FINDEX COM INC
Form 10-Q
May 18, 2012

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 March 31, 2012

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.)
18151 Lafayette Avenue, Elkhorn, Nebraska	68022
(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 preceding 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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.

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 May 18, 2012, the registrant had outstanding 77,993,935 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 MARCH 31, 2012

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Findex.com, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2012 (Unaudited)	December 31, 2011 (Audited)
Assets		
Current assets:		
Cash and cash equivalents	$ 90,000	$ 161,629
Accounts receivable, trade, net	52,164	55,368
Inventories, net	4,009	4,629
Other current assets	10,041	14,890
Total current assets	156,214	236,516
Property and equipment, net	1,920	2,295
Intangible assets, net	86,419	91,503
Other assets	---	18,781
Total assets	$ 244,553	$ 349,095
Liabilities and stockholders' equity (deficit)		
Current liabilities:		
Current portion of term debt	$ 28,783	$ 33,188
Accounts payable, trade	133,750	131,114
Accounts payable, related party	14,121	10,561
Accrued royalties	38,109	37,825
Accrued payroll	55,328	60,463
Other current liabilities	53,359	21,410
Other current liabilities from discontinued operations	148,573	153,383
Total current liabilities	472,023	447,944
Long-term debt, net	---	---
Deferred income taxes, net	---	---
Commitments and contingencies (Note 8)		
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, 77,993,935 and 77,993,935 shares issued and outstanding, respectively	77,994	77,994
Paid-in capital	8,088,488	8,088,488
Retained (deficit)	(8,393,952)	(8,265,331)
Total stockholders' equity (deficit)	(227,470)	(98,849)
Total liabilities and stockholders' equity (deficit)	$ 244,553	$ 349,095

See accompanying notes.

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

	Three Months Ended March 31, 2012		Three Months Ended March 31, 2011	
		2012		2011
Revenues, net of reserves and allowances	$	16,955	$	13,456
Cost of sales		1,365		2,709
Gross profit		15,590		10,747
Operating expenses:				
Sales and marketing		840		917
General and administrative		141,430		176,433
Impairment expense		18,781		---
Total operating expenses		161,051		177,350
Loss from operations		(145,461)		(166,603)
Other income (expenses), net		(829)		(4,934)
Gain on debt settlement		13,814		---
Loss from continuing operations before income taxes		(132,476)		(171,537)
Income tax benefit		---		---
Loss from continuing operations	$	(132,476)	$	(171,537)
Discontinued operations (Note 10):				
Income from operations of discontinued component		3,853		41,343
Income tax (provision)		---		---
Income from discontinued operations, net of taxes		3,853		41,343
Net loss	$	(128,623)	$	(130,194)
Net earnings (loss) per share - Basic & Diluted:				
Net loss per share from continuing operations	$	0.00	$	0.00
Net income per share from discontinued operations	$	0.00	$	0.00
Net loss per share	$	0.00	$	0.00
Weighted average shares outstanding:				
Weighted average shares used in computing basic and diluted income (loss) per share		77,993,935		67,349,153

See accompanying notes.

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

Three Months Ended March 31,		2012		2011
Cash flows from operating activities:				
Cash received from customers	$	34,659	$	459,681
Cash paid to suppliers and employees		(101,761)		(411,074)
Other operating activities, net		(122)		(2,456)
Net cash (used) provided by operating activities		(67,224)		46,151
Cash flows from investing activities:				
Other investing activities, net		---		291
Net cash provided by investing activities		---		291
Cash flows from financing activities:				
Payments made on term debt		(4,405)		(5,265)
Net cash (used) by financing activities		(4,405)		(5,265)
Net (decrease) increase in cash and cash equivalents		(71,629)		41,177
Cash and cash equivalents, beginning of year		161,629		22,027
Cash and cash equivalents, end of period	$	90,000	$	63,204
Reconciliation of net loss to cash flows from continuing and discontinued operating activities:				
Net loss	$	(128,623)	$	(130,194)
Adjustments to reconcile net loss to net cash (used) provided by operating activities:				
Depreciation & amortization		5,459		20,234
Loss on sale of property and equipment		---		388
(Gain) on debt settlement		(17,667)		---
Loss on impairment expense		18,781		62,135
Change in assets and liabilities:				
Decrease in accounts receivable		3,204		63,130
Decrease in inventories		620		19,891
Decrease in other current assets		4,849		15,940
(Decrease) increase in accrued royalties		(672)		51,874
Increase (decrease) in accounts payable		11,009		(122,916)
Increase in other liabilities		35,816		65,669
Net cash (used) provided by operating activities	$	(67,224)	$	46,151

See accompanying notes.

Findex.com, Inc.
Notes to Condensed Consolidated Financial Statements
March 31, 2012
(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 year or for any future period. The December 31, 2011 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-K for the year ended December 31, 2011.

RECLASSIFACTIONS

Certain accounts in our 2011 financial statements have been reclassified for comparative purposes to conform with the presentation in our 2012 financial statements.

DISCONTINUED OPERATIONS

On May 5, 2011, we entered into a Software Product Line Purchase Agreement with WORDsearch Corp., L.L.C. In accordance with the Software Product Line Purchase Agreement, WORDsearch agreed to acquire from us all of the assets associated with the QuickVerse® product line which centered around our industry-leading Bible-study software program. The specific assets conveyed include, among others, the underlying software source code, registered trade names, and existing product inventories. As a result, we have classified this asset as well as all revenues and expenses directly related to the QuickVerse® product line as discontinued operations. See Note 11.

INTANGIBLE ASSETS

In accordance with Financial Accounting Standards Board Accounting Standards Codification ("ASC") 350-30, General Intangibles Other Than Goodwill, 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. All intangible assets are tested for impairment annually during the fourth quarter.

SOFTWARE DEVELOPMENT COSTS

In accordance with ASC 985-20-25, Costs of Software to Be Sold, Leased, or 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, but up to 60 months), or (ii) the ratio of current revenues to total projected product revenues. Total cumulative capitalized software development costs were $0, less accumulated amortization of $- at March 31, 2012, included in Other assets.

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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. We have written down capitalized software developments costs associated with the discontinued operations and have recorded an impairment expense of $0 and $62,135 for the three months ended March 31, 2012 and 2011, respectively, which has been included in discontinued operations.

ASC 730, Research and Development, established accounting and reporting standards for research and development. In accordance with ASC 730-10, 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 $- and $61,217 for the three months ended March 31, 2012 and 2011, respectively, included in general and administrative expenses of discontinued operations.

We capitalize costs related to the development of computer software developed or obtained for internal use in accordance with the ASC 350-40, Internal-Use Software. 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 ASC 350-50, Website Development Costs. Accordingly, 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.

We amortize website development costs on a straight-line basis over the estimated life of the site, generally 36 months. Total cumulative website development costs, included in Other assets from continuing operations on our condensed consolidated balance sheets, were $-, less accumulated amortization of $- at March 31, 2012. As a result of the decision to postpone indefinitely the plan to revamp our FormTool.com website due to a lack of available financial and human resources, we have written down capitalized website developments costs and have recorded an impairment expense of $18,781 in continuing operations for the three months ended March 31, 2012. See Note 6.

REVENUE RECOGNITION

Within our operations as a whole, including those operations now classified as discontinued operations, we derive revenues from the sale of packaged software products, product support and multiple element arrangements that may include any combination of these items. We recognize software revenue for software products and related services in accordance with ASC 985-605, Software Revenue Recognition. We recognize revenue when persuasive evidence of an arrangement exists (generally a purchase order), we have delivered the product, the fee is fixed or determinable and collectability is probable.

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In some situations, we receive advance payments from our customers. We defer revenue associated with these advance payments until we ship the products or offer the support. Total deferred revenue, included in Other current liabilities from continuing operations on our condensed consolidated balance sheets, was $15,000 at March 31, 2012. This payment of $15,000 was received as part of an amended licensing agreement with a certain publisher whom sells our FormTool® product line. The advanced payment is to be applied against future royalties owed to us by the publisher for sales generated from the FormTool® product line. The amended licensing agreement also extended the initial term of the agreement by three years. However, we fully anticipate the $15,000 royalty advance payment to be fully utilized by December 31, 2012.

EARNINGS PER SHARE

We follow the guidance of ASC 260, Earnings Per Share, to calculate and report basic and diluted earnings per share (“EPS”). Basic EPS is computed by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding for the period. Diluted EPS is computed by giving effect to all dilutive potential shares of common stock that were outstanding during the period. For us, dilutive potential shares of common stock consist of the incremental shares of common stock issuable upon the exercise of stock options and warrants for all periods, convertible notes payable and the incremental shares of common stock issuable upon the conversion of convertible preferred stock.

When discontinued operations, extraordinary items, and/or the cumulative effect of an accounting change are present, income before any of such items on a per share basis represents the “control number” in determining whether potential shares of common stock are dilutive or anti-dilutive. Thus, the same number of potential shares of common stock used in computing diluted EPS for income from continuing operations is used in calculating all other reported diluted EPS amounts. In the case of a net loss, it is assumed that no incremental shares would be issued because they would be anti-dilutive. In addition, certain options and warrants are considered anti-dilutive because the exercise prices were above the average market price during the period. Anti-dilutive shares are not included in the computation of diluted EPS, in accordance with ASC 260-10-45-17.

The following table shows the amounts used in computing earnings per common share and the average number of shares of dilutive potential common stock:

For the Three Months Ended March 31,		2012		2011
Net loss from continuing operations	$	(132,476)	$	(171,537)
Preferred stock dividends		---		---
Net loss available to common shareholders	$	(132,476)	$	(171,537)
Net income from discontinued operations	$	3,853	$	41,343
Preferred stock dividends		---		---
Net income available to common shareholders	$	3,853	$	41,343
Basic weighted average shares outstanding		77,993,935		67,349,153
Dilutive effect of:				

Stock options	---	---
Warrants	---	---
Diluted weighted average shares outstanding	77,993,935	67,349,153

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RECENT ACCOUNTING PRONOUNCEMENTS

Testing Goodwill for Impairment

In September 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-08, Testing Goodwill for Impairment. This ASU permits an entity to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step goodwill impairment test. If an entity concludes it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test. This ASU is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. The adoption of this ASU will not have a material impact on the Company's consolidated financial statements, as it is intended to simplify the assessment for goodwill impairment. We do not expect ASU No. 2011-08 to have a material impact on our condensed consolidated financial statements.

NOTE 2 – GOING CONCERN

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the United States applicable to a going concern. As of March 31, 2012, we had a net loss of $128,623, and negative working capital of $227,470, and an accumulated deficit of $8,393,952 and $8,265,331 as of March 31, 2012 and December 31, 2011, respectively. Although these factors raise substantial doubt as to our ability to continue as a going concern through December 31, 2012, we are taking several actions intended to mitigate against this risk. These actions include pursuing mergers and acquisitions that will provide profitable operations and positive operating cash flow.

NOTE 3 – INVENTORIES

At March 31, 2012, inventories consisted of the following:

Raw materials	$2,347
Finished goods	2,662
Less reserve for obsolete inventory	(1,000)
Inventories	$4,009

NOTE 4 – RESERVES AND ALLOWANCES

At March 31, 2012, the allowance for doubtful accounts included in Accounts receivable, trade, net, consisted of the following:

Balance December 31, 2011	$500
Bad debts provision (included in Sales and marketing expenses)	---
Accounts written off	---
Collection of accounts previously written off	---