FINDEX COM INC
Form 10-Q
May 15, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2017

OR

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

For the transition period from __________ to __________.

Commission file number: 0-29963

FINDEX.COM, INC.

(Exact name of registrant as specified in its charter)

Nevada (State or other jurisdiction of incorporation or organization)	88-0379462 (I.R.S. Employer Identification No.)
1313 South Killian Drive, Lake Park, Florida (Address of principal executive offices)	33403 (Zip Code)

(561) 328-6488

(Registrant's telephone number, including area code)

N/A

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). **Yes [X] No [_]**

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

Large accelerated filer **[_]** Accelerated filer **[_]**

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

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

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

APPLICABLE ONLY TO CORPORATE ISSUERS

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

At May 15, 2017 the registrant had outstanding 510,084,101 shares of common stock, of which there is only a single class.

FINDEX.COM, INC.

QUARTERLY REPORT ON FORM 10-Q

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Findex.com, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS

	As of March 31, 2017 (Unaudited)	As of December 31, 2016
Assets		
Current Assets:		
Cash and cash equivalents	$217,789	$108,035
Accounts receivable, net	31,730	21,730
Inventories, net	28,079	25,276
Other current assets	4,463	7,090
Total current assets	282,061	162,131
Property and Equipment, net	20,595	25,677
Intangible Assets, net	297,483	309,361
Total assets	$600,139	$497,169
Liabilities and Stockholders' Deficit		
Current Liabilities:		
Accounts payable	$200,917	$205,964
Accounts payable, related parties	35,978	38,314
Accrued royalties	75,868	73,727
Accrued payroll	115,388	81,224
Notes payable	328,783	336,283
Notes payable, convertible	25,000	25,000
Notes payable, related parties, convertible	1,824,633	1,824,633
Other current liabilities	275,363	217,319
Other current liabilities from discontinued operations	114,368	114,368
Total current liabilities	2,996,298	2,916,832
Commitments and Contingencies (Note 9)		
Stockholders' Deficit:		
Preferred stock, $.001 par value		
5,000,000 shares authorized		
-0- shares issued and outstanding	—	—
Common stock, $.001 par value		
900,000,000 shares authorized,		
503,905,633 and 489,537,017 shares issued and outstanding, respectively	503,906	489,537
Additional paid-in capital	3,904,586	3,569,081
Accumulated deficit	(6,719,457)	(6,438,653)
Total Findex.com, Inc. stockholders' deficit	(2,310,965)	(2,380,035)
Non-controlling interest in variable interest entity	(85,194)	(39,628)
Total stockholders' deficit	(2,396,159)	(2,419,663)
Total liabilities and stockholders' deficit	$600,139	$497,169

See accompanying notes to condensed consolidated financial statements.

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

	For the Three Months Ended March 31, 2017	For the Three Months Ended March 31, 2016
Revenues, net	$44,991	$26,239
Revenues related parties, net	21,577	22,897
Total revenues	66,568	49,136
Cost of sales	20,285	20,741
Gross profit	46,283	28,395
Other operating expenses:		
Sales and marketing expenses	3,450	5,262
Professional fees	35,815	58,062
Personnel costs (net of research and development direct labor costs)	133,568	97,517
Research and development	88,471	47,985
Rent	18,825	21,638
Other general and administrative expenses	46,176	33,573
Total operating expenses	326,305	264,037
Loss from operations	(280,022)	(235,642)
Interest expense	(46,348)	(28,685)
Net loss before income taxes	(326,370)	(264,327)
Income tax provision	—	—
Net loss	(326,370)	(264,327)
Net loss attributable to non-controlling interest	45,566	—
Net loss attributable to Findex.com, Inc.	$(280,804)	$(264,327)
Basic & diluted net loss per share	$—	$—
Basic & diluted weighted average common shares outstanding	495,205,635	476,783,564

See accompanying notes to condensed consolidated financial statements.

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

	For the Three Months Ended March 31, 2017	For the Three Months Ended March 31, 2016
Cash flows from operating activities:		
Net Loss	$(326,370)	$(264,327)
Adjustments to reconcile net loss to cash used in operations:		
Depreciation	5,083	4,365
Amortization	11,878	11,878
Stock issued for services	11,875	—
Discount on convertible debt	—	6,765
Changes in operating assets and liabilities		
Increase in accounts receivable	(10,000)	(6,841)
Increase in inventory	(2,803)	(2,236)
Decrease in other current assets	2,627	1,722
Increase in accounts payable and accrued expenses	86,964	125,891
Net cash used in operating activities	(220,746)	(122,783)
Cash flows from financing activities:		
Proceeds from sale of common stock	138,000	—
Proceeds from issuance of convertible notes payable	—	195,000
Proceeds from sale of interest in variable interest entity, related party	200,000	—
Payments made on notes payable	(7,500)	—
Net cash provided by financing activities	330,500	195,000
Net increase in cash and cash equivalents	109,754	72,217
Cash and cash equivalents, beginning of period	108,035	5,163
Cash and cash equivalents, end of period	$217,789	$77,380
Supplemental cash flow information:		
Interest paid	$—	$—
Cash paid for income taxes	$—	$—

See accompanying notes to condensed consolidated financial statements.

Findex.com, Inc.

Notes to Condensed Consolidated Financial Statements

March 31, 2017

(Unaudited)

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Findex.com, Inc. ("Findex") was incorporated under the laws of the State of Nevada on November 7, 1997, and is headquartered in Lake Park, Florida. The Company's EcoSmart's coating operations is the current driver of both operating overhead and revenue. EcoSmart centers around a proprietary line of specialty materials coatings that have a broad range of value-adding industrial, commercial, residential and consumer applications. In addition, Advanced Nanofibers LLC ("Advanced") is a variable interest entity of which the Company owned a minority 24.875% interest at December 31, 2016 and is considered the primary beneficiary based on qualitative and quantitative features. Advanced is a Florida-based, nano-technology firm founded in September 2016 by the Company and two other technology firms as a collaborative joint venture focused on globally broadening the utilization of nanoparticle-enhanced nanofibers across a diverse range of mass-market industrial and consumer applications. Advanced is rapidly evolving and expected by management to eventually outpace EcoSmart's coating operations in terms of percentage growth on both the expense and revenue sides. Despite Advanced's lack of revenue to date, it is a venture that the Company's management has been and continues to be very actively involved in developing, and that is increasingly consuming a greater percentage of the Company's financial and human resources, a trend management expects to continue into the foreseeable future.

ECOSMART

The Company's core business is centered around a line of specialty industrial glass-based "smart surface" coatings that have a wide range of uses across each of the industrial, commercial, and household market segments and that are centered around a U.S. patented technology that, either on its own or when coupled with any of an array of available proprietary formula additives, offers a unique combination of beneficial surface properties that allow for a broad array of multi-surface and end-product applications. Among others, such applications include:

Heavy Construction Equipment/Vehicles
Oil and Gas Drilling and Related Heavy Equipment
Industrial and Residential HVAC Equipment, Commercial Refrigeration Systems, and Power Generators
Interior and Exterior Flooring and Tiling, Pavers and Hardscapes

Over time, EcoSmart intends to develop itself in the strategic direction of becoming a leading research-oriented high-tech specialty “smart-surface” materials development and licensing company centered around a highly-qualified research team and state-of-the-art research lab and applying a combination of organic and inorganic chemistries, materials science engineering, and nanotechnology. EcoSmart currently has expertise and capabilities in each of these areas.

ADVANCED NANOFIBERS (VARIABLE INTEREST ENTITY)

Advanced Nanofibers LLC (“Advanced”) is a variable interest entity of which the Company owned a minority 23.88% interest at March 31, 2017 and is considered the primary beneficiary based on qualitative and quantitative features. Advanced is a Florida-based, nano-technology firm founded in September 2016 by the Company and two other technology firms as a collaborative joint venture focused on globally broadening the utilization of nanoparticle-enhanced nanofibers across a diverse range of mass-market industrial and consumer applications. Company management believes Advanced’s prospects are extraordinary based on the following key factors that afford it a distinct competitive advantage:

An array of industrial end-products that are meaningfully superior to competitive products by virtue of a proprietary technological processes;

The ability to deliver those products at price points that are competitive with existing market products that are meaningfully inferior in quality; and

The ability to produce and deliver those products – and to facilitate their use by those handling them - in a way that meaningfully lessens the health and safety risks ordinarily associated with the handling of both nanofibers and nanoparticles.

At March 31, 2017, Advanced Nanofibers was owned and controlled approximately 96% by its three founding entities, each of which have been actively involved in its development to date. In addition to the Company, this includes Nanotech Fibers LLC, a recently organized, Florida-based, closely-held, private firm engaged in various strategic pursuits within and surrounding the nanotech and related materials industrial sector, and EnVont, LLC, a Florida-based, venture-stage developer and marketer of proprietary nanotechnology-based materials and coatings focused on protective thin films, smart, self-cleaning coatings and multi-functional particles. Although it is still in a pre-revenue stage of development, the Company's management team currently devotes a very significant percentage of its time to the business of Advanced Nanofibers.

BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by Generally Accepted Accounting Principles for complete financial statements. The accompanying unaudited condensed consolidated financial statements reflect all adjustments that, in the opinion of management, are considered necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented. The results of operations for such periods are not necessarily indicative of the results expected for the full year or for any future period. The December 31, 2016 condensed consolidated balance sheet data was derived from audited financial statements. The accompanying financial statements should be read in conjunction with the audited consolidated financial statements of Findex.com, Inc. included in the Company's Form 10-K for the year ended December 31, 2016 filed with the Securities and Exchange Commission on April 17, 2017.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries (Reagan Holdings, Inc., Findex.com, Inc. Delaware, and ESCT Acquisition Corp.), and the accounts of Advanced Nanofibers LLC, a Florida limited liability company and variable interest entity, of which the Company has been deemed the primary beneficiary. As of March 31, 2017, the Company owns a non-controlling, minority interest of 23.88% in Advanced. All inter-company balances and transactions have been eliminated in consolidation.

Reclassifications

Certain accounts in the Company's 2016 financial statements have been reclassified for comparative purposes to conform with the presentation in 2017 financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected. Significant estimates include inventory evaluation for slow moving and obsolete items, collectability of accounts receivable, assessing intangibles for impairment, useful lives of assets, and valuation of stock based compensation and consideration of variable interest entities.

CASH AND CASH EQUIVALENTS

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

INVENTORY

The Company's inventories are recorded at the lower of cost or market using the first in, first out method. The Company's inventory consists of raw materials and finished goods. The Company takes into consideration certain inventory items that are slow moving and obsolete and calculates a provision for these inventory items.

INTANGIBLE ASSETS OTHER THAN GOODWILL

The Company's intangible assets consist of patents and patents pending acquired from third parties, and are recorded at cost. In accordance with Financial Accounting Standards Board Accounting Standards Codification ("ASC") 350-30, *General Intangibles Other Than Goodwill*, intangible assets with an indefinite useful life are not amortized. Intangible assets with a finite useful life are amortized on the straight-line method over the estimated useful lives, generally three to ten years. All intangible assets are tested for impairment annually during the fourth quarter.

REVENUE RECOGNITION

The Company recognizes revenues in accordance with the provisions of FASB Accounting Standards Codification ("ASC") 605-10, *Revenue Recognition*, which provides guidance on the recognition, presentation, and disclosure of revenue in financial statements filed with the Securities and Exchange Commission. ASC 605-10 outlines the basic criteria that must be met to recognize revenue and provides guidance for disclosure related to revenue recognition policies. The Company recognizes revenue when the earnings process is complete. That is, when the arrangements of the goods are documented, the pricing becomes final and collectability is reasonably assured. An allowance for bad debt is provided based on estimated losses.

Revenue is recognized when a product is delivered or shipped to the customer and all material conditions relating to the sale have been substantially performed.

In addition, within the Company's operations as a whole, the Company derives part of its revenues from the sale of downloadable software products. The Company recognizes software revenue for software products and related services in accordance with ASC 985-605, *Software Revenue Recognition*. The Company recognizes revenue when persuasive evidence of an arrangement exists (generally a purchase order), the Company has delivered the product, the fee is fixed or determinable and collectability is probable. In some situations, the Company receives advance payments from the Company's customers. The Company defers revenue associated with these advance payments until the Company ships the products or offers the support.

RESEARCH AND DEVELOPMENT

The Company's research and development costs consist of direct production costs, including labor directly associated with the development of projects and outside consultants, and indirect costs such as those associated with facilities use. For labor costs and costs of outside consultants, the Company records the research and development costs as a reduction against either personnel costs or professional fees. For facilities leasing related expenses, the Company records the research and development costs as a reduction against rent. For the three months ended March 31, 2017 and 2016, the Company recognized $88,471 and $47,985, respectively, in research and development costs.

STOCK-BASED COMPENSATION

The Company recognizes share-based compensation in accordance with ASC 718, *Compensation – Stock Compensation*, using the modified prospective method. ASC 718 requires that the Company measure the cost of the employee services received in exchange for an award for equity instruments based on the grant-date fair value and to recognize this cost over the requisite service period. See Note 8.

EARNINGS (LOSS) PER SHARE

The Company follows the guidance of ASC 260, *Earnings Per Share*, to calculate and report basic and diluted earnings per share (“EPS”). Basic EPS is computed by dividing income available to common stockholders by the weighted average number of shares of common stock outstanding for the period. Diluted EPS is computed by giving effect to all dilutive potential shares of common stock that were outstanding during the period. For the Company, dilutive potential shares of common stock consist of the incremental shares of common stock issuable upon the exercise of stock options and warrants for all periods and convertible notes payable.

When discontinued operations, extraordinary items, and/or the cumulative effect of an accounting change are present, income before any of such items on a per share basis represents the “control number” in determining whether potential shares of common stock are dilutive or anti-dilutive. Thus, the same number of potential shares of common stock used in computing diluted EPS for income from continuing operations is used in calculating all other reported diluted EPS amounts. In the case of a net loss, it is assumed that no incremental shares would be issued because they would be anti-dilutive. In addition, certain options and warrants are considered anti-dilutive because the exercise prices were above the average market price during the period. Anti-dilutive shares are not included in the computation of diluted EPS, in accordance with ASC 260-10-45-17.

The calculations of net loss per share for the three months ended March 31, 2017 and 2016 excluded the impact of the following potential common shares as their inclusion would be anti-dilutive.

For the Three Months Ended March 31	2017	2016
Shares Issuable Upon Exercise of Outstanding Warrants	—	1,350,000
Shares Issuable Upon Conversion of Outstanding Convertible Note Payables	219,554,683	76,392,857
Total anti-dilutive potential common shares	219,554,683	77,742,857

DISCONTINUED OPERATIONS

As of March 31, 2017 and 2016, the Company has presented $114,368 of Accrued royalties in discontinued operations. The royalties pertain to the Company’s sale of the QuickVerse® product line in 2011. See Note 12.

RECENT ACCOUNTING PRONOUNCEMENTS

At March 31, 2017, there were no recent accounting pronouncements that the Company believed would have a material impact on its condensed consolidated financial statements.

NOTE 2 – GOING CONCERN

The accompanying condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplates the Company's continuation as a going concern. However, as of March 31, 2017, the Company had negative working capital of $2,714,237 and had an accumulated deficit of $6,719,457. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management has taken several actions in an attempt to mitigate this risk. These actions include capital raising initiatives involving the issuance of equity and/or notes payable to investors, as well as cash conservation initiatives involving the issuance of equity and/or notes payable to employees and related parties. The accompanying condensed consolidated financial statements do not include any adjustments related to these uncertainties.

NOTE 3 – CONSOLIDATED VARIABLE INTEREST ENTITY

The Financial Accounting Standards Board authoritative guidance on consolidation requires the “primary beneficiary” of a variable interest entity (a “VIE”) to consolidate that entity. The “primary beneficiary” of a VIE, for this purpose, is a company that has a controlling financial interest in the VIE without any corresponding voting rights control. Controlling financial interests exist when a company has both the power to direct the activities that most significantly impact a VIE’s economic performance, on the one hand, and the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE, on the other. The Company is one member, along with two other technology firms, of a collaborative joint venture limited liability company, Advanced Nanofibers LLC (“Advanced”). This enterprise was formed by the joint venture participants for the purpose of focusing on globally broadening the utilization of nanoparticle-enhanced nanofibers across a diverse range of mass-market industrial and consumer applications. The Company was involved in the formation of Advanced in September 2016. During the fourth quarter of 2016, the Company determined that it was the primary beneficiary of Advanced based on qualitative and quantitative factors. Among other factors, and more specifically, the equity investors in Advanced do not, and are not obligated to, provide sufficient financial resources for the entity to support itself in terms of day-to-day research and development activities. However, the Company has provided financial support that is disproportionate to its equity interest and our CEO was involved in the organization of the entity. U.S. GAAP thereunder, requires a VIE to be consolidated by a company if and when that company holds a majority of the variable interests in the entity and is thus subject to a majority of the risk of loss from the VIE’s activities. For the three months ended March 31, 2017, the Company provided the financial resources in the amount of $55,306 as support for Advanced’s day-to-day research and development activities and a total of $108,056 since Advanced’s inception. See Note 1.

The carrying value of the assets and liabilities of Advanced which are consolidated as of March 31, 2017 are as follows:

	March 31, 2017 (Unaudited)	December 31, 2016 (Unaudited)
Assets		
Current Assets:		
Cash and cash equivalents	$ 199,465	$ 4,020
Total current assets	199,465	4,020
Total assets	$ 199,465	$ 4,020
Liabilities and Members’ Equity		
Current Liabilities:		
Due to Findex.com, Inc.	$ 108,056	$ 52,750
Total current liabilities	108,056	52,750
Stockholders’ equity:		
Member’s investment	204,020	4,020
Accumulated deficit	(112,611)	(52,750)
Total members’ equity	91,409	(48,730)
Total liabilities and members’ equity	$ 199,465	$ 4,020

Net loss	$ (59,861)	$ (52,750)

NOTE 4 – INVENTORIES

Inventories consisted of the following:

	March 31, 2017