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REFLECT SCIENTIFIC INC
Form 10QSB
August 16, 2004

U. S. Securities and Exchange Commission
Washington, D. C. 20549

FORM 10-QSB

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

For the quarterly period ended June 30, 2004

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

For the transition period from _____ to _____

Commission File No. 000-31377

REFLECT SCIENTIFIC, INC.

(Name of Small Business Issuer in its Charter)

UTAH

87-0642556

(State or Other Jurisdiction of
incorporation or organization)

(I.R.S. Employer I.D. No.)

970 Terra Bella Avenue
Mountain View, California, 94043

(Address of Principal Executive Offices)

Issuer's Telephone Number: (650) 960-0300

Indicate by check mark whether the Registrant (1) has filed all reports
required to be filed by Sections 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.

(1)	Yes	X	No	(2)	Yes	X	No
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APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Not applicable.

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the Registrant's classes
of common stock, as of the latest practicable date:

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June 30, 2004

24,000,000

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements. -----

The Financial Statements of the Company required to be filed with this 10-QSB Quarterly Report were prepared by management, and commence on the following page, together with Related Notes. In the opinion of management, the Financial Statements fairly present the financial condition of the Company.

REFLECT SCIENTIFIC, INC.

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2004 and December 31, 2003

REFLECT SCIENTIFIC, INC.
Consolidated Balance Sheets

ASSETS

	June 30, 2004 (Unaudited)	December 31, 2003
CURRENT ASSETS		
Cash	\$ 57,080	\$ 99,924
Accounts receivable, net	369,411	232,464
Inventory, net	193,141	210,447
Prepaid expenses	800	800
	-----	-----
Total Current Assets	620,432	543,635
	-----	-----
FIXED ASSETS (NET)	20,838	21,923
	-----	-----
OTHER ASSETS		
Deposits	5,350	5,350
Capitalized loan costs, net	5,775	6,125
	-----	-----
Total Other Assets	11,125	11,475
	-----	-----
TOTAL ASSETS	\$ 652,395	\$ 577,033
	=====	=====

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

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REFLECT SCIENTIFIC, INC. Consolidated Balance Sheets (Continued)

LIABILITIES AND SHAREHOLDERS' EQUITY

	June 30, 2004 (Unaudited)	December 31, 2003
CURRENT LIABILITIES		
Accounts payable	\$ 179,426	\$ 199,374
Accrued expenses	19,169	15,180
Income taxes payable	13,200	-
	-----	-----
Total Current Liabilities	211,795	214,554
	-----	-----
NON-CURRENT LIABILITIES		
Long term line of credit	268,986	269,011
	-----	-----
Total Non-Current Liabilities	268,986	269,011
	-----	-----
Total Liabilities	480,781	483,565
	-----	-----
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Common stock, \$0.01 par value, authorized 50,000,000 shares; 24,000,000 shares issued and outstanding	240,000	240,000
Additional paid-in capital (deficit)	(188,319)	(210,841)
Retained earnings	119,933	64,309
	-----	-----
Total Shareholders' Equity	171,614	93,468
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 652,395	\$ 577,033
	=====	=====

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

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REFLECT SCIENTIFIC, INC. Consolidated Statements of Operations (Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2004	2003	2004	2003
REVENUES	\$ 581,656	\$ 464,983	\$ 1,081,707	\$ 958,338
COST OF GOODS SOLD	332,912	305,812	644,035	581,886
	-----	-----	-----	-----
GROSS PROFIT	248,744	159,171	437,672	376,452

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OPERATING EXPENSES	-----	-----	-----	-----
Salaries and wages	86,848	74,852	176,182	151,774
Payroll taxes	6,639	6,275	15,431	13,258
Rent expense	18,999	24,938	38,058	37,480
General and administrative expense	67,638	17,552	138,168	82,196
Total Operating Expenses	180,124	123,619	367,839	284,708
OPERATING INCOME	68,620	35,552	69,833	91,744
OTHER INCOME (EXPENSE)	-----	-----	-----	-----
Sundry income	5,000	30,000	5,000	30,000
Miscellaneous income (expense)	-	16,283	(301)	16,015
Interest expense	(2,851)	(3,435)	(5,707)	(8,068)
Total Other Income (Expense)	2,149	42,848	(1,008)	37,947
NET INCOME BEFORE INCOME TAX	70,769	78,400	68,825	129,691
INCOME TAX EXPENSE	13,200	-	13,200	-
NET INCOME	\$ 57,569	\$ 78,400	\$ 55,625	\$ 129,691
EARNINGS PER SHARE	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.01
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	24,000,000	22,914,949	24,000,000	22,914,949

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

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REFLECT SCIENTIFIC, INC.
Consolidated Statements of Cash Flows
(Unaudited)

		For the Six Months Ended June 30,	
	2004		2003
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 55,625	\$	129,693
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	350		1,184
Amortization of capitalized loan costs	1,085		420
Changes in operating assets and liabilities:			
(Increase) in accounts			

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receivable	(136,947)	(46,685)
Decrease in inventory	17,305	39,454
Decrease in prepaid expenses	-	6,124
Increase (decrease) in accounts payable and accrued expenses	(15,959)	9,531
Increase in income taxes payable	13,200	-
	-----	-----
Net Cash Used by Operating Activities	(65,341)	139,721
CASH FLOWS FROM INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on short term lines of credit	-	-
Change in long term line of credit	(25)	-
Contributed capital	22,522	(1,579)
Distribution to shareholder	-	(101,000)
	-----	-----
Net Cash (Used) Provided by Financing Activities	22,497	(102,579)
	-----	-----
NET DECREASE IN CASH	(42,844)	37,142
CASH AT BEGINNING OF PERIOD	99,924	115,644
	-----	-----
CASH AT END OF PERIOD	\$ 57,080	\$ 152,786
	=====	=====

NON-CASH INVESTING AND FINANCING ACTIVITIES:

Cash Paid For:

Interest	\$ 4,729	\$ 7,068
Income taxes	\$ -	\$ -

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

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REFLECT SCIENTIFIC, INC.
Notes to the Consolidated Financial Statements
June 30, 2004 and December 31, 2003

NOTE 1 - BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited condensed 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 such rules and regulations. The information furnished in the interim condensed financial statements include 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 financial statements be read in conjunction with the Company's most recent audited

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financial statements and notes thereto included in its December 31, 2003 financial statements. Operating results for the six months ended June 30, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004.

NOTE 2 - ACQUISITION OF REFLECT SCIENTIFIC

On December 30, 2003, pursuant to an agreement and plan of reorganization, the Company completed a reverse merger with the shareholder of Reflect Scientific, Inc. in which it acquired 100% of Reflect Scientific, Inc., a California Company in exchange for 22,914,949 common shares of the Company. The terms of the acquisition are detailed in an 8-K filing dated December 31, 2003. Under the terms of the agreement, the President of Reflect Scientific, Inc. became the President of the Company and was elected to the Board of Directors, the acquisition was accounted for as a recapitalization of Reflect Scientific, Inc. because the members of Reflect Scientific, Inc. controlled the Company after the acquisition. Reflect Scientific, Inc. was treated as the acquiring entity for accounting purposes and Cole, Inc. was the surviving entity for legal purposes. There was no adjustment to the carrying values of the assets or liabilities of Reflect Scientific, Inc. and no goodwill was recorded.

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Item 2. Management's Discussion and Analysis or Plan of Operation.

Results of Operations.

Our revenues increased during the quarter ended June 30, 2004, to \$581,656 from \$464,983 for the quarter ended June 30, 2003, primarily as a result of a general improvement in sales across several new product lines and improving market conditions.

Our cost of goods increased in the period ending June 30, 2004, as compared to June 30, 2003, to \$332,912 from \$305,812. The difference was partly as a result of an increase in sales, increased raw material costs and increased labor costs.

General and administrative expenses increased to \$67,638 during the quarter ended June 30, 2004, from \$17,552 during the quarter ended June 30, 2003. This increase was due to the addition of one full-time employee, increased payroll and increased operational expenses, like legal and accounting fees.

Liquidity and Capital Resources.

Our cash resources at June 30, 2004, were \$57,080, with accounts receivable of \$369,411. We have relied on revenues and lines of credit for our cash resources. At June 30, 2004, we had utilized \$268,986 of our \$400,000 line of credit. These funds should be adequate for the next 12 months for continuing operations; however, plans for expansion will require additional capital of between \$500,000 and \$750,000.

Forward-Looking Statements.

The Private Securities Litigation Reform Act of 1995 (the "Act")

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provides a safe harbor for forward-looking statements made by or on behalf of our Company. Our Company and its representatives may from time to time make written or oral statements that are "forward- looking," including statements contained in this Quarterly 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:

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

Item 3. 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 President and Treasurer, of the effectiveness of our disclosure controls and procedures. Based on this evaluation, our President and Treasurer concluded that our disclosure controls and procedures are effective in timely alerting them to material information required to be included in our periodic Securities and Exchange Commission reports. 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. In addition, we reviewed our internal controls over financial reporting, and there have been no changes in our internal controls or in other factors in the last fiscal quarter that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None; not applicable.

Item 2. Changes in Securities and Small Business Issuer Purchases of Equity Securities.

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None; not applicable.

Item 3. Defaults Upon Senior Securities.

None; not applicable.

Item 4. Submission of Matters to a Vote of Security Holders.

None; not applicable.

Item 5. Other Information.

None; not applicable.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

31.1 302 Certification of Kim Boyce

31.2 302 Certification of Pamela Boyce

32 906 Certification.

(b) Reports on Form 8-K.

None.

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.

Date: 8/16/2004

/s/Kim Boyce

Kim Boyce, President

Date: 8/16/2004

/s/Pamela Boyce

Pamela Boyce, Secretary