SOUTHERN CONNECTICUT BANCORP INC
Form 10-K/A
May 01, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

F O R M 10 – K/A

(Amendment No. 1)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2011.

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________________ to ____________________

Commission file number 1-32219

SOUTHERN CONNECTICUT BANCORP, INC.
(Exact name of registrant as specified in its charter)

Connecticut (State or other jurisdiction of incorporation or organization)	06-1609692 (I.R.S. Employer Identification Number)
215 Church Street New Haven, Connecticut (Address of Principal Executive Offices)	06510 (Zip Code)
Registrant's telephone number, including area code	(203) 782-1100

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value $.01 per share (Title of each class)	NYSE Amex (Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes o No x

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 o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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 definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	x
(Do not check if a 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 o No x

The aggregate market value of the voting and non-voting common equity held by non-affiliates (assumes all directors, executive officers and 10% or greater holders are affiliates) of the registrant, computed by reference to the price at which the common equity was last sold as of June 30, 2011, the last business day of the registrant's most recently completed second fiscal quarter: $7,780,000.

The number of shares outstanding of each of the registrant's classes of common equity: Common Stock, par value $.01 per share, outstanding as of March 30, 2012: 2,735,359

DOCUMENTS INCORPORATED BY REFERENCE

None.

2

EXPLANATORY NOTE

Southern Connecticut Bancorp, Inc. ("Bancorp" or the "Company") is filing this Amendment No. 1 on Form 10-K/A to its Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (the "Original Form 10-K Filing"), which was originally filed with the U.S. Securities and Exchange Commission (the "SEC") on March 30, 2012, solely to set forth information required by Items 10, 11, 12, 13 and 14 of Part III of Form 10-K because the Company will not file a definitive proxy statement containing such information within 120 days after the end of its fiscal year ended December 31, 2011. This Amendment amends and restates in its entirety Items 10, 11, 12, 13 and 14 of Part III of the Original Form 10-K Filing. In addition, in accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Item 15 of Part IV of the Original Form 10-K Filing has been amended and restated to include as exhibits new certifications by the Company's principal executive officer, principal financial officer and principal accounting officer.

Except as expressly set forth herein, this Amendment does not reflect events occurring after the date of the Original Form 10-K Filing or modify or update any of the other disclosures contained therein in any way other than as required to reflect the amendments discussed above. Accordingly, this Amendment should be read in conjunction with the Original Form 10-K Filing and the Company's other filings with the SEC.

Table of Contents

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The Board is divided into three classes designated as Class I, Class II and Class III, with each class containing approximately the same percentage of the total of non employee directors. The Company has one employee director, the Company's Chief Executive Officer, who is a Class II director appointed by the Board of Directors to serve until the 2012 Annual Meeting. The term of office of one class of directors expires at each annual meeting of the Company's shareholders. Directors serve for a term of three years and until his or her successor is elected and qualified, or until his or her earlier resignation, removal from office, death or disability. The term of office of Class I directors will expire at the annual meeting of shareholders in 2014; Class II directors who are elected at the 2012 Annual Meeting will expire at the annual meeting of shareholders in 2015; and Class III directors will expire at the annual meeting of shareholders in 2013. A plurality of votes is required for the election of directors.

The following table sets forth each of the Company's current directors and executive officers and includes such person's name, age, the year he first became a director of the Company and the biographies of such directors and executive officers. The table also discloses whether the individuals are directors and executive officers of the Company's subsidiaries, The Bank of Southern Connecticut (the "Bank") and SCB Capital, Inc. ("SCB").

Name	Age	Position And Offices With Bancorp or the Bank and Principal Occupation and Employment During the Past Five Years	Director of Bancorp Since
Class I			
Carl R. Borrelli	75	Director of Bancorp and the Bank and SCB; Treasurer, All-Brite Electric, Inc. Mr. Borrelli's many years as a small business owner make him well-suited to serve as a director of Bancorp and the Bank.	2000. To serve until 2014.
Alphonse F. Spadaro, Jr.	70	Acting Chairman of Bancorp, the Bank, and Vice Chairman of SCB; managing principal of Levitsky & Berney, P.C. (public accounting firm). Mr. Spadaro's knowledge of accounting issues makes him a valuable member of the Boards of Bancorp, the Bank and SCB.	2001. To serve until 2014.
Class II			
Joshua H. Sandman, Ph.D.	69	Director of Bancorp and the Bank; Vice President, Deitsch Plastics (plastics fabricating) and Professor, University of New Haven; former Director of The Bank of New Haven. Dr. Sandman's experience as a former director of a community bank and senior executive of a local business, which is the type of customer targeted by the Bank, makes him a valuable member of the Boards of Bancorp and the Bank.	2000. To serve until 2015.

James S. Brownstein, Esq.	64	Director of Bancorp, the Bank and SCB; managing partner, Law Offices of James S. Brownstein, LLC (law firm). Mr. Brownstein’s years of practicing law provide insight on legal issues for the Boards of Bancorp, the Bank and SCB.	2008. To serve until 2015.
Joseph J. Greco	61	Director and CEO of Bancorp, the Bank and SCB; Mr. Greco's years of experience as a Bank Director and CEO make him well suited to serve as a Director of Bancorp, the Bank and SCB.	2011. To serve until 2015.
Class III			
Alfred J. Ranieri, Jr., M.D.	69	Director of Bancorp and the Bank; Private practice physician, New Haven, CT. Dr. Ranieri brings valuable managerial experience and local knowledge of the Bank’s primary market area to the Boards of Bancorp and the Bank.	2007. To serve until 2013.

NON-DIRECTOR EXECUTIVE OFFICERS

Sunil Pallan	50	President of Bancorp and the Bank since April 2011.Senior Vice President and Chief Credit Officer of the Bank since March 2008; Vice President of Loan Administration and Chief Credit Officer from January 2008 to March 2008; Vice President Loan Administration from January 2007 to January 2008; Loan Administration Manager from July 2006 to January 2007;and Assistant Vice President of Loan Administration from February 2006 to July 2006. Mr. Pallan began his career with the Bank as a Credit Analyst in October 2005. Mr. Pallan held various Executive Management positions with Kenyan banks, including First American Bank of Kenya Limited in Nairobi, Kenya. Mr. Pallan is a member of the Institute of Certified Accountants in Kenya.
Stephen V. Ciancarelli	57	Senior Vice President and Chief Financial Officer of Bancorp, the Bank and SCB since May 2008. Prior to May 2008, Mr. Ciancarelli spent 5 years as Senior Vice President and Chief Financial Officer with Essex Corporation, a subsidiary of John Hancock Life Insurance Company. Mr. Ciancarelli is a graduate of L.I.U.-C.W. Post in New York and holds an M.B.A. from L.I.U.-C.W. Post in New York.

Audit Committee of the Board

Audit Committee. Bancorp's Audit Committee oversees all internal and external audit and compliance functions. Both the internal auditor and the external auditor report directly to the Audit Committee. In performing its functions, the Audit Committee acts as a joint Audit Committee of Bancorp, the Bank and SCB. All of the members of the Audit Committee are independent as that term is defined in Section 803A of the NYSE Amex Company Guide. The Board of Directors has determined that Alphonse F. Spadaro, Jr. is an audit committee financial expert under the rules of the Securities and Exchange Commission. The Audit Committee acts under a written charter adopted by the Board of Directors, a copy of which is available on Bancorp's website at www.scbancorponline.com. For 2011, the members of the Audit Committee were Alphonse F. Spadaro, Jr. (Chair), Carl R. Borrelli and Elmer F. Laydon. The current members of Bancorp's Audit Committee are Alphonse F. Spadaro, Jr. (Chair), Carl R. Borrelli, and Joshua H. Sandman, Ph.D. The Audit Committee met 8 times during 2011.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires Bancorp's officers and directors, and persons who own more than ten percent (10%) of Bancorp's Common Stock, to file reports of ownership and changes in ownership of Bancorp's Common Stock with the Securities and Exchange Commission ("SEC"). Officers, directors and greater than ten percent (10%) beneficial owners are required by applicable regulations to furnish Bancorp with copies of all forms they file pursuant to Section 16(a). Based upon a review of the copies of forms furnished to Bancorp, Alfred J. Ranieri, Jr., M.D. (i) filed his Form 3 late and (ii) filed one late Form 4 report covering one transaction in 2011.

Code of Ethics

Bancorp has adopted a Code of Ethics and Conduct that is designed to promote the highest standards of ethical conduct by Bancorp's and the Bank's directors, executive officers and employees. The Code of Ethics and Conduct applies to Bancorp's CEO, President and Chief Financial Officer and is considered to be Bancorp's Code of Ethics in accordance with Regulations of the Securities and Exchange Commission. The Code of Ethics and Conduct requires that Bancorp's, the Bank's and SCB's directors, executive officers and employees avoid conflicts of interest, comply with all laws and other legal requirements, conduct business in an honest and ethical manner and otherwise act with integrity and in Bancorp's, the Bank's and SCB's best interest. Under the terms of the Code of Ethics and Conduct, directors, executive officers, officers and employees are required to report any conduct that they believe in good faith to be an actual or apparent violation of the Code. The Code of Ethics and Conduct is available on Bancorp's website at www.scbancorponline.com. Amendments to or waivers from the Code of Ethics and Conduct will be discussed in Form 8-Ks filed by Bancorp and accessible on Bancorp's website.

Item 11. Executive Compensation.

The following is a summary compensation table for Bancorp's Chief Executive Officer and the next two highest paid executive officers of Bancorp (collectively, the "named executive officers").

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year Ended		Salary	Bonus ($)	Stock Awards ($)	Option Awards ($)	All Other Compensation ($)	Total ($
Joseph J. Greco (1)	2011	$	37,692	$100	$-	$-	$2,081 (2)	$39,873
Director and Chief Executive Officer of Bancorp, the Bank and SCB								
Sunil Pallan (3)	2011	$	164,365	$500	$-	$-	$667 (4)	$165,53
President of Bancorp and the Bank and Chief Credit Officer of the Bank	2010	$	140,000	$3,750	$-	$-	$414 (4)	$144,16
Stephen V. Ciancarelli	2011	$	165,000	$500	$4,150 (5)	$-	$1,290 (4)	$170,94
Senior Vice President and CFO of Bancorp, the Bank and SCB	2010	$	165,000	$3,750	$6,750 (6)	$-	$1,290 (4)	$176,79
			251,631					

Profit (loss) from operations	(248,862)	(402,189)	153,325
Interest expense	(661)	-	(661)
Net income (loss)	$ (249,523)	$ (402,189)	$ 152,666

Total revenue in 2018 increased 45.6% to $1,551,983 from revenue of $1,065,777 in 2017. Revenue of $437,995 was from ultra-low temperature freezers accounts in 2018, compared with revenue of $139,352 from freezer sales in 2017. We continue to work to increase sales of these freezer units, as well as working to develop marketing strategies to expand distribution channels of our specialty laboratory products.

Our cost of goods sold increased by $81,250 in the period ending December 31, 2018, as compared to December 31, 2017. Gross sales margin was 68% in 2018 compared to 62% in 2017. Our gross margin percent is influenced by the sales mix, with the ultra-low temperature freezers carrying significantly higher margins than the more generic lab supplies. We are working to further increase gross margins through working with current vendors to obtain more favorable costing or identifying and qualifying new vendors who offer more favorable pricing without compromising quality.

The salaries and wages decrease by $71,613 in 2018 compared to 2017 is the net result of salary changes, personnel additions, and an increase in stock-based compensation. Our plan is to continue to use outside contractors where practical to enable us to minimize our number of employees.

Research and development expense was $104,046 in 2018 compared to $46,696 in 2017, and increase of $57,350. The increase was due to additional costs incurred in finalizing the design of the ultra-low temperature freezers.

General and administrative expenses increased to $584,985 for 2018 as compared $328,484 in 2017, an increase of $256.651. The majority of the increase results from an increase in consulting fees of $146,541 in 2018 over 2017. Expense levels going forward are expected to approximate the 2018 levels as we continue to use consultants for business development and the marketing of our products.

Other expense in 2018 was interest charged on our short term lines of credit. There was no other income or expenses in 2017.

We had a net loss of $249,523 in 2018, a decrease of $152,666 over the $402,189 loss realized in 2017.

Seasonality and Cyclicality

We do not believe our business is cyclical.

Liquidity and Capital Resources

Our cash resources at December 31, 2018, were $220,427, with accounts receivable of $155,543 and inventory of $142,325, net of reserves. Our working capital at December 31, 2018 was $446,877. This compares to working capital of $392,326 at December 31, 2017.

In 2018, net cash required to fund operating activities was $14,559 as compared to net cash used by operations of $28,106 in 2017. We anticipate that in 2019, with the benefit of continued cost reductions and increased revenue, we will continue to generate positive cash from operating activities. We continue working to enhance our on-line ordering system to increase sales, develop the market for our ultra-low temperature freezers, work with current vendors to obtain more favorable pricing, and locate new vendors to provide opportunities to further reduce our cost of goods.

We will continue to focus our efforts on our core business activities while pursuing capital resources and evaluating potential future acquisitions which fit within and enhance our core business.

Off-Balance Sheet Arrangements

We lease office and warehouse space under a non-cancelable operating lease in Utah, which expires November 30, 2020. Future minimum lease payments under the operating lease at December 31, 2018 are $83,732 for this facility. In addition, at December 31, 2018 we have one automobile lease which expires July 7, 2021 with future minimum lease payments of $18,870.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable to Registrant.

Item 8. Financial Statements

The financial statements of the Company are set forth immediately following the signature page to this Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

We had no disagreements on accounting and financial disclosures with our accounting firm during the reporting periods covered by this Annual Report.

Item 9A. Controls and Procedures

As of the end of the period covered by this Annual Report, we conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief/Principal Financial Officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (Exchange Act). Based on this evaluation, our Chief Executive Officer and Chief 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 President 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 Chief Financial Officer have concluded that our disclosure controls and procedures are not effective. 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.

Management s Annual Report on 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). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes of accounting principles generally accepted in the United States.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our internal control over financial reporting as of December 31, 2018. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework

(2013). Based on this evaluation, our management concluded that, as of December 31, 2018 our internal control over financial reporting was not effective.

Inherent Limitations over Internal Controls

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations, including the possibility of human error and circumvention by collusion or overriding of controls. Accordingly, even an effective internal control system may not prevent or detect material misstatements on a timely basis. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Changes in internal control over financial reporting

We have made no change in our internal control over financial reporting during the last fiscal year that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Attestation Report of the Registered Public Accounting Firm

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by our independent registered public accounting firm pursuant to rules of the SEC that permit us to provide only management s report in this annual report on Form 10-K.

Item 9B. Other Information

None; not applicable.

PART III

Item 10. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act

Identification of Directors and Executive Officers

The following table sets forth the names of all of our current directors and executive officers. These persons will serve until the next annual meeting of the stockholders or until their successors are elected or appointed and qualified, or their prior resignation or termination.

Name	Positions Held	Date of Election or Designation	Date of Termination or Resignation
Kim Boyce	President & Director	12/2003	*
Tom Tait	Vice President, Secretary and Director	01/2005	*
William G. Moon	Director	04/2011	*
Keith L. Merrell	Chief Financial Officer & Treasurer	10/2009	*

* These persons presently serve in the capacities indicated.

Business Experience

Kim Boyce - CEO, Director

Mr. Boyce, 65, founded Reflect Scientific in 1993 and has over 40 years of experience in manufacturing, sales, distribution and management. His prior experience includes executive roles with Grace/Alltech Scientific, where he served as manager distribution and sales and manager plant operations. He also co-founded Labtech Scientific Products in Northern California, a distribution company specializing in equipment for use in life science and environmental related industries. He has an accomplished track record in strategic business development in a variety of markets, including the pharmaceutical and biotechnology sectors and cold chain management. Mr. Boyce received his technical training at DeAnza College in Cupertino, CA and his business training at San Jose State University.

Thomas Tait - Vice President, Secretary, Director

Mr. Tait, 63, serves as Vice President. Mr. Tait brings experience with accelerated product development, lean process management tools, strategic market analysis, and acquisition integration. Mr. Tait joined us from Danaher Company where he was a Business Manager over a $120 million in sales product line. Prior assignments have included General Manager of HyperQuan Inc., Product Manager J&W Scientific and Project Manager Varian Inc. He also co-founded ChiraTech Inc, a high technology Company that was sold to Thermo Electron Corporation. Mr. Tait holds an MBA in Technology Management from the University of Phoenix and a BS in Chemistry from Clarkson University. He also holds patents in Optics and MEMS technologies.

William G. Moon, Director

Mr. Moon, 70, has over 30 years experience in startup and engineering related companies. His leadership experience includes assisting in the formation of what became the world s largest disk drive company, Quantum Corporation, with over 10,000 employees. He was Principal Engineer and Vice President of Engineering for over twenty years, during which time he co-designed numerous standard-setting disk drives. During that time, he was a co-founder of a wholly owned Quantum subsidiary, Plus Development, and was key in the invention of the Hardcard, the first hard drive on a plug-in card. He helped create a partnership with Panasonic for the world s first totally automated disk drive assembly plant in Japan, producing over 100 million disk drives. Prior to that, Mr. Moon designed memory products at Hewlett Packard Labs in their Disk Memory Division. Over the past five years Mr. Moon has served as technical advisor to several companies and has sat on several boards.

Keith Merrell - Chief Financial Officer / Treasurer

Mr. Merrell, 73, serves as our Chief Financial Officer, Treasurer and General Manager. Mr. Merrell draws on over 40 years of accounting experience to manage all of our accounting functions and to interface with our independent public accountants. He spent two years in the field of public accounting, and served as Chief Financial Officer or Controller of five companies prior to joining us. His business career also includes extensive experience in management, sales and marketing, consulting, and merger and acquisition work. He graduated from Arizona State University with a B.S. degree in Accounting.

We believe that, based on education and experience all of our directors are qualified to serve.

Significant Employees

There are no employees who are not executive officers who are expected to make a significant contribution to our Company s business.

Family Relationships

There are no family relationships between our officers and directors.

Involvement in Certain Legal Proceedings

During the past five years, no director, person nominated to become a director, executive officer, promoter or control person of our Company:

(1) was a general partner or executive officer of any business against which any bankruptcy petition was filed, either at the time of the bankruptcy or two years prior to that time;

(2) was convicted in a criminal proceeding or named subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);

(3) was subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or

(4) was found by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Exchange Act requires that our executive officers and directors and persons who beneficially own more than 10% of our common stock, file initial reports of stock ownership and reports of changes in stock ownership with the Securities and Exchange Commission. Officers, directors, and greater than 10% owners are required by applicable regulations to furnish our Company with copies of all Section 16(a) forms that they file.

Based solely on a review of the copies of such forms furnished to us or written representations from certain persons, we believe that during our calendar year ended December 31, 2018, all filing requirements applicable to our officers, directors and 10% stockholders were met by such persons.

Code of Ethics

We have adopted a Code of Ethics that applies to all of our directors and executive officers serving in any capacity for our Company, including our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions, which Code of Ethics was attached to our Form 10-K annual Report for the year ended December 31, 2003. See Part IV, Item 15.

Nominating Committee

We have not established a Nominating and Corporate Governance Committee because we believe that the three members currently comprising our Board of Directors are able to effectively manage the issues normally considered by a Nominating and Corporate Governance Committee.

Audit Committee

Due to the size and status of our Company we have no Audit Committee, and are not required to have an audit committee. We do not believe the lack of an Audit Committee will have any adverse effect on our financial statements, based upon our current operations. We will assess whether an audit committee may be necessary in the future.

Item 11. Executive Compensation

The following table sets forth the aggregate compensation paid by us for services rendered during the periods indicated:

SUMMARY COMPENSATION TABLE

Name and Principal Position (a)	Year (b)	Salary ($) (c)	**Bonus ($) (d)**	Stock Awards ($) (e)	Option Awards ($) (f)	Non-Equity Incentive Plan Compensation($) (g)	Nonqualified Deferred Compensation ($) (h)	All Other Compensation($) (i)	Total Earnings ($) (j)
Kim Boyce	12/31/18	$102,200	-	40,000	-	-	-	-	$142,200
CEO & Director	12/31/17	$102,200	-	225,000	-	-	-	-	$327,200
	12/31/16	$102,200	-	201,405	-	-	-	-	$303,605

Tom Tait VP & Director	12/31/18	$47,640	-	4,000	-	-	-	-	$51,640
	12/31/17	$47,640	-	6,672	-	-	-	-	$54,312
	12/31/16	$47,640	-	6,000	-	-	-	-	$53,640
Keith Merrell, CFO	12/31/18	$12,104	-	3,240	-	-	-	-	$15,344
	12/31/17	$ 9,000	-	2,560	-	-	-	-	$11,560
	12/31/16	$ 9,000	-	4,860	-	-	-	-	$13,860

Outstanding Equity Awards

At December 31, 2018, there are no outstanding equity awards.

Compensation of Directors

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
None	None	None	None	None	None	None	None

Item 12. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Beneficial Owners

The following table sets forth, as of March 15, 2019, the names, addresses and number of shares of common stock beneficially owned by all persons known to the management of Reflect Scientific to be beneficial owners of more than 5% of the outstanding shares of common stock, and the names and number of shares beneficially owned by all directors of Reflect Scientific and all executive officers and directors of Reflect Scientific as a group (except as indicated, each beneficial owner listed exercises sole voting power and sole dispositive power over the shares beneficially owned).

For purposes of this table, information as to the beneficial ownership of shares of common stock is determined in accordance with the rules of the Securities and Exchange Commission and includes general voting power and/or investment power with respect to securities. Except as otherwise indicated, all shares of our common stock are beneficially owned, and sole investment and voting power is held, by the person named. For purposes of this table, a person or group of persons is deemed to have "beneficial ownership" of any shares of common stock, which such person has the right to acquire within 60 days after the date hereof. The inclusion herein of such shares listed beneficially owned does not constitute an admission of beneficial ownership.

All percentages are calculated based upon a total number of 79,108,086 shares of common stock outstanding as of March 15, 2019, plus, in the case of the individual or entity for which the calculation is made, that number of options or warrants owned by such individual or entity that are currently exercisable or exercisable within 60 days.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Owner	Percentage of Outstanding Common stock
	Principal Shareholders		
Common Stock	Kim Boyce	41,000,000	51.83%
	1270 South 1380 West		
	Orem, Utah 84058		
	Officers and Directors		
Common Stock	Kim Boyce	41,000,000	51.83%
Common Stock	Tom Tait	800,000	1.01%
Common Stock	Keith Merrell	420,333	0.57%

Common Stock	William Moon.	800,000	1.01%
	All directors and executive officers of the Company as a group (Five individuals)	43,020,333	54.42%

Changes in Control

There are no current or planned transactions that would or are expected to result in a change of control of our Company.

Securities Authorized for Issuance under Equity Compensation Plans

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in column (a) (c)
Equity compensation plans approved by security holders	-	-	12,000,000
Equity compensation plans not approved by security holders	-	-	None
Total	-	-	12,000,000

Item 13. Certain Relationships and Related Transactions

Transactions with Related Persons

In December 2018, the Board of Directors approved the issuance of 1,000,000 shares of restricted common stock to the President/CEO. Also in December 2018 the Board of Directors approved the issuance of 281,000 shares of restricted common stock to officers and directors. These shares were for compensation. These shares were recorded at the trading price at the date of approval, for an average of $0.04 per share, resulting in $51,240 recorded in salaries and wages.

In May 2018, the Board of Directors approved the issuance of 1,000,000 shares of restricted stock to an employee as compensation. These shares were recorded at the trading price at the date of approval at $0.04 per share, resulting in $40,000 recorded in salaries and wages.

In October 2017, the Board of Directors approved the issuance of 4,000,000 shares of restricted common stock to the President/CEO. In December 2017, the Board of Directors approved the issuance of 281,000 shares of restricted common stock to officers and directors. These shares were for compensation. These shares were recorded at the trading price at the time of approval, for an average of $0.04 per share, resulting in $51,240 recorded in salaries and wages.

Parents of the Issuer

None; however Kim Boyce, our President and a director, may be deemed to be our Parent by virtue of his substantial shareholdings in our Company.

Transactions with Promoters and Control Persons

There were no material transactions, or series of similar transactions, during our Company s last five fiscal years, or any currently proposed transactions, or series of similar transactions, to which we or any of our subsidiaries was or is to be a party and in which any promoter or founder of ours or any member of the immediate family of any of the foregoing persons, had an interest.

Item 14. Principal Accounting Fees and Services

The following is a summary of the fees billed to us by our principal accountants during the fiscal years ended December 31, 2018 and 2017:

Fee Category		**2018**		**2017**
Audit Fees	$	33,000	$	30,000
Audit-related Fees	$	0	$	0
Tax Fees	$	1,900	$	1,850
All Other Fees	$	0	$	0
Total Fees	$	34,900	$	31,850

Audit Fees - Consists of fees for professional services rendered by our principal accountants for the audit of our annual financial statements and review of the financial statements included in our Forms 10-Q or services that are normally provided by our principal accountants in connection with statutory and regulatory filings or engagements.

Audit-related Fees - Consists of fees for assurance and related services by our principal accountants that are reasonably related to the performance of the audit or review of our financial statements and are not reported under Audit fees.

Tax Fees - Consists of fees for professional services rendered by our principal accountants for tax compliance, tax advice and tax planning.

All Other Fees - Consists of fees for products and services provided by our principal accountants, other than the services reported under Audit fees, Audit-related fees, and Tax fees above.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors

We do not have an Audit Committee; therefore, there is no Audit Committee policy in this regard. However, we do require approval in advance of the performance of professional services to be provided to us by our principal accountant. Additionally, all services rendered by our principal accountant are performed pursuant to a written engagement letter between us and the principal accountant.

The Board of Directors has received from our auditors the matters required to be discussed by PCAOB Auditing Standard No. 16 (Communications with Audit Committees).

Item 15. Exhibits

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*
10.3	JMST Purchase Agreement	8-k Current Report dated April 4, 2006*
10.4	Cryomastor Merger Agreement	8-K Current Report dated April 19, 2006*
10.5	Image Labs Merger Agreement	8-K Current Report dated November 15, 2006*
10.6	All Temp Merger Agreement	8-K Current Report dated November 17, 2006*
	Debenture Settlement	8-K Current Report dated August 17, 2010
14	Code of Ethics	December 31, 2003 10-K Annual Report*
21	Subsidiaries of the Company	December 31, 2006 10-K Annual Report*
31.1	302 Certification of Kim Boyce	This Filing
31.2	302 Certification of Keith Merrell	This Filing
32	906 Certifications	This Filing

* Previously filed with the Securities and Exchange Commission in the form indicated and incorporated by reference

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
*	Debenture Placement	8-K Current Reported dated June 29, 2007

* Previously filed and incorporated by reference.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act, the Company caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

REFLECT SCIENTIFIC, INC.

Date:	*04/02/2019*	*By:*	*/s/Kim Boyce* *Kim Boyce, Chief Executive Officer and Director*
Date:	*04/02/2019*	*By:*	*/s/Keith Merrell* *Keith Merrell, Chief Financial Officer (Principal Accounting Officer)*

In accordance with the Securities Exchange Act, this Report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated:

REFLECT SCIENTIFIC, INC.

Date:	*04/02/2019*	*By:*	*/s/Kim Boyce* *Kim Boyce, CEO and Director*
Date:	*04/02/2019*	*By:*	*/s/Tom Tait* *Tom Tait, Vice President and Director*
Date:	*04/02/2019*	*By:*	*/s/William Moon* *William Moon, Director*

REFLECT SCIENTIFIC, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

C O N T E N T S

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Reflect Scientific, Inc.:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Reflect Scientific, Inc. (the Company) as of December 31, 2018 and 2017, the related consolidated statements of operations, shareholders equity, and cash flows for each of the years in the two-year period ended December 31, 2018 and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on the Company s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

<u>/s/ Sadler, Gibb & Associates, LLC</u>

We have served as the Company s auditor since 2015.

Salt Lake City, UT

April 2, 2019

REFLECT SCIENTIFIC, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

ASSETS

	December 31, 2018	December 31, 2017
CURRENT ASSETS		
Cash	$ 220,427	$ 235,858
Accounts receivable, net	155,543	122,435
Inventory, net	142,325	155,352
Prepaid assets	3,510	3,100
Total Current Assets	521,805	516,745
FIXED ASSETS, NET	7,766	-
OTHER ASSETS		
Intangible assets, net	-	-
Goodwill	60,000	60,000
Deposits	3,100	3,100
Total Other Assets	63,100	63,100
TOTAL ASSETS	$ 592,671	$ 579,845

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

REFLECT SCIENTIFIC, INC. AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)

LIABILITIES AND SHAREHOLDERS EQUITY

	December 31, 2018	December 31, 2017
CURRENT LIABILITIES		
Accounts payable	$ 52,450	$ 53,507
Short-term line of credit	9,878	-
Customer deposits	12,500	70,812
Income taxes payable	100	100
Total Current Liabilities	74,928	124,419
Total Liabilities	74,928	124,419
Commitments and contingencies	-	-
SHAREHOLDERS EQUITY		
Preferred stock, $0.01 par value, authorized 5,000,000 shares; no shares issued and outstanding	-	-
Common stock, $0.01 par value, authorized 100,000,000 shares; 79,108,086 and 71,312,086 shares issued and outstanding, respectively	791,080	713,120
Additional paid in capital	20,027,370	19,793,490
Accumulated deficit	(20,300,707)	(20,051,184)
Total Shareholders Equity	517,743	455,426
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 592,671	$ 579,845

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

REFLECT SCIENTIFIC, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

		For the Years Ended December 31, 2018		2017
REVENUES	$	1,551,985	$	1,065,777
COST OF GOODS SOLD		487,185		405,935
GROSS PROFIT		1,064,800		659,842
OPERATING EXPENSES				
Salaries and wages		585,346		656,959
Rent expense		39,285		29,892
Research and development expense		104,046		46,696
General and administrative expense		584,985		328,484
Total Operating Expenses		1,313,662		1,062,031
OPERATING LOSS		(248,862)		(402,189)
OTHER INCOME (EXPENSE)				
Interest expense		(661)		-
Total Other Income (Expenses)		(661)		-
NET LOSS BEFORE INCOME TAX EXPENSE		(249,523)		(402,189)
Income tax expense		-		-
NET LOSS	$	(249,523)	$	(402,189)
NET LOSS PER SHARE BASIC AND DILUTED	$	(0.00)	$	(0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING BASIC AND DILUTED		74,631,494		66,326,382

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

REFLECT SCIENIFIC, INC. AND SUBSIDIARIES

Consolidated Statements of Shareholders Equity

	Common Stock				
	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Total
Balance, December 31, 2016	65,401,086	654,010	19,566,472	(19,648,995)	571,487
Stock-based compensation	4,781,000	47,810	184,078	-	231,888
Common stock issued for consulting services	1,130,000	11,300	42,940	-	54,240
Net loss for the year ended December 31, 2017				(402,189)	(402,189)
Balance, December 31, 2017	71,312,086	713,120	19,793,490	(20,051,184)	455,426
Stock-based compensation	2,606,000	26,060	78,180	-	104,240
Common stock issued for consulting services	5,190,000	51,900	155,700	-	207,600
Net loss for the year ended December 31, 2018				(249,523)	(249,523)
Balance, December 31, 2018	79,108,086	$ 791,080	$ 20,027,370	$ (20,300,707)	$ 517,743

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

REFLECT SCIENTIFIC, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	For the Years Ended December 31 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (249,523)	$ (402,189)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation	2,984	-
Stock based compensation	104,240	231,888
Common stock issued for consulting services	207,600	54,240
Changes in operating assets and liabilities:		
Accounts receivable	(33,108)	(49,011)
Inventory	13,027	71,615
Prepaid assets	(410)	-
Accounts payable and accrued expenses	(1,057)	(5,461)
Customer deposits	(58,312)	70,812
Net Cash from Operating Activities	(14,559)	(28,106)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(10,750)	-
Net Cash used in Investing Activities	(10,750)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term lines of credit	9,878	-
Net Cash from Financing Activities	9,878	-
NET CHANGE IN CASH	(15,431)	(28,106)
CASH AT BEGINNING OF PERIOD	235,858	263,964
CASH AT END OF PERIOD	$ 220,427	$ 235,858
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash Paid For:		
Interest	$ 661	$ -
Income taxes	$ -	$ -

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

REFLECT SCIENTIFIC, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

NOTE 1 -

ORGANIZATION AND DESCRIPTION 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 has two wholly owned subsidiaries, Cryometrix and Julie Martin Scientific Technology, which are described below.

Reflect Scientific

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.

Cryometrix

The Company s Cryometrix ultra low temperature freezers have technologies that provide energy savings and other critically important benefits to cryo-storage customers in the Life Science related industries. Ultra low temperature freezers are used in multiple industries for the storage of everything from blood to cancer vaccines. These types of freezers are used by companies such as hospitals and biotechnology research facilities. The adaptation of the freezer technology to refrigeration systems used on trailers (reefers) for transporting perishable items opens a significant new market. Trailers can easily be retrofit with the Cryogenix unit, which provides pollutant free and more efficient operations at a cost savings compared to the diesel powered units currently used.

Julie Martin Scientific Technology (JMST)

The Company manufactures and sells a line of chemical detectors which have broad application in research facilities and laboratories. The detectors have a price advantage over competitive products, making them affordable for use in laboratories at educational institutions. The sale of chemical detectors also generates follow on sales of consumable supplies.

NOTE 2 -

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Accounting Method

The Company s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

b. Revenue Recognition

We sell our specialty science and environmental lab supplies through direct sales and through distributor relationships. We sell our ultra-low temperature freezers through consultants and commission-only sales personnel. Revenue is recognized when a customer obtains control of promised goods based on the consideration we expect to receive in exchange for these goods. This core principle is achieved through the following steps:

Identify the contract with the customer. A contract with a customer exists when (i) we enter into an enforceable contract with a customer that defines each party s rights regarding the goods to be transferred and identifies the payment terms related to these goods, (ii) the contract has commercial substance and, (iii) we determine that collection of substantially all consideration for services that are transferred is probable based on the customer s intent and ability to pay the promised consideration. We do not have significant costs to obtain contracts with customers.

Identify the performance obligations in the contract. Generally, our contracts with our laboratory supply customers do not include multiple performance obligations to be completed over a period of time. Our performance obligations generally relate to delivering specialty laboratory products to a customer, subject to the shipping terms of the contract. Limited warranties are provided, under which we typically accept returns and provide either replacement parts or refunds. We do not have significant returns. We do not typically offer extended warranty or service plans. For ultra-low temperature freezers sold to customers which are built to order, generally, 50% of the value of the contract is paid by the customer prior to work beginning on manufacturing the freezer. Upon completion of manufacturing and testing the customer will accept the unit and make payment of the remaining balance on the contract, at which time control passes to the customer and we have satisfied our performance obligation and recognize revenues. The customer may either arrange to transport the unit with a carrier uses or ask the Company to arrange such shipment, the charges of which are the responsibility of the customer. In some instances, a customer may, after accepting the unit, request that it be upgraded with additional hardware or software options, which is a new contract and performance obligation.

Determine the transaction price. Payment by the customer is due under customary fixed payment terms, and we evaluate if collectability is reasonably assured. None of our contracts as of December 31, 2018 contained a significant financing component.

Allocate the transaction price to performance obligations in the contract. We typically do not have multiple performance obligations in our laboratory supply contracts with customers. As such, we generally recognize revenue upon transfer of the product to the customer's control at contractually stated pricing. The freezers likewise do not have milestone or percentage of completion clauses in the contract, so revenue is only recognized when the work has been completed.

Recognize revenue when or as we satisfy a performance obligation. We generally satisfy performance obligations at a point in time upon shipment of goods, or, with our freezers, upon final acceptance of the unit by the customer, in accordance with the terms of each contract with the customer. We do not have significant service revenue.

A part of our customer base is made up of international customers. The following table presents Reflect Scientific revenues disaggregated by region and product type:

	December 31, 2018	December 31, 2017
Segments	Total	Total

	Consumer Products	Long-term Contracts		Consumer Products	Long-term Contracts	
Domestic	$ 1,119,597	--	1,119,597	$ 828,109	--	828,109
International	432,388	--	432,388	237,668	--	237,668
	$ 1,551,985	--	1,551,985	$ 1,065,777	--	1,065,777
Components	1,113,990	--	1,113,990	$ 926,424	--	926,424
Engineering services	437,995	--	437,995	139,353	--	139,353
	$ 1,551,985	--	1,551,985	$ 1,065,777	--	1,065,777

c. Estimates

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

d. Cash

The Company considers all deposit accounts and investment accounts with an original maturity of 90 days or less to be cash equivalents.

e. Accounts Receivable

The Company maintains an allowance for doubtful accounts to provide for losses arising from customers inability to make required payments. If there is deterioration of our customers credit worthiness and/or there is an increase in the length of time that the receivables are past due greater than the historical assumptions used, additional allowances may be required. The Company estimates allowance for doubtful accounts based on the aged receivable balances and historical losses. The Company charges off uncollectible accounts when management determines there is no possibility of collecting the related receivable. The Company considers accounts receivable to be past due or delinquent based on contractual terms, which is generally net 30 days.

The Company charged $0 and $236, respectively, to bad debt expense for the years ended December 31, 2018 and 2017. As the Company has historically experienced minimal bad debts, management feels the allowance for doubtful accounts balance of $4,000 at December 31, 2018 to be an adequate reserve based on the experience seen over multiple years.

f. Fixed Assets

Fixed assets are stated at cost. Expenditure for minor repairs, maintenance, and replacement parts which do not increase the useful lives of the assets are charged to expense as incurred. All major additions and improvements are capitalized. Depreciation is computed using the straight-line method. The lives over which the fixed assets are depreciated range from 5 to 7 years, except for computer equipment, which is depreciated over a 3 year life.

g. Inventory

Inventories 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 the imaging and inspection systems which it builds, and other scientific items. An allowance is recorded when it is determined that the amount owing is at high risk. The Company recorded $86,339 and $62,038 in additions to the inventory allowance for the years 2018 and 2017, respectively.

h. Advertising Expense

The Company follows the policy of charging the costs of advertising to expense as incurred. The Company recognized $10,977 and $14,646 of advertising expense during the years ended December 31, 2018, and 2017, respectively.

i. Newly Issued 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 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.

In June 2018, the FASB issued ASU No. 2018-07, Compensation Stock Compensation (Topic 718), (ASU 2018-07). ASU 2018-07 is intended to reduce cost and complexity of financial reporting for non-employee share-based payments. Currently, the accounting requirements for non-employee and employee share-based payments are significantly different. ASU 2018-07 expands the scope of Topic 718, which currently only includes share-based payments to employees, to include share-based payments to non-employees for goods or services. Consequently, the accounting for share-based payments to non-employees and employees will be substantially aligned. This ASU supersedes Subtopic 505-50, Equity Equity-Based Payments to Nonemployees . The amendments to ASU 2018 - 07 are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, but no earlier than a company s adoption date of ASU No. 2014-09, (Topic 606), Revenue from Contracts with Customers . The Company is currently evaluating ASU 2018-07 and its impact on its condensed consolidated financial statements or disclosures.

In August 2018, the SEC adopted the final rule under SEC Release No. 33-10532, *Disclosure Update and Simplification*, amending certain disclosure requirements that were redundant, duplicative, overlapping, outdated or superseded. In addition, the amendments expanded the disclosure requirements on the analysis of stockholders' equity for interim financial statements. Under the amendments, an analysis of changes in each caption of stockholders' equity presented in the balance sheet must be provided in a note or separate statement. The analysis should present a reconciliation of the beginning balance to the ending balance of each period for which a statement of comprehensive income is required to be filed. This final rule is effective on November 5, 2018. The Company is in the process of evaluating the impact of the final rule on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, Simplifying the Test for Goodwill Impairment, which removes Step 2 from the goodwill impairment test and replaces the qualitative assessment. Impairment will be measured using the difference between the carrying amount and the fair value of the reporting unit. Under this revised guidance, failing Step 1 will always result in a goodwill impairment. The amendments in this update should be applied prospectively for annual and interim periods in fiscal years beginning after December 15, 2019. Early adoption is permitted for goodwill impairment tests with measurement dates after January 1, 2017. The Company is evaluating the effect the implementation will have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases, which changes lessee accounting to reflect the financial liability and right-of-use assets that are inherent to leasing an asset on the balance sheet. The standard requires a modified retrospective approach, with restatement of the prior periods presented in the year of adoption, subject to any FASB modifications. This standard will be effective for the first annual reporting period beginning after December 15, 2018. We anticipate adopting this standard on January 1, 2019. In evaluating the effect that ASU No. 2016-02 will have on our consolidated financial statements and related disclosures we believe the impact will be minimal to our ongoing consolidated statements of operations.

The Company has reviewed all other FASB-issued ASU accounting pronouncements and interpretations thereof that have effective dates during the period reported and in future periods. The Company has carefully considered the new pronouncements that alter previous GAAP and does not believe that any new or modified principles will have a material impact on the company s reported financial position or operations in the near term. The applicability of any standard is subject to the formal review of the Company s financial management and certain standards are under consideration.

j. 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 December 31, 2018 and 2017, the Company had no common stock equivalents.

k. Shipping and Handling Fees and Costs

The Company records all shipping and handling costs as operating costs. Freight paid on outgoing shipments in 2018 and 2017 was $47,670 and $28,355, respectively, and is recorded in general and administrative expense.

l. Income Taxes

Deferred taxes are provided on an asset and liability approach whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company s policy is to recognize potential interest and penalties accrued related to unrecognized tax benefits within income tax expense. For the years ended December 31, 2018 and 2017, it did not recognize any interest or penalties in its Statement of Operations, nor did it have any interest or penalties accrued in its Balance Sheet at December 31, 2018 and 2017 relating to unrecognized benefits.

m. Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, which include Cryometrix (previously Cryomastor). All subsidiaries are wholly owned. All material intercompany accounts and transactions are eliminated in consolidation.

n. 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. The Company had $104,046 and $46,696 in research and product development for the years ended December 31, 2018 and 2017, respectively.

o. Stock-Based Compensation

The Company, in accordance with ASC 718, *Compensation Stock Compensation*, records all share-based payments to employees at the grant-date fair value of the equity instruments issued. In accordance with ASC 718-10-30-9, *Measurement Objective Fair Value at Grant Date*, the Company uses the closing price of the stock, as quoted by

NASDAQ, on the date of the grant. The Company believes this pricing method provides the best estimate of fair the fair value of the consideration given. Compensation cost is recognized over the requisite service period.

The Company, in accordance with ASC 505, *Compensation Stock Compensation*, establishes the value of equity instruments issued to non-employees for goods and services by using the closing price of the stock, as quoted by NASDAQ, on the date of the grant. The Company believes this method fairly establishes the value of the goods and/or services received.

p. Intangible Assets

Intangible assets include trademarks, trade secrets, patents, customer lists and goodwill acquired through acquisition of subsidiaries. The patents have been registered with the United States Patent and Trademarks Office. The costs of obtaining patents are capitalized as incurred. Intangibles, except for goodwill, are amortized over their estimated useful lives. The Company regularly evaluates whether events or circumstances have occurred that indicate possible impairment and relies on a number of factors, including operating results, business plans, economic projections, and anticipated future cash flows. The Company uses an estimate of the future undiscounted net cash flows of the related asset or asset group over the remaining life in measuring whether the assets are recoverable. Measurement of the amount of impairment, if any, is based upon the difference between the asset s carrying value and estimated fair value. Fair value is determined through various valuation techniques, including cost-based, market and income approaches as considered necessary. Accordingly, the Company recorded no impairment of long-lived assets during the years ended December 31, 2018 and 2017.

q. Goodwill

Goodwill represents the excess of purchase price of an acquisition over the fair value of net assets acquired. Goodwill is not amortized but instead is tested for impairment, at a reporting unit level, annually and when events and circumstances warrant an evaluation. The Company evaluates goodwill on an annual basis, as of the end of the fourth quarter, and whenever events and changes in circumstances indicate that there may be a potential impairment. In making this assessment, management relies on a number of factors, including operating results, business plans, economic projections, anticipated future cash flows, business trends and market conditions. Accordingly, the Company recorded no impairment of goodwill for the years ended December 31, 2018 and 2017.

NOTE 3 GOING CONCERN

The Company continues to accumulate significant operating losses and has an accumulated deficit of $20,300,707 at December 31, 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 -

FIXED ASSETS

Fixed assets and related depreciation for the period are as follows:

		December 31, 2018		December 31, 2017
Machinery and equipment	$	142,752	$	132,002
Furniture and fixtures		2,697		2,697
Computer and office equipment		2,390		2,390
Leasehold improvements		10,164		10,164
Accumulated depreciation		(150,237)		(147,253)
Total Fixed Assets	$	7,766	$	-

Depreciation expense for the years ended December 31, 2018, and 2017, was $2,984 and $-0-, respectively.

NOTE 5 -

INVENTORIES

Inventory consisted of the following at December 31, 2018 and 2017:

		December 31, 2018		December 31, 2017
Finished goods	$	228,664	$	241,691
Inventory allowance		(86,339)		(86,339)
Total Inventory, net	$	142,325	$	155,352

NOTE 6 -

COMMITMENTS AND CONTINGENCIES

Operating Lease Obligations

The Company leases its office and warehouse space under a non-cancelable lease agreement accounted for as operating leases. The Company also leases an automobile under a similar non-cancelable lease agreement, which is also accounted for as an operating lease.

Building Lease - Orem, Utah: The Company leases a manufacturing and office facility with 6,000 square feet of space. We lease this facility at $3,480 per month on a lease with an expiration date of November 30, 2020.

Rent expense was $39,285 and $29,892 for the years ended December 31, 2018, and 2017, respectively.

Automobile Lease The Company currently leases one vehicle with a monthly lease payment of $629 per month. The automobile lease will expire on July 7, 2021.

Automobile lease expense was $7,548 and $6,263 for the years ended December 31, 2018, and 2017, respectively.

Minimum rental payments under the non-cancelable operating leases are as follows:

Years ending December 31,		Amount
2019	$	50,669
2020		48,159
2021		3,774
	$	102,602

NOTE 7 PREFERRED STOCK

In November 2004 the Company amended its Articles of Incorporation so as to authorize 5,000,000 shares of preferred stock. Of this total, 750,000 shares have been designated as Series A Convertible Preferred Stock . As of December 31, 2018 and 2017, no shares of the preferred stock are issued and outstanding.

Dividends

The holders of the Series A Preferred Stock would be entitled to dividends at the rate of 8 percent per year of the liquidation preference of $1.00 per share, payable annually, if and when declared by the board of directors. Dividends are not cumulative and the board of directors is under no obligation to declare dividends.

Convertibility

The Series A Preferred Stock is convertible into the Company s common stock by dividing $1.00 plus any unpaid dividends by 50% of the five-day average closing bid price of the common shares.

NOTE 8 -

COMMON STOCK TRANSACTIONS

During the years ended December 31, 2018 and 2017, the following stock transactions occurred:

.

During 2018, the Board of Directors approved the issuance of 1,000,000 shares of restricted common stock, valued at $40,000, to the President/CEO.

During 2018, the Board of Directors approved the issuance of 200,000 shares of restricted common stock, valued at $8,000 to Directors of the Company.

During 2018, the Board of Directors approved the issuance of 81,000 shares of restricted common stock, valued at $3,240 to the CFO of the Company.

During 2018, in addition to the shares stated above, the Board of Directors approved the issuance of 1,325,000 shares of restricted common stock, valued at $53,000, to employees and 5,190,000 shares of restricted common stock, valued at $207,600, to consultants

.

During 2017, the Board of Directors approved the issuance of 4,000,000 shares of restricted common stock, valued at $194,400, to the President/CEO.

During 2017, the Board of Directors approved the issuance of 200,000 shares of restricted common stock, valued at $9,600 to Directors of the Company.

During 2017, the Board of Directors approved the issuance of 81,000 shares of restricted common stock, valued at $3,888 to the CFO of the Company.

During 2017, the Board of Directors approved the issuance of 500,000 shares of restricted common stock, valued at $24,000, to employees and 1,130,000 shares of restricted common stock, valued at $54,240, to consultants for services rendered.

NOTE 9 -

CONCENTRATIONS OF RISK

Cash in Excess of Federally Insured Amount

While the Company, at December 31, 2018 and 2017 were below the FDIC insurance limit, at times during those years the Company had cash balances that exceed the federally insured limits of $250,000 per depositor per banking institution. The Company has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk with respect to its cash balances.

Sales and Accounts Receivable

The Company has four major customers who represent a significant portion of revenue. These four customers represented 44% and 54% of total sales revenue for the year ended December 31, 2018 and 2017, respectively. At December 31, 2018 and 2017, accounts receivable balances from these customers represent 41% and 64% respectively, of the total receivables. The Company has strong relationships with each of these customers and does not believe this concentration poses a significant risk due to those long-term relationships and uniqueness of the products they purchase from the Company. We have identified primary and secondary sources for each of the products we purchase for resale and for the raw materials we use to manufacture our products, so do not anticipate any difficulty in filling the orders placed by our customers.

NOTE 10 -

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 was 5.50% as of the balance sheet date, and automatically renews so long as the Company is in compliance with the loan covenants. As of December 31, 2018, there was a $9,878 drawn against that line of credit, leaving an available balance of $90,122. The line automatically renews on April 1 of each year and the $100,000 credit amount was available at December 31, 2018.

NOTE 11 COMMON STOCK OPTIONS

On December 31, 2007, the Company s Board of Directors approved an equity plan. The equity plan known as the 2007 Equity Incentive Plan (the Plan) reserves up to 6,000,000 shares of the Company s authorized common stock for issuance to officers, directors, employees and consultants under the terms of the Plan. On December 31, 2009, the Company s board of directors amended the Plan to authorize 12,000,000 shares. The Plan permits the Board of Directors to issue stock options and restricted stock. At December 31, 2018 there were no options outstanding. The plan has a current expiration date of December 30, 2019.

NOTE 12 INTANGIBLE ASSETS

Definite lived intangible assets are stated at cost and amortized using the straight-line method. The remaining lives over which the intangible assets will be amortized is approximately 2 years, at which time the intangible assets will become fully amortized.

Intangible assets and related amortization and impairment for the period are as follows:

December 31, 2018

	Cost	Accumulated Amortization	Net Book Value
Patents	$ 1,403,045	$ (1,403,045)	$ -
Customer lists	414,532	(414,532)	-
Totals	$ 1,817,577	$ (1,817,577)	$ -

December 31, 2017

	Cost	Accumulated Amortization	Net Book Value
Patents	$ 1,403,045	$ (1,403,045)	$ -
Customer lists	414,532	(414,532)	-
Totals	$ 1,817,577	$ (1,817,577)	$ -

Amortization expense for the years ended December 31, 2018, and 2017, was $0 and $0, respectively.

NOTE 13 ROYALTIES

A royalty agreement was executed with JMST as a condition of the Company s acquisitions during 2006. Terms of the royalty agreement are as follows:

JMST David Carver will receive a royalty payment on gross revenues related to revenues derived from the Carver Patents or Carver Technology. Such payments are due on revenue in excess of $500,000 derived from products under the Carver Patents or Carver Technology. The royalty payment is 2.5% on the revenue in excess of $500,000 and is payable quarterly. Payments are to be made in Reflect Scientific s common stock not to exceed 500,000 shares in total. New products developed from the Carver Technology are subject to a royalty of 3% of gross revenues in excess of $100,000, with an additional 2% if gross revenues exceed $600,000. Royalties will also be paid in our common stock annually. Common stock will be valued at $3.00 per share for these purposes. Royalty payments are only due for years where there are valid Carver Patents.

As sales did not reach or exceed the triggering threshold, no royalty payments were made under the royalty agreement during 2018 and 2017. In December 2018, management made the decision to remove detectors from their product line due to lack of demand for the product.

NOTE 14 INCOME TAXES

The provision (benefit) for income taxes for the years ended December 31, 2018 and 2017 consist of the following:

	2018	2017
Federal:		
Current	$ -	$ -
Deferred	-	-
State:		
Current	-	-
Deferred	-	-
	$ -	$ -

Net deferred tax assets consist of the following components as of December 31, 2018 and 2017:

		2018		2017
Deferred tax assets (liabilities):				
NOL Carryover	$	2,568,963	$	2,509,214
Stock Based Compensation		283,611		240,015
Depreciation and Amortization		(557,735)		(481,815)
Inventory Reserves		18,490		18,490
R&D Tax Credits		(1,473)		(23,323)
Debenture Interest Payable		(474,381)		(474,381)
Other Reserves		13,060		13,060
Valuation Allowance		(1,850,535)		(1,801,260)
Net deferred tax asset (liability)	$	-	$	-

The income tax provision differs from the amount of income tax determined by applying the U.S. federal income tax rate to pretax income from continuing operations for the years ended December 31, 2018 and 2017 due to the following:

		2018		2017
Tax at statutory rate:	$	(52,400)	$	(140,766)
Effects of:				
Meals and Entertainment		(3,125)		(3,485)
Stock-Based Compensation		(21,890)		(81,161)
Depreciation and Amortization		75,512		125,853
Inventory Reserve		(3,808)		(22,290)
R & D Tax Credits		(21,850)		(16,344)
Other, net		-		913
Change in Valuation Allowance		27,561		137,281
	$	-	$	-

At December 31, 2018, the Company had net operating loss carryforwards of approximately $7,520,180 that may be offset against future income from the year 2018 through 2038.

No tax benefit has been reported in the December 31, 2018 consolidated financial statements since the potential tax benefit is offset by a valuation allowance of the same amount.

NOTE 15 RELATED PARTY TRANSACTIONS

Stock Issuances

In December 2018 the Board of Directors approved the issuance of 1,000,000 shares of restricted common stock to the President/CEO and the issuance of 281,000 shares of restricted common stock to other officers and directors. These shares were for compensation. These shares were recorded at the trading price at the time of approval, for an average of $0.04 per share, resulting in $51,240 recorded as stock-based compensation expense.

In October 2017 the Board of Directors approved the issuance of 4,000,000 shares of restricted common stock to the President/CEO. In December 2017 the Board of Directors approved the issuance of 281,000 shares of restricted common stock to officers and directors. These shares were for compensation. These shares were recorded at the trading price at the time of approval, for an average of $0.05 per share, resulting in $231,888 recorded as stock-based compensation expense.

NOTE 16 SUBSEQUENT EVENTS

None.