

ENVIRO VORAXIAL TECHNOLOGY INC  
Form 10-Q  
August 22, 2016  
U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2016

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-27445

Enviro Voraxial Technology, Inc.  
(Exact name of Small Business Issuer as specified in its Charter)

IDAHO 82-0266517  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

821 NW 57<sup>th</sup> Place, Fort Lauderdale, Florida 33309  
(Address of principal executive offices)

(954) 958-9968  
(Issuer's telephone number)

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(Former Name, former address and former fiscal year, if changed since last Report.)

Check mark whether the Issuer (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the past 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 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 during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes No £

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) 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

**APPLICABLE ONLY TO CORPORATE ISSUERS**

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: August 19, 2016, we had 33,464,497 shares of our Common Stock outstanding.

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PART I. CONSOLIDATED FINANCIAL  
INFORMATION

Item 1. Financial Statements.

ENVIRO VORAXIAL TECHNOLOGY, INC. AND SUBSIDIARY  
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2016 (unaudited)	December 31, 2015
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 111,740	\$ 73,713
Accounts receivable, net	5,990	94,277
Inventory, net	50,837	96,235
Total current assets	168,567	264,225
<b>FIXED ASSETS, NET</b>	22,034	33,052
<b>OTHER ASSETS</b>	10,026	10,026
Total assets	\$ 200,627	\$ 307,303
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 304,615	\$ 274,913
Accrued Expenses – related party	1,489,186	1,326,159
Deposits	392,090	249,228
Total liabilities	2,185,891	1,850,300
<b>COMMITMENTS AND CONTINGENCIES (See Note F)</b>	-	-
<b>SHAREHOLDERS' DEFICIT :</b>		
Common stock, \$.001 par value, 42,750,000 shares authorized; 33,464,497 and 33,464,497 shares issued and outstanding as of June 30, 2016 and December 31, 2015	33,465	33,465
Additional paid-in capital	14,947,209	14,947,209
Accumulated deficit	(16,965,938)	(16,523,671)
Total shareholders' deficit	(1,985,264)	(1,542,997)

Total liabilities and shareholders' deficit	\$200,627	\$307,303
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The accompanying notes are an integral part of the condensed consolidated unaudited financial statements.

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ENVIRO VORAXIAL TECHNOLOGY, INC. AND SUBSIDIARY  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues, net	\$ 9,552	\$ 259,454	\$ 63,490	\$ 553,874
Cost of goods sold	11,323	55,105	11,323	152,135
Gross profit (loss)	(1,771)	204,439	52,167	401,739
Costs and expenses:				
General and administrative	198,791	220,508	393,614	475,216
Total costs and expenses	198,791	220,508	393,614	475,216
Income (loss) from operations	(200,562)	(16,069)	(341,447)	(73,477)
Other income (expenses):				
Loss on transfer of leased assets	(91,400)	-	(91,400)	-
Interest expense	(4,420)	(4,806)	(9,420)	(9,051)
Total other expense	(95,820)	(4,806)	(100,820)	(9,051)
Net loss before provisions for income taxes	(296,382)	(20,875)	(442,267)	(82,528)
Provisions for income taxes	-	-	-	-
NET LOSS	\$ (296,382)	\$ (20,875)	\$ (442,267)	\$ (82,528)
Weighted average number of common shares outstanding - basic and diluted	33,464,497	33,464,497	33,464,497	33,464,497
Loss per common share - basic and diluted	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.00)

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

ENVIRO VORAXIAL TECHNOLOGY, INC. AND SUBSIDIARY  
 CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT  
 FOR THE SIX MONTHS ENDED JUNE 30, 2016

(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated	
	Shares	Amount		Deficit	Total
Balance - December 31, 2015	33,464,497	\$ 33,465	\$14,947,209	\$(16,523,671)	\$(1,542,997)
Net loss	-	-	-	(442,267)	(442,267)
Balance - June 30, 2016	33,464,497	\$ 33,465	\$14,947,209	\$(16,965,938)	\$(1,985,264)

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

ENVIRO VORAXIAL TECHNOLOGY, INC. AND SUBSIDIARY  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited)

	Six Months Ended	
	June 30, 2016	2015
Cash Flows From Operating Activities:		
Net loss	\$ (442,267)	\$ (82,528)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	11,018	11,163
Stock option expense	-	995
Changes in assets and liabilities:		
Accounts receivable	88,287	(13,042)
Inventory	45,398	38,565
Prepaid expense	-	-
Accounts payable, accrued expenses and deposits	335,591	139,549
Net cash provided by operating activities	38,027	94,702
Cash Flows From Investing Activities:	-	-
Cash Flows From Financing Activities:	-	-
Net increase in cash and cash equivalents	38,027	94,702
Cash and cash equivalents, beginning of period	73,713	182,916
Cash and cash equivalents, end of period	\$ 111,740	\$ 277,618
Supplemental Disclosures		
Cash paid during the period for interest	9,420	9,051
Cash paid during the period for taxes	\$ -	\$ -

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



ENVIRO VORAXIAL TECHNOLOGY, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016 (UNAUDITED)

NOTE A - ORGANIZATION AND OPERATIONS

ORGANIZATION

Enviro Voraxial Technology, Inc., an Idaho corporation (the "Company"), is a provider of environmental and industrial separation technology. The Company has developed, and now manufactures and sells its patented technology, the Voraxial® Separator, a technology that efficiently separates liquid/liquid, liquid/solid or liquid/liquid/solid fluid streams with distinct specific gravities. Current and potential commercial applications and markets include oil exploration and production, oil refineries, oil spill, mining, manufacturing, waste-to-energy and food processing industry.

Florida Precision Aerospace, Inc., a Florida corporation ("FPA"), is the wholly-owned subsidiary of the Company and is used to manufacture, assemble and test the Voraxial Separator.

NOTE B - GOING CONCERN

The Company has experienced recurring net losses and a working capital deficiency as of June 30, 2016. There is no assurance that the Company's sales and marketing efforts will be successful enough to achieve a level of revenue sufficient to provide cash inflows to sustain operations; however, the Company continues to experience customer interest and forecast revenues to increase in 2016. While the Company anticipates increase in sales of the Voraxial Separator during 2016, the Company may continue to require the infusion of capital until operations become profitable. As a result of the above, there is a substantial doubt about our ability to continue as a going concern and the accompanying condensed unaudited consolidated financial statements have been prepared assuming that the Company will continue as a going concern. If we fail to raise additional funds when needed, or do not have sufficient cash flows from sales, we may be required to scale back or cease operations, sell or liquidate our assets and possibly seek bankruptcy protection. The accompanying consolidated financial statements do not include any adjustments that may result from the outcome of this uncertainty. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTERIM FINANCIAL STATEMENTS

The interim financial statements presented herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). 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 pursuant to such rules and regulations. The interim financial statements should be read in conjunction with the company's annual financial statements, notes and accounting policies included in the company's annual report on Form 10-K for the year ended December 31, 2015, as filed with the SEC. In the opinion of management, all adjustments, which are necessary to provide a fair presentation of financial position as of June 30, 2016, and the related operating results and cash flows for the interim period presented, have been made. The results of operations, for the period presented are not necessarily indicative of the results to be expected for the year.



ENVIRO VORAXIAL TECHNOLOGY, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016 (UNAUDITED)

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the parent company, Enviro Voraxial Technology, Inc., and its wholly-owned subsidiary, Florida Precision Aerospace, Inc. All significant intercompany accounts and transactions have been eliminated.

ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ. Significant estimates include allowance for doubtful accounts, deferred tax asset, allowance for inventory obsolescence and valuation of stock-based compensation.

REVENUE RECOGNITION

The Company derives its revenue from the sale and short-term rental of the Voraxial Separator. The Company presents revenue in accordance with FASB new codification of "Revenue Recognition in Financial Statements". Under Revenue Recognition in Financial Statements, revenue is realized when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collectability is reasonably assured.

Revenues that are generated from sales of equipment are typically recognized upon shipment. Our standard agreements generally do not include customer acceptance or post shipment installation provisions. However, if such provisions have been included or there is an uncertainty about customer order, revenue is deferred until we have evidence of customer order and all terms of the agreement have been complied with. As of June 30, 2016 and December 31, 2015, there was \$392,090 and \$249,228, respectively, of deposits from customers.

The Company recognizes revenue from the short term rental of equipment, ratably over the life of the agreement, which is usually one to twelve months.

FAIR VALUE OF INSTRUMENTS

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, inventory, accounts payable and accrued expenses at June 30, 2016 and December 31, 2015, approximate their fair value because of their relatively short-term nature.

"Disclosures about Fair Value of Financial Instruments," requires disclosures of information regarding the fair value of certain financial instruments for which it is practicable to estimate the value. For purpose of this disclosure, the fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale of liquidation.

The company accounts for certain assets and liabilities at fair value. The hierarchy below lists three levels of fair value based on the extent to which inputs used in measuring fair value is observable in the market. We categorize each of our fair value measurements in one of these three levels based on the lowest level input that is significant to the fair value measurement in its entirety. These levels are:



ENVIRO VORAXIAL TECHNOLOGY, INC.  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 JUNE 30, 2016 (UNAUDITED)

Level 1—inputs are based upon unadjusted quoted prices for identical instruments traded in active markets. We have no Level 1 instruments as of June 30, 2016 and December 31, 2015.

Level 2—inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques (e.g. the Black-Scholes model) for which all significant inputs are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, foreign exchange rates, and forward and spot prices for currencies and commodities. We have no Level 2 instruments as of June 30, 2016 and December 31, 2015.

Level 3—inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques, including option pricing models and discounted cash flow models. We have no Level 3 instruments as of June 30, 2016 and December 31, 2015.

#### CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents. The Company maintains its cash balances with various financial institutions. Balances at these institutions may at times exceed the Federal Deposit Insurance Corporate ("FDIC") limits. As of June 30, 2016 and December 31, 2015, balances did not exceed the FDIC limits.

#### INVENTORY

Inventory consists of components for the Voraxial Separator and is priced at lower of cost or market. Inventory may include units being rented on a short term basis or components held by third parties in connection with pilot programs as part of the continuing evaluation by such third parties as to the effectiveness and usefulness of the service to be incorporated into their respective operations. The third parties do not have a contractual obligation to purchase the equipment. The Company maintains the title and risk of loss. Therefore, these units are included in the inventory of the Company. As of June 30, 2016 and December 31, 2015:

	June 30,	December
	2016	31, 2015
Raw materials	\$50,837	\$ 89,771
Work in process	-	6,464
Finished goods	-	-
Total	\$50,837	\$ 96,235

#### FIXED ASSETS

Fixed assets are stated at cost less accumulated depreciation. The cost of maintenance and repairs is expensed to operations as incurred. Depreciation is computed by the straight-line method over the estimated economic useful life of the assets (5-10 years). Gains and losses recognized from the sales or disposal of assets is the difference between the sales price and the recorded cost less accumulated depreciation less costs of disposal.



ENVIRO VORAXIAL TECHNOLOGY, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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NET LOSS PER SHARE

In accordance with the accounting guidance now codified as FASB ASC Topic 260, "Earnings per Share" basic earnings (loss) per share is computed by dividing net income (loss) by weighted average number of shares of common stock outstanding during each period. Diluted earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during the period.

Since the Company reflected a net loss for the three months ended June 30, 2016 and 2015, the effect of 13,465,000 and 13,465,000 options, respectively, is anti-dilutive. A separate computation of diluted earnings (loss) per share is not presented.

Income Taxes

The Company accounts for income taxes under FASB Codification Topic 740-10-25 ("ASC 740-10-25"). Under ASC 740-10-25, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under ASC 740-10-25, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Business Segments

The Company operates in one segment and therefore segment information is not presented.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development costs, which includes travel expenses, consulting fees, subcontractors and salaries are expensed as incurred.

ADVERTISING COSTS

Advertising costs are expensed as incurred and are included in general and administrative expenses.

STOCK-BASED COMPENSATION

The Company adopted ASC Topic 718 formerly Statement of Financial Account Standard (SFAS) No. 123(R) effective January 1, 2006. This statement requires compensation expense relating to share-based payments to be recognized in net income using a fair-value measurement method. Under the fair value method, the estimated fair value of awards is charged to income on a straight-line basis over the requisite service period, which is generally the vesting period.

Reclassifications

Certain amounts from prior periods have been reclassified to conform to the current period presentation. These reclassifications had no impact on the Company's net loss or cashflows.





ENVIRO VORAXIAL TECHNOLOGY, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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RECENT ACCOUNTING PRONOUNCEMENTS

Recent accounting pronouncements issued by the FASB, the AICPA and the SEC, did not, or are not believed by management, to have a material impact on the Company's present or future financial statements, except as follows:

In August 2015, FASB issued Accounting Standards Update ("ASU") No.2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date" defers the effective date ASU No. 2014-09 for all entities by one year. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in Update 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. All other entities should apply the guidance in Update 2014-09 to annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. All other entities may apply the guidance in ASU No. 2014-09 earlier as of an annual reporting period beginning after December 15, 2016, including interim reporting periods within that reporting period. All other entities also may apply the guidance in Update 2014-09 earlier as of an annual reporting period beginning after December 15, 2016, and interim reporting periods within annual reporting periods beginning one year after the annual reporting period in which the entity first applies the guidance in ASU No. 2014-09. We are currently reviewing the provisions of this ASU to determine if there will be any impact on our results of operations, cash flows or financial condition.

All other newly issued accounting pronouncements, but not yet effective, have been deemed either immaterial or not applicable.

NOTE D - RELATED PARTY TRANSACTIONS

For the six months ended June 30, 2016, the Company incurred salary expenses from the Chief Executive Officer of the Company of \$152,500. Of these amounts, \$7,500 has been paid for the six months ended June 30, 2016. The total unpaid balance as of June 30, 2016 is \$1,489,186 and is included in accrued expenses – related party, the majority of which is payable to the Company's Chief Executive Officer. For the six months ended June 30, 2015, the Company incurred salary expenses from the Chief Executive Officer of the Company of \$152,500. Of these amounts, \$31,770 had been paid for the six months ended June 30, 2015. The total unpaid balance as of June 30, 2015 is \$1,202,861 and is included in accrued expenses – related party, the majority of which is payable to the Company's Chief Executive Officer.

NOTE E - CAPITAL TRANSACTIONS

WARRANTS AND STOCK OPTIONS

The Company follows the provisions of ASC Topic 718, "Compensation – Stock Compensation." ASC Topic 718 establishes standards surrounding the accounting for transactions in which an entity exchanges its equity instruments for goods or services. ASC Topic 718 focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions.



ENVIRO VORAXIAL TECHNOLOGY, INC.  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options and warrants have characteristics different from those of its traded stock, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of such stock options. The risk free interest rate is based upon quoted market yields for United States Treasury debt securities with a term similar to the expected term. The expected dividend yield is based upon the Company's history of having never issued a dividend and management's current expectation of future action surrounding dividends. Expected volatility was based on historical data for the trading of our stock on the open market. The expected lives for such grants were based on the simplified method for employees and officers.

Information with respect to options outstanding and exercisable at June 30, 2016 is as follows:

	Number Outstanding	Exercise Price	Number Exercisable
Balance, December 31, 2015	13,465,000	\$0.01	13,465,000
Issued	-	-	-
Expired	-	-	-
Forfeited	-	-	-
Balance, June 30, 2016	13,465,000	\$0.01	13,465,000

The following table summarizes information about the stock options outstanding at June 30, 2016:

Exercise Price	Number Outstanding at June 30, 2016	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at June 30, 2016	Weighted Average Exercise Price
0.01	13,465,000	7.5	0.01	13,465,000	0.01
Total	<u>13,465,000</u>	-	-	<u>13,465,000</u>	-

The following table summarizes information about the stock options outstanding at December 31, 2015:

Exercise Price	Number Outstanding December 31, 2015	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at December 31, 2015	Weighted Average Exercise Price
\$0.01	13,465,000	8.0	0.01	13,465,000	\$0.01
Total	13,465,000	-	-	13,465,000	

#### NOTE F – COMMITMENTS AND CONTINGENCIES

##### Operating Lease

In October 2015, the Company entered into a three (3) year lease for an office and manufacturing facility located at 821 NW 57<sup>th</sup> Place, Fort Lauderdale, FL 33309. The lease is \$6,100 per month, which includes common area

maintenance, taxes and insurance. The Company has the option to terminate the lease with three months' notice.

ENVIRO VORAXIAL TECHNOLOGY, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016 (UNAUDITED)

LITIGATION

On or about November 17, 2011, a claim was filed in the Broward County Circuit Court in Fort Lauderdale, Florida against the company by Raw Energy Tech, LLC. The plaintiff alleges breach of an oral contract between the parties for the alleged design, fabrication and construction of a prototype power pack. Amount of damages sought are approximately \$58,000. We have moved to dismiss the complaint and intend to vigorously defend this action as we believe this claim is without merit. We have accrued an amount in the financial statements to cover our legal expenses as of June 30, 2016.

NOTE G – MAJOR CUSTOMERS

During the six months ended June 30, 2016, we recorded 98% of our revenue from one customer.

During the six months ended June 30, 2015, we recorded 99.9% of our revenue from one customer.



Item 1. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

The following discussion of the financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes thereto. The following discussion contains forward-looking statements. Enviro Voraxial Technology, Inc. is referred to herein as "the Company", "we" or "our." The words or phrases "would be," "will allow," "intends to," "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," or similar expressions are intended to identify "forward-looking statements". Such statements include those concerning our expected financial performance, our corporate strategy and operational plans. Actual results could differ materially from those projected in the forward-looking statements as a result of a number of risks and uncertainties. Statements made herein are as of the date of the filing of this Form 10-Q with the Securities and Exchange Commission and should not be relied upon as of any subsequent date. Unless otherwise required by applicable law, we do not undertake, and we specifically disclaim any obligation, to update any forward-looking statements to reflect occurrences, developments, unanticipated events or circumstances after the date of such statement.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

The Company's consolidated condensed unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Certain accounting policies have a significant impact on amounts reported in the financial statements. A summary of these significant accounting policies can be found in Note C to the Company's financial statements in the Company's 2015 Annual Report on Form 10-K. The Company has not adopted any significant new policies during the quarter ended June 30, 2016.

Among the significant judgments made in preparation of the Company's financial statements are the determination of the allowance for doubtful accounts, value of equity instruments and adjustments of inventory valuations. These adjustments are made each quarter in the ordinary course of accounting.

Overview

Enviro Voraxial Technology, Inc. was incorporated in Idaho on October 19, 1964, under the name Idaho Silver, Inc. In May of 1996, we entered into an agreement and plan of reorganization with Florida Precision Aerospace, Inc., a privately held Florida corporation ("FPA"), and its shareholders. FPA was incorporated on February 26, 1993. We believe we are emerging as a potential leader in the rapidly growing environmental and industrial separation industries. The Company has developed, manufactures and sells its patented Voraxial<sup>®</sup> Separator ("Voraxial<sup>®</sup> Separator" or "Voraxial<sup>®</sup>"), a proprietary technology that efficiently separates large volumes of liquid/liquid, liquid/solids or liquid/liquid/solids fluid mixtures with distinct specific gravities. Management believes this superior separation quality is achieved in real-time, and in much greater volumes, with a more compact, cost effective and energy efficient machine than any comparable product on the market today. Management believes the Voraxial fills a void in the market; specifically a real-time separation device that separates a large volume of liquids with a small footprints and without the need of a pressure drop. We believe the need for such a separation device overlaps many markets.

The Voraxial is capable of processing volumes as low as 3 gallons per minute as well as volumes over 5,000 gallons per minute with only one moving part. The Company believes that the Voraxial<sup>®</sup>

technology can help protect the environment and its natural resources while simultaneously making numerous industries more productive and cost effective.

Results of Operations for the Three Months ended June 30, 2016 and 2015:

#### REVENUE

Our revenues decreased by \$249,902 or approximately 96% to \$9,552 for the three months ended June 30, 2016 as compared to \$259,454 for the three months ended June 30, 2015. The Company believes the decrease in revenues reflects both a fluctuation in sales and a reflection of the market conditions. The Company continues to negotiate with potential customers and, despite declining revenues over the comparative period, we believe there is a continued demand for our Voraxial Separators in the treatment and removal of contaminants from wastewater in markets that include oil exploration and production, mining, oil spill, among others. However, the volume of customers and potential customers have decreased and the drop in oil prices has delayed certain projects and decrease revenue potential in the near term. We believe we have increased the exposure and awareness of the Voraxial Separator through our marketing programs and expect to increase revenues from the sale and lease of the Voraxial Separator once oil prices and capital expenditures within the oil explorations and production sector recovers. We continue to believe the markets for the Voraxial® Separator are developing as companies with high volume water separation problems are becoming aware of the Voraxial.

The Company is currently working on numerous opportunities with customers within the oil industry. We believe some of these opportunities will result in purchase orders in fiscal year 2016. The projects include the Voraxial 2000 Separator, Voraxial 4000 Separator, Voraxial 8000 and multiple versions of the Voraxial Separator Skid. We anticipate achieving revenues in excess of \$400,000 in the third Quarter of 2016 as a result of sales and leases related to the oil industry.

#### COST OF GOODS

Our cost of goods decreased by \$43,782 or 80% to \$11,323 for the three months ended June 30, 2016 as compared to \$55,105 for the three months ended June 30, 2015. This decrease is primarily due to the decrease in sales. Our cost of goods continues to be reviewed by management in an effort to obtain the best available pricing while maintaining high quality standards.

#### COSTS AND EXPENSES

Total costs and expenses decreased by \$21,717 or approximately 10% to \$198,791 for the three months ended June 30, 2016 from \$220,508 for the three months ended June 30, 2015. Our costs and expenses decreased for the three month period ended June 30, 2016 as compared to the three month period ended June 30, 2015 primarily due to a reduction in salary and marketing expense and partially offset by an increase in legal and professional fees.

Results of Operations for the Six Months ended June 30, 2016 and 2015:

#### REVENUE

Our revenues decreased by 89% to \$63,490 for the six months ended June 30, 2016 as compared to \$553,874 for the six months ended June 30, 2015.



The Company believes the decrease in revenues reflects both a fluctuation in sales and a reflection of the market conditions. The Company continues to negotiate with potential customers and, despite declining revenues over the comparative period, we believe there is a continued demand for our Voraxial Separators in the treatment and removal of contaminants from wastewater in markets that include oil exploration and production, mining, oil spill, among others. However, the volume of customers and potential customers have decreased and the drop in oil prices has delayed certain projects and decrease revenue potential in the near term. We believe we have increased the exposure and awareness of the Voraxial Separator through our marketing programs and expect to increase revenues from the sale and lease of the Voraxial Separator once oil prices and capital expenditures within the oil explorations and production sector recovers. We continue to believe the markets for the Voraxial® Separator are developing as companies with high volume water separation problems are becoming aware of the Voraxial.

#### COST OF GOODS

Our cost of goods decreased to \$11,323 for the six months ended June 30, 2016 as compared to \$152,135 for the six months ended June 30, 2015. This decrease is primarily due to the decrease in sales and the different models sold during the six months ended June 30, 2015. Our cost of goods continues to be reviewed by management to guarantee the best available pricing while maintaining high quality standards.

#### COSTS AND EXPENSES

Total costs and expenses decreased by \$81,602 or approximately 17% to \$393,614 for the six months ended June 30, 2016 from \$475,216 for the six months ended June 30, 2015. The decrease in our costs and expenses was primarily due to a reduction in salary and marketing expense and partially offset by an increase in legal and professional fees.

#### Liquidity and Capital Resources:

Cash at June 30, 2016 was \$111,740. Working capital deficit at June 30, 2016 was \$2,017,324 as compared to working capital deficit at December 31, 2015 of \$1,586,075.

At June 30, 2016, the Company had an accumulated deficit of \$16,965,938. We cannot be assured that we will generate revenues that will be self-sustaining. The Company may require the infusion of capital until operations become profitable. During 2016, the Company may seek additional capital in the event it is unable to increase sales of the Voraxial Separator or continue to restrict expenses. If we fail to raise additional funds when needed, or do not have sufficient cash flows from sales, we may be required to scale back or cease operations, sell or liquidate our assets and possibly seek bankruptcy protection. The accompanying consolidated financial statements do not include any adjustments that may result from the outcome of this uncertainty. The Company has funded working capital requirements and intends, if necessary, to fund current working capital requirements through third party financing, including the private placement of securities. We cannot provide any assurances that required capital will be obtained or that terms of such required capital may be acceptable to us.

#### CONTINUING LOSSES

We may be unable to continue as a going concern, given our limited operations and revenues and our significant losses to date. Since 2001, we have encountered expenses in the development of our Voraxial Separators and have had limited sales income from this development. Consequently, our working capital may not be sufficient and our operating costs may exceed those experienced in our prior years. Therefore, we may be unable to continue as a going concern. The Company has experienced net losses, has a working capital deficit and sustained cash outflows from operating activities and had to raise capital to sustain operations. There is no assurance that the Company's developmental and marketing efforts will be

successful, that the Company will ever have commercially accepted products, or that the Company will achieve significant revenues.

As a result of the above, the accompanying condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern. There is substantial doubt about the entities ability to continue for a period of 12 months. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

#### Recent Accounting Pronouncements

For a discussion of new accounting pronouncements affecting the Company, refer to Note C to the Consolidated Financial Statements.

#### Item 2. Quantitative and Qualitative Disclosures About Market Risk

Not applicable to smaller reporting company.

#### Item 3. Controls and Procedures

#### EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") that are designed to be effective in providing reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management to allow timely decisions regarding required disclosure.

The Company's management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial (and principal accounting) Officer, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act) as of June 30, 2016. Based upon that evaluation and the identification of the material weakness in the Company's internal control over financial reporting as described below under "Management's Report on Internal Control over Financial Reporting," the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were ineffective as of the end of the period covered by this report.

Management is responsible for establishing and maintaining adequate internal control over financial reporting of the Company. Management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our internal control over financial reporting as of June 30, 2016 based on the 2013 criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2016, our internal control over financial reporting is not effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles because of the Company's limited resources, lack of qualified accounting personnel and limited number of employees. To mitigate the current limited resources and limited employees, we rely heavily on direct management oversight of transactions, along with the use of legal and accounting professionals. As we grow, we expect to increase our number of employees, which will enable us to implement adequate segregation of duties within the internal control framework.



#### Limitations on Effectiveness of Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include, but are not limited to, the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also 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. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

#### Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

Smaller reporting companies are not required to provide the information required by this item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the period covered by this report the Company did not issued any unregistered equity securities.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosure

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibits required by Item 601 of Regulation S-K

31.1 Form 302 Certification of Chief Executive Officer

31.2 Form 302 Certification of Principal Financial Officer

32.1 Form 906 Certification of Chief Executive Officer and Principal Financial Officer

101.INS XBRL Instance Document\*

101.SCHXBRL Taxonomy Extension Schema Document\*

101.CALXBRL Taxonomy Extension Calculation Linkbase Document\*

101.DEF XBRL Taxonomy Extension Definition Linkbase Document\*

101.LABXBRL Taxonomy Extension Label Linkbase Document\*

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document\*

\* Attached as Exhibit 101 to this report are the following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) related notes to these financial statements tagged as blocks of text.



SIGNATURE

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 as a duly authorized officer of the Registrant.

Enviro Voraxial Technology, Inc.

By: /s/ John A. Di Bella  
John A. Di Bella  
Chief Executive Officer and  
Principal Financial Officer

DATED: August 22, 2016