FINDEX COM INC
Form 10KSB/A
May 13, 2004

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

FORM 10-KSB/A

(Mark One)

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

For the fiscal year ended December 31, 2003.

OR

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

For the transition period from ________ to _________.

Commission File Number: 0-29963

FINDEX.COM, INC.
(Name of Small Business Issuer in its Charter)

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

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

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

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, 2003 totaled $4,390,757.

As of May 7 , 2004, 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 $2,433,000.

At May 7 , 2004, the registrant had outstanding 23,168,287 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 [X]

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PART III

PART I

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-KSB/A , press releases and certain information provided periodically in writing or orally by our officers or our agents contain statements which constitute forward-looking statements within the meaning of Section 27A of the Securities Act, as amended; Section 21E of the Securities Exchange Act of 1934; and the Private Securities Litigation Reform Act of 1995. The words may , would , could , will , expect , estimate , anticipate , believe , intend , plan , goal , and similar expressions and variations thereof are intended to specifically identify forward-looking statements. These statements appear in a number of places in this Form 10-KSB/A and include all statements that are not statements of historical fact regarding the intent, belief or current expectations of us, our directors or our officers, with respect to, among other things: (i) our liquidity and capital resources; (ii) our financing opportunities and plans; (iii) our ability to attract customers to generate revenues; (iv) market and other trends affecting our future financial condition or results of operations; (v) our growth strategy and operating strategy; and (vi) the declaration and/or payment of dividends.

Investors and prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors. The factors that might cause such differences include, among others, those set forth in Part II, Item 6 of this annual report on Form 10-KSB/A , entitled Management s Discussion and Analysis of Financial Condition and Results of Operations, including without limitation the risk factors contained therein. 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 1. Description of Business.

Findex.com, Inc. (Findex or the Company , and collectively referred to as we , us or our , in each case as required by the context) is a develop publisher, and distributor/seller of off-the-shelf consumer and organizational software products. The common thread among the Company s products is a customer constituency that shares a devotion to or interest in Christianity and faith-based inspirational values. We are focused on becoming the premier provider of Bible study and related faith-based software products and content to the domestic and international markets through ongoing internal development of new products, expansion and upgrade of existing products, and strategic product line and/or corporate acquisitions and licensing.

PRODUCTS

We are focused on becoming the premier provider of Bible study and related faith-based software products and content to the domestic and international markets through ongoing internal development of new products, expansion and upgrade of existing products, and strategic product line and/or corporate acquisitions and licensing. Our religious software titles are currently divided among the following six categories:

- o Bible Study
- o Financial/Office Management Products for Churches and other Faith-Based Ministries
- o Print & Graphic Products
- o Pastoral Products
- o Children s Products
- o Language Tutorial Products.

In 1999, we obtained an exclusive licensing agreement with Parsons Technology, Inc., a subsidiary of The Learning Company (TLC), formerly the Mattel Corporation, for their Parsons Church Division, a collection of top-selling Christian-related titles, a copy of which agreement is included with this report as Exhibit 10.2 (the Parsons License Agreement). The Parsons License Agreement originally had a term of ten years. As a result of a settlement agreement reached on October 20, 2003 (see Note 15 Notes to Consolidated Financial Statements), the term of that license has now been extended indefinitely, and provides us with the exclusive worldwide right to market, sell, and continue to develop those titles it covers. For the fiscal year ended December 31, 2003, over 90% of our revenues were derived from sales of product the rights to which we maintain pursuant to the Parsons License Agreement.

Bible Study

For the fiscal year ended December 31, 2003, approximately 62% of our revenues were derived from sales of our flagship QuickVerse® software, the industry-leading Bible-study software now in its 15th year and 8th version, which is available in an array of content package variations ranging in retail price from $9.95 to $299.95. QuickVerse® has sold over a million copies since its introduction and is currently a market leader in its category.

QuickVerse® simplifies biblical research, allowing users to view multiple reference materials, including Bibles, dictionaries, commentaries and encyclopedias, side-by-side on the computer screen. A built-in QuickSearch feature enables the user to highlight a word or Bible verse and find all of its occurrences in a particular text. Advanced search options also enable users to search by word, phrase or verse across multiple books. QuickVerse® Version 8, our latest Version, is currently available in three CD-ROM editions: the QuickVerse® Standard Edition (which includes 9 Bibles and 47 reference titles), the QuickVerse® Expanded Edition (which includes 10 Bibles and 84 reference titles), and the QuickVerse® Deluxe Edition (which includes 16 Bibles and 144 reference titles). Each QuickVerse® purchase includes access to additional books and content, which can be unlocked and made accessible for an additional fee.

In December 2002, we released QuickVerse® PDA, for Palm® operating systems, a new addition to the QuickVerse®Bible software family and released an enhanced version in June 2003 making the QuickVerse® PDA compatible on both Pocket PC® and Palm® operating systems. This program provides the same simplified access and many of the personal Bible study features found in the desktop QuickVerse® Versions. QuickVerse ® PDA is currently available in four editions as a download and in CD-ROM: the Standard Edition (which includes 2 Bibles and 4 reference titles), the Deluxe Edition (which includes 4 Bibles and 4 reference titles), the Life Application Study Bible (which includes 1 Bible and 9 reference titles) and a secular version (which includes 2 Bibles and 4 reference titles). Each edition contains 10 scripture reading plans and provides the user with the ability to create their own.

QuickVerse® customers include (i) individuals devoted to or otherwise interested in studying Christianity, of which, according to a Gallup Poll Survey released in March, 2004, about 82% of American adults can be classified as Christian, and (ii) religious and other spiritual organizations including schools, churches and other faith-based ministries.

We hold our rights to QuickVerse® indefinitely which are exclusive, pursuant to the Parson s Licensing Agreement.

In addition to QuickVerse®, we also develop and market certain other Bible study software packages. These include the Complete Bible Resource Library®, the Book®, The Life Application Bible®, A Walk in the Footsteps of Jesus®, Adam Clark s Commentary on the Bible®, and Dictionaries of the New Testament®. Although our prices are subject to change from time to time, these titles currently range in retail price from $19.99 to $79.99 per unit.

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Financial/Office Management Products for Churches and other Christian Faith-Based Ministries

For the fiscal year ended December 31, 2003, about 17% of Findex revenues were derived from sales of its Membership Plus® software, an industry-leading church management software now in its 8th version, which is available in each of a standard and a deluxe package at retail prices of $129.95 and $349.95 respectively. Each of these product packages provides church database, financial management and church productivity tools, including those designed to streamline church office accounting, tasks and scheduling, track membership and contributions, organize membership databases, and provide efficiency in producing targeted mailings, attendance reports and IRS-compliant contribution receipts. The deluxe package is equipped with a broader functionality and range of features, including, for example, a number of templates for legal agreements frequently used by these types of organizations.

Over 80,000 churches and faith-based organizations have purchased Membership Plus® since its introduction in the early 90 s. Membership Plus® Version 8, our latest Version, is currently available in two CD-ROM editions: Membership Plus® Standard and Membership Plus® Deluxe.

We hold our rights to Membership Plus® indefinitely, which are exclusive, pursuant to the Parson s Licensing Agreement.

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.

Print & Graphic Products

We currently sell/distribute ClickArt Christian Publishing® Suite III, which is a full desktop publishing package containing over 13,000 Christian images, icons, maps, Catholic and Jewish imagery and ethnically diverse, family-oriented illustrations to be used in the creation of a wide range of printed materials including newsletters, bulletins, posters, fliers, mailings, calendars, and reports. We also publish/distribute Religious ClipArt ® and Christian Images ® . Both of these products are CD-Rom Clipart products that contain religious and Christian graphical images that can be used in the production of other content related projects.

Although our prices are subject to change from time to time, our print and graphic products range in price from $9.99 to $39.95 per unit. In the aggregate, and for the fiscal year ended December 31, 2003, 2% of our revenues were derived from sales of these products.

Pastoral Products

We currently produce and distribute/sell a line of pastoral products designed to assist faith-based ministries in streamlining sermon development and research tasks and in organizing responsibilities. These titles include the following:

- o Bible Illustrator® 3.0 Deluxe, which is a database compilation of illustrations, anecdotes, quotations, proverbs and bits of humor from general topics like children and angels to specific Bible passages, which users can use to bring messages to a congregation or classroom.

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- o Ministry Notebook® 2.0, which is an organizational tool for users to keep better track of ministry-related paperwork including sermons, prayer requests, personal libraries, telephone contacts, and expense reports.
- o Daily Journal®, which is a tool for entry and recordation of personal thoughts, important family and business events.

Although our prices are subject to change from time to time, our pastoral products range in price from $19.99 to $69.99 per unit. In the aggregate, and for the fiscal year ended December 31, 2003, 2% of our revenues were derived from sales of these products.

Children s Products

We currently produce and distribute/sell a line of children s CD-Rom products designed to appeal to faith-conscious families interested in spiritually-enriched entertainment and play-along educational content. Collectively, these titles include Jonah and the Whale®, Noah and the Ark®, Daniel in the Lion s Den®, The Story of Creation®, Amazon Trail ® (3rd Edition), and Oregon Trail® (4th Edition). In addition, we also distribute the Veggie Tales®, a popular line of children s software programs involving interactive adventures with biblical themes.

Although our prices are subject to change from time to time, our children s CD-Rom products range in price from $4.95 to $19.98 per unit. In the aggregate, and for the fiscal year ended December 31, 2003, less than 1% of our revenues were derived from sales of these products

Language Tutorial Products

We currently produce tutorial software programs for learning Greek and Hebrew, languages frequently studied in conjunction with a Bible-study curriculum or by biblical scholars. Each of these two programs covers all of the essential language development skills, including letters, vocabulary and grammar. Although our prices are subject to change from time to time, our language tutorial products range in price from approximately $19.99 to approximately $69.99 per unit. In the aggregate, and for the fiscal year ended December 31, 2003, 3% of our revenues were derived from sales of these products.

PRODUCT DEVELOPMENT

We are committed to the ongoing development of our existing software products as well as development of new software products. Our product development team consists of a combination of full-time employees as well as full and part-time independent contractors, a team of which is located in the former Soviet Union and several others which are located in the United States. Our use of outside contractors enables us to scale up and down as necessary, and maximize the productivity of our development budget. We recently opened a development office in Naperville, Illinois.

OUR MARKET

According to a Gallup poll released in March 2004, 49.4% of Americans identified themselves as Protestant, while 23.7% identified themselves as Catholic, and 9.1% identified themselves as Other Christian . More than 60% of Americans say that religion is very important to them in their own lives, and another 24% say that religion is fairly important in their lives, according to the same survey. A survey released in July 2003 by the Christian Bookseller s Association (CBA) indicated that Christian-product sales for the year 2002 were $4.2 billion. The survey also revealed that $2.4 billion of the $4.2 billion total was sold through Christian retail, with $1.1 billion sold through general retail, and $725 million sold direct-to-consumer, and through ministry sales channels. The 3,500-store CBA segment includes several different chains, Family Christian Stores being the largest with 325 stores. We believe that the growth in religious sales has been, and is currently being driven in part by the increased spending power of churchgoer s generally and recently by heightened media exposure that resulted from the release of the major motion picture, The Passion of the Christ®.

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As religious retailing increases, secular stores are offering more religious products as evidenced by the $1.1 billion sales figure in 2002 as reported by the CBA.

ACQUISITION STRATEGY

Our development strategy includes the pursuit of acquisition and related strategic growth opportunities involving other companies that sell Christian-related merchandise and services. Although we have no current intentions or plans to do so, we have not ruled out the pursuit of transactional opportunities in areas outside of these as well.

As part of our acquisition strategy, we may acquire businesses that (i) only recently commenced operations, (ii) are development-stage enterprises in need of additional funds to expand into new products or markets, or (iii) are established businesses that may be experiencing financial or operating difficulties and need additional capital. We may also pursue opportunities to acquire assets of other companies and establish wholly owned subsidiaries in various businesses or purchase existing businesses as subsidiaries.

Because acquisition and related opportunities may occur in relation to businesses at various stages of development, the task of comparative investigation and analysis of such business opportunities is likely to be extremely difficult and complex. We are also likely to incur significant legal and accounting costs in connection with our pursuit of such opportunities, including the legal fees for preparing acquisition documentation, due diligence investigation costs, and the costs of preparing reports and filings with the Securities and Exchange Commission.

LICENSING STRATEGY

Our development strategy includes the pursuit of intellectual property licensing opportunities with respect to individual software titles that are strategically aligned with our existing product line and focus. In addition, we may acquire intellectual property licenses in the future for products outside of our current area of focus.

MARKETING AND SALES

Direct Marketing / Online Sales

Direct sales accounted for about 60% of our 2003 fiscal year revenue. Over the past two years, we have devoted significant and increasing resources to the development of our direct-marketing program. Through this program, we market our products directly to consumers through a combination of direct-mailings and opt-in e-mailings of our product title catalogs and brochures. An important aspect of this initiative is our online sales. Although we are in the process of developing a full-service online store with many of the kinds of features and capabilities that online shoppers have come to expect from cutting-edge Internet retailers, we are currently marketing our products online through each of our www.quickverse.com, www.parsonschurch.com, and www.memplushome.com Internet websites. We anticipate online orders will continue to increase as we expand our software product base and enhance our marketing efforts in this area.

Retail Sales

Retail sales accounted for about 40% of our 2003 fiscal year revenue. Our retail sales involve thousands of retail stores across the United States through which our products are sold, many of which are members of the Christian Bookseller s Association (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 independent stores that are not yet our customers regularly 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 the secular retail market, which includes chains such as Best Buy®, CompUSA®, and OfficeMax® , we continue to be a top seller of Bible study software , and we are developing additional product offerings and promotions to grow our market share.

We also currently sell to distributors and retailers in Canada, New Zealand, Australia, Malaysia, Philippines, South Korea, Hong Kong, the United Kingdom, and Singapore. These distributors and retailers, in turn, sell our products into both Christian and large, secular retail outlets that sell off-the-shelf consumer software packages.

Fulfillment

We currently fulfill all of our direct-to-consumer sales out of our warehouse located in Omaha, Nebraska and a third-party fulfillment company, also located in Omaha, Nebraska, fulfills our boxed retail sales.

SIGNIFICANT CUSTOMERS AND SUPPLIERS

During the years ended December 31, 2003 and 2002, we had no major customers that individually accounted for 10% or more of the annual sales. As we introduce new and enhanced software titles into the market, we anticipate our sales to a single customer, as a percentage of gross consolidated revenue, will continue to remain below 10%.

Also for the years ended December 31, 2003 and 2002, product and material purchases from MicroBytes, Inc. accounted for 27% and 12%, respectively, Midlands Packaging Corporation accounted for 26% and 10%, respectively, Cedar Graphics accounted for 10% and 33%, respectively, Ritek Global Media accounted for 6% and 16%, respectively, and Mira Printing Company accounted for 2% and 14%, respectively, of the total product and material purchases made by us.

REGULATION

We are not currently subject to direct regulation by any government agency, other than regulations applicable to businesses generally.

COMPETITION

The market for our products is rapidly evolving and highly competitive. We face competition from other software publishers, all of which generally sell through the same combination of channels that we do, including chain store, secular, Christian Bookseller s Association (CBA), direct and online sales. Specifically, we currently compete with Logos Research Systems, Inc., Biblesoft, Inc., Thomas Nelson, Inc., Tyndale Publishers and WordSearch Bible Publishers among others. Although we are among the market leaders in our primary product categories, some of our competitors have longer operating histories, larger customer bases and greater financial, marketing, service, support, technical and other resources than us. Moreover, we believe that competition from new entrants will increase as the market for religious products and services expands.

EMPLOYEES

As of the filing of this report, we have twenty-six full-time employees and one part-time employee. Of those 26, four are part of the senior-level executive and financial management team, four are in the product development team, six are on the sales team, and twelve are in fulfillment, administration, and related support positions. The Company has current intentions of hiring three additional full-time members to its software development team in the near term. For the fiscal year ended December 31, 2003, the Company s annual payroll was $1,062,877, equivalent to 22% of gross revenues. In addition, we have engaged the services of several consulting firms who are working full or part-time for us in the area of product development and marketing.

We rely heavily on our current officers and directors in operating the business. We are not subject to any collective bargaining agreements and believe that our relationships with our employees are good.

Item 2. Description of Property.

Our principal executive offices are located at 11204 Davenport Street, Suite 100, Omaha, Nebraska. This space, which is also used for distribution, is a leased 6,500 square foot facility that is nearing the third year of its 5 year lease term. Three of the Company s full-time employees work in home offices located in Cedar Rapids, Iowa, and another two employees work in an 880 square foot development office we maintain in Naperville, Illinois.

Item 3. Legal Proceedings.

As of the date of this report, there were no pending material legal proceedings to which we were a party and we were not aware that any were contemplated. There can be no assurance, however, that we will not be made a party to litigation in the future. Moreover, there can be no assurance that our insurance coverage will prove adequate to cover all liabilities arising out of any claims that may be initiated against us in the future. Any finding of liability imposed against us coupled with a lack of corresponding insurance coverage is likely to have an adverse effect on our business, financial condition, and operating results.

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of security holders during the annual period ending December 31, 2003.

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PART II

Item 5. Market for Common Equity, Related Stockholder Matters and Small Business issuer Purchases of Equity Securities.

RECENT SALES OF UNREGISTERED SECURITIES

None.

MARKET INFORMATION

Our Common Stock is traded on the OTC Bulletin Board, a service provided by the NASDAQ Stock Market Inc., under the symbol, FIND .

The following table sets forth for the periods indicated the high and low bid prices for our common stock as reported each quarterly period within the last two fiscal years on the OTC Bulletin Board, and as obtained from BigCharts.com. The prices are inter-dealer prices, do not include retail mark-up, markdown or commission and may not necessarily represent actual transactions.

Common Stock

2002	High	Low
First Quarter	$0.04	$0.025
Second Quarter	$0.08	$0.021
Third Quarter	$0.07	$0.020
Fourth Quarter	$0.03	$0.015

2003	High	Low
First Quarter	$0.02	$0.022
Second Quarter	$0.08	$0.022
Third Quarter	$0.07	$0.015
Fourth Quarter	$0.04	$0.025

SHAREHOLDERS

As of March 30, 2004, there were approximately 800 holders of record of our common stock, with any shares held by persons or companies in street or nominee name counted only under such street or nominee name.

DIVIDENDS

During the last two years, no dividends have been paid on our common stock , and we do not anticipate paying any dividends in the foreseeable future. Although it is our intention to utilize all available funds for the development of our business, no restrictions are in place that would limit or restrict our ability to pay dividends.

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SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

EQUITY COMPENSATION PLAN INFORMATION

	Number of securities to be issued upon exercise of outstanding options and rights (a)	Weighted-average exercise price of outstanding options and rights (b)	Number of Securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,048,750	$0.1100	451,250
Equity compensation plans not approved by security holders (1)	2,241,533	$0.3750	--
Total	3,290,283	$0.2906	451,250

(1) Includes Employment Agreement between FindEx.com, Inc. and William Terrill dated June 7, 2002 filed herewith as Exhibit 10.6 and employment agreements between FindEx.com, Inc. and various non-executive employees with various 1999 dates providing for options vesting quarterly over three years with an exercise price equal to the closing price on the date of grant. All options carry a ten-year life.

The FindEx.com, Inc. 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. The Plan has been approved by the shareholders and as such, provides certain income tax advantages to employees as provided under Sections 421, 422, and 424 of the Internal Revenue Code. 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.

In addition, the Company issues various forms of stock-based awards including nonqualified stock options and restricted stock awards to directors, officers and other key employees, outside of the Stock Incentive Plan. Awards granted outside of the Plan have been granted pursuant to equity compensation arrangements that have not been approved by the shareholders. These awards are granted at an exercise price as determined by the Board at the time of grant and are not less than the par value of such shares of Common Stock. Stock options granted outside of the Plan vest as determined by the Board at the time of grant and have a term of ten years. Nonemployee directors, though treated as employees for financial reporting purposes under FASB Interpretation No. 44, are excluded from the income tax advantages afforded employees by the Internal Revenue Code.

All issued options, whether under the Plan or not, create the obligation for stock issuance at the established exercise price.

Item 6. Management s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read together with the consolidated financial statements of Findex.com, Inc. for the period ended December 31, 2003 and the notes to the consolidated financial statements.

Certain information included herein contains statements that constitute forward-looking statements containing certain risks and uncertainties. Readers are referred to the cautionary statement at the beginning of this report, which addresses forward-looking statements made by us.

Critical Accounting Policies

Our critical accounting policies, including the assumptions and judgments underlying them, are disclosed in the Notes to the Financial Statements. We have consistently applied these policies in all material respects. These policies primarily address matters of expense recognition and revenue recognition. Management does not believe that our operations to date have involved uncertainty of accounting treatment, subjective judgment, or estimates, to any significant degree.

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.

During the year of 2003, the Company had several non-recurring items totaling approximately $1,390,000 take place. In the second quarter of 2003, the Company had a one-time, non-recurring reversal of accrued royalties of approximately $584,000. We also had a write down of obsolete inventory approximating $32,000 during the first quarter and approximating $29,000 during the third quarter of 2003. Finally, during the fourth quarter of 2003, we wrote off a note payable approximating $650,000 and the interest associated with the note approximating $217,000. These non-recurring items totaling approximately $1,390,000 had no effect on the cash flow statement. Our net income increased approximately $1,625,000 from a net income of approximately $217,000 for the twelve months ended December 31, 2002 to a net income of approximately $1,842,000 for the twelve months ended December 31, 2003. By excluding our interest, taxes, depreciation, and amortization from net income, our EBITDA increased approximately $1,724,000 from EBITDA earnings of approximately $615,000 for the twelve months ended December 31, 2002 to EBITDA earnings of approximately $2,339,000 for the twelve months ended December 31, 2003. These net income and EBITDA results include the non-recurring items noted above. Net of the non-recurring items, our net income increased approximately $235,000 from a net income of approximately $217,000 for the twelve months ended December 31, 2002 to a net income of approximately $452,000 for the twelve months ended December 31, 2003, and our EBITDA increased approximately $334,000 from an EBITDA earnings of approximately $615,000 for the twelve months ended December 31, 2002 to EBITDA earnings of approximately $949,000 for the twelve months ended December 31, 2003.

Non-cash expenses relating to common shares issued for services decreased by approximately $116,000. For the year ended December 31, 2003, we recognized expenses of approximately $10,000 relating to 250,000 common shares issued to an employee as a signing bonus, $27,000 relating to 600,000 common shares issued to the outside board of directors as compensation for their services, $6,750 relating to 150,000 common shares issued to individuals for program development services, and $9,000 relating to 200,000 common shares issued to an individual for corporate writing services. For the year ended December 31, 2002, we recognized expenses of approximately $169,000 relating to common shares issued for services. Overall, interest expense for the year ended December 31, 2003 decreased significantly compared to the year ended December 31, 2002. This is due to the Company reducing its payroll liability by continuously meeting its scheduled payments. Furthermore, the note liabilities interest was reduced due to the write off of the note payable. Amortization expense for the year ended December 31, 2003 also decreased significantly compared to the year ended December 31, 2002. This is a result of a tentative settlement agreement with TLC, which extended the life of the license from 10 years to 50 years, and from the final settlement with TLC, which then extended the life of the license indefinitely.

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 45 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 approximately $476,000 from approximately $4,312,000 for the year ended December 31, 2002 to approximately $4,788,000 for the year ended December 31, 2003. Such increase is due to the Company s release of an enhanced version of our flagship product, QuickVerse®, during the fourth quarter of 2003. The Company had initiated a marketing plan during the second quarter of 2003 that allowed customers to pre-order their QuickVerse® 8.0 by placing a deposit with the Company. All deposits were recognized as revenue when the product shipped in late December 2003 and is included in the numbers stated above. In addition to the QuickVerse ® release, there were several other new product releases in the year of 2003. However, the retail value of the products ranged from $19.95 to $39.95 compared to $99.95 to $299.95 for the QuickVerse® and Membership Plus ® titles. 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. During the years of 2002 and 2003, our sales efforts were focused on targeting the end user through telemarketing and Internet sales. These efforts resulted in more consistent sales during the two years. Sales into the retail market (both CBA and secular) continue to increase; however, they are not back to the levels of pre-recession periods of 1999 and 2000.

Sales returns and allowances increased approximately $15,000 from approximately $376,000 for the year ended December 31, 2002 to approximately $391,000 for the year ended December 31, 2003 and slightly decreased as a percentage of gross sales from approximately 9% for the year ended December 31, 2002 to approximately 8% for the year ended December 31, 2003. The decrease in sales returns and allowances as a percentage is attributable to our focused sales efforts to the end user and our decreased presence in the retail market. Incidents of return are lower for sales direct to the end user than sales into the retail stores.

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 and ship the software products, and the amortized software development costs. The direct costs and manufacturing overhead increased from 11.1% of gross revenues in 2002 to 15.1% of gross revenues in 2003. The increase resulted directly from amortization of software development costs. We only had three new software releases during the year ended December 31, 2002 of which one release was in late December 2002, resulting in very little amortization for 2002. The amortization recognized during the twelve months ended December 31, 2003 resulted from several new software releases in 2003 and the continued amortization of those products released in 2002. Furthermore, the amortization increase corresponds with the December release of QuickVerse® 8.0. The direct costs and manufacturing overhead percentage is expected to continue at the 2003 levels as working capital remains more consistent and as more development projects are implemented. Royalties to third party providers of intellectual property also increased from 3.7% of gross revenues in 2002 to 5.5% of gross revenues in 2003. The increase of royalties reflects the release of the QuickVerse® PDA editions in late December 2002 and June 2003, and the shipment of 25,000 units of QuickVerse® 7 Essentials into secular retail in the first and second quarters of 2003. Overall, our royalties have decreased compared to prior years due to the focus on selling product upgrades and non-royalty titles. Upgrade sales, e.g. from QuickVerse® version 7 to QuickVerse® version 8, 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 the new QuickVerse® 8.0 is released into the retail market. 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 and 2003 were approximately $397,000 and approximately $659,000, respectively. Accumulated amortization of these development costs included in cost of sales totaled approximately $117,000 and approximately $355,000 for the twelve months ended December 31, 2002 and 2003, respectively. The increase in both the capitalization and amortization is a direct result of the increase in the number of development projects.

	Twelve Months Ended December 31, 2002	**2003**
Beginning balance	$ --	$280,502
Capitalized	397,185	659,487
Amortized (cost of sales)	116,683	355,283
Ending balance	$280,502	$584,706
Research and development expense (General and administrative)	$ 51,668	$128,159

Sales, General And Administrative

Operating expenses for 2003 include approximately $53,000 in non-cash expenses related to common stock issued for services compared with approximately $169,000 for 2002. Although gross revenues increased approximately $476,000 from 2002 to 2003, sales expenses increased only approximately $2,000 from approximately $811,000 for 2002 to approximately $813,000 for 2003. Included in Sales expenses, Commissions to a third-party telemarketing firm increased approximately $106,000 as our sales focus to the direct consumer increased along with the number of new and enhanced product releases during 2003 compared with that of 2002; Fulfillment costs from a third-party warehouse increased approximately $23,000 as we moved our retail fulfillment to a new outside entity with a more advanced real time inventory system; Advertising and Rebates decreased approximately $79,000 and Marketing and Customer Service costs decreased approximately $48,000 as our sales efforts continue to be more focused 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. Software development costs expensed as research and development (see table above) amounted to approximately $128,000 for the twelve months ended December 31, 2003 compared to approximately $52,000 incurred for the twelve months ended December 31, 2002. The increase in 2003 reflects development of Ministry Notebook® 2.0, QuickVerse® PDA for both Pocket PC® and Palm® operating systems, and QuickVerse® 8.0. 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 $67,000 from approximately $1,163,000 for the twelve months ended December 31, 2002 to approximately $1,096,000 for the twelve months ended December 31, 2003. This decrease is primarily from the capitalization of direct and indirect labor and related overhead charges as software development costs (see Cost of Sales above), and from the decrease in employee benefits costs. 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.

Legal costs increased approximately $10,000 from an increase in consultation provided regarding our disputes with TLC and Zondervan. It is anticipated that legal costs will continue to increase at least through the first quarter of 2004 given that the disputes with TLC and Zondervan were finalized in March 2004. Rent expense decreased approximately $58,000 from the consolidation of our corporate office and our direct fulfillment into a single facility. The decrease is also attributed to the capitalization of related overhead charges as software development costs (see Cost of Sales above). Travel costs increased approximately $15,000 as we increased our sales staff and our sales efforts to our retail customers as new product lines and enhancements were introduced during 2003. Bad debt expense increased approximately $20,000 during 2003 due to the increased amount of outstanding accounts receivable.

We did not pursue any acquisitions during 2002 or 2003 and, thus, did not incur any acquisition costs. We do not expect to pursue acquisitions during 2004 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.

Nonrecurring Items

The Company wrote-off obsolete inventory with a carried cost totaling approximately $32,000 during the quarter ended March 31, 2003 and approximately $29,000 during the quarter ended September 30, 2003. These have been recognized as an operating expense.

During the quarter ended June 30, 2003, the Company recorded an adjustment to the balance of accrued royalties as of December 31, 2002 in the amount of approximately $584,000. This adjustment resulted from an internal audit of the royalty calculations as affected by the June 30, 2001 bad debt provision totaling $2,391,000 related to net balances owed the Company by TLC. The royalty liabilities had been accrued based on Findex sales to TLC as originally reported. This has been recognized as an expense recovery and included in operating expenses.

During the year ended December 31, 2003, the Company reclassified as other income nonrecurring items proceeds totaling $650,000, and the corresponding accrued interest payable totaling $216,516, that were previously recorded as an unsecured note payable. The determination to reclassify the obligation was made on the basis of the combined facts that (i) the obligation exists, if at all, solely pursuant to an oral loan agreement made over three years ago in the State of North Carolina with a representative of the party to whom the obligation was believed to have been owed, (ii) no party has ever made any demand for repayment thereof despite the fact that no payments have ever been made on the obligation, (iii) the party believed to be owed the obligation, upon inquiry, claims no record of any such obligation, and (iv) the State of North Carolina Statute of Limitations applicable to oral agreements, believed to govern the continued enforceability of the obligation, has expired.

Amortization

Amortization of the software license decreased approximately $124,000 from approximately $169,000 for the twelve months ended December 31, 2002 to approximately $45,000 for the twelve months ended December 31, 2003. During the second quarter of 2002, the Company offset the remaining unpaid installment ($1,051,785) against the carrying value of the software license in accordance with the terms of a tentative settlement agreement with The Learning Company. In addition, the agreement called for the extension of the estimated life of the license from 10 years to 50 years. Upon final settlement, the ownership of the Licensed Media, Programs, or Trademarks transferred from TLC to Findex. This effectively changed the substance from an amortizable intangible asset with a finite useful life to an unamortizable intangible asset with an indefinite useful life. Amortization expense, determined using the straight-line method, was calculated through the settlement date of October 20, 2003.

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 $8,437,000. The carryforwards are the result of income tax losses generated in 2000 ($3,269,000 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 $469,000 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.

Although there can be no assurance, management expects the deductible temporary differences (reserves) to reverse sometime beyond the next fiscal year.

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, 2003, Findex had $802,345 in current assets, $3,747,126 in current liabilities and a retained deficit of $7,944,278. These factors continue to create an uncertainty about our ability to continue as a going concern. We had net income before income taxes of $1,807,932 for the year ended December 31, 2003. Operating expenses for 2003 included approximately $53,000 in non-cash expenses for stock issued for services (see RESULTS OF OPERATIONS above).

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Net cash provided by operating activities was approximately $581,000 and approximately $882,000 for the twelve months ended December 31, 2002 and 2003, respectively. The increase in cash provided was primarily due to an increase in sales direct to the consumer. The amount of interest paid decreased due to the Company reducing its payroll liability by continuously meeting its scheduled payments. The 2003 interest received and income taxes refunded result from a 1999 refund claim with the State of Nebraska.

Net cash used in investing activities was approximately $454,000 and $714,000 for the years ended December 31, 2002 and 2003, respectively. The increase in cash used for investing activities results form capitalizing costs associated with software development and upgrading our website to expand our e-commerce capability.

Net cash used by financing activities was approximately $95,000 and approximately $65,000 for the years ended December 31, 2002 and 2003, respectively. Cash used by financing activities reflects proceeds from our accounts receivable line of credit, payments made on debt obligations, and the 2002 payment made to Ronald Ardt for reimbursement of the original 2000 investment of Thomas Ardt and Betty Wolfe.

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, 2003, we transferred accounts receivable totaling $320,533 to a lender for cash advances of $192,320. As accounts are paid, the collected funds (less the amount advanced and appropriate fees) are disbursed to the Company. The transfer agreement includes a repurchase requirement and, accordingly, the proceeds were accounted for as a secured borrowing. At December 31, 2003, the balance of receivables transferred and included in trade receivables was $34,893. The remaining secured borrowing balance of $20,936 is included in accrued expenses.

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.

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.

THERE IS UNCERTAINTY AS TO OUR ABILITY TO CONTINUE AS A GOING CONCERN.

Our financial statements, which are included in Part II, Item 7 of this annual report on Form 10-KSB/A , including the footnotes thereto, call into question our ability to operate as a going concern. This conclusion is drawn from the fact that, as of the date of those financial statements, we had 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 regarding our ability to continue as a going concern. Although we have developed what our management believes to be a realistic plan to reduce our liabilities through sales of new releases of our flagship software titles, our ability to continue as a going concern is dependent on the acceptance of the plan by our creditor's and the success of the plan, for which there can be no assurance. [see Footnote 17 to the Financial Statements].

A CLAIM HAS BEEN MADE AGAINST US WHICH MAY REQUIRE THAT WE ISSUE A SIGNIFICANT PERCENTAGE OF OUR TOTAL CURRENT OUTSTANDING COMMON SHARES.

In 2002, Swartz Private Equity, LLC, an investment firm ("Swartz"), provided notice to us that it was making a demand for a certain termination fee that it claimed was due under an agreement which we entered into with them in June 2001 in connection with a contemplated private equity line financing which never materialized. In accordance with Swartz's calculations based on the terms of such agreement, 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, such amount would have required approximately 3.75 million shares based on our market trading price. As of May 12, 2004, such amount would require 1.5million shares of our common stock based on our market trading price. In addition, and as part of the same claim Swartz further demanded a warrant for an additional 219,127 shares of our common stock that it claimed was due pursuant to a certain warrant that Swartz had previously been granted by Findex in connection with its original equity line commitment and a certain warrant anti-dilution agreement that related thereto. 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.

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 8.0 to begin shipping in mid-December, long after the holiday season had been underway. As a result, we experienced fewer sales of this product than we would have if the product had been available before the holiday selling season began, which had a materially adverse effect on our operating results for the 2003 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 $183,000 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.

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 no less than $2 million within fiscal year 2004 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 including our ability to identify capable and interested investors. Some of the factors affecting our ability to obtain such financing are to some degree outside of our control, including for example economic conditions, 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 sold 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 significant revenue from operations to date and have experienced a marked improvement in our overall financial condition over the past year, we have a very limited operating history on which you can evaluate our potential for future success. Rather than relying exclusively on historical financial information to evaluate our Company, you should evaluate us 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;
- 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.

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

At the time we ship our products 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 our wholesale customers who take delivery of our products on credit, we could be required to significantly increase the reserves previously established. Although, historically, actual returns have been within management s prior estimates, we cannot be certain that any future write-offs exceeding reserves will not occur or that amounts written off will not have a material adverse effect on our results of operations.

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

o 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 PRODUCT DEVELOPMENT.

The Bible-study, inspirational content, and organizational management 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 or otherwise protect our intellectual property rights, 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. Although our recent Palm version products have performed well for us, we cannot predict the impact that new devices will have on our services across the entire spectrum of developing technologies, and any required product adaptations 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 REQUIREUS TO PAY LARGE LEGAL EXPENSES AND JUDGMENTS AND REDESIGN OR DISCONTINUE SELLING ONE OR MORE OF OUR PRODUCTS.

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 financial condition and results of operations.

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

We currently sell through distributors to many foreign countries and expect to continue to develop this aspect of our business. 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. Many of the distributors we sell to in foreign countries are not United States companies and have no legal presence in the United States, and we therefore face certain risks associated with doing business outside of the United States. As we continue to expand our international sales, we will be increasingly subject to various risks associated with international business. These risks include the following:

- compliance with local laws and regulatory requirements, as well as changes in those laws and requirements;
- restrictions on the repatriation of funds;
- 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.

WE ARE HIGHLY UNLIKELY TO BE PAYING ANY DIVIDEND ON OUR COMMON STOCK FOR THE FORSEEABLE FUTURE.

We do not anticipate paying dividends on our common stock in the foreseeable future. Rather, we intend to retain earnings, if any, for the operation and expansion of Company business.

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, 2003 and 2002 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