REFLECT SCIENTIFIC INC
Form 10-Q
November 13, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2017

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 [X] No [ ]

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

Large Accelerated filer [ ]

Accelerated filer [ ]

Non-accelerated filer [ ]

Smaller reporting company [X]

Emerging growth company [ ]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ]   No [X]

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 [X]   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 November 13, 2017

65,401,086 shares of $0.01 par value common stock on November 13, 2017

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Part I - FINANCIAL INFORMATION

Item 1. Financial Statements

Reflect Scientific, Inc.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

September 30, 2017

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

ASSETS

		September 30, 2017 (Unaudited)		December 31, 2016
CURRENT ASSETS				
Cash	$	175,357	$	263,964
Accounts receivable, net		206,000		73,424
Inventory, net		231,606		226,967
Prepaid assets		3,100		3,100
Total Current Assets		616,063		567,455
FIXED ASSETS, NET		-		-
OTHER ASSETS				
Goodwill		60,000		60,000
Deposits		3,100		3,100
Total Other Assets		63,100		63,100
TOTAL ASSETS	$	679,163	$	630,555

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

REFLECT SCIENTIFIC, INC.

Condensed Consolidated Balance Sheets (Continued)

LIABILITIES AND STOCKHOLDERS EQUITY

		September 30, 2017 (Unaudited)		December 31, 2016
CURRENT LIABILITIES				
Accounts payable and accrued expense	$	37,526	$	58,968
Customer deposits		284		-
Income taxes payable		100		100
Total Current Liabilities		37,910		59,068
Total Liabilities		37,910		59,068
COMMITMENTS AND CONTINGENCIES		-		-
STOCKHOLDERS EQUITY				
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; 65,401,086 and 65,401,086 issued and outstanding, respectively		654,010		654,010
Additional paid in capital		19,566,472		19,566,472
Accumulated deficit		(19,579,229)		(19,648,995)
Total Stockholders Equity		641,253		571,487
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$	679,163	$	630,555

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 September 30, 2017	2016	For the Nine Months Ended September 30, 2017	2016
REVENUES	$ 325,870	$ 214,404	$ 880,072	$ 975,761
COST OF GOODS SOLD	84,636	74,581	266,328	286,946
GROSS PROFIT	241,234	139,823	613,744	688,815
OPERATING EXPENSES				
Salaries and wages	105,589	103,125	316,654	315,848
Rent expense	8,070	8,611	25,167	25,828
Research and development expense	12,710	11,131	30,677	57,724
General and administrative expense	55,808	66,821	171,480	221,351
Total Operating Expenses	182,177	189,688	543,978	620,751
OPERATING PROFIT	59,057	(49,865)	69,766	68,064
OTHER INCOME (EXPENSE)				
Interest expense other	-	(55)	-	(300)
Total Other Income (Expenses)	-	(55)	-	(300)
NET INCOME BEFORE TAXES	59,057	(49,920)	69,766	67,764
Income tax benefit (expense)	-	-	-	-
NET INCOME	$ 59,057	$ (49,920)	$ 69,766	$ 67,764

NET INCOME (LOSS) PER SHARE:						
Basic	$	0.00	$ (0.00)	$	0.00	$ 0.00
Diluted	$	0.00	$ (0.00)	$	0.00	$ 0.00
WEIGHTED AVERAGE SHARES OUTSTANDING:						
Basic		65,401,086	60,958,514		65,401,086	60,958,514
Diluted		65,401,086	60,958,514		65,401,086	60,958,514

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,

		2017		2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	$	69,766	$	67,764
Adjustments to reconcile net income to net cash used in operating activities:				
Amortization		-		5,316
Changes in operating assets and liabilities:				
Accounts receivable		(132,575)		46,263
Inventory		(4,639)		9,017
Accounts payable and accrued expenses		(21,443)		(39,798)
Customer deposits		284		(56,417)
Net Cash (used in) provided by Operating Activities		(88,607)		32,145
CASH FLOWS FROM INVESTING ACTIVITIES		-		-
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments on short-term lines of credit		-		(8,458)
Net Cash used in Financing Activities		-		(8,458)
NET CHANGE IN CASH		(88,607)		23,687
CASH AT BEGINNING OF PERIOD		263,964		292,087
CASH AT END OF PERIOD	$	175,357	$	315,774

SUPPLEMENTAL CASH FLOW INFORMATION:				
Cash Paid For:				
Interest	$	-	$	300
Income taxes	$	-	$	-

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

REFLECT SCIENTIFIC, INC.

Notes to the Condensed Consolidated Financial Statements

September 30, 2017

(Unaudited)

NOTE 1 **-**

BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited condensed consolidated 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 rules and regulations of the Securities and Exchange Commission. The information furnished in the interim condensed consolidated financial statements includes 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 consolidated financial statements be read in conjunction with the Company s most recent audited consolidated financial statements and notes thereto included in its December 31, 2016 financial statements. Operating results for the three and nine months ended September 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

NOTE 2 -

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND LINE OF BUSINESS:

Cole, Inc. (the Company) was incorporated under the laws of the State of Utah on November 3, 1999. The Company was organized to engage in any lawful activity for which corporations may be organized under the Utah Revised Business Corporation Act. On December 30, 2003 the Company changed its name to Reflect Scientific, Inc.

Reflect Scientific designs, develops and sells scientific equipment for the Life Science and Manufacturing industries. The Company s business activities include the manufacture and distribution of unique laboratory consumables and disposables such as filtration and purification products, customized sample handling vials, electronic wiring assemblies, high temperature silicone, graphite and vespel/graphite sealing components for use by original equipment manufacturers (OEM) in the chemical analysis industries, primarily in the field of gas/liquid chromatography.

The Company s chemical detector products serve the analytical instrumentation sector of the Life Sciences market. These optically based chemical detection instruments provide a cost-effective, high-performance alternative for original equipment manufacturers (OEM). One major use for these detectors is the analysis of whole blood for metabolic diseases.

SIGNIFICANT ACCOUNTING POLICIES:

PRINCIPLES OF CONSOLIDATION: The accompanying consolidated financial statements include the accounts of Reflect Scientific, Inc. and its wholly owned subsidiaries, Cryometrix and Julie Martin Scientific Technology. Intercompany transactions and accounts have been eliminated in consolidation.

USE OF ESTIMATES: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

REVENUE RECOGNITION: Revenue is only recognized on product sales once the product has been shipped to the customer, persuasive evidence of an agreement exists, the price is fixed or determinable, and collectability is reasonably assured. The Company sells its products in both the US and internationally through direct sales and independent distributors.

ACCOUNTS RECEIVABLE: Accounts receivables are presented net of an allowance for doubtful accounts. The Company maintains allowances for doubtful accounts for estimated losses. The Company reviews the accounts receivable on a periodic basis and makes general and specific allowances when there is doubt as to the collectability of individual balances. In evaluating the collectability of individual receivable balances, the Company considers many factors, including the age of the balance, a customer s historical payment history, its current credit-worthiness and current economic trends. Accounts are written off after exhaustive efforts at collection. At September 30, 2017 and December 31, 2016, the Company had accounts receivable, net of the allowance, of $206,000 and $73,424, respectively. At September 30, 2017 and December 31, 2016 the allowance for doubtful accounts was $4,000 and $4,000, respectively.

INVENTORY:

Inventories are presented net of an allowance for obsolescence and are stated at the lower of cost or market value based upon the average cost inventory method. The Company s inventory consists of parts for scientific vial kits, refrigerant gases, components for detectors and ultra-low temperature freezers which it builds and other scientific items. At September 30, 2017, inventory was made up of $254,258 of finished goods, less an allowance for obsolescence of $22,652. At December 31, 2016, inventory was comprised of $249,619 of finished goods, less an allowance for obsolescence of $22,652. There were no raw materials or work in progress for either period presented.

INTANGIBLE ASSETS: Costs to obtain or develop patents are capitalized and amortized over the life of the patents. Patents are amortized from the date the Company acquires or is awarded the patent over their estimated useful lives, which range from 5 to 15 years. An impairment charge is recognized if the carrying amount is not recoverable and the carrying amount exceeds the fair value of the intangible assets as determined by projected discounted net future cash flows. We perform an impairment analysis on an annual basis. The Company s analysis did not indicate any impairment of intangible assets as of the impairment analysis conducted December 31, 2016.

GOODWILL: Goodwill represents the excess of the Company s acquisition cost over the fair value of net assets of the acquisition. Goodwill is not amortized, but is tested for impairment annually, or when a triggering event occurs. As described in ACS 360, the Company has adopted the two step goodwill impairment analysis that includes quantitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. A fair-value-based test is applied at the overall Company level. The test compares the estimated fair value of the Company at the date of the analysis to the carrying value of its net assets. The analysis also requires various judgments and estimates, including general and macroeconomic conditions, industry and the Company s targeted market conditions, as well as relevant entity-specific events, such as a change in the market for the Company s products and services. After considering the qualitative factors that would indicate a need for interim impairment of goodwill and applying the two-step process described in ASC 360, management has determined that the value of Company s assets is not more likely than not less than the carrying value of the Company including goodwill, and that no impairment charge needs be recognized during the reporting periods.

RESEARCH AND DEVELOPMENT EXPENSE - The Company accounts for research and development costs in accordance with the Financial Accounting Standards Board's Accounting Standard Codification Topic 730 Research and Development". Under ASC 730, all research and development costs must be charged to expense as incurred. Accordingly, internal research and development costs are expensed as incurred. Third-party research and developments costs are expensed when the contracted work has been performed or as milestone results have been achieved. Company-sponsored research and development costs related to both present and future products are expensed in the period incurred.

EARNINGS PER SHARE: The computation of basic earnings per share of common stock is based on the weighted average number of shares outstanding during the period. Diluted EPS is computed by dividing net earnings by the weighted-average number of common shares and dilutive common stock equivalents during the period. Common stock equivalents are not used in calculating dilutive EPS when their inclusion would be anti-dilutive. At September 30, 2017 and 2016, the Company had no common stock equivalents.

RECENT ACCOUNTING PRONOUNCEMENTS: In May 2017, the Financial Accounting Standards Board ("FASB") issued ASU No. 2017-09, "Stock Compensation - Scope of Modification Accounting". This ASU requires all modifications to be accounted for as a modification unless the fair value, vesting conditions and classification of the award as equity or liability are the same as the classification of the original award immediately before the original award is modified. The amendments in this ASU are effective for fiscal years beginning after December 15, 2017 and for interim periods therein. The Company does not believe this ASU will have a material impact on its consolidated financial position, results of operation or cash flows.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ("ASU") 2016-02, L*eases.* This ASU requires lessees to put most leases on their balance sheets but recognize expenses in the income statement in a manner similar to current accounting treatment. This ASU changes the guidance on sale-leaseback transactions, initial direct costs and lease execution costs, and, for lessors, modifies the classification criteria and the accounting for sales-type and direct financing leases. For public business entities, this ASU is effective for annual periods beginning after December 15, 2018, and interim periods therein. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. The Company is currently evaluating the impact of this ASU on its financial statements and disclosures.

In August 2015, the ASB issued ASU 2015-14, *Revenue from Contracts with Customer (Topic 606): Deferral of the Effective Date*. This ASU defers the effective date of ASU 2014-09, *Revenue from Contracts with Customer* (Topic 606) for all entities by one year. As a result, all entities will be required to apply the provisions of ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is currently assessing the adoption date and impact the guidance in this ASU will have, if any, on our consolidated results of operations, cash flows, or financial position.

The Company has reviewed all other recently issued, but not yet adopted, accounting standards in order to determine their effects, if any, on its consolidated results of operation, financial position and cash flows. Based on that review, the Company believes that none of these pronouncements will have a significant effect on its current or future earnings or operations.

NOTE 3   GOING CONCERN

The Company continues to accumulate significant operating losses and has an accumulated deficit of $19,579,229 at September 30, 2017. These factors raise substantial doubt about the Company s ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Management has taken a number of actions to reduce expenses. Management is seeking additional funding through the capital markets to facilitate the settlement of the remaining debentures, as well as to provide operating capital for its operations. However, there is no assurance that additional funding will be available on acceptable terms, if at all.

NOTE 4   SUBSEQUENT EVENTS

In accordance with ASC 855-10 management reviewed all material events through the date of this report. There are no material subsequent events to report.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Special Note Regarding 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 our representatives may from time to time make written or oral statements that are forward-looking, including statements contained in this Annual 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:

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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;

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Changes in U.S., global or regional economic conditions;

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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 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 are illustrative, but by no means exhaustive. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the unaudited Financial Statements and accompanying notes. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from these estimates under different assumptions or conditions. The Company believes there have been no significant changes during the nine month period ended September 30, 2017, to the items disclosed as significant accounting policies in management's Notes to the Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

Plan of Operation and Business Growth

Our revenues during the three month reporting periods increased 52% during 2017 compared to 2016 revenues.

Our efforts continue to be focused on increasing the sales of our life science consumables and detectors while, at the same time, working to enhance the design of our liquid nitrogen refrigeration products. Of those liquid nitrogen refrigeration products, the ultra-low temperature freezer is receiving highest priority. We have received positive feedback of the improvements and enhancements made to the design of the ultra-low temperature freezer. We also continue work on the refrigerated trailer, or reefer. We have our first manufactured unit operational, have conducted a number of road tests and are working to develop alliances with contract manufacturers for those products.

We also continue to focus on the expansion of our detector. We believe that the enhanced functionality of our latest detector design, coupled with its low cost, provides us with a competitive edge over products currently being sold in that specialized market.

Concurrent with the development and commercialization of the above products, we have completed our on-line catalog and are making progress in enrolling new distributors for our consumable products.

An analysis of operating results for the three and nine months ended September 30, 2017 follows.

Results of Operations

Three Months Ended September 30, 2017 and 2016

		For the three months ended September 30,			
		2017		2016	Change
Revenues	$	325,870	$	214,404	$ 111,466
Cost of goods sold		84,636		74,581	10,055
Gross profit		241,234		139,823	101,411
Operating expenses		182,177		189,688	(7,511)
Other expense		-		(55)	55
Net profit (loss)	$	59,057	$	(49,920)	$ 108,977

Revenues increased during the quarter ended September 30, 2017, to $325,870 from $214,404 for the quarter ended September 30, 2016, an increase of $111,466. The increase results primarily from the sale of ultra-low temperature freezers which generated revenue of $106,400 in 2017 but no revenue in 2016. We are continuing work to increase our market penetration in the ultra-low temperature freezer market.

Cost of goods increased in the quarter ending September 30, 2017, as compared to September 30, 2016, to $84,636 from $74,581, an increase of $10,055. The small cost of goods increase, in comparison to the increase in revenue, is attributable to the sale of ultra-low temperature freezers, which carry higher margins than the specialty laboratory products. We realized a gross profit percentage of 74% for the three months ended September 30, 2017, compared to 65% for the three months ended September 30, 2016. The gross profit percentage is dependent on the mix of product sales, which varies from quarter to quarter. We continue to actively work to obtain more favorable pricing from our vendors in order to increase the margins realized on all product lines.

Operating expenses decreased to $182,177 in the three months ended September 30, 2017, a decrease of $7,511 over the expenses of $189,688 incurred in the three month period ended September 30, 2016. The reduction is attributable to decreases in licenses, bank fees and auto expenses, offset by small increases in a number of other expense categories. While we continue to monitor and minimize operating costs, we also realize that certain levels of expenditures are required in order to commercialize the products and achieve market penetration.

The net profit for the three month period ended September 30, 2017 was $59,057, an increase of $108,977 from the $49,920 loss for the three month period ended September 30, 2016. Management continues to look for opportunities to increase sales, improve gross margins and control ongoing operating expenses.

The net profit of $59,057 for the three month period ended September 30, 2017 represents a profit of $0.00 per share. This compares to the net loss of $49,920, or $(0.00) per share, for the three months ended September 30, 2016.

Nine Months Ended September 30, 2017 and 2016

		For the nine months ended June 30,		
		2017	2016	Change
Revenues	$	880,072$	975,761$	(95,689)
Cost of goods sold		266,328	286,946	(20,618)
Gross profit		613,744	688,815	(75,071)
Operating expenses		543,978	620,751	(76,773)
Other expense		-	(300)	300
Net profit (loss)	$	69,766$	67,764$	2,002

Revenues decreased during the nine month period ended September 30, 2017, to $880,072 from $975,761 for the nine month period ended September 30, 2016, a decrease of $95,489. The decrease results primarily from the sale of ultra-low temperature freezers which generated revenue of $170,253 in 2017 compared to $231,340 in 2016. We are continuing work to increase our market penetration in the ultra-low temperature freezer market.

Due to lower sales during the reporting period, cost of goods decreased in the nine month period ending September 30, 2017, as compared to September 30, 2016, to $266,328 from $286,946, a decrease of $20,618. The change results from lower ultra-low temperature freezer sales, which carry higher margins than the specialty lab products. We realized a gross profit percentage of 70% for the nine months ended September 30, 2017, compared to 71% for the nine months ended September 30, 2016. The gross profit percentage is dependent on the mix of product sales, which varies from quarter to quarter. We continue to actively work to obtain more favorable pricing from our vendors in order to increase the margins realized on all product lines.

Operating expenses decreased to $543,978 in the nine months ended September 30, 2017, a decrease of $76,733 over the expenses of $620,751 incurred in the nine month period ended September 30, 2016. The reduction was primarily the result of lower expenditures for research and development of $27,047, promotion expense of commission expense of $6,783, licenses of $11,031 and promotion expense of $3,313. While we continue to monitor and minimize operating costs, we also realize that certain levels of expenditures are required in order to commercialize the products and achieve market penetration.

The net profit for the nine month period ended September 30, 2017 was $69,766, an increase of $2,002 from the $67,764 profit for the nine month period ended September 30, 2016. Management continues to look for opportunities to increase sales, improve gross margins and control ongoing operating expenses.

The net profit of $69,766 for the nine month period ended September 30, 2017 represents a profit of $0.00 per share. This compares to the net profit of $67,764, or $0.00 per share for the nine months ended September 30, 2016.

Seasonality and Cyclicality

We do not believe our business is cyclical.

Liquidity and Capital Resources

Our cash resources at September 30, 2017, were $175,357, with accounts receivable of $206,000, net of allowance, and inventory of $231,606, net of allowance. Our working capital on September 30, 2017, was $578,174. Working capital on December 31, 2016 was $508,387.

For the nine month period ended September 30, 2017, net cash used by operating activities was $88,607 which compares to $32,145 net cash provided by operating activities for the nine month period ended September 30, 2016.

Off-Balance Sheet Arrangements

We lease office and warehouse space under a non-cancelable operating lease in Utah. The office lease has been extended through November 30, 2020. Future minimum lease payments under the operating lease at September 30, 2017, are $135,277 for that facility. In addition, on July 7, 2017, the Company entered into an automobile lease with a term of four years. . Future minimum lease payments under this lease are $30,816 at September 30, 2017. The lease has an expiration date of July 7, 2021.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

Not required.

Item 4. Controls and Procedures

(a)

Evaluation of Disclosure Controls and Procedures.

As of the end of the period covered by this Quarterly Report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon this evaluation, our Chief Executive Officer and Principal Financial Officer concluded that information required to be disclosed is recorded, processed, summarized and reported within the specified periods, and is accumulated and communicated to management, including our Chief Executive Officer and Principal Financial Officer, to allow for timely decisions regarding required disclosure of material information required to be included in our periodic Securities and Exchange Commission reports. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives and our Chief Executive Officer and Principal Financial Officer have concluded that our disclosure controls and procedures are not effective at that reasonable assurance level as of the end of the period covered by this report based upon our current level of transactions and staff. However, 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

(b)

Changes in Internal Control Over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act. Management reviewed our internal controls over financial reporting, and there have been no changes in our internal controls over financial reporting for the nine month period ended September 30, 2017 that have materially affected, or are like to affect, our internal controls over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings

None; not applicable.

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

Recent Sales of Unregistered Securities

None; not applicable.

Use of Proceeds of Registered Securities

None; not applicable.

Purchases of Equity Securities by Us and Affiliated Purchasers

During the nine months ended September 30, 2017, we have not purchased any equity securities nor have any officers or directors of the Company.

ITEM 3. Defaults Upon Senior Securities

None

ITEM 4. Mine Safety Disclosure

Not applicable.

ITEM 5. Other Information.

None

ITEM 6. Exhibits

(a)

Exhibits.

Exhibit No.	Title of Document	Location if other than attached hereto
3.1	Articles of Incorporation	10-SB Registration Statement*
3.2	Articles of Amendment to Articles of Incorporation	10-SB Registration Statement*
3.3	By-Laws	10-SB Registration Statement*
3.4	Articles of Amendment to Articles of Incorporation	8-K Current Report dated December 31, 2003*
3.5	Articles of Amendment to Articles of Incorporation	8-K Current Report dated December 31, 2003*
3.6	Articles of Amendment	September 30, 2004 10-QSB Quarterly Report*
3.7	By-Laws Amendment	September 30, 2004 10-QSB Quarterly Report*
4.1	Debenture	8-K Current Report dated June 29, 2007*
4.2	Form of Purchasers Warrant	8-K Current Report dated June 29, 2007*
4.3	Registration Rights Agreement	8-K Current Report dated June 29, 2007*
4.4	Form of Placement Agreement	8-K Current Report dated June 29, 2007*
10.1	Securities Purchase Agreement	8-K Current Report dated June 29, 2007*
10.2	Placement Agent Agreement	8-K Current Report dated June 29, 2007*
14	Code of Ethics	December 31, 2003 10-KSB Annual Report*
21	Subsidiaries of the Company	December 31, 2004 10-KSB Annual Report*

Exhibit No.	Title of Document	Location if other than attached hereto
31.1	302 Certification of Kim Boyce	
31.2	302 Certification of Keith Merrell	
32	906 Certification	

Exhibits

Additional Exhibits Incorporated by Reference

*	Reflect California Reorganization	8-K Current Report dated December 31, 2003
*	JMST Acquisition	8-K Current Report dated April 4, 2006
*	Cryomastor Reorganization	8-K Current Report dated September 27, 2006
*	Image Labs Merger Agreement Signing	8-K Current Report dated November 15, 2006
*	All Temp Merger Agreement Signing	8-K Current Report dated November 17, 2006
*	All Temp Merger Agreement Closing	8-KA Current Report dated November 17, 2006
*	Image Labs Merger Agreement Closing	8-KA Current Report dated November 15, 2006

* Previously filed and incorporated by reference.

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.

(Registrant)

Date:

November 13, 2017

By: /s/ Kim Boyce

Kim Boyce, CEO, President and Director

Date:

November 13, 2017

By: /s/ Tom Tait

Tom Tait, Vice President and Director

Date:

November 13, 2017

By: /s/ Keith Merrell

Keith Merrell, CFO, Principal Financial

Officer