REFLECT SCIENTIFIC INC
Form 10-Q
August 14, 2018

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 June 30, 2018

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 August 14, 2018

76,512,086 shares of $0.01 par value common stock on August 14, 2018

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Part I - FINANCIAL INFORMATION

Item 1. Financial Statements

Reflect Scientific, Inc.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

June 30, 2018

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

	June 30, 2018 (Unaudited)	December 31, 2017
CURRENT ASSETS		
Cash	$ 154,431	$ 235,858
Accounts receivable, net	162,727	122,435
Inventory, net	165,304	155,352
Prepaid assets	33,206	3,100
Total Current Assets	515,668	516,745
FIXED ASSETS, NET	-	-
OTHER ASSETS		
Goodwill	60,000	60,000
Deposits	3,100	3,100
Total Other Assets	63,100	63,100
TOTAL ASSETS	$ 578,768	$ 579,845

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

		June 30, 2018 (Unaudited)		December 31, 2017
CURRENT LIABILITIES				
Accounts payable and accrued expense	$	19,707	$	53,507
Short-term lines of credit		10,750		-
Customer deposits		3,810		70,812
Income taxes payable		100		100
Total Current Liabilities		34,367		124,419
Total Liabilities		34,367		124,419
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; 76,512,086 and 71,312,086 issued and outstanding, respectively		765,120		713,120
Additional paid in capital		19,949,491		19,793,490
Accumulated deficit		(20,170,210)		(20,051,184)
Total Stockholders Equity		544,401		455,426
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$	578,768	$	579,845

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 June 30, 2018	2017	For the Six Months Ended June 30, 2018	2017
REVENUES	$ 334,659	$ 298,287	$ 760,340	$ 554,202
COST OF GOODS SOLD	120,527	119,080	229,837	209,108
GROSS PROFIT	214,132	179,207	530,503	345,094
OPERATING EXPENSES				
Salaries and wages	159,773	105,785	272,534	211,065
Rent expense	12,468	8,519	21,451	17,097
Research and development expense	-	6,337	14,905	17,967
General and administrative expense	258,638	45,467	340,639	88,255
Total Operating Expenses	431,879	166,108	649,529	334,384
OPERATING PROFIT (LOSS)	(217,747)	13,099	(119,026)	10,710
OTHER INCOME (EXPENSE)				
Total Other Income (Expenses)	-	-	-	-
NET INCOME (LOSS)BEFORE TAXES	(217,747)	13,099	(119,026)	10,710
Income tax benefit (expense)	-	-	-	-
NET INCOME (LOSS)	$ (217,747)	$ 13,099	$ (119,026)	$ 10,710

NET INCOME (LOSS) PER SHARE - BASIC	$	(0.00)	$	0.00	$	(0.00)	$	0.00
NET INCOME (LOSS) PER SHARE - DILUTED	$	(0.00)	$	0.00	$	(0.00)	$	0.00
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED		73,997,800		65,401,086		72,662,362		65,401,086

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, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (119,026)	$ 10,710
Adjustments to reconcile net income to net cash used in operating activities:		
Common stock issued for services	148,645	-
Stock-based compensation	40,000	-
Changes in operating assets and liabilities:		
Accounts receivable	(40,292)	(82,621)
Inventory	(9,952)	10,311
Prepaid expenses	(10,750)	-
Accounts payable and accrued expenses	(33,800)	(27,470)
Customer deposits	(67,002)	623
Net Cash (used in) provided by Operating Activities	(92,177)	(88,447)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Cash used in investing Activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Net funds received from line of credit	10,750	-
Net Cash used in Financing Activities	10,750	-
NET CHANGE IN CASH	(81,427)	(88,447)
CASH AT BEGINNING OF PERIOD	235,858	263,964
CASH AT END OF PERIOD	$ 154,431	$ 175,517
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash Paid For:		
Interest	$ -	$ -
Income taxes	$ -	$ -
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Common stock issued for prepaid expenses	$ 19,356	$ -

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

REFLECT SCIENTIFIC, INC.

Notes to the Condensed Consolidated Financial Statements

June 30, 2018

(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, 2017 financial statements. Operating results for the three and six months ended June 30, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018.

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: The Company recognizes revenue under ASC 606, Revenue from Contracts with Customers. The core principle of the new revenue standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled to exchange for those goods or services. The Company only applies the five step model to contracts when it is probable that the Company will collect the consideration it is entitled to in exchange for the goods and services transferred to the customer. The following five steps are applied to achieve that core principle:

Step 1. Identify the contract with the customer

Step 2. Identify the performance obligations in the contract

Step 3. Determine the transaction price

Step 4. Allocate the transaction price to the performance obligations in the contract

Step 5. Recognize revenue when the Company satisfied a performance obligation

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 June 30, 2018 and December 31, 2017, the Company had accounts receivable, net of the allowance, of $162,727 and $122,435, respectively. At June 30, 2018 and December 31, 2017 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 June 30, 2018, inventory was made up of $165,304 of finished goods, net an allowance for obsolescence of $86,339. At December 31, 2017, inventory was comprised of $155,352 of finished goods, net an allowance for obsolescence of $86,339. 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, 2017.

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 June 30, 2018 and 2017, the Company had no common stock equivalents.

RECENT ACCOUNTING PRONOUNCEMENTS: Public law No. 115-97, known as the Tax Cuts and Jobs Act the Tax Act). Enacted on December 22, 2017, reduced the U.S. federal corporate tax rate from 35% to 21% effective January 1, 2018. Also on December 22, 2017, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 118 (SAB 118), which provides guidance on accounting for tax effects of the Tax Act. SAB 118 provides a measurement period of up to one year from the enactment date to complete the accounting. Any adjustments during this measurement period will be included in net earnings from continuing operations as an adjustment to income tax expense in the reporting period when such adjustments are determined. As the Company has net operating loss carryforwards which will offset tax liability for the coming year or years, no adjustments for the effect of the income tax rate change is reflected in our financial statements.

In January 2018 the Company adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The Company is using the ASU 606 five step model, outlined in Note 2 to the financial statements. We have completed our assessment of the impact under the new revenue standard on our condensed financial statements. Based on our assessment, we have concluded that our financial statements will not be materially impacted upon adoption.

In February 2018, the Financial Standards Accounting Board (FASB) issued Accounting Statement Update No. 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.* This ASU allows a reclassification from accumulated other comprehensive income (AOCI) to retained earnings for certain income tax effects stranded in AOCI as a result of the Tax Act. The reclassification eliminates the stranded tax effects resulting from the Tax Act and is intended to improve the usefulness of information reported to financial statement users. ASU No. 2018-02 is effective for reporting periods beginning on January 1, 2019; early adoption is permitted. The Company does not currently have amounts to be reclassified under this and therefore believes it will not have an impact on its financial statements and statements of operations.

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 $20,170,210 at June 30, 2018. These factors raise substantial doubt about the Company s ability to continue as a going concern for a period of one year from the issuance of these financial statements. 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 STOCK ISSUANCES

On May 14, 2018 the Board of Directors authorized the issuance of 5,200,000 shares of restricted common stock. Of the stock issued, 4,200,000 shares were issued to consultants for services 1,000,000 shares were issued to an employee. The closing price of the stock on the date of grant was $0.04 per share, resulting in a $148,645 charge to consulting expense for consulting services previously performed and a $40,000 charge to stock-based compensation. The remaining $19,356 is recorded as a prepaid expense and will be amortized over the remainder of 2018 for consulting services to be performed during that period.

NOTE 5 LINE OF CREDIT

The Company has a credit line with a commercial bank of $100,000 secured by its inventory and accounts receivable bearing a variable interest rate, which is 7.75% as of the balance sheet date, and automatically renews on April 1 of each year. At June 30, 2018, the Company has a balance due of $10,750 on this line of credit.

NOTE 6 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;

.

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

.

Changes in U.S. and global financial and equity markets, including significant interest rate fluctuations, which may impede our Company s access to, or increase the 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 six month period ended June 30, 2018, 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, 2017.

Plan of Operation and Business Growth

Our revenues during the three month reporting periods increased 12% during 2018 compared to 2017 revenues. Revenues during the six month reporting periods increased 37% during 2018 compared to 2017.

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 six months ended June 30, 2018 follows.

Results of Operations

Three Months Ended June 30, 2018 and 2017

		For the three months ended June 30,			
		2018		2017	Change
Revenues	$	334,659	$	298,287	$ 36,372
Cost of goods sold		120,527		119,080	1,447
Gross profit		214,132		179,207	34,925
Operating expenses		431,879		166,108	265,771
Other expense		-		-	-
Net profit (loss)	$	(217,747)	$	13,099	$ (230,846)

Revenues increased during the quarter ended June 30, 2018, to $334,659 from $298,287 for the quarter ended June 30, 2017, an increase of $36,372. The increase results primarily from the sale of ultra-low temperature freezers which generated revenue of $90,538 in 2018 compared to revenue of $36,512 in 2017. We are continuing work to increase our market penetration in the ultra-low temperature freezer market.

Cost of goods increased in the quarter ending June 30, 2018, as compared to June 30, 2017, to $120,527 from $119,080, an increase of $1,447. The 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 64% for the three months ended June 30, 2018, compared to 60% for the three months ended June 30, 2017. 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 increased to $431,879 for the three months ended June 30, 2018, an increase of $265,771 over the expenses of $166,108 incurred in the three month period ended June 30, 2017. The increase results primarily from increases in salaries, consulting, stock based compensation, health insurance, and professional fees, offset by small increases in a number of other expense categories. The 5,200,000 shares of restricted common stock granted for services resulted in a $188,645 charge to the period. 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 loss for the three month period ended June 30, 2018 was $217,747, compared to a net profit of $13,099 for the three month period ended June 30, 2017. Management continues to look for opportunities to increase sales, improve gross margins and control ongoing operating expenses.

The net loss of $217,747 for the three month period ended June 30, 2018 represents a loss of $(0.00) per share. This compares to the net profit of $13,099, or $0.00 per share, for the three months ended June 30, 2017.

Six Months Ended June 30, 2018 and 2017

	For the six months ended June 30,		
	2018	2017	Change
Revenues	$ 760,340	$ 554,202	$ 206,138
Cost of goods sold	229,837	209,108	20,729
Gross profit	530,503	345,094	185,409
Operating expenses	649,529	334,384	315,145
Other expense	-	-	-
Net profit (loss)	$ (119,026)	$ 10,710	$ (129,736)

Revenues increased during the six month period ended June 30, 2018, to $760,340 from $554,202 for the six month period ended June 30, 2017, an increase of $206,138. The increase results primarily from the sale of ultra-low temperature freezers which generated revenue of $222,188 in 2018 compared to $63,853 in 2017. We are continuing work to increase our market penetration in the ultra-low temperature freezer market.

With the increase experienced in sales, cost of goods increased in the six month period ending June 30, 2018, as compared to June 30, 2017, to $229,837 from $209,108, an increase of $20,729. We realized a gross profit percentage of 70% for the six months ended June 30, 2018, compared to 62% for the six months ended June 30, 2017. The gross profit percentage is dependent on the mix of product sales, which varies from quarter to quarter. The ultra-low temperature freezers provide higher gross margins than do our laboratory supplies. 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 increased to $649,529 in the six months ended June 30, 2018, an increase of $315,145 over the expenses of $334,384 incurred in the six month period ended June 30, 2017. The increase was primarily the result of a $188,645 non-cash charge for shares of restricted common stock issued for services, as well as increased salary and benefit expenses and increased consulting fee expenses. 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 loss for the six month period ended June 30, 2018 was $119,026, which compares to a $10,710 profit for the six month period ended June 30, 2017. Management continues to look for opportunities to increase sales, improve gross margins and control ongoing operating expenses.

The net loss of $119,026 for the six month period ended June 30, 2018 represents a loss of $0.00 per share. This compares to the net profit of $10,710, or $0.00 per share for the six months ended June 30, 2017.

Seasonality and Cyclicality

We do not believe our business is cyclical.

Liquidity and Capital Resources

Our cash resources at June 30, 2018, were $154,431, with accounts receivable of $162,727, net of allowance, and inventory of $165,304, net of allowance. Our working capital on June 30, 2018, was $481,301. Working capital on

December 31, 2017 was $392,326.

For the six month period ended June 30, 2018, net cash used by operating activities was $92,177 which compares to $88,447 net cash used by operating activities for the six month period ended June 30, 2017.

We have a $100,000 line of credit with a commercial bank, which carries a variable rate of interest, which rate is 7.75% at June 30, 2018. In June 2018 we drew $10,750 against this line of credit. The minimum payment on the line is $176 per month. The line may be paid off at any time without penalty. At June 30, 2018, the balance due was $10,750.

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 June 30, 2018, are $104,717 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 $22,644 at June 30, 2018. 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, unde339r 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 six month period ended June 30, 2018 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 six months ended June 30, 2018, 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, 2008*
4.2	Form of Purchasers Warrant	8-K Current Report dated June 29, 2008*
4.3	Registration Rights Agreement	8-K Current Report dated June 29, 2008*
4.4	Form of Placement Agreement	8-K Current Report dated June 29, 2008*
10.1	Securities Purchase Agreement	8-K Current Report dated June 29, 2008*
10.2	Placement Agent Agreement	8-K Current Report dated June 29, 2008*
14	Code of Ethics	December 31, 2003 10-K Annual Report*
21	Subsidiaries of the Company	December 31, 2006 10-K 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 June 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:

August 14, 2018

By: /s/ Kim Boyce

Kim Boyce, CEO, President and Director

Date:

August 14, 2018

By: /s/ Tom Tait

Tom Tait, Vice President and Director

Date:

August 14, 2018

By: /s/ Keith Merrell

Keith Merrell, CFO, Principal Financial

Officer