

REFLECT SCIENTIFIC INC
Form 10-Q
August 13, 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 June 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

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(§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 August 10, 2012

45,766,890 shares of \$0.01 par value common stock on August 10, 2012

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Part I - FINANCIAL INFORMATION

Item 1. Financial Statements

Reflect Scientific, Inc.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

June 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.

Condensed Consolidated Balance Sheets

(Unaudited)

ASSETS

	June 30,	December 31,
	2012	2011
CURRENT ASSETS		
Cash	\$ 279,641	\$ 346,697
Accounts receivable, net	143,437	143,278
Inventories	370,872	393,004
Prepaid assets	3,100	3,100
Total Current Assets	797,050	886,079
FIXED ASSETS, NET	14,443	19,242
OTHER ASSETS		
Intangible assets, net	2,424,913	2,563,951
Goodwill	652,149	652,149
Deposits	3,100	3,100
Total Other Assets	3,080,162	3,219,200
TOTAL ASSETS	\$ 3,891,655	\$ 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 DEFICIT

	June 30, 2012	December 31, 2011
CURRENT LIABILITIES		
Accounts payable	\$ 81,846	\$ 89,641
Short-term lines of credit	101,855	109,721
Convertible debenture	2,925,000	2,925,000
Interest payable	1,579,500	1,316,250
Customer deposits	1,829	4,829
Accrued expenses	7,507	12,363
Loan from related party	24,000	24,000
Income taxes payable	100	400
 Total Current Liabilities	 4,721,637	 4,482,204
 Total Liabilities	 4,721,637	 4,482,204
SHAREHOLDERS 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; 44,791,890 and 44,791,890		
issued and outstanding, respectively	447,919	447,919
Additional paid in capital	17,810,045	17,810,045
Additional paid in capital Shares to be issued	75,000	-
Stock subscription receivable	(75,000)	-
Accumulated deficit	(19,087,946)	(18,615,647)
 Total Shareholders Deficit	 (829,982)	 (357,683)
 TOTAL LIABILITIES AND SHAREHOLDERS DEFICIT	 \$ 3,891,655	 \$ 4,124,521

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 Six Months Ended	
	June 30, 2012	2011	2012	June 30, 2011
REVENUES	\$ 357,697	\$ 493,830	\$ 682,714	\$ 1,081,412
COST OF GOODS SOLD	163,894	260,032	335,989	555,812
GROSS PROFIT	193,803	233,798	346,725	525,600
OPERATING EXPENSES				
Salaries and wages	102,379	252,229	208,888	344,712
Rent expense	9,412	14,140	19,518	27,715
Research and development expense	2,719	7,256	9,831	7,256
General and administrative expense	158,968	217,114	314,166	461,413
Total Operating Expenses	273,478	490,739	552,403	841,096
OPERATING LOSS	(79,675)	(256,941)	(205,678)	(315,496)
OTHER INCOME (EXPENSE)				
Interest income	-	1	-	1
Interest expense other	(1,705)	(1,991)	(3,371)	(4,043)
Interest on debentures	(131,625)	(131,625)	(263,250)	(263,250)
Total Other Expenses	(133,330)	(133,615)	(266,621)	(267,292)
NET LOSS BEFORE TAXES	(213,005)	(390,556)	(472,299)	(582,788)
Income tax benefit (expense)	-	-	-	-
NET LOSS	\$ (213,005)	\$ (390,556)	\$ (472,299)	\$ (582,788)
	(0.01)	(0.01)	(0.01)	(0.02)

LOSS PER SHARE - \$ BASIC AND DILUTED		\$	\$	\$
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED	44,791,890	44,066,615	44,791,890	38,906,255

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

Six Months Ended

June 30,

	2012		2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$ (472,299)	\$	(582,788)
Adjustments to reconcile net loss to net cash from operating activities:			
Depreciation	4,799		16,736
Amortization	139,038		148,896
Stock-based compensation	-		153,426
Common stock issued for services	-		94,577
Changes in operating assets and liabilities:			
(Increase)/decrease in accounts receivable			