

FINDEX COM INC
Form 10KSB/A
September 28, 2005

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

**FORM 10-KSB/A
Amendment No. 1**

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002.

TRANSITION REPORT UNDER 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.

(Name of Small Business Issuer in its Charter)

| | |
|------------------|---------------------|
| Nevada | 88-0379462 |
| (State or other | (I.R.S. Employer |
| Jurisdiction of | Identification No.) |
| Incorporation or | |
| Organization) | |

| | |
|---------------|------------|
| 11204 | 68154 |
| Davenport | |
| Street, Suite | |
| 100, Omaha, | |
| Nebraska | |
| (Address of | (Zip Code) |
| Principal | |
| Executive | |
| Offices) | |

(402) 333-1900

(Issuer's Telephone Number, Including Area Code)

Securities registered under Section 12(b) of the Exchange Act:

None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, \$.001 par value
(Title of Class)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes** **No**

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

Revenues for the fiscal year ended December 31, 2002 totaled \$3,908,694.

As of September 27, 2005, the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the average of the closing bid and asked prices on such date was approximately \$2,542,000.

At September 28, 2005, the registrant had outstanding 48,619,855 shares of common stock, of which there is only a single class.

DOCUMENTS INCORPORATED BY REFERENCE

None.

Transitional Small Business Disclosure Format (check one):

Yes No

Explanatory Note

We are filing this Amendment Number 1 to our Annual Report on Form 10-KSB for the year ended December 31, 2002 to restate our financial statements for the year ended December 31, 2002 to correct certain errors identified during a regulatory review of our financial statements associated with a certain registration statement filed with the SEC on November 22, 2004 on Form SB-2 and which is pending effectiveness as of the date of this filing of Amendment Number 1 to Form 10-KSB for the year ended December 31, 2002. There was no net effect on either cash provided by operating activities or cash used by investing and financing activities for the year ended December 31, 2002 as a result of corrections to the financial statements for the period covered by the report.

We entered into a license agreement in June 1999 with Parsons Technology, Inc. to manufacture, distribute and sell a variety of software titles, including those generated from sales of QuickVerse[®] and Membership Plus[®], by far our two largest selling software titles. During the three month period ended June 30, 2002, we offset the remaining unpaid installment under the 1999 license (\$1,051,785) against the carrying amount of such license in accordance with the terms of a then tentative settlement agreement with The Learning Company ("TLC"), the licensor-assignee at the time. Although paragraph 6 of Statement of Financial Accounting Standards ("SFAS") No. 141, *Business Combinations*, which guides the recognition and measurement of intangible assets, provides that the measurement of assets in which the consideration given is cash are measured by the amount of cash paid, our management has since concluded that too much time had passed between the date of the agreement (June 1999) and the date of the tentative settlement (May 2002) for such an offset to be appropriate. Therefore, we have recognized the extinguishment of the liability owed to TLC as income in the statement of operations for the period covered by this report. We have restated our consolidated balance sheet as of December 31, 2002 and our consolidated statements of operations, consolidated statements of stockholders' equity, and consolidated statements of cash flows for the year then ended.

Also during the three month period ended June 30, 2002, we had extended the estimated life of the 1999 license from 10 years to 50 years in accordance with the terms of the tentative settlement agreement with TLC. Although the 1999 license, as amended, provides for our unlimited and exclusive use of the trademarks related to the licensed products, and our management has assessed the useful life of the 1999 license as indefinite (though limited under the applicable contractual provisions to 50 years) based on the estimated future direct or indirect cash flows from the license, as provided by paragraphs 53 and 11 of SFAS No. 142, *Goodwill and Other Intangible Assets*, our management has since concluded that a 10 year life is appropriate based, among other reasons, on the going concern qualification contained in the audit report for the period covered by this report. We have restated our consolidated balance sheet as of December 31, 2002 and our consolidated statements of operations, consolidated statements of stockholders' equity, and consolidated statements of cash flows for the year then ended.

Finally, we had previously, and erroneously, included rebates in sales and marketing expenses. The more appropriate presentation should have been, and is now, as a reduction to revenue, as provided by the Financial Accounting Standard Board's ("FASB's") Emerging Issues Task Force ("EITF") Issue No. 01-09, *Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)*. As provided by paragraph 12 of EITF Issue No. 01-09, the comparative period presented for the year ended December 31, 2001 has been reclassified to conform with the 2002 presentation.

A discussion of the restatement is included in Note 18 to the financial statements included within this amendment. Changes have also been made to the following items in this amendment as a result of the restatement:

Part II Item 6 Management's Discussion and Analysis of Financial Condition or Plan of Operations
Item 7 Financial Statements

This Amendment Number 1 to Form 10-KSB for the year ended December 31, 2002 does not otherwise change or update the disclosures set forth in the Form 10-KSB for the year then ended as originally filed and does not otherwise

reflect events occurring after the filing of the Form 10-KSB. For a description of our business and the risks related to our business, please see our Annual Report on Form 10-KSB/A for the year ended December 31, 2004.

PART II

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION OR PLAN OF OPERATIONS.

The following discussion should be read together with the consolidated financial statements of FindEx.com, Inc. and the notes to the consolidated financial statements included elsewhere in this Form 10-KSB/A.

THE FOLLOWING DISCUSSION CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS REGARDING OUR EXPECTATIONS FOR OUR BUSINESS AND ITS CAPITAL RESOURCES. THESE EXPECTATIONS ARE SUBJECT TO VARIOUS UNCERTAINTIES AND RISKS THAT MAY CAUSE ACTUAL RESULTS TO DIFFER SIGNIFICANTLY FROM THESE FORWARD-LOOKING STATEMENTS. FOR A DISCUSSION OF CERTAIN LIMITATIONS INHERENT IN SUCH STATEMENTS, SEE "FORWARD-LOOKING STATEMENTS" BELOW.

GENERAL

We are a developer, publisher, distributor and supplier of "inspirational" and Christian faith-based, off-the-shelf software products to individuals and religious and other spiritual organizations including schools, churches and other faith-based ministries.

Our business plan is focused on fulfilling our objective of becoming the premier provider of Bible study and related software products and content to the domestic and international markets, through both acquiring established companies and ongoing internal development of new products and expanded content of existing products. Our religious software titles are divided among six categories: (i) QuickVerse/Bible Study, (ii) Financial/Office Management Products for Churches and other Faith-Based Ministries, (iii) Print & Graphic Products, (iv) Pastoral Products, (v) Children's Products, and (vi) Language Tutorial Products.

At the retail level, we sell our software products to thousands of retail stores across the United States, many of which are members of the CBA. These stores vary from small, family-owned Christian bookstores to large chain bookstores such as LifeWay Christian Stores, Family Christian Stores and Berean Christian Stores. We face the continuing challenge of reaching these stores on a consistent basis to keep them informed of new releases, promotional offers, etc. In addition to advertising in trade publications and maintaining visibility at CBA trade shows and events, we believe that it is critical to be in direct personal contact with each customer routinely in order to maintain or increase our market position. Towards that end, our sales representatives are expected to contact each of our customers as well as each of the 3,500 independent stores that are not yet our customers at least once each calendar quarter and present them with the latest in our products and promotions. We believe our personalized approach to marketing provides us with an edge over our competition, which we believe rely predominantly on advertising to maintain and develop their relations with CBA customers.

In addition to retail sales, we also sell our software at the wholesale level to a number of distributors around the world. We currently sell to distributors in Canada, New Zealand, Australia, Malaysia, South Africa, South Korea, Germany, the United Kingdom, Singapore and the United States. These distributors, in turn, sell our QuickVerse/Bible study packages and our Membership Plus packages into both Christian and large, national secular retail outlets that sell off-the-shelf consumer software packages, such as Best Buy, CompUSA, Circuit City, OfficeMax and Staples. In the secular retail market, we continue to be a top seller of Bible study software and are developing additional product offerings and promotions to grow our market share.

On the Internet level, we are currently marketing our products through our www.findex.com, www.quickverse.com, and www.parsonchurch.com Websites. These sites provide customers across the United States and around the world

the ability to purchase our software. We anticipate Internet orders will continue to increase as we expand our software product base and enhance our marketing efforts in this area.

We are also marketing our products directly to the consumer through catalog, email and other direct offerings. In the past, we utilized the strength of TLC's direct marketing and sales force. We are currently experimenting with various direct marketing organizations and expanding our efforts internally. We anticipate an increase during the upcoming year in our direct marketing sales initiatives.

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Our Internet, catalog, email and telephone sales are currently fulfilled out of our office located in Omaha, Nebraska. Our sales to retail stores and distributors are currently fulfilled out of a third-party fulfillment house also located in Omaha, Nebraska.

We continue to pursue our objective of becoming the premier provider of Bible study and related products and content to the domestic and international markets, and to explore additional technologies, products and services that are complementary to the affinity group we already serve. We have developed two (2) enhanced releases of our flagship product, QuickVerse, one (1) new product targeted mainly to the secular market, QuickVerse Essentials, one (1) new version of QuickVerse for the Palm OS hand-held market, two (2) enhanced releases of our top financial and data management product, Membership Plus, and one (1) new financial product, Fund Accounting Plus.

In October 2001, we released the Complete Bible Resource Library, a software program that contains Bible translations, Bible reference tools, multimedia programs, Christian clip-art images and interactive children's games. In October 2002, we released Fund Accounting Plus, a modular-based fund accounting software program designed to serve the unique accounting needs of the churches, para-church organizations and ministries, and non-profit entities. In December 2002, we released QuickVerse PDA, for Palm operating system personal digital assistants, a software program that contains Bible translations, Bible reference tools and scripture reading plans for users in an active, fast-paced, mobile lifestyle. In February 2003, we released an enhanced version of Ministry Notebook, a software program that contains essential organizational tools for ministries such as expense tracking, contact management, scheduling, sermon and lesson tracking, library inventory and prayer requests. We also added a distributorship for the Veggie Tales line of software programs. Veggie Tales are children's software programs of interactive adventures with biblical themes. We are currently researching new opportunities in technology for our existing software titles and expanding our financial product line.

RESULTS OF OPERATIONS

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 only about 33% of our annual sales.

Our net income increased approximately \$8,700,000 from a net loss of approximately \$7,600,000 for the twelve months ended December 31, 2001 to a net income of approximately \$1,100,000 for the twelve months ended December 31, 2002. By excluding our interest, taxes, depreciation, and amortization from net income, our EBITDA increased approximately \$6,300,000 from an EBITDA loss of approximately \$4,800,000 for the twelve months ended December 31, 2001 to EBITDA earnings of approximately \$1,500,000 for the twelve months ended December 31, 2002. These net income and EBITDA results include several non-cash expenses. For the year ended December 31, 2002, we recognized expenses of approximately \$146,000 relating to 5,827,280 common shares issued to employees and directors as a bonus for past service and continued loyalty, \$10,250 relating to 205,000 common shares issued to an individual for investor relations services, \$4,118 relating to 137,250 common shares issued to Ronald Ardt in settlement under the stock subscription agreement dated April 28, 2000, and \$8,896 relating to 296,308 common shares issued to Ardt Investment Management, Inc. in compromise and settlement of an agreement dated April 28, 2000 for consulting and business valuation services. In addition, we reduced our reserve for sales returns to approximately 9% of gross sales to reflect lower actual returns resulting from our focus on sales directly to the consumer and reduced inventory levels in both the secular and CBA retail marketplace.

For the year ended December 31, 2001, we recognized expenses of \$65,000 relating to 500,000 common shares issued to World Trade Partners, Inc. for consulting and business development services, \$33,441 relating to 132,500 common shares issued to an individual for investor relations services, \$43,201 relating to 125,000 warrants issued to Genesis Financial Group, LLC in compromise and settlement for consulting services, \$50,323 relating to 150,000 warrants issued to Membrado & Montell, LLC for corporate legal service, and \$181,392 relating to 510,000 warrants issued to

Swartz Private Equity, LLC in conjunction with an equity line of credit. In addition, we wrote off bad debts totaling approximately \$2,878,000 and increased our reserve for sales returns to approximately 26% of gross sales to reflect higher actual returns from the secular retail marketplace and our lack of inventory for the CBA marketplace.

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Revenues

We recognize software revenue net of estimated returns and allowances for returns, price discounts and rebates, upon shipment of product, which is when title passes, provided that collection of the resulting receivable is probable and we have no significant obligations. Revenue from inventory out on consignment is recognized when the consignee sells the product. Revenue associated with advance payments from customers is deferred until products are shipped. Revenue for software distributed electronically via the Internet is recognized upon delivery.

Product return reserves are based upon a percentage of total retail and direct sales for the period and may increase or decrease as actual returns are processed. Product returns or price protection concessions that exceed our reserves could materially adversely affect our business and operating results and could increase the magnitude of quarterly fluctuations in our operating and financial results. See "Risk Factors - Product returns that exceed our anticipated reserves could result in worse than expected operating results." Product returns from distributors and Christian bookstores are allowed primarily in exchange for new products or for credit towards purchases as part of a stock-balancing program. These returns are subject to certain limitations that may exist in the contract that we have with them. Under certain circumstances, such as termination or when a product is defective, distributors and bookstores could receive a cash refund if returns exceed amounts owed. Returns from sales made directly to the consumer are accepted within 30 days of purchase and are issued a cash refund.

Software products are sold separately, without future performance such as upgrades or maintenance, and are sold with post contract customer support (PCS) services, customer service and technical support assistance. In connection with the sale of certain products, we provide a limited amount of free technical support assistance to our customers. We do not defer the recognition of revenue associated with sales of these products, since the cost of providing this free technical support is insignificant. We accrue the estimated associated costs of providing this free support upon product shipment. We also offer several plans under which customers are charged for technical support assistance. For plans where we collect fees in advance, we recognize revenue over the period of service, which is generally one year.

Shipping and handling costs in connection with our software products are expensed as incurred and included in cost of goods sold.

Gross revenues increased \$844,000 from \$3,468,000 for the year ended December 31, 2001 to \$4,312,000 for the year ended December 31, 2002. Sales returns and allowances decreased \$231,000 from \$607,000 for the year ended December 31, 2001 to \$376,000 for the year ended December 31, 2002 and decreased as a percentage of gross sales from approximately 26% for the year ended December 31, 2001 to approximately 9% for the year ended December 31, 2002. In May 2002, we released Membership Plus version 7.0, in October 2002, we released Fund Accounting Plus, and in December 2002, we released QuickVerse PDA for Palm OS hand-held devices.

We did not release any enhanced or new software titles during 2001. In addition, beginning in late 2001, we refocused our sales efforts targeting the end user through telemarketing and Internet sales. These refocused efforts resulted in more consistent sales during 2002. Sales into the retail market (both CBA and secular) were down significantly during 2002 with most CBA retailers reporting double-digit declines in Christmas sales. The decrease in sales returns and allowances is also attributable to our refocused sales efforts. Incidents of return are lower for sales direct to the end user than sales into the retail stores. Also, we significantly decreased our presence in secular retail during 2002 resulting in less exposure for product returns.

Historically, we have reproduced and distributed the Zondervan NIV Bible pursuant to a content licensing agreement with The Zondervan Corporation which provides that we will pay a royalty fee of 10% of net sales on the stand-alone product and \$8.00 per unit on total net units of QuickVerse. The products containing the Zondervan NIV Bible, including QuickVerse, accounted for approximately 35% of our revenues in fiscal year 2001 but none of our revenues during the twelve months ended December 31, 2002. Due to our shortage in working capital, we are significantly in arrears on the royalty payments due under such licensing agreement. On April 5, 2001, we received a notice from The Zondervan Corporation informing us that they were terminating our rights to the Zondervan NIV Bible under the licensing agreement. On October 12, 2001, Zondervan was granted a court order in the United States District Court in the Western District of Michigan ordering FindEx to cease selling, marketing and manufacturing any product that incorporates Zondervan's copyrighted material. As of October 26, 2001 we reached a written payment agreement with Zondervan whereby they would not enforce the court order and we would continue to ship products containing Zondervan's NIV Bible. We failed to meet our first payment obligation due to Zondervan on November 12, 2001 in accordance with the payment agreement. On November 14, 2001, Zondervan pursued its enforcement rights under the court order by serving notice that we cease selling, marketing and manufacturing all products containing their copyrighted material. As of the date hereof, we are abiding by the court order. We are also involved in related court-ordered mediation in connection with Zondervan's claim for \$1,300,000 in unpaid royalties, which amount we are disputing. On May 7, 2002, it was agreed among Zondervan, FindEx, and TLC, another named defendant in the proceeding that FindEx and TLC would submit to independent audits in an effort to resolve disputed royalty amounts owed. The FindEx audit has been completed but a delay in completion of the TLC audit has pushed resolution back until later in 2003. Although we hope to be able to resolve this pending litigation in a way that will allow us to continue to sell, market and manufacture Zondervan's copyrighted material, and not dramatically impair our cash flow, there can be no assurance as to our ability to achieve either of these results. Depending on the timing of, and the period over which it would be required to be paid by us, any judgment for money damages in excess of \$50,000 in this proceeding would have a material adverse effect on our business, operations, financial condition and ability to operate as a going concern.

The provision for sales returns decreased approximately \$231,000 from approximately \$607,000 for the twelve months ended December 31, 2001 to approximately \$376,000 for the twelve months ended December 31, 2002. We experienced fewer product returns overall during 2002. This resulted primarily from an increased focus on sales direct to the consumer where our return policy provides a much shorter return window and incidents of product returns are much lower than in the Christian and secular retail markets. We experienced significantly larger product returns during the first quarter of 2001 as our secular distributors returned the excess product after the 2000 Christmas shopping season was complete. Product returns are typically higher in the secular marketplace than the Christian marketplace. As the distributors place the products into the secular retail channel, they monitor the sell-through rates of those products and generally return quantities of those that aren't selling as anticipated. This practice contrasts with the Christian marketplace in that the quantities ordered are generally smaller and the retailer is willing to hold on to the products for a longer period of time before making the decision to return.

Cost of Sales

Cost of sales consists primarily of royalties to third party providers of intellectual property and the direct costs and manufacturing overhead required to reproduce, package, fulfill and ship the software products. Direct costs and manufacturing overhead also include the amortized software development costs. The direct costs and manufacturing overhead decreased from 25.6% of gross revenues in 2001 to 15.6% of gross revenues in 2002. This decrease resulted directly from the sharp decrease in sales of boxed, retail products. Sales direct to the consumer do not require the cost of a retail box nor the additional packaging and shipping materials. The decrease can also be attributable to an improvement in cash flow and available working capital. Materials were purchased in larger quantities again resulting in lower unit costs. In addition, during 2001, some of our older inventory was sold to a software liquidator at margins much lower than normal. However, fulfillment costs from a third-party warehouse increased approximately \$20,000 as we combined our corporate office and "direct" fulfillment into one facility tasking our "retail" fulfillment to an outside

entity. The overall direct costs and manufacturing overhead percentage is expected to continue at the 2002 levels as working capital remains more consistent. Royalties to third party providers of intellectual property also decreased from 14.1% of gross revenues in 2001 to 3.7% of gross revenues in 2002. The decrease in royalties reflects our focus on selling product upgrades and non-royalty titles. Upgrade sales, e.g. from QuickVerse version 6 to QuickVerse version 7, are subject to royalties only on the content additions of the upgraded version. The royalty rate as a percentage of gross sales is expected to increase in the future as a new version of QuickVerse is released. Upgrade sales will continue to be subject to royalties only on content additions and sales to new users are expected to increase significantly.

Software development costs, consisting primarily of direct and indirect labor and related overhead charges, capitalized during the twelve months ended December 31, 2002 were \$357,539. Accumulated amortization of these development costs included in cost of sales totaled \$77,036 for 2002. The company did not incur capitalizable development costs during 2001.

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Sales, General And Administrative

Operating expenses for 2002 include approximately \$169,000 in non-cash expenses with approximately \$388,000 in non-cash expenses for stock and warrants issued for services and approximately \$2,660,000 in non-cash bad debt expense (see "RESULTS OF OPERATIONS" above) for 2001. Sales expenses increased approximately \$125,000 from approximately \$666,000 for 2001 to approximately \$791,000 for 2002. Included in 2002 Sales expenses, Commissions to a third-party telemarketing firm increased approximately \$439,000 as we experienced twelve months of telemarketing activity compared with a little more than one month of telemarketing activity for 2001; Advertising decreased approximately \$163,000 and Marketing and Customer Service costs decreased approximately \$151,000 as our sales efforts refocused towards the consumer instead of the retail store.

Research and development costs include salaries and benefits of personnel and third parties conducting research and development of software products. Research and development expenses increased in 2002 reflecting development of Membership Plus 7.0, Fund Accounting Plus, and QuickVerse PDA with no significant development in 2001. Research and development expenses are expected to increase in future periods as we add new products and Versions to our product mix.

Personnel costs decreased approximately \$340,000 from 2001 to 2002 primarily from the capitalization of direct and indirect labor and related overhead charges as software development costs (see 'Cost of Sales' above). As previously indicated (see 'Results of Operations' above), personnel costs include approximately \$146,000 in non-cash expenses related to 5,827,280 restricted common shares issued to employees and directors as an incentive and retention bonus program. It is anticipated that personnel costs will increase in future periods as operating capital is available to fund full staffing of our product development team and expansion of the technical support and direct marketing staff. Corporate services decreased approximately \$69,000 from a reduction in business consulting and valuation services contracts. Investor Services decreased approximately \$269,000 as we did not renew our investor services contracts. Legal costs decreased approximately \$238,000 from a decrease in consultation provided regarding our disputes with TLC and Zondervan. It is anticipated that legal costs will be higher when the disputes with TLC and Zondervan are finally resolved. Rent expense decreased approximately \$35,000 from the relocation of our corporate office and the consolidation of our corporate office with our fulfillment center. Travel costs decreased approximately \$42,000 as we reduced our sales staff and refocused our sales efforts towards the direct consumer.

We did not pursue any acquisitions during 2001 or 2002 and, thus, did not incur any acquisition costs. We do not expect to pursue acquisitions during 2003 but do expect future acquisition costs as we pursue our business plan for growth by acquiring companies that are synergistic with our current product line and customer base.

Bad debt expense decreased approximately \$2,656,000 during 2002 as we wrote off a note receivable in the amount of \$240,000 with 711.net and net accounts receivable from TLC of approximately \$2,400,000 during 2001

Income Tax Benefits

Our effective tax rate differs from the statutory federal rate due to differences between income and expense recognition prescribed by the Internal Revenue Code and Generally Accepted Accounting Principles. We utilize different methods and useful lives for depreciating property and equipment. Amortization of the software license agreement is on a straight-line basis over the estimated life for financial reporting while deductible when paid for income tax purposes. Changes in estimates (reserves) are recognized as expense for financial reporting but are not deductible for income tax purposes.

We have recognized a net deferred tax asset whose realization depends on generating future taxable income. Because of this uncertainty, we have recorded a valuation allowance to offset the net deferred tax asset. The resulting deferred tax liability reflects income taxes payable in future periods on the net deductible differences related to the software

license agreement. We currently have net operating loss carryforwards, for income tax purposes, of approximately \$9,750,000. The carryforwards are the result of income tax losses generated in 1996 (\$33,000 expiring in 2011), 1997 (\$77,000 expiring in 2012), 1998 (\$54,000 expiring in 2018), 2000 (\$4,418,000 expiring in 2020) and 2001 (\$5,168,000 expiring in 2021). We will need to achieve a minimum annual taxable income, before deduction of operating loss carryforwards, of approximately \$540,000 to fully utilize the current loss carryforwards. We believe this is achievable through careful expense management and continued introduction of new products and enhanced Versions of our existing products.

Management expects the deductible temporary differences (reserves) to reverse sometime beyond the next fiscal year.

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LIQUIDITY AND CAPITAL RESOURCES

To date, FindEx has funded its purchase of the Parsons Church Division primarily through operations. Since inception, we have raised approximately \$2,250,000 in net proceeds from equity financings to fund the acquisition and working capital needs. We have focused on fulfilling the software license obligation and have been unable to meet our royalty and trade debt obligations. In addition, the dispute with TLC over specific performance provisions of and payments due on the TLC Distribution Agreement has also lead to the shortage of working capital.

As of December 31, 2002, FindEx had \$770,290 in current assets, \$5,233,743 in current liabilities and a retained deficit of \$8,830,146. We had net income before income taxes of \$845,857 for the year ended December 31, 2002. Operating expenses for 2002 included approximately \$169,000 in non-cash expenses for stock issued for services (see "RESULTS OF OPERATIONS" above). Positive cash flow from operations for 2002 was approximately \$542,000 compared to negative cash flow from operations of approximately \$65,500 for 2001.

Net cash provided by operating activities was \$541,517 and used by operating activities was \$65,500, for the years ended December 31, 2002 and 2001, respectively. The increase in cash provided was primarily due to an increase in sales directly to the consumer.

Net cash used in investing activities was \$414,648 and \$17,415 for the years ended December 31, 2002 and 2001, respectively. The increase in cash used relates primarily to acquisition of equipment, capitalizing costs associated with software development and website development costs. Net cash used by financing activities was \$95,358 and provided by financing activities was \$68,287 for the years ended December 31, 2002 and 2001, respectively. For the year 2002, cash used by financing activities represented the net decrease in the amount owed under an accounts receivable factoring arrangement, payments made to Ronald Ardt for reimbursement of the original investment of Thomas Ardt and Betty Wolfe, and payments made on the note payable to Cedar Graphics, Inc.

On March 19, 2001, we entered into an Accounts Receivable Financing Agreement with Alliance Financial Capital, Inc. ("AFC"). Pursuant to this agreement, AFC agrees to purchase selected accounts receivable on a discounted basis, including, without limitation, full power to collect, compromise, sue for, assign, or in any manner enforce collection thereof. The agreement provides for advances of 60% toward the purchase of the invoices with a credit line of \$250,000. The terms call for 40% to be held in a reserve account from the collection of each invoice. Invoices not paid by the customer within 90 days of shipment are required to be repurchased by us out of the reserve account. The agreement carries a 12-month term with a minimum monthly fee equal to one half of one percent (.5%). The term renews automatically in 12-month increments unless a written request for termination is received by AFC at least 30 days before the renewal date. During the year ended December 31, 2002, we transferred accounts receivable totaling \$399,556 to AFC under this agreement receiving cash advances of \$239,734. Collected funds (less the amount advanced and appropriate fees) were disbursed to the company throughout the year. At December 31, 2002, the balance of accounts transferred remaining open was \$9,804 securing debt of \$6,277.

We do not currently have adequate funds available to fund our operations over the next twelve months. In order to maintain the current level of operations, we will need to secure additional funding sources to meet its operating expenses. Such funding sources may include, but are not limited to, funding pursuant to private placements of common or convertible equities, placement of debt with banks, private or public investors, or other lending institutions.

Although there can be no assurance, we believe that through a combination of outside sources of capital and revenues generated from direct-to-consumer sales, we will have sufficient sources of capital to meet our operating needs. However, any substantial delays in receipt of or failure to obtain such capital and delays in product releases will prevent us from operating as a going concern, given our limited revenues and capital reserves.

CAUTIONARY STATEMENTS AND RISK FACTORS

Several of the matters discussed in this document contain forward-looking statements that involve risks and uncertainties. Factors associated with the forward-looking statements that could cause actual results to differ from those projected or forecast are included in the statements below. In addition to other information contained in this report, readers should carefully consider the following cautionary statements and risk factors.

WE ARE CURRENTLY INVOLVED IN A LAWSUIT THE OUTCOME OF WHICH COULD SERIOUSLY IMPAIR OUR ABILITY TO OPERATE AS A GOING CONCERN.

We are currently involved in court-ordered mediation in connection with a claim by The Zondervan Corporation for \$1,300,000 in unpaid royalties, which amount we are disputing. Depending on the timing of, and the period over which it would be required to be paid by us, any judgment for money damages in excess of \$50,000 in this proceeding would have a material adverse effect on our business, operations, financial condition and ability to operate as a going concern. [See Item 3. Legal Proceedings - Zondervan Claim]

A LEGAL CLAIM HAS BEEN MADE AGAINST US CLAIMING A NUMBER OF OUR COMMON SHARES EXCEEDING 50% OF OUR TOTAL CURRENT OUTSTANDING COMMON SHARES.

On September 6, 2002, Swartz Private Equity, LLC provided notice to us that it was making a demand under the Equity Line Agreement for the termination fee provided thereunder. In accordance with Swartz's calculations, they were owed \$150,000 payable in cash or common stock within 10 days of the termination. At the time of such notice, and had such amount been paid in common stock, it would have required 3.75 million shares. Shortly thereafter, such claim rose to over 9 million shares. In addition, Swartz further demanded another warrant for an additional 219,127 shares of our common stock pursuant to the Commitment Warrant and the Warrant Anti-Dilution Agreement. Although certain settlement discussions have ensued, at this point, the prospects for settlement seem highly uncertain. There can be no assurance that this matter will be able to be settled on terms that will not have a direct or indirect material adverse effect on our liquidity and financial condition. Further, if litigated, there can be no assurance that (i) the resources devoted to defending any such claim will not have a negative impact on FindEx's ability to manage other aspects of its business, and (ii) any outcome thereof will not have a direct or indirect material adverse effect on our liquidity and financial condition. In either case, any result which obligates FindEx to make any payment to Swartz in the form of common shares as opposed to cash (which FindEx may simply be unable to pay) would have a dilutive effect on the shareholdings of all other FindEx shareholders, which, depending on the value attributable to such stock in any such circumstance, could be potentially very significant. [See Item 3. Legal Proceedings - Swartz Private Equity].

WE HAVE EXPERIENCED, AND MAY CONTINUE TO EXPERIENCE, REDUCED REVENUES DUE TO DELAYS IN THE INTRODUCTION AND DISTRIBUTION OF OUR PRODUCTS.

We cannot be certain that we will be able to meet our planned release dates for our new software releases. If we cannot release an important new product during the scheduled quarter, our revenues would likely be reduced in that quarter. In the past, we have experienced significant delays in our introduction of some new products. For instance, delays in duplication, packaging and distribution caused our QuickVerse Version 7.0 to begin arriving at retailers over the 2000 Thanksgiving holiday. As a result, we experienced fewer sales of these products than we would have if the products were in stores before the holiday selling season began, which had a materially adverse effect on our operating results for the 2000 fourth quarter. It is likely in the future that delays will continue to occur and that some new products will not be released in accordance with our internal development schedule or the expectations of public market analysts and investors.

WE ARE DELINQUENT IN THE PAYMENT OF PAYROLL TAXES.

We are currently delinquent in the payment of approximately \$298,000 of payroll taxes, interest and assessed penalties. In August 2002, the Internal Revenue Service filed a federal tax lien in connection with this liability. On February 28, 2003 we entered into an installment agreement with the Internal Revenue Service for payment of this debt. In addition to the installment payments, the Internal Revenue Service has imposed certain conditions on us in order to continue in the agreement, one of which requires us to remain current on all future payroll tax deposits and reporting. There can be no assurances that we will be able to continue to meet the conditions established by the Internal Revenue Service, and any failure to do so may result in consequences to the company which could have a material adverse effect on our financial condition and results of operations.

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IF WE ARE UNABLE TO COMPLETE A SIGNIFICANT EQUITY FINANCING, WE MAY BE REQUIRED TO DEFER COMPLETION OF FUTURE SOFTWARE UPDATES AND REDUCE OVERHEAD SIGNIFICANTLY.

We believe we will need to obtain equity financing in an amount of \$2-5 million within fiscal year 2003 in order to continue our product development, increase our sales and fund our working capital requirements. Our ability to obtain additional equity financing will be dependent on a number of factors, certain of which are to some degree outside of our control, including for example economic conditions, any potential investors' completion of due diligence, entry into definitive agreements with one or more interested investors, and/or the effectiveness of a registration statement covering shares to be issued and/or the resold to investors. There can be no assurance that any such financing can be obtained or, if obtained, that it will be available on terms favorable to us.

WE HAVE A LIMITED OPERATING HISTORY UPON WHICH YOU CAN EVALUATE OUR POTENTIAL FOR FUTURE SUCCESS.

We began to introduce our products and services during 1999. Although we have generated revenue from operations, we have a very limited operating history on which you can evaluate our potential for future success. Rather than relying on historical financial information to evaluate our company, you should evaluate our company in light of the expenses, delays, uncertainties, and complications typically encountered by early-stage businesses, many of which will be beyond our control. Early-stage businesses commonly face risks such as the following:

- § lack of sufficient capital,
- § unanticipated problems, delays, and expenses relating to product development and implementation,
- § lack of intellectual property,
- § licensing and marketing difficulties,
- § competition,
- § technological changes, and
- § uncertain market acceptance of products and services.

THE LOSS OF ANY OF OUR KEY EXECUTIVES OR OUR FAILURE TO ATTRACT, INTEGRATE, MOTIVATE AND RETAIN ADDITIONAL KEY EMPLOYEES COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS.

Our success depends to a large degree upon the skills of our senior management team and key employees and upon our ability to identify, hire, and retain additional sales, marketing, technical, and financial personnel. The loss of any of our key executives or the failure to attract, integrate, motivate, and retain additional key employees could have a material adverse effect on our business. We may be unable to retain our existing key personnel or attract and retain additional key personnel. Competition for these personnel in the software and technology industry is intense and identifying personnel with experience in this industry is even more difficult. We are in a relatively new market, and there are a limited number of people with the appropriate combination of skills needed to provide the services that our customers require. We depend particularly upon the services of Steven Malone, our Chief Executive Officer and President.

PRODUCT RETURNS THAT EXCEED OUR ANTICIPATED RESERVES COULD RESULT IN WORSE THAN EXPECTED OPERATING RESULTS.

At the time we ship our products to retailers we establish reserves, including reserves that estimate the potential for future product returns. Product returns or price protection concessions that exceed our reserves could increase the magnitude of quarterly fluctuations in our operating and financial results. Furthermore, if we incorrectly assess the creditworthiness of customers who receive our products on credit, we could be required to significantly increase the reserves previously established. We cannot be certain that any future write-offs will not occur or that amounts written

off will not have a material adverse effect on our business and depress the market price of our common stock. Actual returns to date have been within management's estimates.

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IF WE CANNOT OBTAIN CD-ROM MANUFACTURING AND PACKAGING SERVICES ON A TIMELY BASIS, WE MAY NOT BE ABLE TO TIMELY DELIVER OUR CD-ROM PRODUCTS TO DISTRIBUTORS AND RETAILERS AND OUR SALES WILL BE ADVERSELY AFFECTED.

We use third party vendors to press CD-ROM disks, assemble purchased product components, and print product packaging and user manuals in connection with the retail distribution of our software. We do not have contractual agreements with any of our third party vendors, which may result in our inability to secure adequate services in a timely manner. If we cannot obtain adequate manufacturing services, we will not be able to timely produce and deliver our CD-ROM products to distributors and retail stores for ultimate sale to consumers, which will adversely affect our sales and operating results.

FLUCTUATIONS IN OPERATING RESULTS MAY RESULT IN UNEXPECTED REDUCTIONS IN REVENUE AND STOCK PRICE VOLATILITY.

We operate in an industry that is subject to significant fluctuations in operating results from quarter to quarter, which may lead to unexpected reductions in revenues and stock price volatility. Factors that may influence our quarterly operating results include:

§ the introduction or enhancement of software products and technology by us and our competitors;

§ our ability to produce and distribute retail packaged Versions of our software in advance of peak retail selling seasons; and

§ our ability to create appealing content within our software products.

Additionally, a majority of the unit sales for our products typically occurs in the quarter in which the product is introduced. As a result, our revenues may increase significantly in a quarter in which a major product introduction occurs and may decline in following quarters.

ERRORS OR DEFECTS IN OUR SOFTWARE PRODUCTS MAY CAUSE A LOSS OF MARKET ACCEPTANCE AND RESULT IN FEWER SALES OF OUR PRODUCTS.

Our products are complex and may contain undetected errors or defects when first introduced or as new Versions are released. In the past, we have discovered software errors in some of our new products and enhancements after their introduction into the market. Because our products are complex, we anticipate that software errors and defects will be present in new products or releases in the future. While to date these errors have not been material, future errors and defects could result in adverse product reviews and a loss of, or delay in, market acceptance of our products.

TO DEVELOP PRODUCTS THAT CONSUMERS DESIRE, WE MUST MAKE SUBSTANTIAL INVESTMENTS IN RESEARCH AND DEVELOPMENT TO KEEP UP WITH THE RAPID TECHNOLOGICAL DEVELOPMENTS THAT ARE TYPICAL IN OUR INDUSTRY.

The Bible-study, inspirational content, and entertainment software markets are subject to rapid technological developments. To develop products that consumers and church and other faith-based organizations desire, we must continually improve and enhance our existing products and technologies and develop new products and technologies that incorporate these technological developments. We cannot be certain that we will have the financial and technical resources available to make these improvements. We must make these improvements while remaining competitive in terms of performance and price. This will require us to make substantial investments in research and development, often times well in advance of the widespread release of the products in the market and any revenues these products may generate.

OUR PROPRIETARY TECHNOLOGY MAY NOT BE ADEQUATELY PROTECTED FROM UNAUTHORIZED USE BY OTHERS, WHICH COULD INCREASE OUR LITIGATION COSTS AND ADVERSELY AFFECT OUR SALES.

Our ability to compete with other Bible and inspirational content software companies depends in part upon our proprietary technology. Unauthorized use by others of our proprietary technology could result in an increase in competing products and a reduction in our sales. We rely on trademark, trade secret and copyright laws to protect our technology. We cannot be certain, however, that these precautions will provide meaningful protection from unauthorized use by others. If we must pursue litigation in the future to enforce our intellectual property rights, to protect our trade secrets, or to determine the validity and scope of the proprietary rights of others, we may not prevail and will likely make substantial expenditures and divert valuable resources. In addition, many foreign countries' laws may not protect us from improper use of our proprietary technologies outside of the United States. We may not have adequate remedies if our proprietary rights are breached or our trade secrets are disclosed.

NEW INTERNET ACCESS DEVICES MAY CHANGE THE WAY INFORMATION IS DISPLAYED REQUIRING US TO CHANGE OUR PRODUCTS.

Recent increases in the use of internet devices to access inspirational content and the continued development of internet devices as a medium for the delivery of network-based information, content, and services may require us to change our products. Our success depends on our ability to understand the method upon which our search engines operate and our ability to service new and emerging devices to access the Internet, such as browser phones, personal digital assistants, and other wireless devices. To the extent these new Internet access devices change the way that information is displayed to the end user or causes a change in the medium that is searched, we may be required to revise the methodology of our products. We cannot predict the impact that these new devices will have on our services, and any such required revisions may result in loss of revenue and goodwill, increased expenses, and reduced operating margins.

IF OUR PRODUCTS INFRINGE ANY PROPRIETARY RIGHTS OF OTHERS, A LAWSUIT MAY BE BROUGHT AGAINST US THAT COULD REQUIRE US TO PAY LARGE LEGAL EXPENSES AND JUDGMENTS AND REDESIGN OR DISCONTINUE SELLING OUR PRODUCT.

We believe that our products do not infringe any valid existing proprietary rights of third parties. Any infringement claims, however, whether or not meritorious, could result in costly litigation or require us to enter into royalty or licensing agreements. If we are found to have infringed the proprietary rights of others, we could be required to pay damages, redesign the products or discontinue their sale. Any of these outcomes, individually or collectively, could have a material adverse effect on our business and financial condition.

WE FACE ADDITIONAL RISKS AS A RESULT OF OUR INTERNATIONAL SALES.

We currently sell through distributors to many foreign countries. Many of these distributors are not United States companies, and we therefore face certain risks associated with doing business outside of the United States. We also plan to further expand our services to international markets. Expanding into overseas operations may cost more than we expect. We also may be unsuccessful in expanding our presence in international markets, and we might lose all or part of our investment in those operations. As we expand into international operations, we will be increasingly subject to various risks associated with international operations in addition to the other business risks described in this memorandum. These risks include the following:

- § management of a multi-national organization,
- § compliance with local laws and regulatory requirements, as well as changes in those laws and requirements,
- § restrictions on the repatriation of funds,

§ employment and severance issues,
§ overlap of tax issues,
§ the business and financial condition of any overseas business partners,
§ political and economic conditions abroad, and
§ the possibility of - expropriation or nationalization of assets, - supply disruptions, - currency controls, - exchange rate fluctuations, or
§ changes in tax laws, tariffs, and freight rates.

Our inability to manage these and other risks effectively could increase our expenses or decrease our opportunities to generate revenue.

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FORWARD-LOOKING STATEMENTS

This report on Form 10-KSB/A includes “forward-looking statements” within the meaning of SECTION 27A of the Securities Act of 1933 and SECTION 21E of the Securities Exchange Act of 1934. These forward-looking statements may relate to such matters as anticipated financial performance, future revenues or earnings, business prospects, projected ventures, new products and services, anticipated market performance and similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. To comply with the terms of the safe harbor, we caution readers that a variety of factors could cause our actual results to differ materially from the anticipated results or other expressed in our forward-looking statements. These risks and uncertainties, many of which are beyond our control, include (i) the sufficiency of our existing capital resources and our ability to raise additional capital to fund cash requirements for future operations, (ii) uncertainties involved in the rate of growth and acceptance of the Internet, (iii) adoption by the Christian community of electronic technology for gathering information, facilitating e-commerce transactions, and providing new products, websites, and services, (iv) volatility of the stock market, particularly within the technology sector, and the ability to use our capital stock as a currency for acquisitions, and (v) general economic conditions. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot give any assurance that such expectations reflected in these forward-looking statements will prove to have been correct.

We cannot guarantee any future results, levels of activity, performance or achievements. Except as required by law, we undertake no obligation to update any of the forward-looking statements in this Form 10-KSB/A after the date of this report.

ITEM 7. FINANCIAL STATEMENTS.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of FindEx.com, Inc.:

We have audited the accompanying consolidated balance sheets of FindEx.com, Inc. as of December 31, 2002 and 2001 and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of FindEx.com, Inc. as of December 31, 2002 and 2001 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 16 to the financial statements, the Company has negative working capital and total liabilities in excess of total assets. These factors raise substantial doubt about the ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 16. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 18 to the consolidated financial statements, there were errors in reporting the Company's settlement agreement for the software license, there was an error in the overstatement of trade payables and an error in reporting classifications in the balance sheet and statements of operations that were discovered by management as a result of a regulatory review. Accordingly, the consolidated financial statements have been restated to correct the errors.

/s/ Chisholm & Associates

Chisholm & Associates

North Salt Lake, Utah

February 14, 2003 except for notes 3, 5, 8, 10, 11 and 18 dated September 23, 2005

Findex.com, Inc.
CONSOLIDATED BALANCE SHEETS
December 31, 2002 and 2001

| | 2002 (Restated) | 2001 (Restated) |
|---|--------------------|--------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | | |
| Unrestricted cash | \$ 9,235 | \$ (6,645) |
| Restricted cash | 29,416 | 13,785 |
| Total cash and cash equivalents | 38,651 | 7,140 |
| Accounts receivable, trade (Note 2) | 228,241 | 460,170 |
| Inventories (Note 3) | 416,700 | 646,246 |
| Other current assets | 86,698 | 21,468 |
| Total current assets | 770,290 | 1,135,024 |
| Property and equipment, net (Note 4) | 93,053 | 92,185 |
| Software license, net (Note 5) | 3,272,798 | 3,776,306 |
| Software development costs, net | 280,502 | --- |
| Other assets | 28,553 | 12,558 |
| Total assets | \$ 4,445,196 | \$ 5,016,073 |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| License fees payable | \$ --- | \$ 1,051,785 |
| Notes payable (Note 6) | 749,999 | 749,000 |
| Current maturities of long-term debt (Note 7) | 56,999 | --- |
| Accrued royalties | 2,130,613 | 2,082,694 |
| Accounts payable, trade | 1,071,563 | 1,422,574 |
| Reserve for rebates | 413,687 | 443,477 |
| Payroll taxes payable | 340,571 | 193,049 |
| Other current liabilities | 470,311 | 853,936 |
| Total current liabilities | 5,233,743 | 6,796,515 |
| Long-term note payable (Note 7) | 49,045 | 71,322 |
| Deferred income taxes, net (Note 8) | 943,613 | 1,147,043 |
| Commitments and contingencies (Note 14) | | |
| Stockholders' equity (Note 9): | | |
| Preferred stock, \$.001 par value | | |
| 5,000,000 shares authorized | | |
| Series A: 11,400 shares issued and outstanding | 11 | 11 |
| Series B: 40,000 shares issued and outstanding | 40 | 40 |
| Common stock, \$.001 par value | | |
| 50,000,000 shares authorized | | |
| 19,811,438 and 11,231,600 shares issued and outstanding | 19,811 | 11,231 |
| Paid-in capital | 7,029,079 | 6,893,720 |
| Retained (deficit) | (8,830,146) | (9,903,809) |
| Total stockholders' equity | (1,781,205) | (2,998,807) |
| Total liabilities and stockholders' equity | \$ 4,445,196 | \$ 5,016,073 |

See accompanying notes.

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Findex.com, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS

| Years Ended December 31 | 2002 (Restated) | 2001 (Restated) |
|--|--------------------|--------------------|
| Revenues, net of reserves and allowances | \$ 3,908,346 | \$ 2,575,316 |
| Cost of sales | 834,472 | 1,374,789 |
| Gross profit | 3,073,874 | 1,200,527 |
| Operating expenses: | | |
| Sales and marketing | 790,680 | 666,188 |
| General and administrative | 1,798,015 | 2,726,448 |
| Bad debt expense | 3,284 | 2,659,994 |
| Amortization expense | 505,040 | 505,593 |
| Depreciation expense | 38,850 | 29,156 |
| Total operating expenses | 3,135,869 | 6,587,379 |
| Loss from operations | (61,995) | (5,386,852) |
| Interest income | 55 | 12,601 |
| Other income (Note 18) | 1,067,767 | 2,389 |
| Gain on sale of property and equipment | 137 | --- |
| Interest expense | (160,107) | (88,368) |
| Income (loss) before income taxes | 845,857 | (5,460,230) |
| Provision for income taxes (Note 8) | 227,806 | (2,140,123) |
| Net income (loss) | \$ 1,073,663 | \$ (7,600,353) |
| Net earnings (loss) per share (Note 10): | | |
| Basic | \$ 0.06 | \$ (0.71) |
| Diluted | \$ 0.06 | \$ (0.71) |
| Weighted average shares outstanding (Note 10): | | |
| Basic | 17,607,104 | 10,744,519 |
| Diluted | 19,871,789 | 10,744,519 |

See accompanying notes.

Findex.com, Inc.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

| | Preferred Stock | | Common Stock | | Paid-In Capital | Retained Earnings (Deficit) | Total |
|--|-----------------|--------------|-------------------|------------------|---------------------|-----------------------------------|-----------------------|
| | Series A | Series B | Shares | Amount | | | |
| Balance, December 31, 2000 (Restated) | \$ 15 | \$ 40 | 10,509,609 | \$ 10,509 | \$ 6,486,881 | \$ (2,299,256) | \$ 4,198,189 |
| April 30 Reverse merger & reorganization | | | | | | | |
| Conversion of preferred stock Preferred Series A common stock | (4) | --- | 36,000 | 36 | --- | --- | 32 |
| dividend | --- | --- | 5,104 | 5 | 4,163 | (4,200) | (32) |
| Common stock issued for cash | --- | --- | 48,387 | 48 | 14,952 | --- | 15,000 |
| Common stock issued for services | --- | --- | 632,500 | 633 | 112,808 | --- | 113,441 |
| Common stock warrants issued for services | --- | --- | --- | --- | 274,916 | --- | 274,916 |
| Net loss December 31, 2001 | --- | --- | --- | --- | --- | (7,600,353) | (7,600,353) |
| Balance, December 31, 2001 (Restated) | \$ 11 | \$ 40 | 11,231,600 | \$ 11,231 | \$ 6,893,720 | \$ (9,903,809) | \$ (2,998,807) |
| Common stock settlement for prior cash received | --- | --- | 2,184,000 | 2,184 | (2,184) | --- | --- |
| Common stock issued for services | --- | --- | 6,465,838 | 6,466 | 162,473 | --- | 168,939 |
| Refund on stock subscription | --- | --- | (70,000) | (70) | (24,930) | --- | (25,000) |
| Net income, December 31, 2002 (Restated) | --- | --- | --- | --- | --- | 1,073,663 | 1,073,663 |
| Balance, December 31, 2002 (Restated) | \$ 11 | \$ 40 | 19,811,438 | \$ 19,811 | \$ 7,029,079 | \$ (8,830,146) | \$ (1,781,205) |

See accompanying notes.

Findex.com, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

| Years Ended December 31 | 2002 (Restated) | 2001 |
|--|--------------------|----------------|
| Cash flows from operating activities: | | |
| Cash received from customers | \$ 3,989,733 | \$ 3,274,383 |
| Cash paid to suppliers and employees | (3,339,964) | (3,301,061) |
| Interest paid | (108,355) | (21,142) |
| Interest received | 55 | 17,945 |
| Income taxes (paid) refunded | 48 | (35,625) |
| Net cash provided (used) by operating activities | 541,517 | (65,500) |
| Cash flows from investing activities: | | |
| Acquisition of property and equipment | (43,581) | (14,215) |
| Proceeds from sale of property and equipment | 4,000 | --- |
| Website development costs | (18,978) | --- |
| Capitalized software development costs | (357,539) | --- |
| Deposits (paid) refunded | 1,450 | (3,200) |
| Net cash (used) by investing activities | (414,648) | (17,415) |
| Cash flows from financing activities: | | |
| Proceeds from (payments on) line of credit, net | (21,934) | 28,214 |
| Payments made on long-term notes payable | (48,424) | --- |
| Proceeds from issuance of stock | --- | 15,000 |
| Refund on stock subscription | (25,000) | --- |
| Addition to license agreements | --- | 25,073 |
| Net cash provided (used) by financing activities | (95,358) | 68,287 |
| Net increase (decrease) in cash and cash equivalents | 31,511 | (14,628) |
| Cash and cash equivalents, beginning of year | 7,140 | 21,768 |
| Cash and cash equivalents, end of year | \$ 38,651 | \$ 7,140 |
| Reconciliation of net income (loss) to cash flows from operating activities: | | |
| Net income (loss) | \$ 1,073,663 | \$ (7,600,353) |
| Adjustments to reconcile net income (loss) to net cash | | |
| provided (used) by operating activities: | | |
| Software development costs amortized | 77,037 | --- |
| Stock and warrants issued for services | 168,939 | 388,357 |
| Provision for bad debts | 3,284 | 2,659,994 |
| Depreciation & amortization | 543,890 | 534,749 |
| Gain on sale of property and equipment | (137) | --- |
| Debt forgiveness | (1,051,786) | --- |
| Change in assets and liabilities: | | |
| Decrease in accounts receivable | 228,645 | 335,819 |
| (Increase) decrease in inventories | 229,546 | (28,344) |
| (Increase) in refundable income taxes | (46,577) | (1,548) |
| (Increase) decrease in prepaid expenses | (21,925) | 18,199 |
| Decrease in note receivable | --- | 240,000 |
| Increase in accrued royalties | 47,919 | 483,221 |
| Increase (decrease) in accounts payable | (267,864) | 404,554 |
| Increase (decrease) in income taxes payable | 3,272 | (42,556) |

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| | | |
|--|-------------------|--------------------|
| Increase (decrease) in deferred taxes | (203,430) | 2,148,602 |
| Increase (decrease) in other liabilities | (242,959) | 393,806 |
| Net cash provided (used) by operating activities | \$ 541,517 | \$ (65,500) |

See accompanying notes.

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FindEx.com, Inc.
Notes to Consolidated Financial Statements
December 31, 2002 and 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

FindEx.com, Inc. ("FindEx" or the "company") was incorporated under the laws of the State of Delaware on December 26, 1995, as FinSource, Ltd. In April 1999, the company merged with FINdex Acquisition Corporation ("FAC"), a Delaware corporation, in a stock for stock transaction. On April 30, 1999, the company was acquired by EJH Entertainment, Inc. ("EJH"), a Nevada corporation, in a stock for stock transaction and the name of the company was changed to FindEx.com, Inc. Both the merger with FAC and the acquisition by EJH were treated as reorganization mergers with the surviving company and accounting history being that of FinSource (the accounting acquirer).

FindEx is a retail, wholesale and Internet supplier of personal computer software products to business and religious organizations and individuals around the world. In July 1999, the company completed an exclusive license agreement with Parsons Technology, Inc. ("Parsons"), a subsidiary of TLC, formerly Mattel Corporation, for the Parsons Church Division of Mattel. In so doing, FindEx obtained the exclusive right to market, sell and continue to develop several Bible study software products. The company develops and publishes church and Bible study software products designed to simplify biblical research and streamline church office tasks.

ACCOUNTING METHOD

The company recognizes income and expenses on the accrual basis of accounting.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the company and its wholly owned subsidiaries after eliminations.

USE OF ESTIMATES

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

CONCENTRATIONS

Financial instruments that potentially subject FindEx to concentrations of credit risk consist of cash and cash equivalents and accounts receivable. FindEx places its cash and cash equivalents at well-known, quality financial institutions. FindEx sells a majority of its products to end-users through distributors, Christian book stores, Internet and direct marketing efforts. Although FindEx attempts to prudently manage and control accounts receivable and performs ongoing credit evaluations in the normal course of business, the company generally requires no collateral on its product sales.

During the years ended December 31, 2002 and 2001, the company had one major customer that individually accounted for 10% or more of the annual sales. Sales to Customer A accounted for 5% and 17%, respectively, of consolidated revenue for the years ended December 31, 2002 and 2001. Accounts receivable relating to Customer A were \$507 as of December 31, 2002.

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During the years ended December 31, 2002 and 2001, nine vendors provided purchases individually of 10% or more of the total product and material purchases as follows: Vendor A accounted for 33% and 11%, respectively, Vendor B accounted for 16% and 2%, respectively, Vendor C accounted for 14% and 4%, respectively, Vendor D accounted for 12% and -0-%, respectively, Vendor E accounted for 10% and -0-%, respectively, Vendor F accounted for -0-% and 23%, respectively, Vendor G accounted for 2% and 21%, respectively, Vendor H accounted for -0-% and 14%, respectively, and Vendor I accounted for -0-% and 12%, respectively. Accounts payable relating to Vendors A, B, C, D, E, F, G, H, and I were \$24,416, \$-0-, \$8,138, \$22,097, \$287, \$-0-, \$163,102, \$-0-, and \$-0-, respectively, as of December 31, 2002.

ROYALTY AGREEMENTS

FindEx has entered into certain agreements whereby it is obligated to pay royalties for content of software published. FindEx generally pays royalties based on a percentage of sales on respective products or on a fee per unit sold basis. The company expenses software royalties as product costs during the period in which the related revenues are recorded.

CASH AND CASH EQUIVALENTS

FindEx considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

RESTRICTED CASH

Restricted cash represents cash that, under the terms of our Accounts Receivable Financing Agreement, has been set aside for the repurchase of invoices assigned to our lender.

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 basis.

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 has been established, at which time such costs are capitalized until the product is available for general release to customers. Capitalized costs are then amortized on a straight-line basis over the estimated product life, or on the ratio of current revenues to total projected product revenues, whichever is greater. Total capitalized software development costs at December 31, 2002 were \$357,539, less accumulated amortization of \$77,037. Research and development costs incurred and charged to expense were \$51,668 and \$-0- for the years ended December 31, 2002 and 2001, respectively.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Furniture, fixtures and computer equipment are depreciated over five years using the straight-line method. Software is depreciated over three years using the straight-line method. Expenditures for maintenance, repairs and other renewals of items are charged to expense when incurred.

ACCOUNTING FOR LONG-LIVED ASSETS

The company reviews property and equipment 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 its 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.

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INTANGIBLE ASSETS (Restated)

In accordance with 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.

REVENUE RECOGNITION

The company recognizes software revenue net of estimated returns and allowances for returns, price discounts and rebates, upon shipment of product, which is when title passes, provided that collection of the resulting receivable is probable and we have no significant obligations. Revenue from inventory out on consignment is recognized when the consignee sells the product. Revenue associated with advance payments from customers is deferred until products are shipped. Revenue for software distributed electronically via the Internet is recognized upon delivery.

Product returns from distributors and Christian bookstores are allowed primarily in exchange for new products or for credit towards purchases as part of a stock-balancing program. These returns are subject to certain limitations that may exist in the contract. Under certain circumstances, such as termination or when a product is defective, distributors and bookstores could receive a cash refund if returns exceed amounts owed. Returns from sales made directly to the consumer are accepted within 30 days of purchase and are issued a cash refund.

Software products are sold separately, without future performance such as upgrades or maintenance, and are sold with postcontract customer support ("PCS") services, customer service and technical support assistance. In connection with the sale of certain products, we provide a limited amount of free technical support assistance to our customers. We do not defer the recognition of revenue associated with sales of these products, since the cost of providing this free technical support is insignificant. We accrue the estimated associated costs of providing this free support upon product shipment. We also offer several plans under which customers are charged for technical support assistance. For plans where we collect fees in advance, we recognize revenue over the period of service, generally one year.

The company maintains an allowance for potential credit losses and an allowance for anticipated returns on products sold to distributors, Christian bookstores, and direct customers. The allowance for sales returns is estimated based on a calculation of forecast sales to the end-user in relation to estimated current channel inventory levels.

Shipping and handling costs in connection with our software products are expensed as incurred and included in cost of goods sold.

ADVERTISING

Advertising costs, including direct response advertising costs, are charged to operations as incurred. The company has determined that direct response advertising costs are insignificant. Total advertising costs for the years ended December 2002 and 2001 were approximately, \$278,000 and \$615,000, respectively.

STOCK-BASED COMPENSATION

As permitted under SFAS No. 123, *Accounting for Stock-based Compensation*, and amended under SFAS No. 148, *Accounting for Stock-based Compensation-Transition and Disclosure*, the company has elected to follow the intrinsic value based method of accounting prescribed by Accounting Principles Board Opinion ("APB") No. 25, *Accounting for Stock Issued to Employees*, in accounting for stock-based awards to employees (see Note 11) and, accordingly, does not recognize compensation cost.

INCOME TAXES

The company utilizes 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 the company's 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 (LOSS) PER SHARE

The company follows 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 common shares outstanding for the period. Diluted EPS is computed by giving effect to all dilutive potential common shares that were outstanding during the period. For the company, dilutive potential common shares consist of the incremental common shares issuable upon the exercise of stock options and warrants for all periods, convertible notes payable and the incremental common shares issuable upon the conversion of convertible preferred stock.

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 antidilutive 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.

COMPREHENSIVE INCOME (LOSS)

The company has adopted SFAS No. 130, *Reporting Comprehensive Income*. SFAS No. 130 establishes standards of reporting and displaying comprehensive income and its components of net income and “other comprehensive income” in a full set of general-purpose financial statements. “Other comprehensive income” refers to revenues, expenses, gains and losses that are not included in net income, but rather are recorded directly in stockholders’ equity. The adoption of this Statement had no impact on the company’s net income or loss or stockholders’ equity.

TRANSFER OF FINANCIAL ASSETS

The company has adopted SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. SFAS No. 140 provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities and provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings. The adoption of this standard did not have a material effect on the company’s results of operations or financial position.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Unless otherwise indicated, the fair values of all reported assets and liabilities which represent financial instruments (none of which are held for trading purposes) approximate the carrying values of such instruments because of the short maturity of those instruments.

NOTE 2 - ACCOUNTS RECEIVABLE, TRADE

At December 31, 2002 and 2001, accounts receivable consisted of the following (see Note 1 - Concentrations):

| | 2002 | 2001 |
|---------------------------------------|------------|------------|
| Trade receivables | \$ 236,241 | \$ 469,170 |
| Less: Allowance for doubtful accounts | 8,000 | 9,000 |
| Accounts receivable, trade | \$ 228,241 | \$ 460,170 |

During the year ended December 31, 2002, we transferred accounts receivable totaling \$399,556 to a lender for cash advances of \$239,734. As accounts are paid, the collected funds (less the amount advanced and appropriate fees) are disbursed to the company (see Note 1 - Restricted Cash). The transfer agreement includes a repurchase requirement and, accordingly, the proceeds were accounted for as a secured borrowing. At December 31, 2002, the balance of receivables transferred and included in trade receivables was \$9,804. The remaining secured borrowing balance of

\$6,277 is included in accrued expenses.

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NOTE 3 - INVENTORIES (Restated)

At December 31, 2002 and 2001, inventories consisted of the following:

| | 2002 | 2001 |
|----------------|-------------------|------------|
| Raw materials | \$ 121,000 | \$ 91,000 |
| Finished goods | 295,700 | 555,246 |
| Inventories | \$ 416,700 | \$ 646,246 |

NOTE 4 - PROPERTY AND EQUIPMENT, net

At December 31, 2002 and 2001, property and equipment consisted of the following:

| | 2002 | 2001 |
|--------------------------------|------------------|-----------|
| Computer equipment | \$ 60,770 | \$ 54,213 |
| Computer software | 34,628 | 16,731 |
| Office equipment | 24,099 | 20,428 |
| Office furniture and fixtures | 49,845 | 35,858 |
| Warehouse equipment | 23,150 | 28,923 |
| | 192,492 | 156,153 |
| Less: Accumulated depreciation | 99,439 | 63,968 |
| Property and equipment, net | \$ 93,053 | \$ 92,185 |

NOTE 5 - SOFTWARE LICENSE, net (Restated)

In July 1999, we completed an exclusive license agreement with Parsons for the perpetual and fully-paid up right and license to publish, use, distribute and sublicense the programs incorporating the trademarks (i.e. QuickVerse, Membership Plus) throughout the world and also in the licensed media, for sale, resale and/or license to churches or other places of worship, religious schools and companies or individuals for which the majority of sales revenue is derived from sales of religious, Christian or Bible products (the "Church Channel"). In addition, the license agreement provided us the non-exclusive, perpetual and fully-paid up right and license to publish, use, distribute and sublicense the programs incorporating the trademarks throughout the world and also in the licensed media, for sale, resale and/or license into all channels other than the Church Channel. This original license agreement carried a 10 year economic life.

During the year ended December 31, 2002 we reached tentative settlement in a dispute with TLC which called for the extension of the term of the license from 10 years to 50 years. Management has decided to retain the 10 year economic life.

As required by SFAS No. 142, management periodically evaluates the remaining useful life of the license agreement and revises the amortization period if it is determined that the useful life is longer or shorter than originally estimated. Amortization expense, determined using the straight-line method, has been calculated using the original 10 year economic life. The software license is tested for impairment annually during the fourth quarter.

At December 31, 2002 and 2001, the software license consisted of the following:

| | 2002 | 2001 |
|--------------------------------|---------------------|--------------|
| Software license cost | \$ 5,135,574 | \$ 5,135,574 |
| Less: Accumulated amortization | 1,862,776 | 1,359,268 |
| Software license, net | \$ 3,272,798 | \$ 3,776,306 |

Amortization expense related to this intangible asset was \$503,508 for both years. Amortization expense for the next five years is expected to be \$503,508 each year. See Note 18 - Restatement and Reclassification.

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NOTE 6 - NOTES PAYABLE

At December 31, 2002 and 2001, notes payable consisted of the following:

| | 2002 | 2001 |
|---|------------|------------|
| Demand note payable to a corporation, with interest at 9%. Unsecured. | \$ 650,000 | \$ 650,000 |
| Note payable to a corporation, due May 31, 2003, with interest compounded monthly at 1.5%. Unsecured. Convertible at the option of the holder into 666,667 and 660,000 restricted shares of common stock, respectively. | 33,333 | 33,000 |
| Note payable to a corporation, due May 31, 2003, with interest compounded monthly at 1.5%. Unsecured. Convertible at the option of the holder into 666,667 and 660,000 restricted shares of common stock, respectively. | 33,333 | 33,000 |
| Note payable to a corporation, due May 31, 2003, with interest compounded monthly at 1.5%. Unsecured. Convertible at the option of the holder into 666,667 and 660,000 restricted shares of common stock, respectively. | 33,333 | 33,000 |
| Notes payable | \$ 749,999 | \$ 749,000 |

NOTE 7 - LONG-TERM NOTE PAYABLE

On January 31, 2002, the company refinanced \$154,468 of trade accounts payable by issuing a long-term note payable to a corporation. The term note is unsecured and due October 2004 in monthly installments of \$5,285, including interest at 8%.

Principal maturities at December 31, 2002 are as follows:

| | |
|------|------------|
| 2003 | \$ 56,999 |
| 2004 | 49,045 |
| | \$ 106,044 |

NOTE 8 - INCOME TAXES (Restated)

The provision (benefit) for taxes on income for the years ended December 31 consisted of the following:

| | 2002 | 2001 |
|-----------------|------------|--------|
| | (Restated) | |
| Current: | | |
| Federal | \$ --- | \$ --- |

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| | | |
|-------------------------------|--------------|--------------|
| State | (27,648) | --- |
| | (27,648) | --- |
| Deferred: | | |
| Federal | (159,522) | 1,744,841 |
| State | (40,636) | 395,282 |
| | (200,158) | 2,140,123 |
| Total tax provision (benefit) | \$ (227,806) | \$ 2,140,123 |

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Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The company's total deferred tax liabilities, deferred tax assets, and deferred tax asset valuation allowances at December 31, 2002 are as follows:

| | 2002 | 2001 |
|--|-------------------|--------------|
| | (Restated) | |
| Current Deferred Tax Assets: | | |
| Net operating loss carryforward | | |
| Federal | \$ 102,000 | \$ 170,000 |
| State | 24,000 | 40,000 |
| Reserve for sales returns | | |
| Federal | 19,630 | 76,591 |
| State | 4,619 | 18,021 |
| Reserve for technical support costs | | |
| Federal | 15,251 | 58,625 |
| State | 3,588 | 13,794 |
| Reserve for rebates payable | | |
| Federal | 8,398 | 8,636 |
| State | 1,976 | 2,032 |
| Accrued compensation costs | | |
| Federal | 34,235 | 36,565 |
| State | 8,055 | 8,604 |
| Reserve for bad debts | | |
| Federal | 2,720 | 3,060 |
| State | 640 | 720 |
| | 225,112 | 436,648 |
| Less valuation allowance for deferred tax assets | 225,112 | 436,648 |
| Net Current Deferred Tax Assets | --- | --- |
| Non-Current Deferred Tax Assets: | | |
| Net operating loss carryforward | | |
| Federal | \$ 2,664,236 | \$ 3,151,933 |
| State | 718,584 | 727,109 |
| Reorganization Costs | | |
| Federal | 22,100 | --- |
| State | 5,200 | --- |
| State deferred tax liabilities | | |
| Federal | 69,618 | 74,285 |
| | 3,479,738 | 3,953,327 |
| Less valuation allowance for deferred tax assets (Restated) | 3,479,738 | 3,953,327 |
| Net Non-Current Deferred Tax Assets | --- | --- |
| Non-Current Deferred Tax Liabilities: | | |
| Software license fees | | |
| Federal | (761,654) | (922,936) |
| State | (176,881) | (217,162) |
| Property and equipment, net | | |
| Federal | (4,111) | (5,622) |
| State | (967) | (1,323) |

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Net Non-Current Deferred Tax Liability (943,613) (1,147,043)

Net Deferred Tax Asset (Liability) \$ (943,613) \$ (1,147,043)

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Those amounts have been presented in the company's financial statements as follows:

Non-current deferred tax liability (Restated) \$ (943,613) \$ (1,147,043)

The valuation allowance for deferred tax assets was decreased by \$685,125 during the year ended December 31, 2002.

At December 31, 2002, the company has available net operating loss carryforwards of approximately \$9,750,000 for federal income tax purposes that expire in 2021. The federal carryforwards resulted from losses generated in 1996 through 2001. The company also has net operating loss carryforwards available for state income tax purposes ranging from approximately \$25,000 to approximately \$841,000 that expire in 2021.

The reconciliation of income tax computed at statutory rates of income tax benefits is as follows:

| | 2002 (Restated) | 2001 |
|---|--------------------|----------------|
| Expense at Federal statutory rate - 34% | \$ 287,591 | \$ (1,856,478) |
| State tax effects | (68,284) | 395,282 |
| Nondeductible expenses | 6,850 | 868 |
| Taxable temporary differences | 251,837 | 169,465 |
| Deductible temporary differences | (20,675) | 80 |
| Deferred tax asset valuation allowance | (685,125) | 3,430,906 |
| Income tax benefit | \$ (227,806) | \$ 2,140,123 |

NOTE 9 - STOCKHOLDERS' EQUITY

COMMON STOCK

On January 15, 2001, pursuant to a consulting agreement with an individual to provide investor relations services, FindEx issued 12,500 common shares valued at \$.45 per share.

On February 15, 2001, pursuant to a consulting agreement with an individual to provide investor relations services, FindEx issued 12,500 common shares valued at \$.42 per share.

On March 15, 2001, pursuant to a consulting agreement with an individual to provide investor relations services, FindEx issued 10,750 common shares valued at \$.68 per share.

On April 15, 2001, pursuant to a consulting agreement with an individual to provide investor relations services, FindEx issued 10,750 common shares valued at \$.30 per share.

On May 15, 2001, pursuant to a consulting agreement with an individual to provide investor relations services, FindEx issued 10,750 common shares valued at \$.27 per share.

On June 15, 2001, pursuant to a consulting agreement with an individual to provide investor relations services, FindEx issued 10,750 common shares valued at \$.23 per share.

On July 15, 2001, pursuant to a consulting agreement with an individual to provide investor relations services, FindEx issued 10,750 common shares valued at \$.13 per share.

On July 15, 2001, FindEx converted 3,600 shares of Preferred Series A into 36,000 common shares. In addition, FindEx converted \$4,200 unpaid accumulated Preferred Series A dividends into 5,103 common shares.

On August 15, 2001, pursuant to a consulting agreement with an individual to provide investor relations services, FindEx issued 10,750 common shares valued at \$.089 per share.

On September 5, 2001, pursuant to a stock subscription agreement with a company, FindEx issued 48,387 common shares in exchange for cash of \$15,000.

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On September 15, 2001, pursuant to a consulting agreement with an individual to provide investor relations services, FindEx issued 10,750 common shares valued at \$.17 per share.

On October 15, 2001, pursuant to a consulting agreement with an individual to provide investor relations services, FindEx issued 10,750 common shares valued at \$.13 per share.

On October 25, 2001, pursuant to a consulting agreement with a company for strategic planning and development and enhancement of sales opportunities, FindEx issued 500,000 common shares valued at \$.13 per share.

On November 15, 2001, pursuant to a consulting agreement with an individual to provide investor relations services, FindEx issued 10,750 common shares valued at \$.06 per share.

On December 15, 2001, pursuant to a consulting agreement with an individual to provide investor relations services, FindEx issued 10,750 common shares valued at \$.04 per share.

On March 7, 2002, pursuant to a settlement agreement, the company issued an additional six common shares for each common share originally issued under the stock subscription agreement dated April 28, 2000. A total of 2,175,000 common shares were issued under this settlement agreement. On March 27, 2002, the company rescinded 60,000 common shares issued pursuant to this settlement agreement after learning the original investors were unaccredited. On September 20, 2002, the company issued 9,000 common shares correcting an error in the March issuance.

On March 27, 2002, the company rescinded 10,000 common shares pursuant to the stock subscription agreement dated April 28, 2000 after learning the original investors were unaccredited. The company returned \$25,000 plus interest at 10% to the original investors.

On April 1, 2002, the company issued 5,891,760 restricted common shares to the employees and Board of Directors as additional compensation pursuant to an incentive and retention bonus program. On August 7, 2002, the company rescinded 64,480 restricted common shares previously issued to part-time employees under the incentive and retention bonus program. These shares were valued at \$.025 per share.

On July 23, 2002, pursuant to settlement of an agreement with an individual for investor relations services, the company issued 205,000 common shares valued at \$.05 per share.

On September 20, 2002, pursuant to a settlement agreement, the company issued an additional six common shares for each common share originally issued in lieu of cash commission under the stock subscription agreement dated April 28, 2000. A total of 137,250 common shares were issued under this settlement agreement. These shares were valued at \$.03 per share.

On November 15, 2002, pursuant to settlement of an agreement with a company for consulting and valuation services, the company issued 296,308 common shares valued at \$.03 per share.

CONVERTIBLE PREFERRED STOCK (SERIES A)

The rights, preferences and privileges of the preferred shareholders are as follows:

Dividends

Holder of Series A Preferred Stock (the Preferred Stock) are entitled to receive common stock dividends of \$.50 per share per annum, in preference to any payment of cash dividends declared or paid on shares of common stock. Dividends on Preferred Stock are fully cumulative and are payable as determined by the Board of Directors. As of

December 31, 2002, no dividends have been declared.

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Liquidation

Holders of Preferred Stock are entitled to liquidation preferences over common shareholders to the extent of \$10.00 per share of Preferred Stock, plus all declared but unpaid dividends. If funds are sufficient to make a complete distribution to the preferred shareholders, such shareholders will share in the distribution of the company assets on a pro rata basis in proportion to the aggregate preferential amounts owed each shareholder. After payment has been made to the preferred shareholders, any remaining assets and funds are to be distributed equally among the holders of the Common Stock based upon the number of shares of the Common Stock held by each.

Conversion

Each share of Convertible Preferred Stock shall be convertible at the option of the holder thereof, at any time prior to the close of business on the date fixed by the Corporation for redemption or conversion of such shares as herein provided, into fully paid and nonassessable shares of common stock and such other securities and property as hereinafter provided, initially at the rate of 10 shares of common stock for each full share of convertible Preferred Stock.

Redemption

At the election of the Board of Directors, the company may redeem all or part of the shares of the Preferred Stock (pro rata based upon the total number of shares of the Preferred Stock held by each holder) by paying in cash a sum per share equal to \$10.00 plus accrued and unpaid dividends per annum.

Voting Rights

The holder of each share of Preferred Stock is not entitled to vote except as required by law.

CONVERTIBLE PREFERRED STOCK (SERIES B)

The rights, preferences and privileges of the preferred shareholders are as follows:

Dividends

The holders are entitled to receive cash dividends at the rate of \$1.60 per annum per share, and not more, which shall be fully cumulative, shall accrue without interest from the date of first issuance and shall be payable quarterly in arrears on March 15, June 15, September 15, and December 15 of each year commencing September 15, 1999, to holders of record as they appear on the stock books of the corporation on such record dates, not more than 60 nor less than 10 days preceding the payment dates for such dividends, as are fixed by the Board of Directors. As of December 31, 2002, no dividends have been declared.

Liquidation

The holders are entitled to a liquidation preference of an amount equal to the dividends accrued and unpaid, whether or not declared, without interest, and a sum equal to \$20.00 per share, and not more, before any payment shall be made or any assets distributed to the holders of Common Stock or any other class or series of the Corporation's capital stock ranking junior as to liquidation rights to the Convertible Preferred Stock.

Conversion

Each share of convertible Preferred Stock shall be convertible at the option of the holder thereof, at any time prior to the close of business on the date fixed by the Corporation for redemption of such share as herein provided, into fully paid and nonassessable shares of Common Stock and such other securities and property as hereinafter provided, initially at the rate of one (1) share of Common Stock for each full share of Convertible Preferred Stock.

Redemption

Subject to restrictions, shares of the Series shall be redeemable at the option of the Corporation at any time at the redemption price of \$20.00 per share plus, in each case, an amount equal to the dividends accrued and unpaid thereon to the redemption date. The Corporation may not redeem any shares of Preferred Stock unless the current market value of the Corporation's Common Stock, as defined, immediately prior to the redemption date is not less than \$18.00 per share.

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Voting Rights

The holder of each share of Preferred Stock is not entitled to vote, except as required by law.

WARRANTS

On February 19, 2001, in compromise and settlement of a consulting agreement, FindEx issued warrants to purchase 100,000 common shares exercisable at \$.50 per share. The warrants are currently exercisable and expire in February 2008. The fair value of the warrants is estimated on the date of grant using the Black-Scholes option-pricing model. In association with the warrants, the company recognized \$39,501 of consulting expense. These warrants were repriced on October 5, 2001.

On March 7, 2001, pursuant to an agreement with a law firm to provide corporate legal services, FindEx issued warrants to purchase 100,000 common shares exercisable at \$.01 per share. The warrants are currently exercisable and expire in March 2006. The fair value of the warrants is estimated on the date of grant using the Black-Scholes option-pricing model. In association with the warrants, the company recognized \$36,859 of legal expense.

On March 26, 2001, pursuant to an investment agreement with an institutional private equity investor, FindEx issued a warrant to purchase 510,000 common shares exercisable at \$.23 per share. The warrant is currently exercisable for 300,000 shares with the balance vesting upon satisfaction of certain conditions and will expire in March 2007. The fair value of the warrant is estimated on the date of grant using the Black-Scholes option-pricing model. In association with the warrant, the company recognized \$181,392 of professional fees.

On May 11, 2001, pursuant to an agreement with a law firm to provide corporate legal services, FindEx issued warrants to purchase 50,000 common shares exercisable at \$.01 per share. The warrants are currently exercisable and expire in May 2006. The fair value of the warrants is estimated on the date of grant using the Black-Scholes option-pricing model. In association with the warrants, the company recognized \$13,464 of legal expense.

On October 5, 2001, in compromise and settlement of a consulting agreement, we cancelled warrants issued on February 19, 2001 to purchase 100,000 common shares exercisable at \$.50 per share and issued warrants to purchase 125,000 common shares at \$.148 per share. The warrants are currently exercisable and expire in February 2008. The fair value of the warrants is estimated on the date of grant using the Black-Scholes option-pricing model. This has been treated as a re-pricing of the original warrants and an additional warrant for 25,000 common shares. In connection with the issuance of the additional warrants, we recognized consulting fees of \$3,700. The net effects of the re-pricing are negligible.

NOTE 10 - EARNINGS PER COMMON SHARE (Restated)

Earnings per common share are computed by dividing net income (loss) by the weighted average number of common shares and common stock equivalents outstanding during the year. Common stock equivalents are the net additional number of shares that would be issuable upon the exercise of the outstanding common stock options (see Note 11), assuming that the company reinvested the proceeds to purchase additional shares at market value.

The following table shows the amounts used in computing EPS and the effect on income (loss) and the average number of shares of dilutive potential common stock:

| | Income (Loss) (Numerator) | Shares (Denominator) | Per-share Amount |
|---|---------------------------------|-------------------------|---------------------|
| For the Year Ended December 31, 2002 | | | |
| Net Income (Restated) | \$ 1,073,663 | | |
| Less preferred stock dividends | --- | | |
| Income available to common stockholders-basic earnings per share | 1,073,663 | 17,607,104 | \$ 0.06 |
| Effect of Dilutive Securities | | | |
| Options | --- | --- | |
| Convertible notes payable | 24,912 | 2,000,000 | |
| Convertible Preferred Series A | --- | 114,000 | |
| Convertible Preferred Series B | --- | 40,000 | |
| Warrants | --- | 110,685 | |
| Income available to common stockholders-diluted earnings per share | \$ 1,098,575 | 19,871,789 | \$ 0.06 |
| For the Year Ended December 31, 2001 | | | |
| Net Loss | \$ (7,600,353) | | |
| Less preferred stock dividends | (4,200) | | |
| Loss available to common stockholders-basic earnings per share | (7,604,553) | 10,744,519 | \$ (0.71) |
| Effect of Dilutive Securities | | | |
| Options | --- | --- | |
| Convertible notes payable | --- | --- | |
| Convertible Preferred Series A | --- | --- | |
| Convertible Preferred Series B | --- | --- | |
| Warrants | --- | --- | |
| Loss available to common stockholders-diluted earnings per share | \$ (7,604,553) | 10,744,519 | \$ (0.71) |

A total of 4,308,200 and 4,012,200 dilutive potential securities for the years ended December 31, 2002 and 2001, respectively, have been excluded from the computation of diluted earnings per share, as their inclusion would be anti-dilutive.

NOTE 11 - STOCK-BASED COMPENSATION (Restated)

The Stock Incentive Plan (the "Plan") authorizes the issuance of various forms of stock-based awards including incentive and nonqualified stock options, stock appreciation rights attached to stock options, and restricted stock awards to directors, officers and other key employees of the company. Stock options are granted at an exercise price as determined by the Board at the time the Option is granted and shall not be less than the par value of such shares of Common Stock. Stock options vest quarterly over three years and have a term of ten years. At December 31, 2002, 6,306,550 shares were available for future issuance under the Plan.

The company applies APB Opinion No. 25 and related interpretations in accounting for its stock options. Accordingly, no compensation cost has been recognized for outstanding stock options. Had compensation cost for the company's outstanding stock options been determined based on the fair value at the grant date for those options consistent with SFAS No. 123, the company's net income and primary and diluted earnings per share would have differed as reflected by the pro forma amounts indicated below:

| | As reported | Proforma |
|-------------------------------------|----------------|------------|
| Net income (Restated) | \$ 1,073,663 | \$ 979,241 |
| Basic income per share (Restated) | \$ 0.06 | \$ 0.06 |
| Diluted income per share (Restated) | \$ 0.06 | \$ 0.05 |

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Activity under the company's stock option plan is summarized as follows:

| | Outstanding Options | | |
|--|----------------------------|------------------|---------------------------------|
| | Shares Available for Grant | Number of Shares | Weighted-Average Exercise Price |
| Balance at December 31, 2000 | 7,638,800 | 1,361,200 | \$ 3.18 |
| Granted | (2,207,000) | 2,207,000 | \$ 0.13 |
| Exercised | --- | --- | --- |
| Forfeited (canceled unvested options only) | --- | (429,349) | \$ 3.33 |
| Canceled | 749,348 | (749,348) | \$ 4.54 |
| Balance at December 31, 2001 | 6,181,148 | 2,818,852 | \$ 0.42 |
| Granted | --- | --- | --- |
| Exercised | --- | --- | --- |
| Forfeited (canceled unvested options only) | --- | (63,750) | \$ 0.16 |
| Canceled | 125,402 | (125,402) | \$ 0.39 |
| Balance at December 31, 2002 | 6,306,550 | 2,693,450 | \$ 0.42 |

The following table summarizes information about stock options outstanding at December 31, 2002.

| Range of Exercise Prices | Outstanding Options | | | Exercisable Options | |
|--------------------------|----------------------------------|---|---------------------------------|----------------------------------|---------------------------------|
| | Outstanding at December 31, 2002 | Weighted-Average Contractual Life (Years) | Weighted-Average Exercise Price | Exercisable at December 31, 2002 | Weighted-Average Exercise Price |
| \$0.00 to \$1.10 | 2,693,450 | 8.3 | \$ 0.4183 | 2,043,533 | \$ 0.5013 |

NOTE 12 - RENTAL AND LEASE INFORMATION

The company leases office space/warehouse facilities under an operating lease with a third-party with terms extending through 2007. The company is responsible for all taxes, insurance and utility expenses associated with this leases. There is no lease renewal option contained in the lease. Rental expense for the years ended December 31, 2002 and 2001 amounted to \$118,621 and \$144,240, respectively.

At December 31, 2002, the future minimum rental payments required under this lease are as follows:

| | |
|------|------------|
| 2003 | \$ 62,370 |
| 2004 | 64,191 |
| 2005 | 65,491 |
| 2006 | 65,491 |
| 2007 | 27,288 |
| | \$ 284,831 |

NOTE 13 - SUPPLEMENTAL CASH FLOW INFORMATION

The company incurred the following non-cash investing and financing activities during the years ended December 31, 2002 and 2001, respectively:

| | 2002 | 2001 |
|---|-------------------|------------|
| Common stock and warrants issued for services | \$ 168,939 | \$ 388,357 |
| Common stock dividend | --- | 4,200 |
| Conversion of preferred stock to common stock | --- | 32 |

NOTE 14 - COMMITMENTS AND CONTINGENCIES

The company is subject to legal proceedings and claims that arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position of the company.

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On November 14, 2001, The Zondervan Corporation elected to enforce a court order and served notice that we cease selling, marketing and manufacturing all products containing their copyrighted material. We are abiding by the court order and are no longer shipping products containing Zondervan's copyrighted material. We are continuing negotiations with Zondervan to reach a settlement that will allow us to resume shipment of those products. Company management believes the amount of any potential loss cannot be reasonably estimated.

The company has reached tentative settlement in a dispute with TLC over various provisions of several agreements, including the software license agreement (see Note 5). Ultimate disposition of this tentative settlement is contingent upon settlement of negotiations with The Zondervan Corporation. Company management believes the amount of any potential loss cannot be reasonably estimated.

NOTE 15 - RISKS AND UNCERTAINTIES

The company's future operating results may be affected by a number of factors. The company is dependent upon a number of major inventory and intellectual property suppliers. If a critical supplier had operational problems or ceased making material available to the company, operations could be adversely affected. The company is also dependent upon a few major customers. If any of these customers experienced operational problems or ceased placing orders with the company, operations could also be adversely affected.

NOTE 16 - GOING CONCERN

The accompanying financial statements have been prepared assuming the company will continue as a going concern. The company has a negative current ratio and total liabilities in excess of total assets. Those factors, as well as uncertainty in securing financing for continued operations, create an uncertainty about the company's ability to continue as a going concern. Management of the company has developed a plan to reduce its liabilities through sales of new releases of the company's flagship software titles. The ability of the company to continue as a going concern is dependent on the acceptance of the plan by the company's creditors and the plan's success. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 17 - SUBSEQUENT EVENTS

On February 6, 2003, the company was notified by our credit card merchant services provider of their need to maintain a \$50,000 reserve for disputed credit card charges and sales returns. The reserve requirement was based on the company's financial and credit history and will be established through April 2003.

On February 28, 2003, the Internal Revenue Service approved the company's request to pay back payroll taxes in monthly installments of \$10,000 through May 5, 2003. The monthly installments increase to \$45,000 beginning June 5, 2003 and continuing through November 5, 2003.

NOTE 18 - RESTATEMENT AND RECLASSIFICATION

The company has restated its financial statements for the year ended December 31, 2002 to reflect issues identified during a regulatory review of its financial statements associated with a certain registration statement filed with the SEC on November 22, 2004 on Form SB-2 and which is pending effectiveness as of the date of this filing of Amendment Number 1 to Form 10-KSB for the year ended December 31, 2002. Management and the board of directors concluded these restatements were necessary to reflect the changes described below. There was no net effect on cash provided by operating activities or cash used by investing and financing activities as a result of these errors.

During the three month period ended June 30, 2002, the company offset the remaining unpaid installment (\$1,051,785) against the carrying amount of the 1999 software license in accordance with the terms of the tentative settlement agreement with TLC, the licensor-assignee at the time. Although paragraph 6 of SFAS No. 141, *Business Combinations*, which guides the recognition and measurement of intangible assets, provides that the measurement of assets in which the consideration given is cash are measured by the amount of cash paid, our management has since concluded that too much time had passed between the date of the agreement (June 1999) and the date of the tentative settlement (May 2002) for such an offset to be appropriate. Therefore, the company recognized the extinguishment of the liability owed to TLC as income in the statement of operations. The company has restated the consolidated balance sheet as of December 31, 2002 and the consolidated statements of operations, consolidated statements of stockholders' equity, and consolidated statements of cash flows for the year then ended.

Also during the three month period ended June 30, 2002, the company extended the estimated life of the 1999 software license from 10 years to 50 years in accordance with the terms of the tentative settlement agreement with TLC. Although the 1999 software license, as amended provides for our unlimited and exclusive use of the trademarks related to the licensed products, and our management has assessed the useful life of the 1999 software license as indefinite (though limited under the applicable contractual provisions to 50 years) based on the estimated future direct or indirect cash flows from the license, as provided by paragraphs 53 and 11 of SFAS No. 142, *Goodwill and Other Intangible Assets*, our management has since concluded that a 10 year life is appropriate based, among other reasons, on the going concern qualification contained in the audit report for the period covered by this report. The company has restated the consolidated balance sheet as of December 31, 2002 and the consolidated statements of operations, consolidated statements of stockholders' equity, and consolidated statements of cash flows for the year then ended.

Finally, the company had previously and erroneously, included rebates in sales and marketing expenses. The more appropriate presentation should have been, and is now, as a reduction to revenue, as provided by EITF Issue No. 01-09, *Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)*. As provided by paragraph 12 of EITF Issue No. 01-09, the comparative period presented for the year ended December 31, 2001 has been reclassified to conform with the 2002 presentation.

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

Findex.com, Inc.
CONSOLIDATED BALANCE SHEETS
December 31, 2002

| | As Previously Reported | As Restated | Change |
|---|------------------------------|----------------|-----------------|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 38,651 | \$ 38,651 | \$ --- |
| Accounts receivable, trade | 228,241 | 228,241 | --- |
| Inventories | 697,202 | 416,700 | (280,502) (d) |
| Other current assets | 86,698 | 86,698 | --- |
| Total current assets | 1,050,792 | 770,290 | (280,502) |
| Property and equipment, net | 93,053 | 93,053 | --- |
| Software license, net | 2,557,395 | 3,272,798 | 715,403 (a) |
| Software development costs, net | --- | 280,502 | 280,502 (d) |
| Other assets | 28,553 | 28,553 | --- |
| Total assets | \$ 3,729,793 | \$ 4,445,196 | \$ 715,403 |
| Liabilities and stockholders' equity | | | |
| Current liabilities: | | | |
| Accounts payable, trade | \$ 1,170,510 | \$ 1,071,563 | \$ (98,947) (b) |
| Notes payable | 749,999 | 749,999 | --- |
| Accrued royalties | 2,130,613 | 2,130,613 | --- |
| Accrued expenses | 1,224,569 | 1,224,569 | --- |
| Current maturities of long-term debt | 56,999 | 56,999 | --- |
| Total current liabilities | 5,332,690 | 5,233,743 | (98,947) |
| Long-term note payable | 49,045 | 49,045 | --- |
| Deferred income taxes, net | 1,084,894 | 943,613 | (141,281) (c) |
| Stockholders' equity: | | | |
| Preferred stock, \$.001 par value | 51 | 51 | --- |
| Common stock, \$.001 par value | 19,811 | 19,811 | --- |
| Paid-in capital | 7,029,079 | 7,029,079 | --- |
| Retained (deficit) | (9,785,777) | (8,830,146) | 955,631 |
| Total stockholders' equity | (2,736,836) | (1,781,205) | 955,631 |
| Total liabilities and stockholders' equity | \$ 3,729,793 | \$ 4,445,196 | \$ 715,403 |

(a) Increased by \$1,051,785 reclassification of forgiven final installment payment and decreased by \$224,256 additional amortization from reducing the estimated useful life from 50 years to 10 years.

(b) Decreased by \$98,947 from 2000 overstatement of trade payable to third-party rebate processor.

(c) Decreased from reclassification of forgiven final installment payment and additional amortization from reducing the estimated useful life of the software license.

(d) Reclassification of capitalized software development costs from inventory to an intangible asset.

Findex.com, Inc.
CONSOLIDATED BALANCE SHEETS
December 31, 2001

| | As Previously Reported | As Restated | Change |
|---|------------------------------|----------------|--------------|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 7,140 | \$ 7,140 | \$ --- |
| Accounts receivable, trade | 460,170 | 460,170 | --- |
| Inventories | 646,246 | 646,246 | --- |
| Other current assets | 21,468 | 21,468 | --- |
| Total current assets | 1,135,024 | 1,135,024 | --- |
| Property and equipment, net | 92,185 | 92,185 | --- |
| Software license, net | 3,776,306 | 3,776,306 | --- |
| Other assets | 12,558 | 12,558 | --- |
| Total assets | \$ 5,016,073 | \$ 5,016,073 | \$ --- |
| Liabilities and stockholders' equity | | | |
| Current liabilities: | | | |
| License fees payable | \$ 1,051,785 | \$ 1,051,785 | \$ --- |
| Notes payable | 749,000 | 749,000 | --- |
| Accrued royalties | 2,082,694 | 2,082,694 | --- |
| Accounts payable, trade | 1,521,520 | 1,422,574 | (98,946) (a) |
| Reserve for rebates | 443,477 | 443,477 | --- |
| Payroll taxes payable | 193,049 | 193,049 | --- |
| Other current liabilities | 853,936 | 853,936 | --- |
| Total current liabilities | 6,895,461 | 6,796,515 | (98,946) |
| Long-term note payable | 71,322 | 71,322 | --- |
| Deferred income taxes, net | 1,147,043 | 1,147,043 | --- |
| Stockholders' equity: | | | |
| Preferred stock, \$.001 par value | 51 | 51 | --- |
| Common stock, \$.001 par value | 11,231 | 11,231 | --- |
| Paid-in capital | 6,893,720 | 6,893,720 | --- |
| Retained (deficit) | (10,002,755) | (9,903,809) | 98,946 (a) |
| Total stockholders' equity | (3,097,753) | (2,998,807) | 98,946 |
| Total liabilities and stockholders' equity | \$ 5,016,073 | \$ 5,016,073 | \$ --- |

(a) Decreased by \$98,946 from 2000 overstatement of trade payable to third-party rebate processor.

Findex.com, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Year Ended December 31, 2002

| | As Previously Reported | As Restated | Change | |
|--|------------------------------|----------------|------------|--------|
| Revenues, net of reserves and allowances | \$ 3,908,694 | \$ 3,908,346 | \$ (348) | (a) |
| Cost of sales | 814,225 | 834,472 | 20,247 | (b) |
| Gross profit | 3,094,469 | 3,073,874 | (20,595) | |
| Operating expenses: | | | | |
| Sales and marketing | 811,275 | 790,680 | (20,595) | (a)(b) |
| General and administrative | 1,798,015 | 1,798,015 | --- | |
| Bad debt expense | 3,284 | 3,284 | --- | |
| Amortization expense | 168,658 | 505,040 | 336,382 | (c) |
| Depreciation expense | 38,850 | 38,850 | --- | |
| Total operating expenses | 2,820,082 | 3,135,869 | 315,787 | |
| Earnings from operations | 274,387 | (61,995) | (336,382) | |
| Other income | 16,172 | 1,067,958 | 1,051,786 | (d) |
| Other expenses, net | (160,106) | (160,106) | --- | |
| Income before income taxes | 130,453 | 845,857 | 715,404 | |
| Provision for income taxes | 86,525 | 227,806 | 141,281 | (e) |
| Net income | \$ 216,978 | \$ 1,073,663 | \$ 856,685 | |
| Net earnings per share: | | | | |
| Basic | \$ 0.01 | \$ 0.06 | \$ 0.05 | |
| Diluted | \$ 0.01 | \$ 0.06 | \$ 0.05 | |
| Weighted average shares outstanding (Note 14): | | | | |
| Basic | 17,607,104 | 17,607,104 | --- | |
| Diluted | 19,741,104 | 19,871,789 | 130,685 | (f) |

(a) Decrease from reclassification of rebates from sales and marketing.

(b) Increase from reclassification of fulfillment expenses from sales and marketing.

(c) Increase from reducing the estimated useful life of the software license from 50 years to 10 years.

(d) Increased by \$1,051,786 reclassification of forgiven final installment payment.

(e) Increased from recalculation of deferred income taxes resulting from reclassification of forgiveness of final installment of the software license and reduction of the estimated useful life from 50 years to 10 years.

(f) Increase from correction of calculation of dilutive warrants.

Findex.com, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Year Ended December 31, 2001

| | As Previously Reported | As Restated | Change |
|--|------------------------------|----------------|------------------|
| Revenues, net of reserves and allowances | \$ 2,755,658 | \$ 2,575,316 | \$ (180,342) (a) |
| Cost of sales | 1,374,759 | 1,374,789 | 30 (b) |
| Gross profit | 1,380,899 | 1,200,527 | (180,372) |
| Operating expenses: | | | |
| Sales and marketing | 821,525 | 666,188 | (155,337) (a) |
| General and administrative | 2,751,483 | 2,726,448 | (25,035) (c) |
| Bad debt expense | 2,659,994 | 2,659,994 | --- |
| Amortization expense | 505,593 | 505,593 | --- |
| Depreciation expense | 29,156 | 29,156 | --- |
| Total operating expenses | 6,767,751 | 6,587,379 | (180,372) |
| Earnings from operations | (5,386,852) | (5,386,852) | --- |
| Other income | 14,990 | 14,990 | --- |
| Other expenses, net | (88,368) | (88,368) | --- |
| Income before income taxes | (5,460,230) | (5,460,230) | --- |
| Provision for income taxes | (2,140,123) | (2,140,123) | --- |
| Net income | \$ (7,600,353) | \$ (7,600,353) | \$ --- |
| Net earnings per share: | | | |
| Basic | \$ (0.71) | \$ (0.71) | \$ --- |
| Diluted | \$ (0.71) | \$ (0.71) | \$ --- |
| Weighted average shares outstanding (Note 14): | | | |
| Basic | 10,744,519 | 10,744,519 | --- |
| Diluted | 10,744,519 | 10,744,519 | --- |

(a) Decrease from reclassification of rebates from sales and marketing.

(b) Increase from reclassification of fulfillment expense from sales and marketing.

(c) Decreases from reclassification of commission expense to sales and marketing.

Findex.com, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2002

| | As Previously Reported | As Restated | Change | |
|---|------------------------------|----------------|-----------|-----|
| Cash flows from operating activities: | | | | |
| Cash received from customers | \$ 3,969,806 | \$ 3,989,733 | \$ 19,927 | (a) |
| Cash paid to suppliers and employees | (3,677,576) | (3,339,964) | 337,612 | (b) |
| Interest paid | (108,355) | (108,355) | --- | |
| Interest received | 55 | 55 | --- | |
| Income taxes refunded | 48 | 48 | --- | |
| Net cash provided by operating activities | 183,978 | 541,517 | 357,539 | |
| Cash flows from investing activities: | | | | |
| Acquisition of property and equipment | (43,581) | (43,581) | --- | |
| Proceeds from sale of property and equipment | 4,000 | 4,000 | --- | |
| Deposits refunded | 1,450 | 1,450 | --- | |
| Capitalized software development costs | --- | (357,539) | (357,539) | (c) |
| Website development costs | (18,978) | (18,978) | --- | |
| Net cash (used) by investing activities | (57,109) | (414,648) | (357,539) | |
| Cash flows from financing activities: | | | | |
| Proceeds from (payments on) line of credit, net | (21,934) | (21,934) | --- | |
| Payments made on long-term notes payable | (48,424) | (48,424) | --- | |
| Refund on stock subscription | (25,000) | (25,000) | --- | |
| Net cash (used) by financing activities | (95,358) | (95,358) | --- | |
| Net increase in cash and cash equivalents | 31,511 | 31,511 | --- | |
| Cash and cash equivalents, beginning of year | 7,140 | 7,140 | --- | |
| Cash and cash equivalents, end of | \$ 38,651 | \$ 38,651 | \$ --- | |

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| year | | | |
|---|------------|--------------|-----------------|
| Reconciliation of net income to cash flows from operating activities: | | | |
| Net income | \$ 216,978 | \$ 1,073,663 | \$ 856,685 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Stock and warrants issued for services | 168,939 | 168,939 | --- |
| Software development costs amortized | --- | 77,037 | 77,037 (d) |
| Depreciation & amortization | 207,508 | 543,890 | 336,382 (e) |
| Gain on disposal of property and equipment | (137) | (137) | --- |
| Bad debt expense | 3,284 | 3,284 | --- |
| Debt forgiveness | --- | (1,051,786) | (1,051,786) (f) |
| Change in assets and liabilities: | | | |
| Decrease in accounts receivable | 228,645 | 228,645 | --- |
| (Increase) in refundable income taxes | (46,577) | (46,577) | --- |
| (Increase) decrease in inventories | (50,956) | 229,546 | 280,502 (c) |
| Increase in prepaid expenses | (21,925) | (21,925) | --- |
| Increase in accrued royalties | 47,919 | 47,919 | --- |
| (Decrease) in accounts payable | (267,864) | (267,864) | --- |
| Increase in income taxes payable | 3,272 | 3,272 | --- |
| (Decrease) in deferred taxes | (62,149) | (203,430) | (141,281) (g) |
| (Decrease) in other liabilities | (242,959) | (242,959) | --- |
| Net cash provided by operating activities | \$ 183,978 | \$ 541,517 | \$ 357,539 |

(a) Increase from reclassifying cash received from deferred revenue.

(b) Increased by \$357,539 reclassified as capitalized software development costs and decreased by \$19,927 reclassification of cash received from deferred revenue.

(c) Reclassification of capitalized software development costs as an investment activity from an operating activity.

(d) Increase from separating software development costs amortized.

- (e) Increase from reducing the estimated useful life of the software license from 50 years to 10 years.
- (f) Increased by \$1,051,786 reclassification of forgiven final installment payment.
- (g) Decreased from reclassification of forgiven final installment payment and additional amortization from reducing the estimated useful life of the software license.

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Signatures

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FINDEX.COM, INC

By: /s/ Steven
Malone
Name: Steven
Malone
Title: President and
Chief Executive
Officer

Date: September 28, 2005

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|--|--|-----------------------|
| /s/ Steven Malone Steven Malone | Chairman of the Board, President and Chief Executive Officer (principal executive officer) | September 28, 2005 |
| /s/ John Kuehne John A. Kuehne | Chairman of the Audit Committee | September 28, 2005 |
| /s/ Henry M. Washington Henry M. Washington | Director | September 28, 2005 |
| /s/ Kirk R. Rowland Kirk R. Rowland | Chief Financial Officer (principal financial and accounting officer) | September 28, 2005 |