	(2,060)
Net increase (decrease) in cash and cash equivalents	(11,084)	1,493
Cash and cash equivalents, beginning of year	41,668	15
Cash and cash equivalents, end of period	\$ 30,584	\$ 1,508
Reconciliation of net income to cash flows from operating activities:		
Net income	\$ 116,863	\$ 27,233
Adjustments to reconcile net income to net cash provided by operating activities:		
Software development costs amortized	152,213	40,422
Provision for bad debts	2,500	---
Depreciation and amortization	135,452	137,100
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(80,478)	19,916
Decrease in inventories	99,600	101,500
Decrease in refundable income taxes	---	29,148
(Increase) decrease in prepaid expenses	(1,750)	18,102
Increase (decrease) in accrued royalties	(100,436)	1,650
(Decrease) in accounts payable	(251,996)	(158,822)
Increase (decrease) in deferred taxes	30,311	(56,616)
(Decrease) in other liabilities	(19,982)	(74,631)
Net cash provided by operating activities	\$ 82,297	\$ 85,002

*See accompanying notes.*



**FindEx.com, Inc.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2004**  
**(UNAUDITED)**

**NOTE 1 - 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, 2003.

**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 basis and adjusted on a per-item basis.

**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 has been established, at which time such costs are capitalized until the product is available for general release to customers. Capitalized costs are amortized on a product-by-product basis using the greater of the straight-line method over the estimated product life or on the ratio of current revenues to total projected product revenues. The Company generally considers technological feasibility is established with the release of a beta version for testing. Total capitalized software development costs of current releases at March 31, 2004 were \$1,072,979, less accumulated amortization of \$566,858. Research and development costs incurred and charged to expense were \$16,174 and \$67,791 for the three months ended March 31, 2004 and 2003, respectively.

**NOTE 2 - INVENTORIES (Restated)**

At March 31, 2004 and 2003, inventories consisted of the following:

	<b>2004</b>	2003
Raw materials	<b>\$ 67,000</b>	\$ 93,000
Finished goods	<b>106,000</b>	222,200
	<b>\$ 173,000</b>	\$ 315,200

During the three months ended March 31, 2004 and 2003, we wrote-off obsolete inventory with a carried cost totaling \$31,892 and \$31,892, respectively. This has been included in cost of sales.



**NOTE 3 - NOTES PAYABLE (Restated)**

At March 31, 2004 and 2003, notes payable consisted of the following:

	2004	2003
Unsecured demand note payable to a corporation, with interest at 9%.	\$ ---	\$ 650,000
Note payable to a corporation, due May 31, 2003, with interest compounded monthly at 1.5%. Unsecured. Convertible at the option of the holder into 666,667 restricted common shares.	33,333	33,333
Note payable to a corporation, due May 31, 2003, with interest compounded monthly at 1.5%. Unsecured. Convertible at the option of the holder into 666,667 restricted common shares.	33,333	33,333
Note payable to a corporation, due May 31, 2003, with interest compounded monthly at 1.5%. Unsecured. Convertible at the option of the holder into 466,666 restricted common shares.	23,333	33,333
	\$ 89,999	\$ 749,999

**NOTE 4 - LONG-TERM NOTES PAYABLE**

At March 31, 2004 and 2003, long-term notes payable consisted of the following:

	2004	2003
Unsecured term note payable to a corporation due October 2004 in monthly installments of \$5,285, including interest at 8%.	\$ 53,975	\$ 92,194
Term note payable to a corporation due December 2005 in monthly installments of \$6,833, including interest at 8%. Secured by inventory.	128,981	---
	182,956	92,194
Less current maturities	128,344	58,125
	\$ 54,612	\$ 34,069

Principal maturities at March 31, 2004 are as follows:

2005	\$ 128,344
2006	54,612
	\$ 182,956

**NOTE 5 - INCOME TAXES (Restated)**

The provision for taxes on income for the three months ended March 31 consisted of the following:

	2004	2003
Current:		
Federal	\$ ---	\$ ---
State	---	---
	---	---
Deferred:		
Federal	(25,001)	46,304
State	(5,310)	10,312
	(30,311)	56,616
Total tax (expense) benefit	\$ (30,311)	\$ 56,616

**NOTE 6 - EARNINGS PER COMMON SHARE (Restated)**

Earnings per common share are computed by dividing net income by the weighted average number of common shares and common stock equivalents outstanding during the year. Common stock equivalents are the net additional number of shares that would be issuable upon the exercise of the outstanding common stock options and warrants, assuming that the Company reinvested the proceeds to purchase additional shares at market value. A total of 4,075,283 and 4,678,450 potentially dilutive securities for the three months ended March 31, 2004 and 2003, respectively, have been excluded from the computation of diluted earnings per share, as their inclusion would be anti-dilutive.

The following table shows the amounts used in computing earnings per share and the effect on income (loss) and the average number of shares of dilutive potential common stock:

<b>Three months ended March 31</b>	<b>2004</b>		<b>2003</b>	
Net Income	\$	<b>116,863</b>	\$	27,233
Preferred stock dividends		---		---
Net income available to common shareholders	\$	<b>116,863</b>	\$	27,233
Basic weighted average shares outstanding		<b>21,011,438</b>		19,811,437
<b>Dilutive effect of:</b>				
Stock options		---		---
Convertible notes payable		<b>1,800,000</b>		2,000,000
Convertible preferred series A		<b>114,000</b>		114,000
Convertible preferred series B		<b>40,000</b>		40,000
Warrants		<b>125,454</b>		81,818
Diluted weighted average shares outstanding		<b>23,090,892</b>		22,047,255
<b>Earnings per share:</b>				
Basic	\$	<b>0.01</b>	\$	0.00
Diluted	\$	<b>0.01</b>	\$	0.00

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

The Company is subject to legal proceedings and claims that arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position of the Company.

On November 14, 2001, The Zondervan Corporation elected to enforce a court order and served notice that we cease selling, marketing and manufacturing all products containing their copyrighted material. We are abiding by the court order and are no longer shipping products containing Zondervan's copyrighted material.

The Company previously reached tentative settlement in a dispute with TLC over various provisions of several agreements, including the software license agreement. Disposition of this tentative settlement was contingent upon settlement of negotiations with The Zondervan Corporation.

In March 2004, the Company finalized the settlement with The Zondervan Corporation and TLC. The Settlement Agreement was effective October 20, 2003 and calls for FindEx to pay Zondervan a total of \$500,000, plus 5% simple interest, in installments of \$150,000, plus interest, due November 15, 2003 and January 30, 2004 (which have been

paid), and installments of \$100,000, plus interest, due April 30, 2004 (which has been paid) and July 30, 2004. This agreement is secured by all rights, title and interest in QuickVerse® together with all proceeds produced by QuickVerse®. In addition, the Agreement provides for the transfer of ownership of QuickVerse®, including; (i) the object and source code, and (ii) patents, trademarks, trade names, etc., from TLC to FindEx.

On February 28, 2003, the Internal Revenue Service approved the Company's request to pay back payroll taxes in monthly installments of \$10,000 through May 5, 2003. This was extended through January 5, 2004. The monthly installments increase to \$45,000 beginning February 5, 2004 and continuing through July 5, 2004. In April 2004, the Internal Revenue Service approved the Company's request to reduce the monthly installments from \$45,000 to \$20,000 beginning May 5, 2004.

F-6

---

## **NOTE 8 - RISKS AND UNCERTAINTIES**

The Company's future operating results may be affected by a number of factors. The Company is dependent upon a number of major inventory and intellectual property suppliers. If a critical supplier had operational problems or ceased making material available to the Company, operations could be adversely affected. The Company is also dependent upon a few major customers. If any of these customers experienced operational problems or ceased placing orders with the Company, operations could also be adversely affected.

## **NOTE 9 - GOING CONCERN**

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. The Company has a negative current ratio and total liabilities in excess of total assets. Those factors, as well as uncertainty in securing financing for continued operations, create an uncertainty about the Company's ability to continue as a going concern. Management of the Company has developed a plan to reduce its liabilities through sales of new releases of the Company's flagship software titles. The ability of the Company to continue as a going concern is dependent on the acceptance of the plan by the Company's creditors and the plan's success. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

## **NOTE 10 - SUBSEQUENT EVENTS**

In April 2004, the Company committed to issue a total of 1,519,349 common shares to executive management in lieu of cash as payment of their 2003 accrued performance bonus. The Company also committed to issue 637,500 common shares to non-executive employees. Both are subject to a one-year lockup agreement.

In April 2004, the Company committed to issue a warrant to purchase 150,000 common shares at \$.022 per share to a law firm for corporate legal services. This warrant will be currently exercisable and will expire in April 2009.

## **NOTE 11 - RESTATEMENT AND RECLASSIFICATION**

We have restated our financial statements for the three months ended March 31, 2004 to reflect issues identified during a regulatory review of our financial statements associated with a registration statement filing on Form SB-2 that is pending effectiveness as of the date of this 10-QSB/A filing. Management and the board of directors concluded these restatements were necessary to reflect the changes described below.

Revisions affecting the condensed consolidated statements of operations:

- During the quarter ended June 30, 2002, we reached a tentative settlement agreement in our arbitration with TLC. The tentative settlement agreement forgave the final, unpaid installment due on the 1999 Software License Agreement ("SLA") and extended the SLA term from 10 years to 50 years. We originally recorded the final, unpaid installment (\$1,051,785) of the SLA as an offset against the recorded historical cost of the SLA and recalculated the amortization based on this reduced amount and the extension of the useful life to 50 years. Although paragraph 6 of SFAS No. 141, *Business Combinations*, which guides the recognition and measurement of intangible assets, provides that the measurement of assets in which the consideration given is cash are measured by the amount of cash paid, our management has since concluded that too much time had passed between the date of the 1999 license (June 1999) and the date of the tentative settlement agreement (May 2002) for such an offset to be appropriate. Therefore, we recognized the extinguishment of the liability owed to TLC as income in the consolidated statement of operations for the year ended December 31, 2002. This adjustment reduced the retained deficit at December 31, 2003 from that originally reported and had no effect on the condensed consolidated statements of operations or consolidated statements of cash flows for the period ended March 31, 2004.

- During the quarter ended December 31, 2003, we reached a final settlement agreement in our dispute with Zondervan and TLC. This final settlement extended the life of the SLA, and the trademarks included therein, indefinitely. We originally reassessed the useful life of the SLA to be indefinite, based on the guidelines provided by paragraphs 11 and 53 of SFAS No. 142, *Goodwill and Other Intangible Assets*. Our management has since concluded a 10 year life is appropriate based on our going concern opinion for 2002 and 2003. Therefore, we restored the estimated economic useful life to the original 10 years and have recalculated annual amortization accordingly. This adjustment increased the retained deficit at December 31, 2003 (for the prior years' amortization and related income tax effects) and decreased net income for the three months ended March 31, 2004. There was no net effect on the consolidated statements of cash flows for the three months ended March 31, 2003 and 2004, respectively.

F-7

---



Revisions resulting in reclassifications or clarification with no net effect on the condensed consolidated statements of operations:

- During the year ended December 31, 2003, we made the decision to no longer provide support for certain of our products and destroyed all remaining inventory of those products. We originally recorded this as a non-recurring item in the "Other income (expense)" section of the consolidated statements of operations. We revised the condensed consolidated statement of operations for the three months ended March 31, 2003 to reflect this obsolete inventory in cost of sales.
- During the three months ended March 31, 2004, and as a direct result of the settlement with Zondervan and TLC, we wrote-off inventory containing content from Zondervan. Though not technologically obsolete, we were unable to sell the inventory under the terms of the settlement. We originally recorded this as a non-recurring item in the "Other income (expense)" section of the condensed consolidated statement of operations. The revised condensed consolidated statement of operations for the three months ended March 31, 2004 reflects this inventory adjustment in cost of sales.
- We had previously and erroneously treated the 2004 rebates reserve adjustment as an expense recovery in operating expenses. The more appropriate presentation should have been, and is now, an adjustment to revenue, as provided by EITF 01-09, *Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)*.
- Rebates payable to a third-party processor were overstated on the consolidated financial statements for the year ended December 31, 2000. We discovered the error during the preparation of our condensed consolidated financial statements for the three months ended March 31, 2004. We originally recorded the error correction as an adjustment to the beginning retained earnings of the year ended December 31, 2003 on the 2004 quarterly and annual filings. We revised the consolidated statement of operations for the year ended December 31, 2000 to reflect an adjustment to revenue and reported the correction on Form 10-KSB/A for the year then ended. This revision had no net effect on the net income for the three months ended March 31, 2004 and 2003 or retained earnings (deficit) at March 31, 2004 and 2003.
- We also reclassified various other expense items in the condensed consolidated statements of operations for the three months ended March 31, 2004 and 2003 to conform to the presentation in the statements of operations for the years ended December 31, 2004 and 2003. There was no net effect on net income from these reclassifications for the three months ended March 31, 2004 and 2003.

A summary of the effects of these changes is as follows:

**Findex.com, Inc.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**March 31, 2004**  
**(Unaudited)**

	<b>As Originally Reported</b>	<b>As Restated</b>	<b>Change</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 130,938	\$ 30,584	\$ (100,354) (a)
Accounts receivable, trade	443,781	443,781	---
Inventory	173,000	173,000	---
Other current assets	23,670	23,670	---
Total current assets	771,389	671,035	(100,354)
Property and equipment, net	69,703	69,703	---
Software license, net	2,513,158	2,643,413	130,255 (b)
Software development, net	506,121	506,121	---
Restricted cash	---	100,354	100,354 (a)
Other assets	68,818	68,818	---
Total assets	\$ 3,929,189	\$ 4,059,444	\$ 130,255
<b>Liabilities and stockholders' equity</b>			
Current liabilities:			
Notes payable	\$ 89,999	\$ 89,999	\$ ---
Accrued royalties	1,398,570	1,398,570	---
Accounts payable, trade	737,358	737,358	---
Current maturities of long-term notes payable	128,344	128,344	---
Other current liabilities	939,563	939,563	---
Total current liabilities	3,293,834	3,293,834	---
Long-term note payable	54,612	54,612	---
Non-current deferred taxes	1,052,128	747,464	(304,664) (c)
Commitments and contingencies			
Stockholders' equity:			
Preferred stock	51	51	---
Common stock	21,011	21,011	---
Paid-in capital	7,080,629	7,080,629	---
Retained (deficit)	(7,573,076)	(7,138,157)	434,919
Total stockholders' equity	(471,385)	(36,466)	434,919
Total liabilities and stockholders' equity	\$ 3,929,189	\$ 4,059,444	\$ 130,255

- (a) Reclassification of restricted cash held by our merchant banker as non-current asset.
- (b) Increase from reclassification of forgiven installment as income net of additional amortization from returning the software license to a 10-year life from indefinite.
- (c) Decrease from recalculation of deferred income taxes resulting from changes to the software license agreement accounting.

F-9

---

**Findex.com, Inc.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**March 31, 2003**  
**(Unaudited)**

	As Originally Reported	As Restated	Change
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 40,144	\$ 1,508	\$ (38,636) (a)
Accounts receivable, trade	208,325	208,325	---
Inventory	315,200	315,200	---
Other current assets	39,448	39,448	---
Total current assets	603,117	564,481	(38,636)
Property and equipment, net	86,263	86,263	---
Software license, net	2,543,646	3,146,921	603,275 (b)
Software development, net	306,155	306,155	---
Restricted cash	---	38,636	38,636 (a)
Other assets	39,495	39,495	---
Total assets	\$ 3,578,676	\$ 4,181,951	\$ 603,275
<b>Liabilities and stockholders' equity</b>			
<b>Current liabilities:</b>			
Notes payable	\$ 749,999	\$ 749,999	\$ ---
Accrued royalties	2,132,263	2,132,263	---
Accounts payable, trade	1,011,688	912,741	(98,947) (c)
Current maturities of long-term notes payable	58,125	58,125	---
Other current liabilities	1,161,729	1,161,729	---
Total current liabilities	5,113,804	5,014,857	(98,947)
Long-term note payable	34,069	34,069	---
Non-current deferred taxes	1,076,194	886,998	(189,196) (d)
<b>Commitments and contingencies</b>			
<b>Stockholders' equity:</b>			
Preferred stock	51	51	---
Common stock	19,811	19,811	---
Paid-in capital	7,029,079	7,029,079	---
Retained (deficit)	(9,694,332)	(8,802,914)	891,418
Total stockholders' equity	(2,645,391)	(1,753,973)	891,418
Total liabilities and stockholders' equity	\$ 3,578,676	\$ 4,181,951	\$ 603,275

(a) Reclassification of restricted cash held by our merchant banker as non-current asset.

- (b) Increase from reclassification of forgiven installment as income net of additional amortization from returning the software license to a 10-year life from indefinite.
- (c) Decrease from correction of fiscal 2000 error.
- (d) Decrease from recalculation of deferred income taxes resulting from changes to the software license agreement accounting.

F-10

---

**Findex.com, Inc.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**Three Months Ended March 31, 2004**  
**(Unaudited)**

	As Originally Reported	As Restated	Change	
Revenues, net of reserves and allowances	\$ 1,537,264	\$ 1,566,393	\$ 29,129	(a)
Cost of sales	397,689	468,659	70,970	(b)
Gross profit	1,139,575	1,097,734	(41,841)	
Operating expenses:				
Sales and marketing	217,016	242,599	25,583	(c)
General and administrative	590,703	555,679	(35,024)	(d)
Nonrecurring items	32,396	---	(32,396)	(e)
Bad debts	2,500	2,500	---	
Depreciation and amortization	9,575	135,452	125,877	(f)
Total operating expenses	852,190	936,230	84,040	
Earnings from operations	287,385	161,504	(125,881)	
Other income	---	---	---	
Other expenses, net	(14,330)	(14,330)	---	
Income before income taxes	273,055	147,174	(125,881)	
Provision for income taxes	(800)	(30,311)	(29,511)	(g)
Net income	\$ 272,255	\$ 116,863	(155,392)	
Net earnings per share:				
Basic	\$ 0.01	\$ 0.01	\$ ---	
Diluted	\$ 0.01	\$ 0.01	\$ ---	
Weighted average shares outstanding:				
Basic	21,011,438	21,011,438	---	
Diluted	22,945,438	23,090,892	145,454	(h)

(a) Increase from reclassification of rebate reserve adjustment from Sales and marketing expenses and reclassification of cost of estimated returns to Cost of sales.

(b) Increase from reclassification of non-capitalized technical support wages from General and administrative expenses, reclassification of fulfillment costs from Sales and marketing expenses, reclassification of Inventory write down expense from operating expenses and decrease from reclassification of cost of estimated returns.

(c) Increase from reclassification of rebate reserve adjustment to Revenues and reclassification of fulfillment costs to Cost of sales.

(d) Decrease from reclassification of non-capitalized technical support wages to Cost of sales.

(e) Decrease from reclassification to Cost of sales.

- (f) Increase from additional amortization of software license agreement from returning the economic useful life to 10 years.
- (g) Increase from effects of additional amortization of the software license agreement.
- (h) Increase from recalculation of potentially dilutive common stock warrants and correction of a math error.

**Findex.com, Inc.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**Three Months Ended March 31, 2003**  
**(Unaudited)**

	As Originally Reported	As Restated	Change	
Revenues, net of reserves and allowances	\$ 1,062,366	\$ 1,068,841	\$ 6,475	(a)
Cost of sales	247,655	298,821	51,166	(b)
Gross profit	814,711	770,020	(44,691)	
Operating expenses:				
Sales and marketing	163,997	178,685	14,688	(c)
General and administrative	497,294	469,806	(27,488)	(d)
Nonrecurring items	31,892	---	(31,892)	(e)
Depreciation and amortization	24,972	137,100	112,128	(f)
Total operating expenses	718,155	785,591	67,436	
Earnings (loss) from operations	96,556	(15,571)	(112,127)	
Other income	989	989	---	
Other expenses, net	(14,801)	(14,801)	---	
Income (loss) before income taxes	82,744	(29,383)	(112,127)	
Provision for income taxes	8,700	56,616	47,916	(g)
Net income	\$ 91,444	\$ 27,233	(64,211)	
Net earnings per share:				
Basic	\$ ---	\$ ---	\$ ---	
Diluted	\$ ---	\$ ---	\$ ---	
Weighted average shares outstanding:				
Basic	19,811,437	19,811,437	---	
Diluted	21,945,437	22,047,255	101,818	(h)

(a) Increase from reclassification of rebate reserve adjustment from Sales and marketing expenses and reclassification of cost of estimated returns to Cost of sales.

(b) Increase from reclassification of non-capitalized technical support wages from General and administrative expenses, reclassification of fulfillment costs from Sales and marketing expenses, and reclassification of Inventory write down expense from operating expenses and decrease from reclassification of cost of estimated returns.

(c) Increase from reclassification of rebate reserve adjustment to Revenues and reclassification of fulfillment costs to Cost of sales.

(d) Decrease from reclassification of non-capitalized technical support wages to Cost of sales.

(e) Decrease from reclassification to Cost of sales.



- (f) Increase from additional amortization of software license agreement from returning the economic useful life to 10 years.
- (g) Increase from effects of additional amortization of the software license agreement.
- (h) Increase from recalculation of potentially dilutive common stock warrants and correction of a math error.

**Findex.com, Inc.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Three Months Ended March 31, 2004**  
**(Unaudited)**

	As Originally Reported	As Restated	Change
Cash flows from operating activities:			
Cash received from customers	\$ 1,481,382	\$ 1,450,002	\$ (31,380) (a)
Cash paid to suppliers and employees	(1,385,164)	(1,353,784)	31,380 (a)
Other operating activities, net	(13,921)	(13,921)	---
Net cash provided by operating activities	82,297	82,297	---
Cash flows from investing activities:			
Acquisition of property and equipment	(13,674)	(13,674)	---
Software development costs	(73,628)	(73,628)	---
Website development costs	(4,516)	(4,516)	---
Deposits made	(484)	(484)	---
Net cash (used) by investing activities	(92,302)	(92,302)	---
Cash flows from financing activities:			
Proceeds from line of credit, net	16,605	16,605	---
Payments made on long-term notes payable	(17,684)	(17,684)	---
Net cash (used) by financing activities	(1,079)	(1,079)	---
Net (decrease) in cash and cash equivalents	(11,084)	(11,084)	---
Cash and cash equivalents, beginning of year	142,022	41,668	(100,354) (b)
Cash and cash equivalents, end of period	\$ 130,938	\$ 30,584	\$ (100,354)
Reconciliation of net income to cash flows from operating activities:			
Net income	\$ 272,255	\$ 116,863	\$ (155,392)
Adjustments to reconcile net income to net cash provided by operating activities:			

Edgar Filing: FINDEX COM INC - Form 10QSB/A

Software development costs amortized	152,213	152,213	---
Provision for bad debts	2,500	2,500	---
Depreciation and amortization	9,575	135,452	125,877 (c)
Change in assets and liabilities:			
(Increase) in accounts receivable	(80,478)	(80,478)	---
Decrease in inventories	99,600	99,600	---
(Increase) in prepaid expenses	(1,750)	(1,750)	---
(Decrease) in accrued royalties	(100,436)	(100,436)	---
(Decrease) in accounts payable	(251,996)	(251,996)	---
Increase in deferred taxes	800	30,311	29,511 (d)
(Decrease) in other liabilities	(19,986)	(19,982)	4 (e)
Net cash provided by operating activities	\$ 82,297	\$ 82,297	\$ ---

(a) Reclassified effects of change in deferred revenue from cash paid for liability to cash received.

(b) Reclassification of restricted cash held by our merchant banker as non-current asset.

(c) Increase from additional amortization of software license agreement from returning the economic useful life to 10 years.

(d) Increase from effects of additional amortization of the software license agreement.

(e) Rounding difference.

**Findex.com, Inc.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Three Months Ended March 31, 2003**  
**(Unaudited)**

	As Originally Reported	As Restated	Change	
Cash flows from operating activities:				
Cash received from customers	\$ 1,080,633	\$ 1,084,519	\$ 3,886	(a)
Cash paid to suppliers and employees	(1,025,279)	(1,029,165)	(3,886)	(a)
Other operating activities, net	29,648	29,648	---	
Net cash provided by operating activities	85,002	85,002	---	
Cash flows from investing activities:				
Acquisition of property and equipment	(3,820)	(3,820)	---	
Software development costs	(66,075)	(66,075)	---	
Website development costs	(11,054)	(11,054)	---	
Deposits made	(500)	(500)	---	
Net cash (used) by investing activities	(81,449)	(81,449)	---	
Cash flows from financing activities:				
Proceeds from line of credit, net	11,790	11,790	---	
Payments made on long-term notes payable	(13,850)	(13,850)	---	
Net cash (used) by financing activities	(2,060)	(2,060)	---	
Net increase in cash and cash equivalents	1,493	1,493	---	
Cash and cash equivalents, beginning of year	38,651	15	(38,636)	(b)
Cash and cash equivalents, end of period	\$ 40,144	\$ 1,508	\$ (38,636)	
Reconciliation of net income to cash flows from operating activities:				
Net income	\$ 91,444	\$ 27,233	\$ (64,211)	
Adjustments to reconcile net income to net cash provided by operating activities:				

Depreciation and amortization	24,972	137,100	112,128	(c)
Software development costs amortized	40,422	40,422	---	
Change in assets and liabilities:				
Decrease in accounts receivable	19,916	19,916	---	
Decrease in inventories	101,500	101,500	---	
Decrease in refundable income taxes	29,148	29,148	---	
Decrease in prepaid expenses	18,102	18,102	---	
Increase in accrued royalties	1,650	1,650	---	
(Decrease) in accounts payable	(158,822)	(158,822)	---	
(Decrease) in deferred taxes	(8,700)	(56,616)	(47,916)	(d)
(Decrease) in other liabilities	(74,630)	(74,631)	(1)	(e)
Net cash provided by operating activities	\$ 85,002	\$ 85,002	\$ ---	

(a) Reclassified effects of change in deferred revenue from cash paid for liability to cash received.

(b) Reclassification of restricted cash held by our merchant banker as non-current asset.

(c) Increase from additional amortization of software license agreement from returning the economic useful life to 10 years.

(d) Increase from effects of additional amortization of the software license agreement.

(e) Rounding difference.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION OR PLAN OF OPERATIONS.**

This Form 10-QSB, press releases and certain information provided periodically in writing or orally by our officers or our agents contain statements which constitute forward-looking statements within the meaning of Section 27A of the Securities Act, as amended; Section 21E of the Securities Exchange Act of 1934; and the Private Securities Litigation Reform Act of 1995. The words "may", "would", "could", "will", "expect", "estimate", "anticipate", "believe", "intend", "plan" and similar expressions and variations thereof are intended to specifically identify forward-looking statements. These statements appear in a number of places in this Form 10-QSB and include all statements that are not statements of historical fact regarding the intent, belief or current expectations of us, our directors or our officers, with respect to, among other things: (i) our liquidity and capital resources; (ii) our financing opportunities and plans; (iii) our ability to attract customers to generate revenues; (iv) market and other trends affecting our future financial condition or results of operations; (v) our growth strategy and operating strategy; and (vi) the declaration and/or payment of dividends.

Investors and prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors. The factors that might cause such differences include, among others, those set forth in Part I, Item 2 of this quarterly report on Form 10-QSB, entitled Management's Discussion and Analysis of Financial Condition or Plan of Operation, including without limitation the risk factors contained in the Company's annual report on Form 10-KSB/A for the period ending December 31, 2003. Except as required by law, we undertake no obligation to update any of the forward-looking statements in this Form 10-QSB/A after the date of this report.

### **GENERAL**

Findex.com, Inc. ("Findex" or the "Company", and collectively referred to as "we", "us" or "our", in each case as required by the context) is a developer, publisher, and distributor/seller of off-the-shelf consumer and organizational software products. The common thread among the Company's products is a customer constituency that shares a devotion to or interest in Christianity and faith-based "inspirational" values. We are focused on becoming the premier provider of Bible study and related faith-based software products and content to the domestic and international markets through ongoing internal development of new products, expansion and upgrade of existing products, and strategic product line and/or corporate acquisitions and licensing.

Our religious software titles are currently divided among the following six categories:

- Bible Study
- Financial/Office Management Products for Churches and other Faith-Based Ministries
  - Print & Graphic Products
  - Pastoral Products
  - Children's Products
- Language Tutorial Products.

### **RESULTS OF OPERATIONS**

Our software products have a significant seasonality to their revenues. More than 50% of our annual sales are expected to occur in the five months of September through January; the five months of April through August are generally expected to be the weakest, historically generating only about 33% of our annual sales.

Our net income increased approximately \$90,000 from a net income of approximately \$27,000 for the three months ended March 31, 2003 to a net income of approximately \$117,000 for the three months ended March 31, 2004. By

excluding our interest, taxes, depreciation, and amortization from net income, our EBITDA increased approximately \$174,000 from EBITDA earnings of approximately \$123,000 for the three months ended March 31, 2003 to EBITDA earnings of approximately \$297,000 for the three months ended March 31, 2004. Such increase is due to the Company's release of an enhanced version of our flagship product, QuickVers<sup>®</sup>, in late fourth quarter of 2003 and the release of an enhanced version of our top financial and data management product, Membership Plus<sup>®</sup>, during the first quarter of 2004.

-1-

---

Overall, interest expense for the three months ended March 31, 2004 decreased by approximately \$10,000 compared to the three months ended March 31, 2003. This is due to the Company reducing its payroll liability by continuously meeting its scheduled payments. Furthermore, the note liabilities interest was reduced due to the reclassification of the note payable in the fourth quarter of 2003. Amortization expense related to the software license remained constant and is amortized over a 10 year useful life. Amortization expense related to the software development costs increased approximately \$112,000 for the three months ended March 31, 2004 compared to the three months ended March 31, 2003. This is a direct result from QuickVerse® 8.0 shipping in late December 2003.

## Revenues

We recognize software revenue net of estimated returns and allowances for returns, price discounts and rebates, upon shipment of product, which is when title passes, provided that collection of the resulting receivable is probable and we have no significant obligations. Revenue from inventory out on consignment is recognized when the consignee sells the product. Revenue associated with advance payments from customers is deferred until products are shipped. Revenue for software distributed electronically via the Internet is recognized upon delivery.

Product return reserves are based upon a percentage of total retail and direct sales for the period and may increase or decrease as actual returns are processed. Product returns or price protection concessions that exceed our reserves could materially adversely affect our business and operating results and could increase the magnitude of quarterly fluctuations in our operating and financial results. Product returns from distributors and Christian bookstores are allowed primarily in exchange for new products or for credit towards purchases as part of a stock-balancing program. These returns are subject to certain limitations that may exist in the contract that we have with them. Under certain circumstances, such as termination or when a product is defective, distributors and bookstores could receive a cash refund if returns exceed amounts owed. Returns from sales made directly to the consumer are accepted within 45 days of purchase and are issued a cash refund.

Software products are sold separately, without future performance such as upgrades or maintenance, and are sold with post contract customer support (PCS) services, customer service and technical support assistance. In connection with the sale of certain products, we provide a limited amount of free technical support assistance to our customers. We do not defer the recognition of revenue associated with sales of these products, since the cost of providing this free technical support is insignificant. We accrue the estimated associated costs of providing this free support upon product shipment. We also offer several plans under which customers are charged for technical support assistance. For plans where we collect fees in advance, we recognize revenue over the period of service, which is generally one year.

Shipping and handling costs in connection with our software products are expensed as incurred and included in cost of goods sold.

Gross revenues increased approximately \$540,000 from approximately \$1,176,000 for the three months ended March 31, 2003 to approximately \$1,716,000 for the three months ended March 31, 2004. Such increase is due to the Company's release of an enhanced version of our flagship product, QuickVerse®, in late fourth quarter of 2003 and the release of an enhanced version of our top financial and data management product, Membership Plus®, during the first quarter of 2004. Although there was a new product release during the first quarter of 2003, the retail value of the product was significantly lower than the QuickVerse® and Membership Plus® titles and ranged from \$19.95 to \$29.95.

Sales returns and allowances increased approximately \$77,000 from approximately \$133,000 for the three months ended March 31, 2003 to approximately \$210,000 for the three months ended March 31, 2004 and slightly increased as a percentage of gross sales from approximately 11.3% for the three months ended March 31, 2003 to approximately 12.2% for the three months ended March 31, 2004. The increase in sales returns and allowances as a percentage is attributable to post-Christmas stock balancing by our secular customers and several of our CBA customers.





**COST OF SALES**

Cost of sales consists primarily of royalties to third party providers of intellectual property and the direct costs and manufacturing overhead required to reproduce, package, fulfill and ship the software products. Direct costs and manufacturing overhead also include the amortized software development and the non-capitalized technical support wages. The direct costs and manufacturing overhead increased from 21.1% of gross revenues in 2003 to 24.5% of gross revenues in 2004. The three months ended March 31, 2003 and 2004 include the write down of two distinct categories of obsolete inventory of approximately \$32,000, respectively. The increase in direct costs and manufacturing overhead resulted directly from an increase in fulfillment costs and amortization of software development costs. Fulfillment costs from a third-party warehouse increased approximately \$23,000 as we had an increased amount of retail sales during the three months ended March 31, 2004 due to the enhanced releases of QuickVerse® and Membership Plus®. The amortization recognized during the three months ended March 31, 2003 resulted from several new software releases in 2003 and the continued amortization of those products released in 2002. Furthermore, the amortization increase for the three months ended March 31, 2004 corresponds with the December release of QuickVerse® 8.0. The direct costs and manufacturing overhead percentage is expected to continue at the 2004 levels as working capital remains more consistent and as more development projects are implemented.

Royalties to third party providers of intellectual property increased approximately \$29,000 from approximately \$51,000 for the three months ended March 31, 2003 to approximately \$80,000 for the three months ended March 31, 2004. The royalty rate as a percentage of gross revenues increased slightly from 4.3% of gross revenues in 2003 to 4.6% of gross revenues in 2004. The increase of royalties reflects the release of the QuickVerse® 8.0 editions in late December 2003 and Membership Plus® 8.0 in late January 2004.

Software development costs, consisting primarily of direct and indirect labor and related overhead charges, capitalized during the three months ended March 31, 2003 and 2004 were approximately \$66,000 and approximately \$74,000, respectively. Accumulated amortization of these development costs included in cost of sales totaled approximately \$41,000 and approximately \$152,000 for the three months ended March 31, 2003 and 2004, respectively. The increase in both the capitalization and amortization is a direct result of the increase in the number of development projects.

	<b>Three Months Ended March 31,</b>	
	<b>2003</b>	<b>2004</b>
Beginning balance	\$ 280,502	\$ <b>584,706</b>
Capitalized	66,075	<b>73,628</b>
Amortized (cost of sales)	40,422	<b>152,213</b>
Ending balance	\$ 306,155	\$ <b>506,121</b>
Research and development expense (General and administrative)	\$ 67,791	\$ <b>16,174</b>

**SALES, GENERAL AND ADMINISTRATIVE**

Sales expenses increased approximately \$64,000 from approximately \$179,000 for the three months ended March 31, 2003 to approximately \$243,000 for the three months ended March 31, 2004. Included in Sales expenses, Commissions to a third-party telemarketing firm increased approximately \$43,000 as our sales focus to the direct consumer increased along with the number of new and enhanced product releases during late 2003 and early 2004. Advertising costs also increased approximately \$18,000 with the new and enhanced product releases, and Customer Service costs increased approximately \$4,000 as we continue to expand our sales efforts and focus more towards the consumer instead of the retail store.



Research and development costs include salaries and benefits of personnel and third parties conducting research and development of software products. Software development costs expensed as research and development (see table above) amounted to approximately \$16,000 for the three months ended March 31, 2004 compared to approximately \$68,000 incurred for the three months ended March 31, 2003. The decrease in 2004 reflects the early stages of new development projects for the year of 2004. Research and development expenses are expected to increase in future periods as we continue to add new products and Versions to our product mix.

Personnel costs increased approximately \$101,000 from approximately \$295,000 for the three months ended March 31, 2003 to approximately \$396,000 for the three months ended March 31, 2004. This increase is primarily from the addition of staff members and the associated health care costs. Furthermore, the capitalization of direct and indirect labor and related overhead charges as software development costs (see 'Cost of Sales' above) decreased by approximately \$15,000 from approximately \$22,000 for the three months ended March 31, 2003 to approximately \$7,000 for the three months ended March 31, 2004. This decrease is due to the early stages of new development projects for the year 2004. It is anticipated that personnel costs will increase in future periods as operating capital is available to fund full staffing of our product development team and expansion of the technical support and direct marketing staff.

Legal costs increased approximately \$5,000 as the disputes with TLC and Zondervan were finalized in March 2004. Rent expense slightly increased as we opened a new product development facility located in Naperville, IL. Travel costs increased approximately \$2,000 as we increased our sales staff and our sales efforts to our retail customers as new product lines and enhancements were introduced during late 2003 and early 2004. Telecommunication costs increased approximately \$25,000 from approximately \$18,000 for the three months ended March 31, 2003 to approximately \$43,000 for the three months ended March 31, 2004. This increase results from an increase in technical support calls and customer service calls due to the two new major product releases in late December 2003 and early 2004. Bad debt expense increased approximately \$3,000 during 2004 due to the increased amount of outstanding accounts receivable.

### **Amortization**

Amortization expense remained steady at approximately \$126,000 for the three months ended March 31, 2003 and 2004, respectively. The software license acquired from TLC in July of 1999 is amortized over a 10 year useful life. Amortization expense reflects the continual amortization of the software license.

### **INCOME TAX BENEFITS**

Our effective tax rate differs from the statutory federal rate due to differences between income and expense recognition prescribed by the Internal Revenue Code and Generally Accepted Accounting Principles. We utilize different methods and useful lives for depreciating property and equipment. Amortization of the software license agreement is on a straight-line basis over the estimated useful life for financial reporting while deductible when paid for income tax purposes. Changes in estimates (reserves) are recognized as expense for financial reporting but are not deductible for income tax purposes.

We have recognized a net deferred tax asset whose realization depends on generating future taxable income. Because of this uncertainty, we have recorded a valuation allowance to offset the net deferred tax asset. The resulting deferred tax liability reflects income taxes payable in future periods on the net deductible differences related to the software license agreement. We currently have net operating loss carryforwards, for income tax purposes, of approximately \$8,400,000. The carryforwards are the result of income tax losses generated in 2000 (\$2,973,000 expiring in 2020), 2001 (\$5,191,000 expiring in 2021) and 2002 (\$236,000 expiring in 2022). We will need to achieve a minimum annual taxable income, before deduction of operating loss carryforwards, of approximately \$442,000 to fully utilize the current loss carryforwards. We believe this is achievable through continued careful expense management and

introduction of new products and enhanced Versions of our existing products.

Management expects the deductible temporary differences (reserves) to reverse sometime beyond the next fiscal year.

-4-

---

## LIQUIDITY AND CAPITAL RESOURCES

To date, Findex has funded its purchase of the Parsons Church Division primarily through operations. Since inception, we have raised approximately \$2,250,000 in net proceeds from equity financings to fund the acquisition and working capital needs. We have focused on fulfilling the software license obligation and have been unable to meet our royalty and trade debt obligations. In addition, the dispute with TLC over specific performance provisions of and payments due on the TLC Distribution Agreement has also lead to the shortage of working capital.

As of March 31, 2004, Findex had \$671,035 in current assets, \$3,293,834 in current liabilities and a retained deficit of \$7,138,157. These factors continue to create an uncertainty about our ability to continue as a going concern. We had net income of \$116,863 for the three months ended March 31, 2004.

Net cash provided by operating activities was approximately \$85,000 and approximately \$82,000 for the three months ended March 31, 2003 and 2004, respectively.

Net cash used in investing activities was approximately \$82,000 and \$92,000 for the three months ended March 31, 2003 and 2004, respectively. The increase in cash used for investing activities results form capitalizing costs associated with software development and upgrading our website to expand our e-commerce capability.

Net cash used by financing activities was approximately \$2,000 and approximately \$1,000 for the three months ended March 31, 2003 and 2004, respectively. Cash used by financing activities reflects proceeds from our accounts receivable line of credit and payments made on debt obligations.

On March 19, 2001, we entered into an Accounts Receivable Financing Agreement with Alliance Financial Capital, Inc. ("AFC"). Pursuant to this agreement, AFC agrees to purchase selected accounts receivable on a discounted basis, including, without limitation, full power to collect, compromise, sue for, assign, or in any manner enforce collection thereof. The agreement provides for advances of 60% toward the purchase of the invoices with a credit line of \$250,000. The terms call for 40% to be held in a reserve account from the collection of each invoice. Invoices not paid by the customer within 90 days of shipment are required to be repurchased by us out of the reserve account. The agreement carries a 12-month term with a minimum monthly fee equal to one half of one percent (.5%). The term renews automatically in 12-month increments unless a written request for termination is received by AFC at least 30 days before the renewal date. During the three months ended March 31, 2004, we transferred accounts receivable totaling \$189,459 to a lender for cash advances of \$112,673. As accounts are paid, the collected funds (less the amount advanced and appropriate fees) are disbursed to the Company. The transfer agreement includes a repurchase requirement and, accordingly, the proceeds were accounted for as a secured borrowing. At March 31, 2004, the balance of receivables transferred and included in trade receivables was \$62,807. The remaining secured borrowing balance of \$37,541 is included in accrued expenses.

We do not currently have adequate funds available to fund our operations over the next twelve months. In order to maintain the current level of operations, we will need to secure additional funding sources to meet its operating expenses. Such funding sources may include, but are not limited to, funding pursuant to private placements of common or convertible equities, placement of debt with banks, private or public investors, or other lending institutions.

Although there can be no assurance, we believe that through a combination of outside sources of capital and revenues generated from direct-to-consumer sales, we will have sufficient sources of capital to meet our operating needs. However, any substantial delays in receipt of or failure to obtain such capital and delays in product releases will prevent us from operating as a going concern, given our limited revenues and capital reserves.



**Signatures**

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.

**FINDEX.COM,  
INC.**

Date:  
September  
30, 2005

By/s/ Steven  
Malone

Steven Malone  
President and  
Chief Executive  
Officer

Date:  
September  
30, 2005

By/s/ Kirk R.  
Rowland

Kirk R.  
Rowland,  
CPA  
Chief  
Financial  
Officer