

REFLECT SCIENTIFIC INC
Form 10-Q
November 12, 2013

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, 2013

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.

1

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 12, 2013

47,213,634 shares of \$0.01 par value common stock on November 12, 2013

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Part I - FINANCIAL INFORMATION

Item 1. Financial Statements

Reflect Scientific, Inc.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

September 30, 2013

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, 2013	December 31, 2012
CURRENT ASSETS		
Cash	\$ 191,385	\$ 260,575
Accounts receivable, net	168,328	139,932
Inventories	329,267	365,394
Prepaid assets	21,767	105,767
Total Current Assets	710,747	871,668
FIXED ASSETS, NET	3,175	9,645
OTHER ASSETS		
Intangible assets, net	82,969	112,326
Goodwill	325,895	325,895
Deposits	3,100	3,100
Total Other Assets	411,964	441,321
TOTAL ASSETS	\$ 1,125,886	\$ 1,322,634

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,	December 31,
	2013	2012
CURRENT LIABILITIES		
Accounts payable	\$ 61,590	\$ 90,984
Short-term lines of credit	51,926	74,713
Convertible debenture	650,000	650,000
Interest payable	500,625	419,625
Accrued expenses	9,790	11,081
Loan from related party	60,000	40,000
Income taxes payable	100	100
 Total Current Liabilities	 1,334,031	 1,286,503
 Total Liabilities	 1,334,031	 1,286,503
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; 47,213,634 and 47,213,634		
issued and outstanding, respectively	472,136	472,136
Additional paid in capital	17,967,425	17,978,725
Treasury stock	11,300	-
Accumulated deficit	(18,659,006)	(18,414,730)
 Total Shareholders Equity (Deficit)	 (208,145)	 36,131

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)	\$	1,125,886	1,322,634
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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,	
	2013	2012	2013	2012
REVENUES	\$ 389,562	\$ 305,713	\$ 954,527	\$ 988,427
COST OF GOODS SOLD	181,931	145,822	448,923	481,811
GROSS PROFIT	207,631	159,891	505,604	506,616
OPERATING EXPENSES				
Salaries and wages	100,445	95,280	289,722	304,168
Rent expense	9,412	9,102	28,236	28,620
Research and development expense	12,009	19,466	29,176	29,297
General and administrative expense	100,755	154,820	318,806	468,986
Total Operating Expenses	222,621	278,668	665,940	831,071
OPERATING LOSS	(14,990)	(118,777)	(160,336)	(324,455)
OTHER INCOME (EXPENSE)				
Forgiven debt	710	-	2,880	-
Interest expense other	(1,919)	(1,852)	(5,820)	(3,223)
Interest on debentures	(29,250)	(22,500)	(81,000)	(287,750)
Gain on extinguishment of debt	-	3,428,875	-	3,428,875
Total Other Income (Expenses)	(30,459)	3,404,523	(83,940)	3,137,902
NET INCOME (LOSS) BEFORE TAXES	(45,449)	3,285,746	(244,276)	2,813,447
Income tax benefit (expense)	-	-	-	-
NET INCOME (LOSS)	\$ (45,449)	\$ 3,285,746	\$ (244,276)	\$ 2,813,447

NET INCOME (LOSS) PER SHARE - BASIC AND DILUTED	\$	(0.01)	\$	0.07	\$	(0.01)	\$	0.06
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED		47,213,634		45,702,575		47,213,634		45,098,787

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

REFLECT SCIENTIFIC, INC.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

For the

Nine Months Ended

September 30,

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (244,276)	\$ 2,813,447
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation	6,470	7,198
Amortization	29,357	208,556
Gain on extinguishment of debt	-	(3,428,875)
Common stock issued for services	-	5,897
Changes in operating assets and liabilities:		
(Increase)/decrease in accounts receivable	(28,396)	(1,221)
(Increase)/decrease in inventory	36,127	14,109
(Increase)/decrease in prepaid assets	84,000	-
Increase/(decrease) in accounts payable	50,315	260,693
and accrued expenses		
Increase/(decrease) in customer deposits	-	(4,829)
Net Cash from Operating Activities	(66,403)	(125,025)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from lines of credit	4,795	19,100
Payments made on lines of credit	(27,582)	(12,014)
Issuance of note payable for cash	20,000	

Not Applicable

Item 9. Notice of
Dissolution of
Group:

Not Applicable

Item 10. Certifications:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of its knowledge and belief, I certify (the undersigned certifies) that the information set forth in this statement is true, complete and correct.

2/11/2013
(Date)

/s/ Tushar Shah

(Signature)

Tushar Shah
Name and Title

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2/11/2013
(Date)

/s/ Stephen J.
Clearman
(Signature)

Stephen J. Clearman
Name and Title

2/11/2013
(Date)

/s/ Tushar Shah
(Signature)
Tushar Shah –
Managing Member of
Kinderhook GP, LLC
Name and Title

2/11/2013
(Date)

/s/ Tushar Shah
(Signature)
Tushar Shah –
Managing Member of
Kinderhook, LP's
General Partner
Name and Title

Item
10. Certifications:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of its knowledge and belief, I certify (the undersigned certifies) that the information set forth in this statement is true, complete and correct.

2/11/2013
(Date)

/s/ Tushar Shah
(Signature)
Tushar Shah,
Managing Member of
Kinderhook Partners,
LLC

