

REFLECT SCIENTIFIC INC  
Form 10-Q  
November 12, 2010

**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, 2010

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)

**1270 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). The Registrant is not yet part of the Interactive Data reporting system.

Yes [ ] No [X]

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**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 10, 2010**

33,831,890 shares of \$0.01 par value common stock on November 10, 2010

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**Part I - FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**Reflect Scientific, Inc.**

FINANCIAL STATEMENTS

(UNAUDITED)

September 30, 2010

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.

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**REFLECT SCIENTIFIC, INC.**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**September 30, 2010**

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**REFLECT SCIENTIFIC, INC.**

Condensed Consolidated Balance Sheets

ASSETS

September 30,  
2010

December 31,  
2009

(Unaudited)

(Audited)

C U R R E N T  
ASSETS

Cash	\$
	141,545
	\$
	165,633
Accounts receivable, net	
	408,555
	522,921
Other receivables	
	-
	235
Inventories	
	397,072

591,672

Cost and estimated  
earnings in excess  
of contract billings

-

43,635

Prepaid assets

11,113

38,335

Total Current  
Assets

958,285

1,362,431

FIXED ASSETS,  
NET

61,800

419,822

OTHER ASSETS

Intangible assets,  
net

3,053,084

3,708,602

Goodwill

652,149

652,149

Deposits

3,100

10,455

Total Other  
Assets

3,708,333

4,371,206

TOTAL ASSETS

\$

4,728,418

\$

6,153,459

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



**REFLECT SCIENTIFIC, INC.**

Condensed Consolidated Balance Sheets (Continued)

LIABILITIES AND SHAREHOLDERS' EQUITY

September 30,  
2010

December 31,  
2009

(Unaudited)

(Audited)

C U R R E N T  
LIABILITIES

Accounts payable

\$

309,691

\$

507,794

Short-term lines of  
credit

129,590

141,474

Convertible  
debenture

2,925,000

2,925,000

Royalty payable

-

22,542

Capital leases  
short-term portion

10,562

9,791

Interest payable

658,125

263,250

Accrued expenses

17,269

93,721

Loan from related  
party

24,000

18,000

Income taxes  
payable

400

2,800

Total Current  
Liabilities

4,074,637

3,984,372

LONG - TERM  
LIABILITIES

Capital leases  
long-term portion

1,677

9,715

T o t a l  
L o n g - T e r m  
Liabilities

1,677

9,715

Total Liabilities

4,076,314

3,994,087

SHAREHOLDERS  
EQUITY

Preferred stock,  
\$0.01 par value,  
authorized

5,000,000 shares;  
No shares issued  
and Outstanding

-

-

Common stock,  
\$0.01 par value,  
authorized

50,000,000  
shares; 34,141,890  
and 35,221,650

issued and  
outstanding,  
respectively

341,419

352,217

Additional paid in  
capital

17,534,313

17,463,580

Accumulated  
deficit

(17,223,628)

(15,656,425)

T o t a l  
Shareholders Equity

652,104

2,159,372

TOTAL  
LIABILITIES AND  
SHAREHOLDERS  
EQUITY

\$

4,728,418

6,153,459

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

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**REFLECT SCIENTIFIC, INC.**

Condensed Consolidated Statements of Operations

(Unaudited)

For the Three  
Months Ended

September 30,

For the Nine  
Months Ended

September 30,

2010

2009

2010

2009

REVENUES

\$

735,344

\$

1,075,098

\$  
1,832,630

\$  
2,860,851

**COST OF GOODS  
SOLD**

443,941

682,728

975,378

1,557,225

GROSS PROFIT

291,403

392,370

857,252

1,303,626

OPERATING  
EXPENSES

Salaries and  
wages

99,410

272,010

325,527

998,404

Rent expense

13,228

51,445

38,924

26

144,323

Research and  
development  
expense

-

5,712

7,144

15,578

General and  
administrative  
expense

166,912

264,551

503,469

840,197

Total  
Operating  
Expenses

279,550

593,718

875,064

1,998,502

**OPERATING  
INCOME (LOSS)**

11,853

(201,348)

(17,812)

(694,876)

**OTHER INCOME  
(EXPENSE)**

**Interest income**

2

21

7

29

3,562

Interest expense

(133,843)

(106,471)

(401,548)

(845,197)

Loss on default of  
convertible  
debentures

-

-

-

(690,000)

Total Other  
Expenses

(133,841)

(106,450)

(401,541)

(1,531,635)

NET LOSS  
BEFORE TAXES

(121,988)

(307,798)

(419,353)

(2,226,511)

Income tax benefit  
(expense)

-

-

-

-

NET LOSS FROM  
CONTINUING  
OPERATIONS

(121,988)

(307,798)

(419,353)

(2,226,511)

LOSS FROM  
DISCONTINUED  
OPERATIONS

Loss from  
operations of  
Image  
Labs/Miralogix,  
net of tax

-

(624,784)

(199,909)

(1,078,385)

Loss on disposal of  
Image  
Labs/Miralogix,  
net of tax

-

-

(947,941)

-

NET LOSS FROM  
DISCONTINUED  
OPERATIONS

-

(624,784)

(1,147,850)

(1,078,385)

NET LOSS

\$  
(121,988)  
\$  
(932,582)  
\$  
(1,567,203)  
\$  
(3,304,896)

**BASIC AND  
DILUTED  
INCOME (LOSS)  
PER SHARE**

\$  
(0.01)  
\$  
(0.03)

\$  
(0.05)

\$  
(0.10)

WEIGHTED  
AVERAGE  
NUMBER OF  
SHARES  
OUTSTANDING

34,141,890

34,892,802

34,552,110

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

**REFLECT SCIENTIFIC, INC.**

Condensed Consolidated Statements of Cash Flows

(Unaudited)

For the  
Nine Months Ended  
September 30,

2010

2009

Net loss

\$

(1,567,203)

\$

(3,304,896)

Loss on  
Disposal of  
Discontinued  
Operations

947,941

-

Loss from  
Discontinued  
Operations

199,909

1,078,385

Loss from  
Continuing  
Operations

(419,353)