

REFLECT SCIENTIFIC INC
Form 10-Q
November 14, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2012

or

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

For the transition period from _____ to _____

Commission File Number 000-31377

REFLECT SCIENTIFIC, INC.

(Exact name of registrant as specified in its charter)

Utah

87-0642556

(State or other jurisdiction of
(IRS Employer Identification No.)
incorporation or organization)

1266 South 1380 West Orem, Utah 84058

(Address of principal executive offices) (Zip Code)

(801) 226-4100

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Large Accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes No

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 Section 12, 13 or 15(d) of the Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Not applicable.

Applicable Only to Corporate Issuers:

Indicate the number of shares outstanding of each of the Registrant's classes of common equity, as of the latest practicable date.

Class

Outstanding as of November 14, 2012

45,813,634 shares of \$0.01 par value common stock on November 14, 2012

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Part I - FINANCIAL INFORMATION

Item 1. Financial Statements

Reflect Scientific, Inc.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

September 30, 2012

The financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. However, in the opinion of management, all adjustments (which include only normal recurring accruals) necessary to present fairly the financial position and results of operations for the periods presented have been made. These financial statements should be read in conjunction with the accompanying notes, and with the historical financial information of the Company.

REFLECT SCIENTIFIC, INC.

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Condensed Consolidated Balance Sheets

(Unaudited)

ASSETS

	September 30, 2012	December 31, 2011
CURRENT ASSETS		
Cash	\$ 228,758	\$ 346,697
Accounts receivable, net	144,499	143,278
Inventories	378,895	393,004
Prepaid assets	3,100	3,100
Total Current Assets	755,252	886,079
FIXED ASSETS, NET	12,044	19,242
OTHER ASSETS		
Intangible assets, net	2,355,395	2,563,951
Goodwill	652,149	652,149
Deposits	3,100	3,100
Total Other Assets	3,010,644	3,219,200
TOTAL ASSETS	\$ 3,777,940	\$ 4,124,521

The accompanying notes are an integral part of these condensed consolidated financial statements.

REFLECT SCIENTIFIC, INC.

Condensed Consolidated Balance Sheets (Continued)

(Unaudited)

LIABILITIES AND SHAREHOLDERS EQUITY (DEFICIT)

	September 30, 2012	December 31, 2011
CURRENT LIABILITIES		
Accounts payable	\$ 77,247	\$ 89,641
Short-term lines of credit	116,807	109,721
Convertible debenture	650,000	2,925,000
Interest payable	397,125	1,316,250
Customer deposits	-	4,829
Accrued expenses	-	12,363
Loan from related party	-	24,000
Income taxes payable	100	400
 Total Current Liabilities	 1,241,279	 4,482,204
 Total Liabilities	 1,241,279	 4,482,204
SHAREHOLDERS EQUITY (DEFICIT)		
Preferred stock, \$0.01 par value, authorized		
5,000,000 shares; No shares issued and outstanding	-	-
Common stock, \$0.01 par value, authorized		
100,000,000 shares; 45,813,634 and 44,791,890		
issued and outstanding, respectively	458,137	447,919
Additional paid in capital	17,880,724	17,810,045
Accumulated deficit	(15,802,200)	(18,615,647)
 Total Shareholders Equity (Deficit)	 2,536,661	 (357,683)

TOTAL LIABILITIES AND SHAREHOLDERS

EQUITY (DEFICIT)	\$	3,777,940	4,124,521
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The accompanying notes are an integral part of these condensed consolidated financial statements.

REFLECT SCIENTIFIC, INC.

Condensed Consolidated Statements of Operations

(Unaudited)

	For the Three Months Ended		For the Nine Months Ended September 30,	
	September 30,			
	2012	2011	2012	2011
REVENUES	\$ 305,713	\$ 481,325	\$ 988,427	\$ 1,562,737
COST OF GOODS SOLD	145,822	224,307	481,811	780,119
GROSS PROFIT	159,891	257,018	506,616	782,618
OPERATING EXPENSES				
Salaries and wages	95,280	100,973	304,168	445,685
Rent expense	9,102	10,641	28,620	38,356
Research and development expense	19,466	14,281	29,297	21,537
General and administrative expense	154,820	183,712	468,986	645,125
Total Operating Expenses	278,668	309,607	831,071	1,150,703
OPERATING LOSS	(118,777)	(52,589)	(324,455)	(368,085)
OTHER INCOME (EXPENSE)				
Interest income	-	-	-	1
Interest expense other	(1,852)	(1,946)	(3,223)	(5,989)
Interest on debentures	(22,500)	(131,625)	(287,750)	(394,875)
Gain on extinguishment of debt	3,428,875	-	3,428,875	-
Total Other Income (Expenses)	3,404,523	(133,571)	3,137,902	(400,863)
NET INCOME (LOSS) BEFORE TAXES	3,285,746	(186,160)	2,813,447	