FINDEX COM INC
Form 10-Q
August 19, 2008

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2008

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________.

Commission file number: 0-29963

FINDEX.COM, INC.

(Exact name of registrant as specified in its charter)

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

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

N/A

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the proceeding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.Yes [X] No [_]

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

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

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

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS

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

At August 19, 2008, the registrant had outstanding 54,072,725 shares of common stock, of which there is only a single class.

FINDEX.COM, INC.

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

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

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

	June 30, 2008	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	$ 523,751	$ 1,134,547
Accounts receivable, trade, net	149,217	236,301
Inventories	87,541	93,852
Other current assets	97,000	135,626
Total current assets	857,509	1,600,326
Property and equipment, net	47,037	56,214
Intangible assets, net	996,397	979,011
Other assets	133,324	92,860
Total assets	$ 2,034,267	$ 2,728,411
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable, trade	$ 654,308	$ 627,720
Accounts payable, related party	75,098	75,302
Accrued royalties	646,129	587,692
Derivative liabilities	---	906,274
Other current liabilities	377,151	417,903
Total current liabilities	1,752,686	2,614,891
Long-term debt, net	38,050	11,877
Deferred income taxes, net	20,825	34,800
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock, $.001 par value		
5,000,000 shares authorized		
-0- and -0- shares issued and outstanding, respectively	---	---
Common stock, $.001 par value		
120,000,000 shares authorized,		
54,072,725 and 52,250,817 shares issued and outstanding, respectively	54,073	52,251
Paid-in capital	7,787,780	7,715,081
Retained (deficit)	(7,619,147)	(7,700,489)
Total stockholders' equity	222,706	66,843
Total liabilities and stockholders' equity	$ 2,034,267	$ 2,728,411

See accompanying notes.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenues, net of reserves and allowances	$ 520,984	$ 602,838	$ 1,132,515	$ 1,758,331
Cost of sales	235,306	281,517	490,215	776,875
Gross profit	285,678	321,321	642,300	981,456
Operating expenses:				
Sales and marketing	153,382	158,476	341,525	354,965
General and administrative	471,048	534,427	981,574	1,024,294
Total operating expenses	624,430	692,903	1,323,099	1,379,259
Loss from operations	(338,752)	(371,582)	(680,799)	(397,803)
Other income (expenses), net	972	(6,445)	5,866	(15,275)
Gain on fair value adjustment of derivatives	---	27,201	305,620	53,745
Gain on settlement of derivative liabilities	---	---	450,654	---
Income (loss) before income taxes	(337,780)	(350,826)	81,341	(359,333)
Income tax benefit	---	7,275	---	10,100
Net income (loss)	$ (337,780)	$ (343,551)	$ 81,341	$ (349,233)
Net earnings (loss) per share:				
Basic	$ (0.01)	$ (0.01)	$ 0.00	$ (0.01)
Diluted	$ (0.01)	$ (0.01)	$ 0.00	$ (0.01)
Weighted average shares outstanding:				
Basic	53,946,278	49,794,498	53,290,855	49,791,425
Diluted	53,946,278	49,794,498	54,103,693	49,791,425

See accompanying notes.

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

Six Months Ended June 30,	2008	2007
Cash flows from operating activities:		
Cash received from customers	$ 1,186,281	$ 1,835,864
Cash paid to suppliers and employees	(1,368,073)	(1,580,906)
Other operating activities, net	11,937	(11,195)
Net cash (used) provided by operating activities	(169,855)	243,763
Cash flows from investing activities:		
Software development costs	(125,091)	(191,451)
FormTool purchase	(100,000)	---
Deposits refunded (paid)	2,700	(41,189)
Other investing activities, net	(51,280)	(11,334)
Net cash used by investing activities	(273,671)	(243,974)
Cash flows from financing activities:		
Payment made for settlement of derivative liabilities	(150,000)	---
Payments made on long-term notes payable	(17,270)	(45,009)
Net cash used by financing activities	(167,270)	(45,009)
Net (decrease) increase in cash and cash equivalents	(610,796)	(45,220)
Cash and cash equivalents, beginning of year	1,134,547	48,672
Cash and cash equivalents, end of period	$ 523,751	$ 3,452
Reconciliation of net loss to cash flows from operating activities:		
Net income (loss)	$ 81,341	$ (349,233)
Adjustments to reconcile net income (loss) to net cash (used) provided by operating activities:		
Software development costs amortized	157,128	160,433
Depreciation & amortization	224,703	286,485
Bad debts provision	2,293	17,164
Noncash operating expenses	34,521	---
Gain on fair value adjustment of derivatives	(305,620)	(53,745)
Gain on settlement of derivative liabilities	(450,654)	---
Gain on sale of property and equipment	---	(551)
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	84,791	15,892
Decrease (increase) in inventories	6,311	34,631
Decrease in other current assets	35,947	3,569
(Decrease) increase in accrued royalties	58,437	43,706
(Decrease) in accounts payable	26,384	45,606
(Decrease) increase in other liabilities	(125,437)	39,806
Net cash (used) provided by operating activities	$ (169,855)	$ 243,763
Schedule of Noncash Investing and Financing Activities:		
Long-term note payable issued for FormTool purchase	$ 85,934	$ ---
Equity issued for FormTool purchase	$ 40,000	$ ---

See accompanying notes.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by Generally Accepted Accounting Principles for complete financial statements. The accompanying unaudited condensed consolidated financial statements reflect all adjustments that, in the opinion of management, are considered necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented. The results of operations for such periods are not necessarily indicative of the results expected for the full fiscal year or for any future period. The December 31, 2007 condensed consolidated balance sheet was derived from our audited financial statements at that date. The accompanying financial statements should be read in conjunction with the audited consolidated financial statements of Findex.com, Inc. included in our Form 10-KSB for the fiscal year ended December 31, 2007.

USE OF ESTIMATES

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

INVENTORY

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

ACCOUNTING FOR LONG-LIVED ASSETS

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

INTANGIBLE ASSETS

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, Goodwill and Other Intangible Assets, intangible assets with an indefinite useful life are not amortized. Intangible assets with a finite useful life are

amortized on the straight-line method over the estimated useful lives, generally three to ten years.

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SOFTWARE DEVELOPMENT COSTS

In accordance with SFAS No. 86, Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed, software development costs are expensed as incurred until technological feasibility and marketability has been established, generally with release of a beta version for customer testing. Once the point of technological feasibility and marketability is reached, direct production costs (including labor directly associated with the development projects), indirect costs (including allocated fringe benefits, payroll taxes, facilities costs, and management supervision), and other direct costs (including costs of outside consultants, purchased software to be included in the software product being developed, travel expenses, material and supplies, and other direct costs) are capitalized until the product is available for general release to customers. We amortize capitalized costs on a product-by-product basis. Amortization for each period is the greater of the amount computed using (i) the straight-line basis over the estimated product life (generally from 12 to 18 months), or (ii) the ratio of current revenues to total projected product revenues. Total cumulative capitalized software development costs were $992,587, less accumulated amortization of $590,255 at June 30, 2008.

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

SFAS No. 2, Accounting for Research and Development Costs, established accounting and reporting standards for research and development. In accordance with SFAS No. 2, costs we incur to enhance our existing products after general release to the public (bug fixes) are expensed in the period they are incurred and included in research and development costs. Research and development costs incurred prior to determination of technological feasibility and marketability and after general release to the public and charged to expense were $103,955 and $60,569 for the six months ended June 30, 2008 and 2007, respectively, included in general and administrative expenses.

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

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

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

Capitalized costs include those incurred to:

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

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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 $167,171, less accumulated amortization of $86,289 at June 30, 2008.

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 at June 30, 2008 included in Other assets on the condensed consolidated balance sheets was $40,000.

REVENUE RECOGNITION

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 three and six months ended June 30, 2008 and 2007 and maintain a reserve for rebate claims remaining unpaid from 2000 and 2001.

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Service Revenue

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

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, email 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.

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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.

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.

RECENT ACCOUNTING PRONOUNCEMENTS

Noncontrolling Interests

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements—an amendment of Accounting Research Bulletin No. 51. SFAS No. 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008. Management is currently evaluating the potential impact, if any, of the adoption of SFAS No. 160 on our consolidated financial statements.

Business Combinations

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations. SFAS No. 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS No. 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 141(R) is effective for fiscal years beginning after December 15, 2008. Management is currently evaluating the potential impact, if any, of the adoption of SFAS No. 141(R) on our consolidated financial statements.

Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements, to provide enhanced guidance for using fair value to measure assets and liabilities. The standard also expands disclosure requirements for assets and liabilities measured at fair value, how fair value is determined, and the effect of fair value measurements on earnings. The standard applies whenever other authoritative literature requires, or permits, certain assets or liabilities

to be measured at fair value, but does not expand the use of fair value. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. In February 2008, the FASB issued Staff Positions 157-1 and 157-2 which partially defer the effective date of SFAS No. 157 for one year for certain nonfinancial assets and liabilities and remove certain leasing transactions from its scope. Management is currently evaluating the potential impact, if any, of the provisions of SFAS No. 157 on its consolidated financial statements.

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Derivative Instruments

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities, to improve financial reporting about derivative instruments and hedging activities. The standard requires enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008. Management is currently evaluating the potential impact, if any, of the provisions of SFAS No. 161

RECLASSIFICATIONS

Certain accounts in our 2007 financial statements have been reclassified for comparative purposes to conform with the presentation in our 2008 financial statements.

NOTE 2 – GOING CONCERN

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the United States applicable to a going concern. As of June 30, 2008, we had a year-to-date net income of $81,341, and negative working capital of $895,177 and $1,014,565, and an accumulated deficit of $7,619,147 and $7,700,489 as of June 30, 2008 and December 31, 2007, respectively. Although these factors raise substantial doubt as to our ability to continue as a going concern through December 31, 2008, we have taken several actions to mitigate against this risk. These actions include relying on the approximately $509,000 cash reserve from the sale of our Membership Plus product line and pursuing mergers and acquisitions that will provide profitable operations and positive operating cash flow.

NOTE 3 – INVENTORIES

At June 30, 2008, inventories consisted of the following:

Raw materials	$ 55,664
Finished goods	44,277
Less reserve for obsolete inventory	(12,400)
Inventories	$ 87,541

NOTE 4 – PRODUCT LINE ACQUISITION

On February 25, 2008, we acquired the FormTool software product line from ORG Professional, LLC. The purchase price of approximately $226,000 was comprised as follows:

Description	Amount
Fair value of common stock	$ 40,000
Cash	100,000
Promissory note	85,934
Total	$ 225,934

The fair value of our common stock was determined based on 1,000,000 restricted shares of our common stock issued and priced at the closing price as of February 22, 2008 ($0.04). See Note 8.

The allocation of the purchase price to the assets acquired based on their estimated fair values was as follows:

Description	Amount
Trademark/Tradename	$ 67,780
Internet domain names	33,890
Customer list	22,594
Copyrights	67,780
Computer software code	22,594
Distribution agreements	11,296
Total	$ 225,934

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The assets will be amortized over a period of years as follows:

Description	Estimated Remaining Life (years)
Trademark/Tradename/Copyrights	10
Internet domain names	5
Customer list/Computer software code	3
Distribution agreements (remaining contract term)	.33

One of our outside directors currently owns a 5% equity interest in ORG Professional, LLC, and agreed to forego any direct personal economic benefit to which he would otherwise be entitled, including the restricted shares of our common stock issuable as part of the consideration.

During the three and six months ended June 30, 2008, sales from the FormTool software product line were approximately 1% and 2%, respectively, of our gross sales.

NOTE 5 – RESERVES AND ALLOWANCES

At June 30, 2008, the allowance for doubtful accounts included in Accounts receivable, trade, net, consisted of the following:

Balance December 31, 2007	$ 2,000
Bad debts provision (included in Other operating expenses)	2,293
Accounts written off	(726)
Collection of accounts previously written off	633
Balance June 30, 2008	$ 4,200

At June 30, 2008, the reserve for obsolete inventory included in Inventories consisted of the following:

Balance December 31, 2007	$ 14,400
Provision for obsolete inventory	11,800
Obsolete inventory written off	(13,800)
Balance June 30, 2008	$ 12,400

At June 30, 2008, the reserve for sales returns included in Other current liabilities consisted of the following:

Balance December 31, 2007	$ 95,009
Return provision – sales	118,300
Return provision – cost of sales	(17,745)
Returns processed	(115,179)
Balance June 30, 2008	$ 80,385

NOTE 6 – DERIVATIVE LIABILITIES

In November 2004, we issued two five-year warrants to purchase up to 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. The first warrant entitled the holder to purchase up to 10,937,500 shares of our common stock at a price of $0.18 per share, and the second warrant entitled the holder to purchase up to 10,937,500 additional shares of our common stock at a price of $0.60 per share. Each warrant was subject to standard adjustment provisions and each provided for settlement in registered shares of our common stock and may have been, at the option of the holder, settled in a cashless, net-share settlement. These warrants were accounted for as a liability according to the guidance of EITF 00-19 and the fair value of each warrant was determined using the Black-Scholes valuation method.

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The warrants were revalued at each measurement date by using parameters existing thereon, reducing the expected term to reflect the passing of time, and using the stock price at the measurement date. Net fair value adjustments included on the condensed consolidated statements of operations were income adjustments of $305,620 and $53,745 for the six months ended June 30, 2008 and 2007, respectively. Income adjustments generally reflect a decrease in the market price of our common stock between measurement dates whereas expense adjustments would generally reflect an increase in the market price of our common stock between measurement dates. The income adjustment recorded for the six months ended June 30, 2008 reflects the difference between measurement parameters that existed on March 5, 2008 and December 31, 2007.

On March 6, 2008, we entered into and consummated an agreement with the holder pursuant to which the outstanding common stock purchase warrants held by them, which were subject to derivative treatment, were immediately canceled in exchange for a single cash payment in the amount of $150,000. As a result of this transaction, these warrants are now null and void for all purposes (See Note 8). Pursuant to this cancellation, we recorded a gain on the settlement of derivative liabilities in the amount of $450,654, which represents the difference between the cash payment and the Black-Scholes calculated liability as of March 5, 2008. The warrant cancellation has eliminated 21,875,000 potentially dilutive shares and eliminated the future non-cash effects associated with the volatility of our stock price.

NOTE 7 – DEBT

At June 30, 2008, long-term debt consisted of the following:

Capital lease obligation payable to a corporation due November 2009 in monthly installments of $1,144, including interest at 11.7%. Secured by telephone equipment.	$	18,802
Unsecured term note payable to a shareholder due March 2008 in monthly installments of $10,000, plus interest at 8%, through April 2007, and monthly installments of $20,000, plus interest at 8%, beginning May 2007.		56,000
Unsecured term note payable to a limited liability company due February 2010 in monthly installments of $4,167, including simple interest at 15%. See Note 4.		73,330
Total Long-term debt		148,132
Less: Current maturities		(110,082)
Long-term debt, net	$	38,050

At June 30, 2008, we were current on the capital lease obligation and the unsecured term note payable to a limited liability company. We remain in arrears for the final three payments of the unsecured term note payable to a shareholder.

NOTE 8 – STOCKHOLDERS' EQUITY

COMMON STOCK

In February 2008, we issued a total of 1,000,000 restricted shares of common stock to a third party, at the closing price as of February 25, 2008 ($0.04), as part of the acquisition of the FormTool software product line. This issuance was valued at $40,000.

In April 2008, we committed to issue a total of 143,337 restricted shares of common stock to three members of our management team, at the closing price as of April 14, 2008 ($0.042), in lieu of cash payment, net of appropriate tax withholdings, of the amounts accrued for their 2007 bonus. This issuance was valued at $6,020.

In April 2008, we committed to issue a total of 678,571 restricted shares of common stock to our outside directors, at the closing price as of April 14, 2008 ($0.042) in lieu of cash payments of amounts accrued for service as members of our board from the period of July 1, 2007 through March 31, 2008. This issuance was valued at $28,500.

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COMMON STOCK WARRANTS

In February 2008, warrants to purchase up to 125,000 restricted shares of our common stock with an exercise price of $0.148 per share expired unexercised.

In March 2008, a warrant to purchase up to 10,937,500 shares of our common stock with an exercise price of $0.18 per share and a warrant to purchase up to 10,937,500 shares of our common stock with an exercise price of $0.60 per share were canceled in exchanged for a single cash payment of $150,000. These warrants are now null and void for all purposes as a result of this transaction. See Note 6.

NOTE 9 – EARNINGS PER COMMON SHARE

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 June 30,	2008	2007
Net loss	$ (337,780)	$ (343,551)
Preferred stock dividends	---	---
Net loss available to common shareholders	$ (337,780)	$ (343,551)
Basic weighted average shares outstanding	53,946,278	49,794,498
Dilutive effect of:		
Stock options	---	---
Warrants	---	---
Diluted weighted average shares outstanding	53,946,278	49,794,498

For the Six Months Ended June 30,	2008	2007
Net income (loss)	$ 81,341	$ (349,233)
Preferred stock dividends	---	---
Net income (loss) available to common shareholders	$ 81,341	$ (349,233)
Basic weighted average shares outstanding	53,290,855	49,791,425
Dilutive effect of:		
Stock options	---	---
Warrants	812,838	---
Diluted weighted average shares outstanding	54,103,693	49,791,425

NOTE 10 – 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.

We entered into a license agreement in June 1999 with Parsons Technology, Inc., a subsidiary of TLC, a copy of which has since been assigned to Riverdeep, Inc., the latest licensor-assignee in a succession of assignments that have occurred since the original agreement. The license, as we acquired it in 1999, provided us with the right, for a term of ten years, to publish, use, distribute, sublicense and sell, exclusively worldwide in non-secular channels and non-exclusively in secular channels, a collection of top-selling Christian-related software titles and content owned by Parsons Technology. In October 2003, we reached settlement in a dispute with The Zondervan Corporation and TLC which extended indefinitely the term of the software license agreement.

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Our employment agreements with our management team each contain a provision for an annual bonus equal to 1% of our income from operations adjusted for other income and interest expense (4% total). We accrue this bonus on a quarterly basis. Our management team consists of the following:

	Chief Executive Officer	Chief Financial Officer	Chief Technology Officer	Vice President of Sales
Base Annual Salary	$ 150,000	$ 110,000	$ 150,000	$ 110,000

In addition to the bonus provisions and annual base salary, each employment agreement provides for payment of the following for termination by reason of disability.

	Accrued Base Salary	Accrued Management Bonus	Vested Deferred Vacation Compensation
Included in other current liabilities at June 30, 2008	$ 23,898	$ ---	$ 39,282

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.

We have included content in QuickVerse, our flagship software product, under contracts with publisher providers that have expired. We are currently pursuing resolution, however, there is no guarantee that we will be able to secure a new agreement, or an extension, and should any of the publishers demand we cease and desist including their content, the unknown potential negative impact could be 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 resulted in a reversal of its current position, 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.

NOTE 11 – 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.

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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 or Plan of Operation contained in our annual report on Form 10-KSB for the fiscal year ended December 31, 2007.

Description of Business

We develop, publish, market, 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 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 is among our most valuable assets, 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. We believe, moreover, that coupling this strategic diversification with a commitment to an increasing reliance on a sales and distribution model through which our products are sold on a subscription basis and can be purchased and downloaded directly from us online will be instrumental in furthering these financial objectives. Consequently, while we expect to continue for the indefinite future to invest substantially in the growth and development of our existing primary software titles and content, we also expect as we go forward to invest substantially in not only building a significantly more diverse line of product

titles, but also in building our technology platform and infrastructure so as to enable our evolution over time into a principally Webcentric provider of software solutions, content, and online products.

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As part of that objective, we acquired FormTool.com and the FormTool® line of products in February of this year. In the third quarter of 2008, we expect to re-launch 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 will include the ability to purchase forms on an individual basis, in bulk packs, or on a subscription basis. Further, and in partnership with a third party, through FormTool.com, we will offer secure data storage for all types of documents, forms and other media on a subscription basis. This service will allow for data backup and security as well as remote access to critical data from anywhere via the Internet. This service will be targeted to both the business and consumer markets.

Management Overview

During the second quarter of 2008, we continued to concentrate on our core product, QuickVerse®, and its technological features in order to meet our development schedule and our annual upgrade release for this product line. Our development team worked on a number of projects which resulted in four new content collections for our QuickVerse® product line. These collections include:

H. A. Ironside Collection with a retail price of $199.95,
Timothy Dwight Collection with a retail price of $49.95,
John Calvin Collection with a retail price of $49.95; and
Arthur W. Pink Collection with a retail price of $49.95.

In addition, we launched a new feature on our website, www.quickverse.com, called the Books tab which enables our QuickVerse® customers to purchase additional content and immediately download that content for use within their QuickVerse® software. Our Books tab currently features over 180 individual books and/or collections with a range in retail price from $4.95 to $249.95. In June 2008, we released a free downloadable version of QuickVerse® 2008, which allows new customers to get a look and feel of our QuickVerse® product line at no charge. Over time, we anticipate the number of downloadable options to grow substantially as we continue to expand our technology platform and build our infrastructure in order to become a principally Webcentric provider of software solutions, content and online products. Furthermore, and although there can be no assurance, we anticipate the annual upgrade release of QuickVerse® to take place during the fourth quarter of 2008.

During February 2008, we acquired FormTool.com and the FormTool® line of products. The FormTool® product line offers quality, professionally designed forms for business, accounting, construction, sales, real estate, human resources and personal organization needs. Although there can be no assurance, during the third quarter of 2008, we expect to re-launch the FormTool.com website as an online marketplace for purchasing the FormTool® product line, as well as a “one-stop” shop for finding, purchasing and downloading customizable forms for a wide range of business and consumer needs.

Results of Operations for Six Months Ending June 30, 2008 and June 30, 2007

Statement of Operations for Six Months Ending June 30	2008	2007	Change
Net revenues	$ 1,132,515	$ 1,758,331	$ (625,816)
Cost of sales	(490,215)	(776,875)	286,660
Gross profit	$ 642,300	$ 981,456	$ (339,156)
Sales, marketing and general and administrative expenses	(1,323,099)	(1,379,259)	56,160

Loss from operations	$	(680,799)	$	(397,803)	$	(282,996)
Other income (expenses)		5,866		(15,275)		21,141
Gain on fair value adjustment of derivatives		305,620		53,745		251,875
Gain on settlement of derivative liabilities		450,654		---		450,654
Income (loss) before income taxes	$	81,341	$	(359,333)	$	440,674
Income tax benefit		---		10,100		(10,100)
Net income (loss)	$	81,341	$	(349,233)	$	430,574

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

- a decrease in net revenues for the six months ended June 30, 2008 partly attributable to the following:
  - an overall net decrease in unit sales of our QuickVerse® product line due to a reduction in the perceived value on the part of customers of certain upgrades based on the relative frequency thereof;
  - the sale of our Membership Plus® product line during October 2007; and
  - the decreased number of product releases;
- a decrease in cost of sales for the six months ended June 30, 2008 due primarily to decreased direct and royalty costs; and
- most notably for the six months ended June 30, 2008:
  - the recognition of a gain related to the fair value adjustment of derivatives up to the settlement date of March 6, 2008 due to the fluctuation of our stock price; and
  - the recognition of a gain on settlement of derivative liabilities in relation to warrants issued in November 2004 and which were canceled on March 6, 2008 in exchange for a single cash payment ($150,000) that was less than the calculated fair value of the derivatives on such date.

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.

Revenues

The following table presents our revenues for the six months ended June 30, 2008 and June 30, 2007 and dollar and percentage changes from the prior year.

					Change	
Revenues for Six Months Ending June 30	2008	% to Sales	2007	% to Sales	$	%
Gross revenues	$ 1,249,932	100%	$ 1,980,108	100%	$ (730,176)	37%
Less estimated sales returns and allowances	(117,417)	9%	(221,777)	11%	104,360	47%
Net revenues	$ 1,132,515	91%	$ 1,758,331	89%	$ (625,816)	36%

During each of the six months ended June 30, 2008 and 2007, our sales efforts were focused on directly targeting end-users through telemarketing and Internet sales. Our decrease in gross revenues for the six months ended June 30, 2008 was primarily attributed to the sale of our Membership Plus® product line in October 2007. By way of comparison, Membership Plus® product revenue was approximately $511,000 from January through June 2007. In addition, during the six months ended June 30, 2007 we released an upgrade to our QuickVerse® Macintosh product

line and had liquidation sales of our QuickVerse® 2006 product line (Windows and Macintosh editions). In comparison, during the six months ended June 30, 2008 we released four new content collections for our QuickVerse® customers but had no new upgrade releases on our current QuickVerse® platforms. Finally, due to increased frequency and consistency in our development schedule, and the annual releases of our flagship product, QuickVerse®, upgrade sales have not been increasing at as rapid a rate as they have in previous years. Although there can be no assurance, we anticipate that our revenues related to the QuickVerse® product line will increase in the future at rates generally consistent with our industry sector as we continue to expand the content available for our QuickVerse® products, develop new products for multiple platforms, offer our products at a range of price points intended to appeal to various market sub-segments and offer new venues to gain access to the expanded content available for our QuickVerse® customers.

During the six months ended June 30, 2008, we did recognize approximately $15,000 in revenue from the FormTool® product line, which we acquired in February 2008. We do anticipate our revenues in relation to the FormTool® product line to increase in the near-term based on our anticipated launch of the new and enhanced FormTool.com website during the third quarter of 2008 and our release of an upgrade to the FormTool® desktop product line in the third quarter of 2008.

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Due to the sale of our Membership Plus® product line, we anticipate that our reported revenues will continue to experience a substantial decline in the near term. However, and although there can be no assurance, we are currently pursuing opportunities for strategic product line acquisitions, such as FormTool®, which we are hopeful will enable us to achieve more favorable results of operations than we have historically achieved throughout the period in which we owned the Membership Plus® product line. Our divestiture of the Membership Plus® product line was driven by a combination of our need to raise cash and a strategic determination to begin a long-term shift in our product lines away from those within the faith-based vertical market and more towards those that extend across business-to-business and consumer segments more generally.

As a percentage of gross revenues, our sales returns and allowances decreased for the six months ended June 30, 2008 compared to June 30, 2007 due to the increased stability of our products. 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. Due to our upcoming annual release of QuickVerse®, we do anticipate our sales returns and allowances to follow this upward trend within the fourth quarter of 2008. It is our objective to release enhanced versions of our biggest-selling products on an annual basis generally going forward, 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 six months ended June 30, 2008 and June 30, 2007 and dollar and percentage changes from the prior year.

					Change	
Cost of Sales for Six Months Ending June 30	2008	% to Sales	2007	% to Sales	$	%
Direct costs	$ 154,123	12%	$ 267,051	13%	$ (112,928)	42%
Less estimated cost of sales returns and allowances	(17,745)	1%	(33,465)	2%	15,720	47%
Amortization of software development costs	157,128	13%	160,433	8%	(3,305)	