FINDEX COM INC
Form 10QSB/A
December 21, 2005

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

FORM 10-QSB/A
Amendment No. 2

(Mark One)

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

For the quarterly period ended September 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 (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 [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 December 21, 2005.

Transitional Small Business Disclosure Format (check one): **Yes [_] No [X]**

Explanatory Note

We are filing this Amendment Number 2 to our Quarterly Report on Form 10-QSB for the three and nine months ended September 30, 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 2 to Form 10-QSB for the quarter ended September 30, 2004. There was no net effect on either cash provided or used by operating activities, cash used by investing activities or cash provided or 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 passed 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 September 30, 2003 and 2004 which was originally reported but had no effect on our condensed consolidated statements of operations or consolidated statements of cash flows for the periods then ended.

- 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 on the basis of our going concern opinions 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 our retained deficit at September 30, 2003 (for the prior years’ amortization and related income tax effects) and decreased our net income for the three and nine months ended September 30, 2004. There was no net effect on our consolidated statements of cash flows for the nine months ended September 30, 2003 and 2004, respectively.

- During the three months ended June 30, 2004, 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, as an adjustment to revenue, as 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 rebates payable in the amount of $12,599. Upon reassessment of the adequacy of our reserve at December 31, 2003, we have allocated $124,262 of the total adjustment to fiscal year 2003 with $14,793 allocated to the three months ended June 30, 2003, $50,297 allocated to the three months ended September 30, 2003 and $59,172 allocated to the three months ended December 31, 2003 and $142,039 to fiscal year 2004 with $66,575 allocated to the three months ended March 31, 2004 and $75,464 allocated to the three months ended June 30, 2004. These adjustments resulted from 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 changed our internal control procedures to include review of each of these factors in our assessment of the adequacy of the reserve for rebates. We have restated the condensed consolidated balance sheets as of September 30, 2004 and 2003 and the condensed consolidated statements of operations and consolidated statements of cash flows for the three and nine months then ended.

- We erroneously treated the warrants issued to a New York based private investment partnership in connection with a private placement as equity. The correct presentation is as a liability adjusted for changes in fair value, at each balance sheet date, through the consolidated statements of operations, as provided by EITF 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock.* We reclassified the initial fair value of the warrants ($4,375,000 at July 19, 2004) as a current liability ($3,062,500 at September 30, 2004) and have included the net change in fair value through September 30, 2004 ($1,385,422) in other expenses on the consolidated statements of operations.

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 products. 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 statements of operations for the three and nine months ended September 30, 2003 to reflect this obsolete inventory in the cost of Sales section.

- During the year ended December 31, 2003, 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 the 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 had reported the adjustment as a non-recurring item in the other income (expense) section of our consolidated statements of operations. The revised condensed consolidated statements of operations for the three and nine months ended September 30, 2003 reflects the adjustment as other income in the other income (expense) section.

- During the year ended December 31, 2003, we reclassified loan proceeds, and the corresponding accrued interest payable, that were previously recorded as an unsecured note payable. The proceeds were initially recorded as an unsecured note payable in 1999, based on an oral understanding with an employee of a third-party consultant. We had historically accrued interest on the outstanding balance at 9%, the rate deemed reasonable by our management at the time of the oral agreement. We continued to accrue interest on the proceeds until we made the determination to reclassify the proceeds and accumulated accrued interest based on the fact that (i) the obligation exists, if at all, solely pursuant to an oral loan agreement made in 1999 in the State of North Carolina with a representative of the party to whom the obligation was believed to have been owed, (ii) no party has ever made any demand for repayment thereof despite the fact that no payments have ever been made on the obligation, (iii) the party believed to be owed the obligation, upon inquiry, claims no record of any such obligation, and (iv) the State of North Carolina statute of limitations applicable to oral agreements, believed to govern the continued enforceability of the obligation, had expired. We originally reported the reclassification 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 statements of operations for the three and nine months ended September 30, 2003 to reflect the adjustment as other income in the other income (expense) 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 terms of the final settlement agreement. We originally recorded this event as a non-recurring item in the other income (expense) section of our condensed consolidated statements of operations. We have revised our condensed consolidated statements of operations for the three and nine months ended September 30, 2004 to reflect this inventory adjustment in the cost of sales section.

- During the three months ended September 30, 2004, we settled a dispute for early termination arising out of an agreement with Swartz Private Equity. In connection therewith, we issued 295,692 shares of common stock valued at $0.10 per share and paid a cash lump sum of $125,000. We originally had recorded this transaction as expenses incurred in a withdrawn public offering and reflected it as a non-recurring item in our condensed consolidated statements of operations. We have revised our condensed consolidated statements of operations for the three and nine months ended September 30, 2004 to reflect this transaction as other expenses in the other income (expense) section.

- During the three months ended September 30, 2004, we negotiated a settlement agreement for debt extinguishment with several of our creditors. The debt extinguishment was originally reported as an extraordinary item, net of income tax effects, on our condensed consolidated statements of operations. We have revised our condensed consolidated statements of operations for the three and nine months ended September 30, 2004 to reflect this transaction in the other income 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, 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).*

- We have also reclassified various expense items in our condensed consolidated statements of operations for the three and nine months ended September 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 nine months ended September 30, 2004 and 2003 as a result of our correction of these errors.

A discussion of the restatement for the quarter ended September 30, 2004 is included in Note 15 of our condensed consolidated financial statements included in this Amendment Number 2 to Form 10-QSB for the quarter ended September 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 2 to Form 10-QSB for the quarter ended September 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)

		September 30, 2004 (Restated)		September 30, 2003 (Restated)
Assets				
Current assets:				
Cash and cash equivalents	$	539,399	$	38,265
Accounts receivable, trade		296,850		141,173
Inventory		162,800		252,700
Other current assets		139,495		42,464
Total current assets		1,138,544		474,602
Property and equipment, net		61,518		68,507
Software license, net		2,391,660		2,895,168
Software development, net		602,276		474,385
Restricted cash		50,354		50,000
Other assets		86,301		58,610
Total assets	$	4,330,653	$	4,021,272
Liabilities and stockholders' equity				
Current liabilities:				
Notes payable	$	240,000	$	749,999
Accrued royalties		236,949		1,616,556
Accounts payable, trade		410,179		582,648
Derivatives		3,062,500		---
Other current liabilities		445,776		1,569,330
Total current liabilities		4,395,404		4,518,533
Long-term note payable		---		92,537
Non-current deferred taxes		808,083		773,765
Commitments and contingencies				
Stockholders' equity:				
Preferred stock		---		51
Common stock		46,153		21,011
Paid-in capital		7,260,469		7,080,629
Retained (deficit)		(8,179,456)		($8,465,254)
Total stockholders' equity		(872,834)		(1,363,563)
Total liabilities and stockholders' equity	$	4,330,653	$	4,021,272

See accompanying notes.

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Findex.com, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Three and Nine Months Ended September 30
(Unaudited)

	Three Months Ended		Nine Months Ended	
	2004	2003	**2004**	2003
	(Restated)	(Restated)	**(Restated)**	(Restated)
Revenues, net of reserves and allowances	**$ 1,010,207**	$ 796,765	**$ 3,664,060**	$ 2,644,240
Cost of sales	**397,652**	272,498	**1,137,721**	833,641