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)

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

For the quarterly period ended June 30, 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	88-0379462
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

Explanatory Note

We are filing this Amendment Number 1 to our Quarterly Report on Form 10-QSB for the three and six months ended June 30, 2004 to restate our financial statements for the quarter then ended to reflect 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 June 30, 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 three months ended June 30, 2002, we offset the remaining unpaid installment ($1,051,785) against the carrying amount of the 1999 license in accordance with the terms of a tentative settlement agreement with The Learning Company ("TLC"), the licensor-assignee at the time. 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 passed between the date of the 1999 license and the date of the tentative settlement agreement for such an offset to be proper. Therefore, we have recognized the extinguishment of the liability owed to TLC as income in our 2002 statement of operations. We have restated our condensed consolidated balance sheets as of June 30, 2004 and 2003 and our condensed consolidated statements of operations and consolidated statements of cash flows for the three and six months then ended.

· During the three months ended June 30, 2002, we extended the estimated life of the 1999 license from 10 years to 50 years in accordance with the terms of a tentative settlement agreement with TLC. Although the 1999 license, as amended, provides for our unlimited and exclusive use of trademarks related to the licensed products, and our management has assessed its useful life as indefinite based on the estimated future direct or indirect cash flows from the license, as determined in accordance with paragraphs 11 and 53 of SFAS No. 142, *Goodwill and Other Intangible Assets*, our management has since further concluded that a 10 year life is appropriate on the basis of, among other reasons, our going concern opinions for the years ended December 31, 2002 and 2003. We have restated our condensed consolidated balance sheets as of June 30, 2004 and 2003 and our condensed consolidated statements of operations and consolidated statements of cash flows for the three and six months then ended.

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

· We had previously, and erroneously, included rebates, and adjustments to rebates, as part of our sales and marketing expenses. The more appropriate presentation should have been, and is now, an adjustment to revenue, in accordance with EITF 01-09, *Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)*. During the three months ended June 30, 2004, we recorded an adjustment to our rebates reserve in the amount of $266,301 and an adjustment to our rebates payable in the amount of $12,599. These adjustments were the result of a change in our internal control over financial reporting. Previously, when making our assessment of the adequacy of our reserve for rebates, we did not take into consideration the amount and number of outstanding checks, issued checks that were returned as undeliverable, or our ability to meet our recorded financial obligation. We have since changed our internal control procedures to include review of each of these factors in our assessment of the adequacy of our reserve for rebates. There was no net effect on our net income (loss) for the three and six months ended June 30, 2004 and 2003 as a result of our correction of this error.

- During the three months ended March 31, 2004 and 2003, we wrote-off two distinctly different categories of obsolete inventory with carried costs totaling $32,396 and $31,892, respectively. The 2004 obsolete inventory write-off contained Zondervan-owned content and was a direct result of our March 2004 final settlement agreement with The Zondervan Corporation (see Note 11). We originally recorded these events as non-recurring items 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 and six months ended June 30, 2004 and 2003 to reflect these inventory adjustments in the "Cost of Sales" section. There was no net effect on our net income (loss) for the three and six months ended June 30, 2004 and 2003 as a result of our correction of this error.

· During the three months ended June 30, 2004, we reached a final settlement agreement in our dispute with Zondervan and TLC. As part of the settlement process, we conducted an internal audit (verified by an independent auditor provided by TLC) of the accrued royalties owed Zondervan. The audit revealed that accrued royalties had been overstated due to our 2001 bad debt recognition of TLC's trade accounts receivable balance. The amount by which the accrued royalties had been overstated remained part of our dispute with Zondervan and as such remained in our liabilities until a final settlement agreement was reached. We originally reported the adjustment as a non-recurring item in the "Other income (expense)" section of our condensed consolidated statements of operations for the three and six months ended June 30, 2003. We have revised our condensed consolidated statements of operations for the three and six months ended June 30, 2003 to reflect the adjustment as "Other income". There was no net effect on our net income (loss) for the three and six months ended June 30, 2003 as a result of our correction of this error.

· 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 this event as an adjustment to our beginning retained earnings for the year ended December 31, 2003 in our fiscal year 2004 quarterly and annual filings. We have since 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. There was no net effect on our net income (loss) for the three and six months ended June 30, 2004 and 2003 or retained earnings (deficit) at June 30, 2004 and 2003 as a result of our correction of this error.

· We have also reclassified various expense items in our condensed consolidated statements of operations for the three and six months ended June 30, 2004 and 2003 to conform with the presentation in our statements of operations for the years ended December 31, 2004 and 2003. There was no net effect on our net income (loss) for the three and six months ended June 30, 2004 and 2003 as a result of our correction of these errors.

A discussion of the restatement for quarter ended June 30, 2004 is included in Note 12 of the condensed consolidated financial statements included in this Amendment Number 1 to Form 10-QSB for the quarter ended June 30, 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 June 30, 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)

	June 30, 2004 (Restated)	June 30, 2003 (Restated)
Assets		
Current assets:		
Accounts receivable, trade	**$ 183,241**	$ 158,700
Inventory	**161,903**	320,100
Other current assets	**97,326**	66,804
Total current assets	**442,470**	545,604
Property and equipment, net	**63,664**	78,163
Software license, net	**2,517,538**	3,021,044
Software development, net	**504,497**	385,746
Restricted cash	**100,354**	50,000
Other assets	**93,805**	49,393
Total assets	**$ 3,722,328**	$ 4,129,950
Liabilities and stockholders' equity		
Current liabilities:		
Cash overdraft	**$ 38,990**	$ 12,125
Notes payable	**89,999**	749,999
Accrued royalties	**1,203,369**	1,595,859
Accounts payable, trade	**709,415**	884,285
Current maturities of long-term notes payable	**175,150**	59,302
Other current liabilities	**679,252**	1,251,050
Total current liabilities	**2,896,175**	4,552,620
Long-term note payable	**65,300**	18,801
Non-current deferred taxes	**777,774**	830,381
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	**51**	51
Common stock	**23,492**	19,811
Paid-in capital	**7,227,564**	7,029,079
Retained (deficit)	**(7,268,028)**	(8,320,793)
Total stockholders' equity	**(16,921)**	(1,271,852)
Total liabilities and stockholders' equity	**$ 3,722,328**	$ 4,129,950

See accompanying notes.

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

	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	**2004**	2003
	(Restated)	(Restated)	**(Restated)**	(Restated)
Revenues, net of reserves and allowances	**$ 1,211,722**	$ 763,841	**$ 2,778,115**	$ 1,832,682
Cost of sales	**271,410**	262,322	**740,069**	561,143
Gross profit	**940,312**	501,519	**2,038,046**	1,271,539
Operating expenses:				
Sales and marketing	**267,902**	155,915	**510,501**	334,600
General and administrative	**615,895**	344,269	**1,171,574**	814,074
Bad debt provision	**---**	---	**2,500**	---
Depreciation and amortization	**139,187**	136,902	**274,639**	274,002
Total operating expenses	**1,022,984**	637,086	**1,959,214**	1,422,676
Earnings (loss) from operations	**(82,672)**	(135,567)	**78,832**	(151,137)
Other income	**1,170**	583,628	**1,170**	584,612