

Edgar Filing: REFLECT SCIENTIFIC INC - Form 10QSB

REFLECT SCIENTIFIC INC
Form 10QSB
May 17, 2004

U. S. Securities and Exchange Commission
Washington, D. C. 20549

FORM 10-QSB

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

For the quarterly period ended March 31, 2004

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

For the transition period from _____ to _____

Commission File No. 000-31377

REFLECT SCIENTIFIC, INC.

(Name of Small Business Issuer in its Charter)

UTAH

(State or Other Jurisdiction of
incorporation or organization)

87-0642556

(I.R.S. Employer I.D. No.)

970 Terra Bella Avenue
Mountain View, California, 94043

(Address of Principal Executive Offices)

Issuer's Telephone Number: (650) 960-0300

Indicate by check mark whether the Registrant (1) has filed all reports
required to be filed by Sections 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.

(1) Yes No (2) Yes No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Not applicable.

APPLICABLE ONLY TO CORPORATE ISSUERS

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

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March 31, 2004

24,000,000

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The Financial Statements of the Company required to be filed with this 10-QSB Quarterly Report were prepared by management, and commence on the following page, together with Related Notes. In the opinion of management, the Financial Statements fairly present the financial condition of the Company.

REFLECT SCIENTIFIC, INC.
(FORMERLY COLE, INC.)

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2004 and December 31, 2003

REFLECT SCIENTIFIC, INC.
(FORMERLY COLE, INC.)
Consolidated Balance Sheets

ASSETS

	March 31, 2004 (Unaudited)	December 31, 2003
CURRENT ASSETS		
Cash	\$ 17,800	\$ 99,924
Accounts receivable, net	283,017	232,464
Inventory, net	239,375	210,446
Prepaid expenses	800	800
	-----	-----
Total Current Assets	540,992	543,634
	-----	-----
FIXED ASSETS (NET)	21,431	21,923
	-----	-----
OTHER ASSETS		
Deposits	5,350	5,350
Capitalized loan costs, net	5,950	6,125
	-----	-----
Total Other Assets	11,300	11,475
	-----	-----
TOTAL ASSETS	\$ 573,723 =====	\$ 577,032 =====

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

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REFLECT SCIENTIFIC, INC.
(FORMERLY COLE, INC.)
Consolidated Balance Sheets (Continued)

LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31, 2004 (Unaudited)	December 31, 2003
CURRENT LIABILITIES		
Accounts payable	\$ 178,196	\$ 199,375
Accrued expenses	12,496	15,179
	-----	-----
Total Current Liabilities	190,692	214,554
	-----	-----
NON-CURRENT LIABILITIES		
Long term line of credit	268,986	269,011
	-----	-----
Total Non-Current Liabilities	268,986	269,011
	-----	-----
Total Liabilities	459,678	483,565
	-----	-----
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Common stock, \$0.01 par value, authorized 50,000,000 shares; 24,000,000 shares issued and outstanding	240,000	240,000
Additional paid-in capital (deficit)	(188,319)	(210,841)
Retained earnings	62,364	64,308
	-----	-----
Total Shareholders' Equity	114,045	93,467
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 573,723	\$ 577,032
	=====	=====

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

3

REFLECT SCIENTIFIC, INC.
(FORMERLY COLE, INC.)
Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended March 31,	
	2004	2003
REVENUES	\$ 500,051	\$ 493,355

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COST OF GOODS SOLD	311,123	276,074
	-----	-----
GROSS PROFIT	188,928	217,281
	-----	-----
OPERATING EXPENSES		
Salaries and wages	89,334	76,922
Payroll taxes	8,792	6,983
Rent expense	19,059	12,542
General and administrative expense	70,530	64,642
	-----	-----
Total Operating Expenses	187,715	161,089
	-----	-----
OPERATING INCOME	1,213	56,192
	-----	-----
OTHER EXPENSES		
Miscellaneous expenses	(301)	(268)
Interest expense	(2,856)	(4,633)
	-----	-----
Total Other Expenses	(3,157)	(4,901)
	-----	-----
NET INCOME (LOSS)	\$ (1,944)	\$ 51,291
	=====	=====
EARNINGS (LOSS) PER SHARE	\$ (0.00)	\$ 0.00
	=====	=====
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	24,000,000	22,914,949
	=====	=====

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

4

REFLECT SCIENTIFIC, INC.
(FORMERLY COLE, INC.)
Consolidated Statements of Shareholders' Equity

	Common Stock Shares	Amount	Additional Paid-in Capital	Retained Earnings
Balance, December 31, 2001	22,914,949	\$ 10,000	\$ -	\$ 83,619
Dividend	-	-	-	(63,000)
Net income for the year ended December 31, 2002	-	-	-	141,018
	-----	-----	-----	-----
Balance, December 31, 2002	22,914,949	10,000	-	161,637
Dividend	-	-	-	(156,000)
Contributed Capital	-	-	26,950	-
Recapitalization (Note 2)	1,085,051	230,000	(237,791)	-
Net income for the year ended December 31, 2003	-	-	-	58,671

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Balance, December 31, 2003	24,000,000	240,000	(210,841)	64,308
Contributed capital (unaudited)	-	-	22,522	-
Net loss for the three months ended March 31, 2004 (unaudited)	-	-	-	(1,944)
Balances, March 31, 2004 (unaudited)	24,000,000	\$240,000	\$(188,319)	\$ 62,364

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

5

REFLECT SCIENTIFIC, INC.
(FORMERLY COLE, INC.)
Consolidated Statements of Cash Flows
(Unaudited)

	For the Three Months Ended March 31,	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (1,944)	\$ 51,291
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	492	591
Amortization of capitalized loan costs	175	175
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(50,554)	(73,370)
(Increase) in inventory	(28,928)	(42,313)
Increase (decrease) in accounts payable and accrued expenses	(23,862)	52,799
Net Cash Used by Operating Activities	(104,621)	(10,827)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	-	-
Net Cash Used by Investing Activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on short term lines of credit	-	(103,049)
Change in long term line of credit	(25)	101,524
Contributed capital	22,522	-
Net Cash (Used) Provided by Financing Activities	22,497	(1,525)

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	-----	-----
NET DECREASE IN CASH	(82,124)	(12,352)
CASH AT BEGINNING OF PERIOD	99,924	115,644
	-----	-----
CASH AT END OF PERIOD	\$ 17,800	\$ 103,292
	=====	=====

NON-CASH INVESTING AND FINANCING ACTIVITIES:

Cash Paid For:

Interest	\$ 1,879	\$ -
Income taxes	\$ -	\$ -

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

6

REFLECT SCIENTIFIC, INC. (FORMERLY COLE, INC.)

Notes to the Consolidated Financial Statements

March 31, 2004 and December 31, 2003

NOTE 1 - BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited condensed financial statements have been prepared by the Company pursuant to accounting principles generally accepted in the United States of America. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted in accordance with such rules and regulations. The information furnished in the interim condensed financial statements include normal recurring adjustments and reflects all adjustments, which, in the opinion of management, are necessary for a fair presentation of such financial statements. Although management believes the disclosures and information presented are adequate to make the information not misleading, it is suggested that these interim condensed financial statements be read in conjunction with the Company's most recent audited financial statements and notes thereto included in its December 31, 2003 financial statements. Operating results for the three months ended March 31, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004.

NOTE 2 - ACQUISITION OF REFLECT SCIENTIFIC

On December 30, 2003, pursuant to an agreement and plan of reorganization, the Company completed a reverse merger with the shareholder of Reflect Scientific, Inc. in which it acquired 100% of Reflect Scientific, Inc., a California Company in exchange for 22,914,949 common shares of the Company. The terms of the acquisition are detailed in an 8-K filing dated December 31, 2003. Under the terms of the agreement, the President of Reflect Scientific, Inc. became the President of the Company and was elected to the Board of Directors, the acquisition was accounted for as a recapitalization of Reflect Scientific, Inc. because the members of Reflect Scientific, Inc. controlled the Company after the acquisition. Reflect Scientific, Inc. was treated as the acquiring entity for accounting purposes and Cole, Inc. was the surviving entity for legal purposes. There was no

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adjustment to the carrying values of the assets or liabilities of Reflect Scientific, Inc. and no goodwill was recorded.

7

Item 2. Management's Discussion and Analysis or Plan of Operation.

Results of Operations.

Our revenues increased during the quarter ended March 31, 2004, to \$500,051, from \$493,355 for the quarter ended March 31, 2003, primarily as a result of a general improvement in sales across several new product lines and improving market conditions.

Our cost of goods increased in the period ending March 31, 2004, as compared to March 31, 2003, to \$311,123 from \$276,074. The difference was partly as a result of an increase in sales, increased raw material costs and increased labor costs.

General and administrative expenses increased to \$70,530 during the quarter ended March 31, 2004, from \$64,642 during the quarter ended March 31, 2003. This increase was due to the addition of one full-time employee, increased payroll and increased operational expenses, like legal and accounting fees.

Liquidity and Capital Resources.

Our cash resources at March 31, 2004, were \$17,800, with accounts receivable of \$283,017. We have relied on revenues and lines of credit for our cash resources. At March 31, 2004, we had utilized \$268,986 of our \$400,000 line of credit. These funds should be adequate for the next 12 months for continuing operations; however, plans for expansion will require additional capital of between \$500,000 and \$750,000.

Forward-Looking Statements.

The Private Securities Litigation Reform Act of 1995 (the "Act") provides a safe harbor for forward-looking statements made by or on behalf of our Company. Our Company and its representatives may from time to time make written or oral statements that are "forward-looking," including statements contained in this Quarterly Report and other filings with the Securities and Exchange Commission and in reports to our Company's stockholders. Management believes that all statements that express expectations and projections with respect to future matters, as well as from developments beyond our Company's control including changes in global economic conditions are forward-looking statements within the meaning of the Act. These statements are made on the basis of management's views and assumptions, as of the time the statements are made, regarding future events and business performance. There can be no assurance, however, that management's expectations will necessarily come to pass. Factors that may affect forward-looking statements include a wide range of factors that could materially affect future developments and performance, including the following:

Changes in Company-wide strategies, which may result in changes in the types or mix of businesses in which our Company is involved or chooses to invest; changes in U.S., global or regional economic conditions, changes in U.S. and global financial and equity markets, including significant interest rate fluctuations, which may impede our Company's access to, or increase the

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cost of, external financing for our operations and investments; increased competitive pressures, both domestically and internationally, legal and regulatory developments, such as regulatory actions affecting environmental activities, the imposition by foreign countries of trade restrictions and changes in international tax laws or currency controls; adverse weather conditions or natural disasters, such as hurricanes and earthquakes, labor disputes, which may lead to increased costs or disruption of operations.

This list of factors that may affect future performance and the accuracy of forward-looking statements is illustrative, but by no means exhaustive. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

Item 3. Controls and Procedures.

Within 90 days prior to the date of this Quarterly Report and as of the end of the period covered thereby or March 31, 2004, we carried out an evaluation, under the supervision and with the participation of our President and Secretary, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our President and Secretary concluded that our disclosure controls and procedures are effective in timely alerting them to material information required to be included in our periodic Securities and Exchange Commission reports. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. In addition, we reviewed our internal controls, and there have been no significant changes in our internal controls or in other factors that could significantly affect those controls subsequent to the date of their last evaluation.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None; not applicable.

Item 2. Changes in Securities and Small Business Issuer Purchases of Equity Securities.

None; not applicable.

Item 3. Defaults Upon Senior Securities.

None; not applicable.

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

None; not applicable.

Item 5. Other Information.

None; not applicable.

Item 6. Exhibits and Reports on Form 8-K.

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(a) Exhibits.

31.1 302 Certification of Kim Boyce

31.2 302 Certification of Pamela Boyce

32 906 Certification.

(b) Reports on Form 8-K.

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

REFLECT SCIENTIFIC, INC.

Date: 5/14/04

/s/Kim Boyce

Kim Boyce, President

Date: 5/14/04

/s/Pamela Boyce

Pamela Boyce, Secretary