FINDEX COM INC
Form 10QSB/A
December 14, 2005

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

FORM 10-QSB/A

(Mark One)

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

For the quarterly period ended September 30, 2005.

[_] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

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)

(402) 333-1900
(Issuer's telephone number)

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 13, 2005.

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

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Findex.com, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS

		(Unaudited) (Restated) September 30, 2005		(Unaudited) (Restated) September 30, 2004
Assets				
Current assets:				
Cash and cash equivalents	$	39,838	$	539,399
Accounts receivable, trade		465,383		296,850
Inventory		211,769		162,800
Other current assets		308,956		139,495
Total current assets		1,025,946		1,138,544
Property and equipment, net		123,653		61,518
Software license, net		1,888,153		2,391,660
Capitalized software development costs, net		942,451		602,276
Other assets		432,124		136,655
Total assets	$	4,412,327	$	4,330,653
Liabilities and stockholders' equity				
Current liabilities:				
Accounts payable, trade	$	687,662	$	410,179
Accrued royalties		328,345		236,949
Notes payable		---		240,000
Derivatives		2,843,742		3,062,500
Other current liabilities		578,751		445,776
Total current liabilities		4,438,500		4,395,404
Long-term obligations		167,927		808,083
Commitments and contingencies				
Stockholders' equity:				
Common stock		48,620		46,153
Paid-in capital		7,521,339		7,260,469
Retained (deficit)		(7,764,059)		(8,179,456)
Total stockholders' equity		(194,100)		(872,834)
Total liabilities and stockholders' equity	$	4,412,327	$	4,330,653

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,	
	2005	2004	**2005**	2004
	(Restated)	**(Restated)**	**(Restated)**	**(Restated)**
Revenues, net of reserves and allowances	**$ 1,023,609**	$ 1,010,207	**$ 3,978,019**	$ 3,664,060
Cost of sales	**316,449**	431,592	**1,276,227**	1,171,661
Gross profit	**707,160**	578,615	**2,701,792**	2,492,399
Operating expenses:				
Sales and marketing	**295,902**	287,909	**1,030,870**	798,410
General and administrative	**613,191**	478,781	**1,819,987**	1,650,355
Bad debt expense	**6,981**	8,566	**29,650**	11,066
Depreciation and amortization	**145,355**	141,607	**436,903**	416,246
Total operating expenses	**1,061,429**	916,863	**3,317,410**	2,876,077
Loss from operations	**(354,269)**	(338,248)	**(615,618)**	(383,678)
Other income	**75**	1,010,288	**75**	1,010,288
Loss on valuation adjustment of derivatives	**(328,121)**	(1,385,422)	**(874,992)**	(1,385,422)
Other expenses	**(164,101)**	(162,826)	**(289,876)**	(193,344)
Loss before income taxes	**(846,416)**	(876,208)	**(1,780,411)**	(952,156)
Provision for income taxes	**(111,976)**	(31,095)	**187,182**	(92,417)
Net loss	**$ (958,392)**	$ (907,303)	**(1,593,229)**	(1,044,573)
Retained deficit at beginning of year			**(6,170,830)**	(7,130,758)
Preferred stock dividend			**---**	(4,125)
Retained deficit at end of period			**$ (7,764,059)**	$ (8,179,456)
Net loss per share:				
Basic	**$ (0.02)**	$ (0.02)	**$ (0.03)**	$ (0.03)
Diluted	**$ (0.02)**	$ (0.02)	**$ (0.03)**	$ (0.03)
Weighted average shares outstanding:				
Basic	**48,619,855**	46,153,189	**48,619,855**	30,146,980
Diluted	**48,619,855**	46,153,189	**48,619,855**	30,146,980

See accompanying notes.

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

Nine Months Ended September 30,		**2005**		2004
		(Restated)		(Restated)
Cash flows from operating activities:				
Cash received from customers	**$**	**4,049,153**	$	3,607,255
Cash paid to suppliers and employees		**(3,565,309)**		(4,368,409)
Other operating activities, net		**(3,910)**		(34,235)
Net cash provided (used) by operating activities		**479,934**		(795,389)
Cash flows from investing activities:				
Software development costs		**(766,151)**		(415,197)
Other investing activities, net		**15,300**		(7,152)
Net cash (used) by investing activities		**(750,851)**		(422,349)
Cash flows from financing activities:				
Payments on line of credit, net		**---**		(20,933)
Payments made on long-term notes payable		**(30,604)**		(202,551)
Proceeds from convertible notes payable		**---**		240,000
Stock offering costs paid		**---**		(51,047)
Proceeds from issuance of common stock and warrants		**---**		1,750,000
Net cash (used) provided by financing activities		**(30,604)**		1,715,469
Net (decrease) increase in cash and cash equivalents		**(301,521)**		497,731
Cash and cash equivalents, beginning of year		**341,359**		41,668
Cash and cash equivalents, end of period	**$**	**39,838**	$	539,399
Reconciliation of net loss to cash flows from operating activities:				
Net loss	**$**	**(1,593,229)**	$	(1,044,573)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:				
Software development costs amortized		**524,989**		397,627
Stock and warrants issued for services		**---**		73,700
Loss on valuation adjustment of derivatives		**874,992**		1,385,422
Debt forgiveness		**---**		(1,000,662)
Provision for bad debts		**29,650**		11,066
Depreciation & amortization		**436,903**		416,245
Loss on disposal of property and equipment		**1,869**		141
Change in assets and liabilities:				
Decrease in accounts receivable		**71,786**		57,887
Decrease in inventories		**22,231**		109,800
Decrease (increase) in refundable taxes		**7,164**		(2,948)
Decrease (increase) in prepaid expenses		**55,509**		(114,629)
Increase (decrease) in accrued royalties		**40,831**		(381,677)
Increase (decrease) in accounts payable		**65,858**		(407,683)
Increase (decrease) in income taxes payable		**180**		(950)
(Decrease) increase in deferred taxes		**(187,362)**		90,931
Increase (decrease) in other liabilities		**128,563**		(385,086)

Net cash provided (used) by operating activities	**$**	**479,934**	$	(795,389)

See accompanying notes.

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Findex.com, Inc.
Notes to Condensed Consolidated Financial Statements
September 30, 2005
(Unaudited)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Restated)

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, 2004.

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, sales returns, price protection and rebates, (ii) provision for income taxes and realizability of the deferred tax assets, (iii) the life and realization of identifiable intangible assets, and (iv) provisions for obsolete inventory. 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. The software license is amortized over a 10 year useful life.

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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 $2,514,885, less accumulated amortization of $1,572,434 at September 30, 2005.

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 $130,407 and $44,228 for the nine months ended September 30, 2005 and 2004 respectively.

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.

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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 on our condensed consolidated balance sheets, were $101,132 less accumulated amortization of $39,807 at September 30, 2005.

NET REVENUE

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 SOP 97-2, *Software Revenue Recognition*, as modified by SOP 98-9, *Modification of SOP 97-2, With Respect to Certain Transactions*. 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 collectibility is probable.

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.

In accordance with EITF Issue No. 01-9, *Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Product*, we generally account for cash considerations (such as sales incentives - rebates and coupons) that we give to our customers as a reduction of revenue rather than as an operating expense.

Product Revenue

We typically recognize revenue from the sale of our packaged software products when we ship the product. We sell some of our products on consignment to a limited number of resellers. We recognize revenue for these consignment transactions only when the end-user sale has occurred. Revenue for software distributed electronically via the Internet is recognized when the customer has been provided with the access codes that allow the customer to take immediate possession of the software on its hardware and evidence of the arrangement exists (web order).

Some of our software arrangements involve multiple copies or licenses of the same program. These arrangements generally specify the number of simultaneous users the customer may have (multi-user license), or may allow the customer to use as many copies on as many computers as it chooses (a site license). Multi-user arrangements, generally sold in networked environments, contain fees that vary based on the number of users that may utilize the software simultaneously. We recognize revenue when evidence of an order exists and upon delivery of the authorization code to the consumer that will allow them the limited simultaneous access. Site licenses, generally sold in non-networked environments, contain a fixed fee that is not dependent on the number of simultaneous users. Revenue is recognized when evidence of an order exists and the first copy is delivered to the consumer.

Many of our software products contain additional content that is "locked" to prevent access until a permanent access code, or "key," is purchased. We recognize revenue when evidence of an order exists and the customer has been provided with the access code that allows the customer immediate access to the additional content. All of the programs containing additional locked content are fully functional and the keys are necessary only to access the additional content. The customer's obligation to pay for the software is not contingent on delivery of the "key" to access the additional content.

We reduce product revenue for estimated returns and price protections that are based on historical experience and other factors such as the volume and price mix of products in the retail channel, trends in retailer inventory and economic trends that might impact customer demand for our products. We also reduce product revenue for the estimated redemption of end-user rebates on certain current product sales. Our rebate reserves are estimated based on the terms and conditions of the specific promotional rebate program, actual sales during the promotion, the amount of redemptions received and historical redemption trends by product and by type of promotional program. We did not offer any rebate programs to our customers during the nine months ended September 30, 2005 and 2004 and maintain a reserve for rebate claims remaining unpaid from 2000.

Service Revenue

We offer several technical support plans and recognize support revenue over the life of the plans, generally one year.

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Multiple Element Arrangements

We also enter into certain revenue arrangements for which we are obligated to deliver multiple products or products and services (multiple elements). For these arrangements, which include software products, we allocate and defer revenue for the undelivered elements based on their vendor-specific objective evidence ("VSOE") of fair value. VSOE is generally the price charged when that element is sold separately.

In situations where VSOE exists for all elements (delivered and undelivered), we allocate the total revenue to be earned under the arrangement among the various elements, based on their relative fair value. For transactions where VSOE exists only for the undelivered elements, we defer the full fair value of the undelivered elements and recognize the difference between the total arrangement fee and the amount deferred for the undelivered items as revenue (residual method). If VSOE does not exist for undelivered items that are services, we recognize the entire arrangement fee ratably over the remaining service period. If VSOE does not exist for undelivered elements that are specified products, we defer revenue until the earlier of the delivery of all elements or the point at which we determine VSOE for these undelivered elements.

We recognize revenue related to the delivered products or services only if (i) the above revenue recognition criteria are met, (ii) any undelivered products or services are not essential to the functionality of the delivered products and services, (iii) payment for the delivered products or services is not contingent upon delivery of the remaining products or services, and (iv) we have an enforceable claim to receive the amount due in the event that we do not deliver the undelivered products or services.

Shipping and Handling Costs

We record the amounts we charge our customers for the shipping and handling of our software products as product revenue and we record the related costs as cost of sales on our condensed consolidated statements of operations.

Customer Service and Technical Support

Customer service and technical support costs include the costs associated with performing order processing, answering customer inquiries by telephone and through Websites, e-mail and other electronic means, and providing technical support assistance to our customers. In connection with the sale of certain products, we provide a limited amount of free technical support assistance to customers. We do not defer the recognition of any revenue associated with sales of these products, since the cost of providing this free technical support is insignificant. The technical support is provided within one year after the associated revenue is recognized and free product enhancements (bug fixes) are minimal and infrequent. We accrue the estimated cost of providing this free support upon product shipment and include it in cost of sales.

INCOME TAXES

We utilize SFAS No. 109, *Accounting for Income Taxes*. SFAS No. 109 requires the use of the asset and liability method of accounting for income taxes. Under this method, deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of our assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

EARNINGS PER SHARE

We follow SFAS No. 128, *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.

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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 SFAS No. 128.

DERIVATIVES

We account for warrants issued with shares of common stock in a private placement according to EITF Issue 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock*. In accordance with accounting mandate, the derivative liability associated with the warrants has been and shall continue until our registration statement on Form SB-2 originally filed on November 22, 2004 is declared effective to be adjusted to fair value (calculated using the Black Scholes method) at each balance sheet date and is accordingly reassessed at each such time to determine whether the warrants should be classified (or reclassified, as appropriate) as a liability or as equity. The corresponding fair value adjustment is included in the consolidated statements of operations as other expenses as the value of the warrants increases from an increase in our stock price at the balance sheet date and as other income as the value of the warrants decreases from a decrease in our stock price.

RECLASSIFICATIONS

Certain accounts in the 2004 financial statements have been reclassified for comparative purposes to conform with the presentation in the 2005 financial statements.

NOTE 2 - INVENTORIES, Restated

At September 30, 2005 and 2004, inventories consisted of the following:

	2005	2004
Raw materials	**$ 147,769**	$ 73,100
Finished goods	**64,000**	89,700
Inventories	**$ 211,769**	$ 162,800

During the nine months ended September 30, 2004, we wrote-off obsolete inventory with a carried cost totaling $32,396. This has been included in cost of sales for 2004.

NOTE 3 - LOSS ON VALUATION OF DERIVATIVES, (Restated)

In November 2004, we issued two warrants to purchase an aggregate of 21,875,000 shares of our common stock in connection with a certain Stock Purchase Agreement completed with a New York based private investment partnership, on July 19, 2004. These warrants are accounted for as a liability according to the guidance of EITF 00-19 and the fair value of each warrant was assessed at $1,421,871 ($2,843,742 total) using the Black-Scholes valuation method at September 30, 2005 with the following assumptions:

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	Warrant A	Warrant B
Expected term - years	3.80	3.80
Stock price on September 30, 2005	$ 0.13	$ 0.13
Exercise price	$ 0.18	$ 0.60
Expected dividend yield	0%	0%
Expected stock price volatility	490%	490%
Risk-free interest rate	3.80%	3.80%

The fair value of each warrant was estimated on the date of commitment with the following assumptions:

	Warrant A	Warrant B
Expected term - years	5	5
Stock price on date of commitment (July 19, 2004)	$ 0.20	$ 0.20
Exercise price	$ 0.18	$ 0.60
Expected dividend yield	0%	0%
Expected stock price volatility	490%	490%
Risk-free interest rate	3.80%	3.80%

We recognized a loss of $2,697,922 on the commitment of the warrants determined as follows:

Fair value of warrants on commitment date (July 19, 2004)		$ 4,375,000
Less: Net proceeds received		
Gross proceeds received for stock and warrants	$ 1,750,000	
Par value of common stock issued	(21,875)	
Stock offering costs	(51,047)	$ 1,677,078
Loss on fair value adjustment of derivatives		$ 2,697,922

The warrants were valued at $1,531,250 each ($3,062,500 total) using the Black-Scholes valuation method at September 30, 2004 with the following assumptions:

	Warrant A	Warrant B
Expected term - years	4.80	4.80
Stock price on September 30, 2004	$ 0.14	$ 0.14
Exercise price	$ 0.18	$ 0.60
Expected dividend yield	0%	0%
	490%	490%

Expected stock price volatility		
Risk-free interest rate	3.80%	3.80%

The warrants are revalued at each balance sheet date by using the parameters above, reducing the expected term to reflect the passing of time, and using the stock price at the balance sheet date. Net fair value adjustments of $328,121, $1,385,422, $874,992, and $1,385,422 have been included in other expenses on the consolidated statements of operations for the three and nine months ended September 30, 2005 and 2004, respectively.

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NOTE 4 - INCOME TAXES, (Restated)

The provision (benefit) for taxes on net income for the three and nine months ended September 30, 2005 and 2004 consisted of the following:

	Three months ended September 30		Nine months ended September 30	
	2005	2004	**2005**	2004
Current:				
Federal	$ ---	$ ---	**$ ---**	$ ---
State	---	784	**180**	1,484
	---	784	**180**	1,484
Deferred:				
Federal	**116,472**	25,001	**(165,714)**	75,003
State	**(4,496)**	5,310	**(21,648)**	15,930
	111,976	30,311	**(187,362)**	90,933
Total tax provision (benefit)	**$ 111,976**	$ 31,095	**$ (187,182)**	$ 92,417

NOTE 5 - EARNINGS PER COMMON SHARE, (Restated)

Earnings per common share are computed by dividing net income by the weighted average number of shares of common stock 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 we reinvested the proceeds to purchase additional shares at market value.

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

	(Restated)	(Restated)
For the Three Months Ended September 30	**2005**	2004
Net loss	**$ (958,392)**	$ (907,303)
Preferred stock dividends	**---**	(4,125)
Net loss available to common shareholders	**$ (958,392)**	$ (911,428)
Basic weighted average shares outstanding	**48,619,855**	46,153,189
Dilutive effect of:		
Stock options	**---**	---
Convertible notes payable	**---**	---
Warrants	**---**	---
	48,619,855	46,153,189

Diluted weighted average shares outstanding		

For the Nine Months Ended September 30	**(Restated)** **2005**	(Restated) 2004
Net loss	**$ (1,593,229)**	$ (1,044,573)
Preferred stock dividends	**---**	(4,125)
Net loss available to common shareholders	**$ (1,593,229)**	$ (1,048,698)
Basic weighted average shares outstanding	**48,619,855**	30,146,980
Dilutive effect of:		
Stock options	**---**	---
Convertible notes payable	**---**	---
Warrants	**---**	---
Diluted weighted average shares outstanding	**48,619,855**	30,146,980

A total of 24,035,000 and 2,440,000 dilutive potential securities for the three and nine months ended September 30, 2005 and 2004, respectively, have been excluded from the computation of diluted earnings per common share, as their inclusion would be anti-dilutive.

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NOTE 6 - COMMITMENTS AND CONTINGENCIES

We are subject to legal proceedings and claims that arise in the ordinary course of our business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect our financial statements taken as a whole.

Our employment agreements with our management team each contain a provision for an annual bonus equal to 1% of our net income (3% total). We accrue this bonus on a quarterly basis. Our management team consists of our Chief Executive Officer (with a base annual salary of $150,000), our Chief Financial Officer (with a base annual salary of $110,000), and our Chief Technology Officer (with a base annual salary of $150,000). In addition to the bonus provisions and annual base salary, each employment agreement provides for payment of all accrued base salaries ($8,488 included in Other current liabilities at September 30, 2005), bonuses ($-0- included in Other current liabilities at September 30, 2005), and any vested deferred compensation ($32,044 included in Other current liabilities at September 30, 2005) for termination by reason of disability. The agreements also provide for severance compensation equal to the then base salary until the later of (i) the expiration of the term of the agreement as set forth therein or (ii) one year, when the termination is other than for cause (including termination by reason of disability). There is no severance compensation in the event of voluntary termination or termination for cause.

In 2003 and 2004, we reduced our reserve for rebates payable based, in part, on our ability to meet the financial obligation of claims carried forward from our last rebate program in 2001. As such, we may have a legal obligation to pay rebates in excess of the liability recorded.

As part of a July 2004 financing transaction, we entered into a certain Registration Rights Agreement with a New York based private investment partnership, Barron Partners, LP, pursuant to which we committed to registering all of the shares issued as part of such transaction, including those issuable under each of two warrants. On November 22, 2004, we filed a registration statement on Form SB-2 covering the shares issued to Barron Partners, as well as the shares underlying the warrants issued to Barron Partners. Under the terms of the Registration Rights Agreement, as amended, we had until April 22, 2005 to cause such registration statement to be declared effective by the SEC. In accordance with the terms of the Registration Rights Agreement, any delays in meeting this obligation subjected us to liability to Barron Partners in an amount equal to $1,726 per day for the duration of any such delay. Through September 30, 2005, we have accrued a total of $278,000 in registration rights penalties, inclusive of an adjustment made pursuant to a tentative verbal agreement reached with Barron Partners in April 2005, for failing to cause the registration statement to be declared effective by the SEC by April 22, 2005. If we are unable to cause such registration statement to be declared effective by December 31, 2005, we will incur total penalties of approximately $437,000 (April 23, 2005 through December 31, 2005), which will directly decrease our net income and possibly cause a net loss for the year then ending.

NOTE 7 - RISKS AND UNCERTAINTIES

Our future operating results may be affected by a number of factors. We depend upon a number of major inventory and intellectual property suppliers. If a critical supplier had operational problems or ceased making material available to us, operations could be adversely affected.

NOTE 8 - SUBSEQUENT EVENTS

As of September 30, 2005, the registration statement filed on November 22, 2004 on Form SB-2 has not yet been declared effective, and we have accrued $278,000 (161 days at $1,726 per day) in penalties under the terms of the Registration Rights Agreement, inclusive of an adjustment made pursuant to a tentative verbal agreement reached with Barron Partners in April 2005, wherein, in relation to the associated accruing penalties, we agreed to pay Barron

Partners an amount in cash equal to $100,000 to toll the accrual of further penalties until June 21, 2005. Although this amount has been paid in full, in two equal installments of $50,000 on each of April 22, 2005 and July 8, 2005, penalties in the amount of $1,726 per day continue to accrue from June 21, 2005 until the registration statement is declared effective, at which time a negotiated reduction of such total amount is expected to be reached, the extent of which is as yet unknown, and terms of payment of which are expected to be agreed to so as to allow us to reasonably meet our ongoing operating needs. We have experienced continued delays in effectiveness of the registration statement due principally to ongoing efforts made necessary by our determination to restate certain of our historical financial information. Although there can be no assurance, management is hopeful that we will cause the registration statement to be declared effective in the near future. The amount paid by us to date to satisfy this obligation has, and any continued delays in our ability to cause the registration statement to be declared effective coupled with additional amounts which we are and may be required to pay, will have a material adverse effect on our business, our financial condition, including liquidity and profitability, and our results of operations, including a corresponding reduction in our net income and the likelihood of a net loss for the year.

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NOTE 9 - RESTATEMENT AND RECLASSIFICATION

We have restated our financial statements for the three and nine months ended September 30, 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 filing.. Management and the board of directors concluded these restatements were necessary to reflect the changes described below. There was no net effect on cash used by operating activities, investing activities or cash provided by financing activities for the period then ending as a result of these issues.

§ 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 Statement of Financial Accounting Standards ("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 ($1,051,785) in the consolidated statement of operations for the year ended December 31, 2002. We have restated the retained deficit as of December 31, 2003 and there was no net effect on the consolidated statements of operations and consolidated statements of cash flows for the three and nine months ended September 30, 2004 as a result of this correction.

§ 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 September 30, 2003 (for the prior years' amortization and related income tax effects). We have restated the condensed consolidated statements of operations ($251,753) and consolidated statements of cash flows for the three and nine months ended September 30, 2004.

§ During the three months ended June 30, 2004, we erroneously included rebates, and adjustments to rebates, in sales and marketing expenses. The more appropriate presentation should have been, and is now, as 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 originally recorded an adjustment to the 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 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 have changed our internal control procedures to include review of each of these factors in our assessment of the adequacy of our reserve for rebates.

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§ During the three months ended March 31, 2004, and as a direct result of the settlement with Zondervan and TLC, we wrote-off obsolete inventory with a carried cost totaling $32,396. We originally recorded this as a non-recurring item in the "Other income (expense)" section of the consolidated statement of operations. Our revised condensed consolidated statement of operations for the three and nine months ended September 30, 2004 reflects this inventory adjustment in Cost of sales. There was no net effect on net income (loss) from this reclassification for the three and nine months ended September 30, 2004.

§ Rebates payable to a third-party processor were overstated ($98,946) on our 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. Our revised consolidated statement of operations for the year ended December 31, 2000 reflects 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 loss for the three and nine months ended September 30, 2004 or retained deficit at September 30, 2004 or December 31, 2003.

§ 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 ($2,843,742 at September 30, 2005) and have included the net change in fair value through September 30, 2005 ($874,992) and 2004 ($1,385,422) in Other Expenses on the consolidated statements of operations.

§ We have also reclassified various other expense items in the condensed consolidated statements of operations for the three and nine months ended September 30, 2004 to conform to the presentation in the statements of operations for the year ended December 31, 2004. There was no net effect on net income (loss) from these reclassifications for the three and nine months ended September 30, 2004.

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

Findex.com, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
September 30, 2005
(Unaudited)

		As Originally Reported		As Restated		Change	
		Assets					
Current assets:							
Cash and cash equivalents	$	39,838	$	39,838	$	---	
Accounts receivable, trade		465,383		465,383		---	
Inventory		211,769		211,769		---	
Other current assets		308,956		308,956		---	
Total current assets		1,025,946		1,025,946		---	
Property and equipment, net		123,653		123,653		---	
Software license, net		1,888,153		1,888,153		---	
Software development, net		942,451		942,451		---	
Other assets		432,124		432,124		---	
Total assets	$	4,412,327	$	4,412,327	$	---	
Liabilities and stockholders' equity							
Current liabilities:							
Accounts payable, trade	$	687,662	$	687,662	$	---	
Accrued royalties		328,345		328,345		---	
Derivatives		---		2,843,742		2,843,742	(a)
Other current liabilities		578,751		578,751		---	
Total current liabilities		1,594,758		4,438,500		2,843,742	
Long-term obligations		167,927		167,927		---	
Commitments and contingencies							
Stockholders' equity:							
Common stock		48,620		48,620		---	
Paid-in capital		9,198,417		7,521,339		(1,677,078)	(b)
Retained (deficit)		(6,597,395)		(7,764,059)		(1,166,664)	
Total stockholders' equity		2,649,642		(194,100)		(2,843,742)	
Total liabilities and stockholders' equity	$	4,412,327	$	4,412,327	$	---	

(a) Fair value of common stock warrants reclassified as derivatives under EITF 00-19.
(b) Reclassification of net proceeds from common stock warrants.

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Findex.com, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
September 30, 2004
(Unaudited)

	As Originally Reported	As Restated	Change	
	Assets			
Current assets:				
Cash and cash equivalents	$ 589,753	$ 539,399	$ (50,354)	(a)
Accounts receivable, trade	296,850	296,850	---	
Inventory	162,800	162,800	---	
Other current assets	139,495	139,495	---	
Total current assets	1,188,898	1,138,544	(50,354)	
Property and equipment, net	61,518	61,518	---	
Software license, net	2,513,158	2,391,660	(121,498)	(b)
Software development, net	602,276	602,276	---	
Other assets	86,301	136,655	50,354	(a)
Total assets	$ 4,452,151	$ 4,330,653	$ (121,498)	
Liabilities and stockholders' equity				
Current liabilities:				
Accounts payable, trade	$ 410,179	$ 410,179	$ ---	
Accrued royalties	236,949	236,949	---	
Notes payable	240,000	240,000	---	
Derivatives	---	3,062,500	3,062,500	(c)
Other current liabilities	445,776	445,776	---	
Total current liabilities	1,332,904	4,395,404	3,062,500	
Non-current deferred taxes	1,271,643	808,083	(463,560)	(d)
Commitments and contingencies				
Stockholders' equity:				
Common stock	46,153	46,153	---	
Paid-in capital	8,989,778	7,260,469	(1,729,309)	(e)
Retained (deficit)	(7,188,327)	(8,179,456)	(991,129)	
Total stockholders' equity	1,847,604	(872,834)	(2,720,438)	
Total liabilities and stockholders' equity	$ 4,452,151	$ 4,330,653	$ (121,498)	

(a) Reclassification of restricted cash with merchant banker as non-current asset.
(b) Net change from reclassification of forgiveness of final installment and additional amortization from returning the estimated economic useful life from indefinite to 10 years.

(c) Fair value of common stock warrants reclassified as derivatives under EITF 00-19.
(d) Decrease from recalculation of deferred taxes resulting from changes to software license agreement.
(e) Reclassification of net proceeds from common stock warrants.

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Findex.com, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Nine Months Ended September 30, 2005
(Unaudited)

	As Originally Reported	As Restated	Change	
Revenues, net of reserves and allowances	$ 3,978,019	$ 3,978,019	$ ---	
Cost of sales	1,276,227	1,276,227	---	
Gross profit	2,701,792	2,701,792	---	
Operating expenses:				
Sales and marketing	1,030,870	1,030,870	---	
General and administrative	1,819,987	1,819,987	---	
Bad deb provision	29,650	29,650	---	
Depreciation and amortization	436,903	436,903	---	
Total operating expenses	3,317,410	3,317,410	---	
Loss from operations	(615,618)	(615,618)	---	
Other income	75	75	---	
Loss on valuation adjustment of derivatives	---	(874,992)	(874,992)	(a)
Other expenses, net	(289,876)	(289,876)	---	
Loss before income taxes	(905,419)	(1,780,411)	(874,992)	
Provision for income taxes	187,182	187,182	---	
Net loss	$ (718,237)	$ (1,593,229)	$ (874,992)	
Net loss per share:				
Basic	$ (0.02)	$ (0.03)	$ (0.01)	(b)
Diluted	$ (0.02)	$ (0.03)	$ (0.01)	(b)
Weighted average shares outstanding:				
Basic	48,619,855	48,619,855	---	
Diluted	48,619,855	48,619,855	---	

(a) Fair value adjustment on common stock warrants treated as derivatives under EITF 00-19.
(b) Decrease from effects of fair value adjustment of derivatives.

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Findex.com, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Three Months Ended September 30, 2005
(Unaudited)

	As Originally Reported	As Restated	Change	
Revenues, net of reserves and allowances	$ 1,023,609	$ 1,023,609	$ ---	
Cost of sales	316,449	316,449	---	
Gross profit	707,160	707,160	---	
Operating expenses:				
Sales and marketing	295,902	295,902	---	
General and administrative	613,191	613,191	---	
Bad debt provision	6,981	6,981	---	
Depreciation and amortization	145,355	145,355	---	
Total operating expenses	1,061,429	1,061,429	---	
Loss from operations	(354,269)	(354,269)	---	
Other income	75	75	---	
Loss on valuation adjustment of derivatives	---	(328,121)	(328,121)	(a)
Other expenses, net	(164,101)	(164,101)	---	
Loss before income taxes	(518,295)	(846,416)	(328,121)	
Provision for income taxes	(111,976)	(111,976)	---	
Net loss	$ (630,271)	$ (958,392)	$ (328,121)	
Net loss per share:				
Basic	$ (0.01)	$ (0.02)	$ (0.01)	(b)
Diluted	$ (0.01)	$ (0.02)	$ (0.01)	(b)
Weighted average shares outstanding:				
Basic	48,619,855	48,619,855	---	
Diluted	48,619,855	48,619,855	---	

(a) Fair value adjustment on common stock warrants treated as derivatives under EITF 00-19.
(b) Decrease from effects of fair value adjustment of derivatives.

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Findex.com, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Nine Months Ended September 30, 2004
(Unaudited)

	As Originally Reported	As Restated	Change	
Revenues, net of reserves and allowances	$ 3,526,492	$ 3,664,060	$ 137,568	(a)
Cost of sales	999,770	1,171,661	171,891	(b)
Gross profit	2,526,722	2,492,399	(34,323)	
Operating expenses:				
Sales and marketing	791,249	798,410	7,161	(c)
General and administrative	1,801,483	1,650,355	(151,128)	(d)
Nonrecurring items	186,965	---	(186,965)	(e)
Rebate reserve adjustment	(266,301)	---	266,301	(f)
Bad debt provision	11,066	11,066	---	
Depreciation and amortization	38,615	416,246	377,631	(g)
Total operating expenses	2,563,077	2,876,077	313,000	
Loss from operations	(36,355)	(383,678)	(347,323)	
Other income	9,135	1,010,288	1,001,153	(h)
Loss on valuation adjustment of derivatives	---	(1,385,422)	(1,385,422)	(k)
Other expenses, net	(38,285)	(193,344)	(155,059)	(l)
Loss before income taxes	(65,505)	(952,156)	(886,651)	
Provision for income taxes	15,700	(92,417)	(108,117)	(i)
Loss before extraordinary item	(49,805)	(1,044,573)	(994,768)	
Extraordinary item	763,162	---	(763,162)	(h)
Net income (loss)	$ 713,357	$ (1,044,573)	$ (1,757,930)	
Net earnings (loss) per share:				
Basic	$ 0.03	$ (0.03)	$ (0.06)	
Diluted	$ 0.02	$ (0.03)	$ (0.05)	
Weighted average shares outstanding:				
Basic	30,146,980	30,146,980	---	
Diluted	32,880,085	30,146,980	(2,733,105)	(j)

(a) Increase from reclassification of rebate reserve adjustment from Sales and marketing expenses and reclassify 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 reclassification of cost of estimated returns from net revenues.
(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 and costs of withdrawn public offering to Other expenses, net.
(e) Decrease from reclassification of inventory write-down to Cost of sales.
(f) Increase from reclassification as an adjustment to revenue.
(g) Increase from effects of additional amortization of the software license agreement.
(h) Reclassification of debt forgiveness as other income from net extraordinary item.
(i) Income tax effects of additional software license amortization.
(j) Decrease due to correction of error in calculation of potentially dilutive common stock warrants.
(k) Fair value adjustment on common stock warrants treated as derivatives under EITF 00-19.
(l) Reclassification of costs of withdrawn public offering from General and administrative.

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Findex.com, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Three Months Ended September 30, 2004
(Unaudited)

	As Originally Reported	As Restated	Change	
Revenues, net of reserves and allowances	$ 1,027,277	$ 1,010,207	$ (17,070)	(a)
Cost of sales	368,979	431,592	62,613	(b)
Gross profit	658,298	578,615	(79,683)	
Operating expenses:				
Sales and marketing	294,200	287,909	(6,291)	(c)
General and administrative				