

FINDEX COM INC
Form 10-Q
November 22, 2010

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended September 30, 2010

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 (I.R.S.
other Employer
jurisdiction of Identification
incorporation or No.)
or organization)

4437 South 68137
134th Street,
Omaha,
Nebraska
(Address of (Zip Code)
principal)

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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 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 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

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

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 22, 2010, the registrant had outstanding 67,349,153 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, 2010

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Findex.com, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2010 (Unaudited)	December 31, 2009 (Audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,594	\$ 138,539
Accounts receivable, trade, net	41,241	92,515
Inventories, net	49,620	88,546
Other current assets	33,977	35,823
Total current assets	134,432	355,423
Property and equipment, net	8,656	13,979
Intangible assets, net	418,964	488,691
Other assets	69,020	102,434
Total assets	\$ 631,072	\$ 960,527
Liabilities and stockholders' equity (deficit)		
Current liabilities:		
Current portion of term debt	\$ 66,441	\$ 83,898
Accounts payable, trade	452,226	387,082
Accounts payable, related party	51,139	78,869
Accrued royalties	905,224	815,687
Accrued payroll	104,908	125,846
Other current liabilities	144,649	205,558
Total current liabilities	1,724,587	1,696,940
Deferred income taxes, net	3,543	4,700
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, 67,349,153 and 59,572,725 shares issued and outstanding, respectively	67,349	59,573
Paid-in capital	7,988,834	7,897,779
Retained (deficit)	(9,153,241)	(8,698,465)
Total stockholders' equity (deficit)	(1,097,058)	(741,113)
Total liabilities and stockholders' equity (deficit)	\$ 631,072	\$ 960,527

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,	
	2010	2009	2010	2009
Revenues, net of reserves and allowances	\$ 352,543	\$ 472,596	\$ 1,257,291	\$ 1,509,163
Cost of sales	146,484	187,695	499,782	544,765
Gross profit	206,059	284,901	757,509	964,398
Operating expenses:				
Sales and marketing	77,746	96,756	267,551	359,779
General and administrative	261,304	253,092	932,314	1,233,586
Total operating expenses	339,050	349,848	1,199,865	1,593,365
Loss from operations	(132,991)	(64,947)	(442,356)	(628,967)
Other income (expenses), net	(4,563)	(5,836)	12,421)	(17,930)
Loss before income taxes	(137,554)	(70,783)	(454,777)	(646,897)
Income taxes	---	---	---	---
Net loss	\$ (137,554)	\$ (70,783)	\$ (454,777)	\$ (646,897)
Net loss per share - Basic & Diluted:	\$ 0.00	\$ 0.00	\$ (0.01)	\$ (0.01)
Weighted average shares used in computing basic and diluted loss per share	63,968,097	59,572,725	61,053,949	58,122,176

See accompanying notes.

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

Nine Months Ended September 30,	2010	2009
Cash flows from operating activities:		
Cash received from customers	\$ 1,301,778	\$ 1,507,621
Cash paid to suppliers and employees	(1,349,277)	(1,543,286)
Other operating activities, net	(6,905)	(11,851)
Net cash used by operating activities	(54,404)	(47,516)
Cash flows from investing activities:		
Software development costs	(114,598)	(204,317)
Other investing activities, net	(9,457)	7,624
Net cash used by investing activities	(124,055)	(196,693)
Cash flows from financing activities:		
Contributed capital	82,500	---
Payments made on term debt	(32,986)	(51,821)
Net cash provided (used) by financing activities	49,514	(51,821)
Net decrease in cash and cash equivalents	(128,945)	(296,030)
Cash and cash equivalents, beginning of year	138,539	423,371
Cash and cash equivalents, end of period	\$ 9,594	\$ 127,341
Reconciliation of net loss to cash flows from operating activities:		
Net loss	\$ (454,777)	\$ (646,897)
Adjustments to reconcile net loss to net cash used by operating activities:		
Software development costs amortized	167,359	132,853
Depreciation & amortization	65,843	273,584
Bad debts provision	---	7,398
Noncash operating expenses	16,331	70,500
Gain on sale of property and equipment	(685)	(520)
Change in assets and liabilities:		
Decrease in accounts receivable	51,274	28,738
Decrease in inventories	38,926	25,927
Decrease in other current assets	16,217	28,596
Increase in accrued royalties	89,537	66,991
Increase (decrease) in accounts payable	49,414	(63,151)
(Decrease) increase in other liabilities	(93,843)	28,465
Net cash used by operating activities	\$ (54,404)	\$ (47,516)

See accompanying notes.

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Findex.com, Inc.
Notes to Condensed Consolidated Financial Statements
September 30, 2010
(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, 2009 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, 2009.

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 \$1,189,112, less accumulated amortization of \$902,926 at September 30, 2010.

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.

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 \$126,468 and \$125,234 for the nine months ended September 30, 2010 and 2009, respectively, included in general and administrative expenses.

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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" on our condensed consolidated balance sheets, were \$150,084, less accumulated amortization of \$90,044 at September 30, 2010.

RESTRICTED CASH

Restricted cash represents cash held in reserve by our merchant banker to allow for a potential increase in credit card charge backs from increased consumer purchases. Total restricted cash included in "Other assets" on the condensed consolidated balance sheets was \$ -0- and \$6,000 at September 30, 2010 and December 31, 2009, respectively.

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.

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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 September 30,	2010	2009
Net loss	\$ (137,554)	\$ (70,783)
Preferred stock dividends	---	---
Net loss available t o c o m m o n shareholders	\$ (137,554)	\$ (70,783)
Basic weighted average shares outstanding	63,968,097	59,572,725
Dilutive effect of:		
Stock options	---	---
Warrants	---	---
Diluted weighted average shares outstanding	63,968,097	59,572,725
For the Nine Months Ended September 30,	2010	2009
Net loss	\$ (454,777)	\$ (646,897)
Preferred stock dividends	---	---
Net loss available t o c o m m o n shareholders	\$ (454,777)	\$ (646,897)
Basic weighted average shares outstanding	61,053,949	58,122,176
Dilutive effect of:		
Stock options	---	---
Warrants	---	---
Diluted weighted average shares outstanding	61,053,949	58,122,176

RECENT ACCOUNTING PRONOUNCEMENTS

Subsequent Events

In February 2010, the FASB issued ASU 2010-09, Subsequent Events, (amendments to ASC 855). ASU 2010-09 removes the requirement to disclose the date through which an entity has evaluated subsequent events and is effective for interim annual periods beginning after June 15, 2010. The adoption of ASU 2010-09 is not expected to have a material impact on our consolidated financial statements.

Certain Revenue Arrangements That Contain Software Elements

In October 2009, the FASB issued ASU 2009-14, Certain Revenue Arrangements That Include Software Elements, (amendments to ASC 985). ASU 2009-14 removes tangible products from the scope of software revenue guidance and provides guidance on determining whether software deliverables in an arrangement that includes a tangible product are covered by the scope of the software revenue guidance. ASU 2009-14 is effective for fiscal years beginning after June 15, 2010, with early adoption permitted, and may be applied prospectively for new or materially modified arrangements. Adoption of ASU 2009-14 is not expected to have a material impact on our consolidated financial statements.

Multiple-Deliverable Revenue Arrangements

In October 2009, the FASB issued ASU 2009-13, Multiple-Deliverable Revenue Arrangements, (amendments to ASC 605). ASU 2009-13 requires entities to allocate revenue in an arrangement using estimated selling prices of deliverables if a vendor does not have vendor-specific objective evidence or third-party evidence of the selling price. The amendments eliminate the residual method of revenue allocation and require revenue to be allocated using the relative selling price method. ASU 2009-13 is effective for fiscal years beginning after June 15, 2010, with early adoption permitted, and may be applied prospectively for new or materially modified arrangements. Adoption of ASU 2009-13 is not expected to have a material impact on our consolidated financial statements.

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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 September 30, 2010, we had a net loss of \$454,777, and negative working capital of \$1,590,155, and an accumulated deficit of \$9,153,241 and \$8,698,465 as of September 30, 2010 and December 31, 2009, respectively. Although these factors raise substantial doubt as to our ability to continue as a going concern through December 31, 2010, we are taking several actions intended to mitigate against this risk. These actions include pursuing the sale of product lines and pursuing mergers and acquisitions that are intended to potentially provide profitable operations and positive operating cash flow over the near- or long-term.

NOTE 3 – INVENTORIES

At September 30, 2010, inventories consisted of the following:

Raw materials	\$46,892
Finished goods	13,534
Less reserve for obsolete inventory	(10,806)
Inventories	\$49,620

NOTE 4 – RESERVES AND ALLOWANCES

At September 30, 2010, the allowance for doubtful accounts included in Accounts receivable, trade, net, consisted of the following:

Balance December 31, 2009	\$16,700
Bad debts provision (included in Other operating expenses)	---
Accounts written off	(3,164)
Collection of accounts previously written off	---
Balance September 30, 2010	\$13,536

At September 30, 2010, the reserve for obsolete inventory included in Inventories consisted of the following:

Balance December 31, 2009	\$14,781
Provision for obsolete inventory	7,120
Obsolete inventory written off	(11,095)
Balance September 30, 2010	\$10,806

At September 30, 2010, the reserve for sales returns included in Other current liabilities consisted of the following:

Balance December 31, 2009	\$121,165
Return provision – sales	92,900
Return provision – cost of sales	(13,935)
Returns processed	(85,752)
Balance September 30, 2010	\$114,378

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NOTE 5 – INTANGIBLE ASSETS

In May 2010, we purchased certain copyrights from Houghton Mifflin Harcourt Publishing Company for \$10,000. The copyrights were related to our 1999 license agreement with Parsons Technology, Inc. in relation to which Houghton Mifflin Harcourt Publishing Company had been the latest licensor-assignee in a succession of assignments dating back to 1999 and originating with Parsons Technology, Inc. The license that we acquired in 1999 provided us with the right to publish, use, distribute, sublicense and sell, exclusively worldwide in non-secular channels and non-exclusively on an unrestricted basis in secular channels, a collection of 65 individual top-selling Christian-related software titles owned by Parsons Technology, including QuickVerse, among others. The acquired copyrights will be amortized over a 10 year useful life as was the original software license we acquired in 1999.

NOTE 6 – DEBT

At September 30, 2010, the current portion of debt consisted of the following:

Unsecured term note payable to a finance company due March 2011 in monthly installments of \$1,775, including interest at 6.84% APR.	\$ 10,441
Unsecured (delinquent) term note payable to a shareholder due March 2008 in monthly installments of \$10,000, plus interest at 8% APR, through April 2007, and monthly installments of \$20,000, plus interest at 8% APR, beginning May 2007. Interest on overdue principal accruing at 15% APR.	56,000
Current portion of debt	\$ 66,441

At September 30, 2010, we were current on the unsecured term notes payable to the finance company. We remain in arrears for the final three payments of the unsecured term note payable to a shareholder.

NOTE 7 – STOCKHOLDERS' EQUITY

COMMON STOCK

In August 2010, we committed to issue 3,571,428 restricted shares of common stock to our outside directors, at the closing price as of August 9, 2010 (\$0.0021), in lieu of cash for services rendered from January 1, 2009 through June 30, 2010. These services were valued at \$90,000; however, the board of directors agreed that the difference between

the value of the restricted shares of common stock and their services would be recorded as contributed capital.

In August 2010, we committed to issue 350,000 restricted shares of common stock to our outside directors, at the closing price as of August 9, 2010 (\$0.0021), as compensation for services rendered in connection with their service on the board of directors. This issuance was valued at \$735.

In August 2010, we committed to issue a total of 1,555,000 restricted shares of common stock consisting of 1,400,000 shares to our executive officers and 155,000 shares to our non-executive employees, at the closing price as of August 9, 2010 (\$0.0021), as compensation for services rendered in connection with their employment. This issuance was valued at \$3,266.

In August 2010, we committed to issue a total of 2,300,000 restricted shares of common stock to a consultant, at the closing price as of August 9, 2010 (\$0.0021), as compensation for services rendered in connection with their time as a consultant to the Company. This issuance was valued at \$4,830.

COMMON STOCK OPTIONS

In August 2010, our board of directors authorized the cancellation of a total of 905,000 vested stock options with an exercise price of \$0.11 consisting of 350,000 stock options to our outside directors, 400,000 stock options to our executive officers and 155,000 stock options to our non-executive employees. The stock options for our outside directors had an expiration date of August 20, 2011, and the stock options for our executive officers and our non-executive employees had an expiration date of July 17, 2011.

In August 2010, our board of directors authorized the cancellation of a total of 1,000,000 vested stock options with an exercise price of \$0.05 consisting of 500,000 stock options to our executive officers with an expiration date of June 6, 2012 and 500,000 stock options to our executive officers with an expiration date of June 5, 2013.

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COMMON STOCK WARRANTS

In August 2010, our board of directors authorized the cancellation of a consultant's warrant to purchase up to 1,300,000 shares of common stock with an exercise price of \$0.032. This warrant was fully vested on August 31, 2007 and had an expiration date of September 13, 2010.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

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

The employment agreements with our management team each expired on April 14, 2010. None of the agreements were extended nor are new agreements being considered. Our management team consists of the following:

	Chief Executive Officer	Chief Technology Officer
Base Annual Salary	\$ 150,000	\$ 150,000

Although the employment agreements have expired, we have accrued the following for our management team as of September 30, 2010:

	Accrued Base Salary	Vested Deferred Vacation Compensation
Included in Other current liabilities at September 30, 2010	\$ 26,921	\$ 22,664

Included in QuickVerse, our flagship software product, is substantial content that we have licensed from various publishers pursuant to agreements that in some cases have since expired in accordance with their stated terms and in relation to which we have, in the aggregate, material outstanding liabilities for unpaid royalties, including arrearages. Although we are currently pursuing resolution of these matters, there can be no assurance that we will be able to secure new agreements or retroactive extensions of the now-expired agreements, and should any, some, or all of the publishers with which we are in discussions demand that we cease and desist from including their content in our products, the adverse consequences to our business would be highly material.

Our royalty agreements for new content generally provide for advance payments to be made upon contract signing. In addition, several new agreements provide for additional advance payments to be made upon delivery of usable content and publication. We accrue and pay these advances when the respective milestone is met.

We do not collect sales taxes or other taxes with respect to shipments of most of our goods into most states in the U.S. Our fulfillment center and customer service center networks, and any future expansion of those networks, along with other aspects of our evolving business, may result in additional sales and other tax obligations. One or more states may seek to impose sales or other tax collection obligations on out-of-jurisdiction companies that engage in e-commerce. A successful assertion by one or more states that we should collect sales or other taxes on the sale of merchandise or services could result in substantial tax liabilities for past sales, decrease our ability to compete with traditional retailers, and otherwise harm our business.

Currently, decisions of the U.S. Supreme Court restrict the imposition of obligations to collect state and local taxes and use taxes with respect to sales made over the Internet. However, a number of states, as well as the U.S. Congress, have been considering various initiatives that could limit or supersede the Supreme Court's constitutional concerns and result in a reversal of its current position. As a result, we could be required to collect sales and use taxes in additional states. The imposition by state and local governments of various taxes upon Internet commerce could create administrative burdens for us, put us at a competitive disadvantage if they do not impose similar obligations on all of our online competitors and decrease our future sales.

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NOTE 9 – 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 materials available to us, operations could be adversely affected.

NOTE 10 – SUBSEQUENT EVENTS

Management has reviewed and evaluated material subsequent events from the balance sheet date of September 30, 2010 through the financial statements issue date of November 22, 2010. All appropriate subsequent disclosures, if any, have been made in the Notes to the Condensed Consolidated Financial Statements.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Cautionary Statement Regarding Forward-Looking Statements

Certain statements made in this Quarterly Report on Form 10-Q are "forward-looking statements" (within the meaning of the Private Securities Litigation Reform Act of 1995) regarding the plans and objectives of management for future operations. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of Findex.com, Inc. ("we", "us", "our" or the "Company") to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements included herein are based on current expectations that involve numerous risks and uncertainties. The Company's plans and objectives are based, in part, on assumptions involving the continued expansion of business. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Company. Although the Company believes its assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance the forward-looking statements included in this Quarterly Report will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company or any other person that the objectives and plans of the Company will be achieved.

This information should be read in conjunction with our unaudited condensed consolidated financial statements and the notes thereto included in Item 1 of Part I of this quarterly report, and our audited financial statements and the notes thereto and our Management's Discussion and Analysis of Financial Condition and Results of Operation contained in our annual report on Form 10-K for the fiscal year ended December 31, 2009.

Description of Business

We develop, publish, market, and distribute and directly sell off-the-shelf consumer and organizational software products for PC, Macintosh® and PDA platforms. We develop our software products through in-house initiatives supplemented by outside developers. We market and distribute our software products principally through direct marketing and Internet sales programs, but also through secular and non-secular wholesale retailers.

We are currently in the early stages of a defining transformative period in our development. In recent years, we have come to be recognized as a consumer desktop software company that serves a demographic defined largely by an interest in Christianity and faith-based "inspirational" values. The nature of our products historically, and the fact that our product lines have not extended materially beyond the boundaries of this affinity group, have fostered this perception. Indeed, as the publisher of one of the industry-leading Bible study desktop software products, QuickVerse®, we are known to many users of that product only as "QuickVerse", not Findex. While we believe that the QuickVerse® brand has substantial brand recognition, and we greatly value the goodwill that our reputation in this regard has engendered, we also believe that working to expand that reputation into one which is more closely associated with providing high quality branded software and content products generally – and ones that extend across both consumer and business segments – will afford us significantly greater opportunities in both the near and long term to steadily increase revenues and earnings, and, ultimately, to enhance shareholder value.

As part of that objective, we acquired FormTool.com and the FormTool® line of products in February 2008. In September 2008, we re-launched the FormTool.com website as an online marketplace for purchasing the FormTool® line of form creation and form filler products, and also a one-stop shop for finding, purchasing and downloading customizable forms for a wide range of business and consumer needs. Our model includes the ability to purchase

forms on an individual basis, in bulk packs, or on a subscription basis.

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Management Overview

During the nine months ended September 30, 2010, we focused on our two product lines, QuickVerse® and FormTool® and their respective websites. Specifically, we focused on expanding the content for the QuickVerse® product line and an upgrade to the FormTool® website. Overall, we continued to concentrate on building our technology platform and infrastructure in order to become a more Webcentric provider of online products.

For the nine months ended September 30, 2010, we reintroduced, reformatted and made available as a downloadable product two content collections for our QuickVerse® product line. In addition, we released a new commentary collection series as we continue to focus on expanding the library for our QuickVerse® product line. These collections include the following:

Fisherman Study Guide Series Complete Collection with a retail price of \$169.95;
 Spiritual Encounter Guides with a retail price of \$29.95; and
 John Phillips Commentary Collection Series with a retail price of \$399.95.

Furthermore, during the nine months ended September 30, 2010 our development team continued to focus on our annual upgrade release of the QuickVerse® Windows platform. Although there can be no assurance, the new edition of QuickVerse® Windows is scheduled to be released in the fourth quarter of 2010. Finally, we continued working on the revamping of our website for our FormTool® product line in order to add greater functionality to the website. Although there can be no assurance, this revamped website is scheduled to be launched in the first quarter of 2011.

Results of Operations for Nine Months Ending September 30, 2010 and September 30, 2009

Statements of Operations for Nine Months Ending September 30	2010	2009	Change
Net revenues	\$ 1,257,291	\$ 1,509,163	\$ (251,872)
Cost of sales	(499,782)	(544,765)	44,983
Gross profit	\$ 757,509	\$ 964,398	\$ (206,889)
Sales, marketing and general and administrative expenses	(1,199,865)	(1,593,365)	393,500
Loss from operations	\$ (442,356)	\$ (628,967)	\$ 186,611
Other income (expenses), net	(12,421)	(17,930)	5,509
Loss before income taxes	\$ (454,777)	\$ (646,897)	\$ 192,120
Income taxes	---	---	---
Net loss	\$ (454,777)	\$ (646,897)	\$ 192,120

The differing results of operations are primarily attributable to the following:

a decrease in net revenues for the nine months ended September 30, 2010 partly attributable to the following:

the decreased number of upgrade sales;
the overall decreased number of product releases;
no release of the QuickVerse® Macintosh platform during 2010; and
the current economic downturn; and
a decrease in sales, marketing and general and administrative expenses for the nine months ended September 30, 2010 arising from our continuous efforts to cut costs.

Our software products are highly seasonal. More than 50% of our annual sales are expected to occur in the five months of September through January; the five months of April through August are generally our weakest, generating less than 30% of our annual sales.

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Revenues

The following table presents our revenues for the nine months ended September 30, 2010 and September 30, 2009 and dollar and percentage changes from the prior year.

					Change	
Revenues for Nine Months Ending September 30	2010	% to Sales	2009	% to Sales	\$	%
Gross revenues	\$1,351,829	100%	\$1,678,364	100%	\$(326,535)	19%
Less estimated sales returns and allowances	(94,538)	7 %	(169,201)	10 %	74,663	44%
Net revenues	\$1,257,291	93 %	\$1,509,163	90 %	\$(251,872)	17%

During each of the nine months ended September 30, 2010 and 2009, our sales efforts were focused on directly targeting end-users through telemarketing and Internet sales. Due to the increased frequency and consistency in our development schedule in regards to the annual release of our flagship product, QuickVerse®, upgrade sales have not been increasing at as rapid a rate as they have in previous years; and therefore, we experienced a decrease in gross revenues for the nine months ended September 30, 2010. We've also experienced a decrease in the number of product releases for the nine months ended September 30, 2010, which is a large contributing factor to the decrease in our gross revenues. For instance, during the third quarter of 2009, we released an upgrade to the QuickVerse® Macintosh platform; whereas, we had no such release during the third quarter of 2010. Finally, we believe the current economic downturn has had a negative impact on our retail sales as well as our direct sales. Although we have experienced decreased revenues for the nine months ended September 30, 2010, and although there can be no assurance, we anticipate that revenues will increase for the fourth quarter of 2010 as it is typically our strongest quarter of the year as years past have shown.

On the other hand, during the nine months ended September 30, 2010, we did recognize approximately \$91,000 in revenue from the FormTool® product line, which was an increase of approximately \$20,000 from approximately \$71,000 for the nine months ended September 30, 2009. Although there can be no assurance, we do anticipate our revenues in relation to the FormTool® product line to increase in the near-term based on our anticipated enhancements of the revamped FormTool.com website and a greater retail penetration derived from our new partnership with Encore Software, Inc.

As a percentage of gross revenues, our sales returns and allowances decreased significantly for the nine months ended September 30, 2010 compared to September 30, 2009. Typically, product returns trend upward after a new version is released as distributors and retail stores return old product in exchange for the new version release. The decrease for the nine months ended September 30, 2010 is a result of our distributors and retail stores returning a majority of their old product exchange of QuickVerse® 2009 for the newest version release QuickVerse® 2010 during the last three months of the year ended December 31, 2009. In past years, these returns and exchanges generally have taken place in the first quarter of the year. Although there can be no assurance, we anticipate a majority of our distributors and retail

stores to return their old product exchange of QuickVerse® 2010 for the upcoming release of QuickVerse® 2011 during the fourth quarter of 2010. Finally, for the nine months ended September 30, 2009 we had increased our reserve of sales returns due to the downturn in the economic environment. Generally going forward, it is our objective to release enhanced versions of our biggest-selling products on an annual basis, and as a percentage of gross revenues we anticipate sales returns and allowances to decrease over time as a result of increased stability in the functionality of our products, decreasing reliance on retail sales and increasing reliance on direct sales, which have historically resulted in fewer returns, and improved planning in the timing of new product version releases.

Cost of Sales

The following table presents our cost of sales for the nine months ended September 30, 2010 and September 30, 2009 and dollar and percentage changes from the prior year.

					Change	
Cost of Sales						
for Nine						
Months					%	%
Ending					to	to
September 30	2010	Sales	2009	Sales	\$	%
Direct costs	\$ 95,834	7 %	\$ 148,427	9 %		