FINDEX COM INC
Form 10-Q
November 14, 2008

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

FORM 10-Q

(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, 2008

OR

[_] 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 registrant as specified in its charter)

Nevada	88-0379462
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
620 North 129th Street, Omaha, Nebraska	68154
(Address of	(Zip Code)

principal
executive
offices)

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

N/A

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the proceeding 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 [_]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [_] Accelerated filer [_]
Non-accelerated filer [_] (Do not check if a smaller reporting company) Smaller reporting company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).Yes [_] No [X]

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes [_] No [_]

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

At November 14, 2008, the registrant had outstanding 54,072,725 shares of common stock, of which there is only a single class.

FINDEX.COM, INC.

QUARTERLY REPORT ON FORM 10-Q
FOR FISCAL QUARTER ENDED SEPTEMBER 30, 2008

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

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

	September 30, 2008	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	$ 432,768	$ 1,134,547
Accounts receivable, trade, net	80,348	236,301
Inventories	72,066	93,852
Other current assets	63,875	135,626
Total current assets	649,057	1,600,326
Property and equipment, net	41,721	56,214
Intangible assets, net	930,419	979,011
Other assets	155,574	92,860
Total assets	$ 1,776,771	$ 2,728,411
Liabilities and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable, trade	$ 599,038	$ 627,720
Accounts payable, related party	104,111	75,302
Accrued royalties	662,137	587,692
Derivative liabilities	---	906,274
Other current liabilities	379,129	417,903
Total current liabilities	1,744,415	2,614,891
Long-term debt, net	22,329	11,877
Deferred income taxes, net	14,263	34,800
Commitments and contingencies (Note 10)		
Stockholders' equity (deficit):		
Preferred stock, $.001 par value		
5,000,000 shares authorized		
-0- and -0- shares issued and outstanding, respectively	---	---
Common stock, $.001 par value		
120,000,000 shares authorized,		
54,072,725 and 52,250,817 shares issued and outstanding, respectively	54,073	52,251
Paid-in capital	7,787,780	7,715,081
Retained (deficit)	(7,846,089)	(7,700,489)
Total stockholders' equity (deficit)	(4,236)	66,843
Total liabilities and stockholders' equity (deficit)	$ 1,776,771	$ 2,728,411

See accompanying notes.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Revenues, net of reserves and allowances	$ 425,541	$ 476,359	$ 1,558,056	$ 2,234,690
Cost of sales	161,290	192,726	651,505	969,601
Gross profit	264,251	283,633	906,551	1,265,089
Operating expenses:				
Sales and marketing	125,695	181,417	467,220	536,382
General and administrative	362,250	400,668	1,343,824	1,424,962
Total operating expenses	487,945	582,085	1,811,044	1,961,344
Loss from operations	(223,694)	(298,452)	(904,493)	(696,255)
Other income (expenses), net	(3,247)	(9,580)	2,619	(24,855)
Gain (loss) on fair value adjustment of derivatives	---	(139,809)	305,620	(86,064)
Gain on settlement of derivative liabilities	---	---	450,654	---
Loss before income taxes	(226,941)	(447,841)	(145,600)	(807,174)
Income tax benefit	---	140,899	---	150,999
Net loss	$ (226,941)	$ (306,942)	$ (145,600)	$ (656,175)
Net loss per share - Basic & Diluted:	$ 0.00	$ (0.01)	$ 0.00	$ (0.01)
Weighted average shares used in computing basic and diluted loss per share:	54,072,725	51,632,339	53,553,381	50,411,806

See accompanying notes.

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

Nine Months Ended September 30,	2008	2007
Cash flows from operating activities:		
Cash received from customers	$ 1,674,610	$ 2,417,172
Cash paid to suppliers and employees	(1,832,408)	(2,085,968)
Other operating activities, net	11,149	(17,282)
Net cash (used) provided by operating activities	(146,649)	313,922
Cash flows from investing activities:		
Software development costs	(201,073)	(316,086)
FormTool purchase	(100,000)	---
Deposits refunded (paid)	2,700	(41,189)
Other investing activities, net	(80,035)	(13,182)
Net cash used by investing activities	(378,408)	(370,457)
Cash flows from financing activities:		
Proceeds from issuance of common stock	---	32,500
Cash overdraft	---	22,988
Payment made for settlement of derivative liabilities	(150,000)	---
Payments made on long-term notes payable	(26,722)	(47,625)
Net cash (used) provided by financing activities	(176,722)	7,863
Net decrease in cash and cash equivalents	(701,779)	(48,672)
Cash and cash equivalents, beginning of year	1,134,547	48,672
Cash and cash equivalents, end of period	$ 432,768	$ ---
Reconciliation of net loss to cash flows from operating activities:		
Net loss	$ (145,600)	$ (656,175)
Adjustments to reconcile net loss to net cash (used) provided by operating activities		
Software development costs amortized	192,433	248,455
Depreciation & amortization	343,178	423,042
Bad debts provision	3,212	17,164
Noncash operating expenses	34,521	73,600
(Gain) loss on fair value adjustment of derivatives	(305,620)	86,064
(Gain) on settlement of derivative liabilities	(450,654)	---
(Gain) on sale of property and equipment	---	(1,361)
Change in assets and liabilities:		
Decrease in accounts receivable	152,741	166,796
Decrease in inventories	21,786	33,709
Decrease (increase) in other current assets	62,509	(45,775)
Increase in accrued royalties	74,445	19,006
Increase in accounts payable	127	118,595
(Decrease) in other liabilities	(129,727)	(169,198)
Net cash (used) provided by operating activities	$ (146,649)	$ 313,922
Schedule of Noncash Investing and Financing Activities:		
Long-term note payable issued for FormTool purchase	$ 85,934	$ ---

Equity issued for FormTool purchase	$	40,000	$	---

See accompanying notes.

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Findex.com, Inc.
Notes to Condensed Consolidated Financial Statements
September 30, 2008
(Unaudited)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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-Q and Article 8 of Regulation S-X. 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 December 31, 2007 condensed consolidated balance sheet was derived from our audited financial statements at that date. 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 for the fiscal year ended December 31, 2007.

USE OF ESTIMATES

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

INVENTORY

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

ACCOUNTING FOR LONG-LIVED ASSETS

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

INTANGIBLE ASSETS

In accordance with Statement of Financial Accounting Standards (“SFAS”) No. 142, Goodwill and Other Intangible Assets, intangible assets with an indefinite useful life are not amortized. Intangible assets with a finite useful life are amortized on the straight-line method over the estimated useful lives, generally three to ten years.

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SOFTWARE DEVELOPMENT COSTS

In accordance with SFAS No. 86, Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed, software development costs are expensed as incurred until technological feasibility and marketability has been established, generally with release of a beta version for customer testing. Once the point of technological feasibility and marketability is reached, direct production costs (including labor directly associated with the development projects), indirect costs (including allocated fringe benefits, payroll taxes, facilities costs, and management supervision), and other direct costs (including costs of outside consultants, purchased software to be included in the software product being developed, travel expenses, material and supplies, and other direct costs) are capitalized until the product is available for general release to customers. We amortize capitalized costs on a product-by-product basis. Amortization for each period is the greater of the amount computed using (i) the straight-line basis over the estimated product life (generally from 12 to 18 months), or (ii) the ratio of current revenues to total projected product revenues. Total cumulative capitalized software development costs were $1,068,570, less accumulated amortization of $625,560 at September 30, 2008.

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

SFAS No. 2, Accounting for Research and Development Costs, established accounting and reporting standards for research and development. In accordance with SFAS No. 2, costs we incur to enhance our existing products after general release to the public (bug fixes) are expensed in the period they are incurred and included in research and development costs. Research and development costs incurred prior to determination of technological feasibility and marketability and after general release to the public and charged to expense were $143,147 and $76,198 for the nine months ended September 30, 2008 and 2007, respectively, included in general and administrative expenses.

We capitalize costs related to the development of computer software developed or obtained for internal use in accordance with the American Institute of Certified Public Accountants Statement of Position (“SOP”) 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. Software obtained for internal use has generally been enterprise level business and finance software that we customize to meet our specific operational needs. We have not sold, leased, or licensed software developed for internal use to our customers and have no intention of doing so in the future.

We capitalize costs related to the development and maintenance of our website in accordance with Financial Accounting Standard Board’s (“FASB’s”) Emerging Issues Task Force (“EITF”) Issue No. 00-2, Accounting for Website Development Costs. Under EITF Issue No. 00-2, costs expensed as incurred are as follows:

- planning the website,
- developing the applications and infrastructure until technological feasibility is established,
- developing graphics such as borders, background and text colors, fonts, frames, and buttons, and
- operating the site such as training, administration and maintenance.

Capitalized costs include those incurred to:

- obtain and register an Internet domain name,

develop or acquire software tools necessary for the development work,
develop or acquire software necessary for general website operations,
develop or acquire code for web applications,
develop or acquire (and customize) database software and software to integrate applications such as corporate databases and accounting systems into web applications,
develop HTML web pages or templates,
install developed applications on the web server,
create initial hypertext links to other websites or other locations within the website, and
test the website applications.