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SCIENTIFIC INDUSTRIES INC
Form 10-Q
November 14, 2013

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For quarterly period ended September 30, 2013

TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: 0-6658 _____

SCIENTIFIC INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware 04-2217279

(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

70 Orville Drive, Bohemia, New York 11716

(Address of principal executive offices) (Zip Code)

(631)567-4700

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act 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 No

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

Large accelerated filer _____ Accelerated Filer _____

Non-accelerated filer _____ Smaller reporting company
(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 No

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The number of shares outstanding of the issuer's common stock par value, \$0.05 per share, as of October 25, 2013 was 1,342,663 shares.

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PART I-FINANCIAL INFORMATION

Item 1. Financial Statements

SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

September 30,	June 30,
2013	2013

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Current Assets:	(Unaudited)	
Cash and cash equivalents	\$ 732,700	\$ 927,300
Investment securities	911,500	908,400
Trade accounts receivable, net	815,800	815,900
Inventories	1,783,400	1,705,600
Prepaid expenses and other current assets	105,900	59,000
Deferred taxes	88,000	86,600
Total current assets	4,437,300	4,502,800
Property and equipment at cost, net	148,900	156,500
Intangible assets, net	747,300	773,500
Goodwill	589,900	589,900
Other assets	24,100	24,100
Deferred taxes	101,600	106,200
Total assets	\$6,049,100	\$6,153,000
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 161,800	\$ 156,800
Customer advances	43,300	15,900
Notes payable, current portion	79,000	78,300
Accrued expenses and taxes	289,600	407,700
Contingent consideration payable, current portion	19,000	19,000
Dividends payable	107,400	-
Total current liabilities	700,100	677,700
Contingent consideration payable, less current portion	51,600	51,600
Notes payable, less current portion	6,700	26,700
Total liabilities	758,400	756,000
Shareholders' equity:		
Common stock, \$.05 par value; authorized 7,000,000 shares; 1,357,465 issued and outstanding at September 30, and June 30, 2013	67,900	67,900
Additional paid-in capital	1,977,900	1,977,100
Accumulated other comprehensive loss	(15,400)	(13,600)
Retained earnings	3,312,700	3,418,000
	5,343,100	5,449,400
Less common stock held in treasury, at cost, 19,802 shares	52,400	52,400
Total shareholders' equity	5,290,700	5,397,000
Total liabilities and shareholders' equity	\$6,049,100	\$6,153,000
	=====	=====

See notes to unaudited condensed consolidated financial statements

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SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	For the Three Month Periods Ended September 30,	
	2013	2012
Revenues	\$1,436,100	\$1,351,700
Cost of sales	841,900	887,300
Gross profit	594,200	464,400
Operating Expenses:		
General and administrative	303,000	279,600
Selling	197,000	156,400
Research and development	97,200	120,100
Total operating expenses	597,200	556,100
Loss from operations	(3,000)	(91,700)
Other income (expense):		
Investment income	3,100	2,900
Other income	3,700	2,500
Interest expense	(800)	(1,400)
Total other income, net	6,000	4,000
Income (loss) before income tax expense (benefit)	3,000	(87,700)
Income tax expense (benefit):		
Current	(3,100)	(30,600)
Deferred	4,000	5,100
Total income tax expense (benefit)	900	(25,500)
Net income (loss)	\$ 2,100	(\$ 62,200)
	=====	=====
Basic earnings (loss) per common share	\$.00	(\$.05)
	=====	=====
Diluted earnings (loss) per common share	\$.00	(\$.05)
	=====	=====
Cash dividends declared per common share	\$.08	\$.03
	=====	=====

See notes to unaudited condensed consolidated financial statements

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SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	For the Three Month Periods Ended September 30,	
	2013	2012
Net income (loss)	\$ 2,100	(\$ 62,200)
Other comprehensive income (loss):		
Unrealized holding gain (loss) arising during period, net of tax	(1,800)	9,600
Comprehensive income (loss)	\$ 300	(\$ 52,600)
	=====	=====

See notes to unaudited condensed consolidated financial statements

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SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Three Month Periods Ended	
	Sept. 30, 2013	Sept. 30, 2012
Operating activities:		
Net income (loss)	\$ 2,100	(\$ 62,200)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	44,200	44,300
Deferred income taxes	4,000	5,100
Stock-based compensation	800	3,400
Changes in operating assets and liabilities:		
Accounts receivable	100	(15,600)
Inventories	(77,800)	(134,600)
Prepaid expenses and other current assets	(46,900)	17,400
Other assets	-	100
Accounts payable	5,000	63,900
Customer advances	27,500	102,400
Accrued expenses and taxes	(118,100)	(4,400)

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Total adjustments	(161,200)	82,000
Net cash provided by (used in) operating activities	(159,100)	19,800
Investing activities:		
Purchase of investment securities, available-for-sale	(5,700)	(2,300)
Capital expenditures	(8,500)	(17,400)
Purchases of intangible assets	(1,900)	(2,100)
Net cash used in investing activities	(16,100)	(21,800)
Financing activities:		
Principal payments on note payable	(19,400)	(18,700)
Net decrease in cash and cash equivalents	(194,600)	(20,700)
Cash and cash equivalents, beginning of period	927,300	769,300
Cash and cash equivalents, end of period	\$ 732,700	\$ 748,600
Supplemental disclosures:		
Cash paid during the period for:		
Income Taxes	\$ 100,000	\$ -
Interest	800	1,400

See notes to unaudited condensed consolidated financial statements

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SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

General: The accompanying unaudited interim condensed consolidated financial statements are prepared pursuant to the Securities and Exchange Commission's rules and regulations for reporting on Form 10-Q. Accordingly, certain information and footnotes required by accounting principles generally accepted in the United States for complete financial statements are not included herein. The Company believes all adjustments necessary for a fair presentation of these interim statements have been included and that they are of a normal and recurring nature. These interim statements should be read in conjunction with the Company's financial statements and notes thereto, included in its Annual Report on Form 10-K, for the fiscal year ended June 30, 2013. The results for the three months ended September 30, 2013, are not necessarily an indication of the results for the full fiscal year ending June 30, 2014.

1. Summary of significant accounting policies:

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Principles of consolidation:

The accompanying consolidated financial statements include the accounts of Scientific Industries, Inc. ("Scientific", a Delaware corporation), Altamira Instruments, Inc. ("Altamira", a wholly owned subsidiary and Delaware corporation), Scientific Packaging Industries, Inc. (an inactive wholly owned subsidiary and New York corporation) and Scientific Bioprocessing, Inc., ("SBI", a wholly owned subsidiary and Delaware corporation). All are collectively referred to as the "Company". All material intercompany balances and transactions have been eliminated.

2. New Accounting Pronouncements:

In July 2013, the FASB issued ASU 2013-11, Income Taxes (Topic 740), which clarifies the presentation requirements of unrecognized tax benefits when a net operating loss carry forward, a similar tax loss, or a tax credit carry forward exists at the reporting date. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013 and should be applied prospectively. The adoption of this ASU is not expected to have a material impact to the Company's consolidated financial statements.

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3. Acquisition:

On November 14, 2011, the Company through SBI acquired substantially all of the assets of a privately owned company consisting principally of a license and sublicenses under patents held by the University of Maryland, Baltimore County ("UMBC") with respect to the design, development and production of bioprocessing methods, systems and products. The acquisition was pursuant to an asset purchase agreement. The Company paid to the seller \$260,000 in cash, issued 135,135 shares of Common Stock valued at \$400,000, issued to UMBC a \$230,000 36-month note payable, and agreed to make additional cash payments equal to 30% of net royalties received under the acquired license and sublicenses, estimated at a present value of \$128,000 on the date of acquisition.

SBI's revenues are derived from royalties received by SBI under the various sublicense agreements, net of royalty payments due to UMBC and revenues from future sales of certain products being developed under its existing license. University, government, and industrial laboratories working primarily in the biotechnology industry worldwide are its targeted customers.

Management of the Company allocated the purchase price based on its valuation of the assets acquired, all of which are intangible, as follows:

Technology, trademarks, and in-process research & development ("IPR&D")	\$ 500,000
Sublicense agreements	294,000
Engineering drawings and software	64,000

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Non-competition agreements	18,000
Goodwill*	142,000
	\$1,018,000
	\$1,018,000

*See Note 8, "Goodwill and Other Intangible Assets".

The amounts allocated to Technology, Trademarks, and IPR&D and Sublicense Agreements are deemed to have a useful life of 10 years, and to the remaining intangible assets to have a useful life of 5 years, all of which are being amortized on a straight-line basis, except for goodwill.

In connection with the acquisition, SBI entered into a research and development agreement providing for the seller to perform services with respect to the research and development of bioprocessing methods, systems, and products pursuant to programs set forth in the Agreement at a fee of \$14,000 per month plus all related expenses. The agreement was terminated in June 2013 as a result of the death of the seller's chief operating officer.

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4. Segment Information and Concentrations:

The Company views its operations as three segments: the manufacture and marketing of standard benchtop laboratory equipment for research in university, hospital and industrial laboratories sold primarily through laboratory equipment distributors ("Benchtop Laboratory Equipment"), the manufacture and marketing of custom-made catalyst research instruments for universities, government laboratories, and chemical and petrochemical companies sold on a direct basis ("Catalyst Research Instruments") and the marketing and production of bioprocessing systems for laboratory research in the biotechnology industry sold directly to customers and through distributors ("Bioprocessing Systems").

Segment information is reported as follows:

	Benchtop Laboratory Equipment	Catalyst Research Instruments	Bio- processing Systems	Corporate and Other	Conso- lidated
Three months ended September 30, 2013:					
Revenues	\$1,069,700	\$ 339,700	\$ 26,700	\$ -	\$1,436,100
Foreign Sales	620,800	73,500	2,000	-	696,300
Income(Loss) from					
Operations	117,800	(104,000)	(16,800)	-	(3,000)
Assets	2,470,200	1,587,200	890,600	1,101,100	6,049,100
Long-Lived Asset					
Expenditures	9,900	-	500	-	10,400
Depreciation and					
Amortization	11,000	9,100	24,100	-	44,200

	Benchtop	Catalyst	Bio-	Corporate
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	Laboratory Equipment	Research Instruments	processing and Systems	and Other	Conso- lidated
Three months ended September 30, 2012:					
Revenues	\$1,064,900	\$ 284,200	\$ 2,600	\$ -	\$1,351,700
Foreign Sales	621,700	239,200	-	-	860,900
Income (Loss) from Operations	117,600	(134,300)	(75,000)	-	(91,700)
Assets	2,556,900	987,000	801,000	1,521,200	5,866,100
Long-Lived Asset Expenditures	2,100	17,400	-	-	19,500
Depreciation and Amortization	11,100	9,300	23,900	-	44,300

Approximately 68% and 61% of net sales of benchtop laboratory equipment for the three month periods ended September 30, 2013 and 2012, respectively, were derived from the Company's main product, the Vortex-Genie 2(R) mixer, excluding accessories.

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Two customers accounted in the aggregate for approximately 15% and 22% of the net sales of the Benchtop Laboratory Equipment Operations and 11% and 17% of the Company's revenues for the three months ended September 30, 2013, and 2012, respectively. Sales of catalyst research instruments generally comprise a few very large orders averaging at least \$100,000 per order to a limited number of customers, who differ from order to order. Sales to three customers during the three months ended September 30, 2013 accounted for approximately 94% of the Catalyst Research Instrument Operations' revenues and 22% of the Company's total revenues and to five different customers for the three months ended September 30, 2012 accounted for 97% of the segment's revenues and 17% of the Company's total revenues.

The Company's foreign sales are principally to customers in Europe and Asia.

5. Fair Value of Financial Instruments:

The FASB defines the fair value of financial instruments as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements do not include transaction costs.

The accounting guidance also expands the disclosure requirements around fair value and establishes a fair value hierarchy of valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels, which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are described below:

Level 1 Inputs that are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are

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observable, either directly or indirectly.

Level 3 Prices or valuation that require inputs that are both significant to the fair value measurement and unobservable.

The following tables set forth by level within the fair value hierarchy the Company's financial assets that were accounted for at fair value on a recurring basis at September 30, 2013 and June 30, 2013 according to the valuation techniques the Company used to determine their fair values:

Fair Value Measurements Using Inputs Considered as

Assets:

	Fair Value at September 30, 2013	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 732,700	\$ 732,700	\$ -	\$ -
Available for sale securities	911,500	911,500	-	-
Total	\$1,644,200	\$1,644,200	\$ -	\$ -

Liabilities:

Contingent consideration	\$ 70,600	\$ -	\$ -	\$ 70,600
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Fair Value Measurements Using Inputs Considered as

Assets:

	Fair Value at June 30, 2013	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 927,300	\$ 927,300	\$ -	\$ -
Available for sale securities	908,400	908,400	-	-
Total	\$1,835,700	\$1,835,700	\$ -	\$ -

Liabilities:

Contingent consideration	\$ 70,600	\$ -	\$ -	\$ 70,600
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Investments in marketable securities classified as available-for-sale by security type at September 30, 2013 and June 30, 2013 consisted of the following:

Unrealized

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	Cost	Fair Value	Holding Gain (Loss)
At September 30, 2013:			
Available for sale:			
Equity securities	\$ 29,300	\$ 32,400	\$ 3,100
Mutual funds	897,600	879,100	(18,500)
	<u>\$ 926,900</u>	<u>\$ 911,500</u>	<u>\$ (15,400)</u>
	=====	=====	=====

	Cost	Fair Value	Unrealized Holding Gain (Loss)
At June 30, 2013:			
Available for sale:			
Equity securities	\$ 29,300	\$ 33,200	\$ 3,900
Mutual funds	892,700	875,200	(17,500)
	<u>\$ 922,000</u>	<u>\$ 908,400</u>	<u>\$ (13,600)</u>
	=====	=====	=====

6. Inventories:

Inventories for financial statement purposes are based on perpetual inventory records at September 30, 2013 and based on a physical count as of June 30, 2013. Components of inventory are as follows:

	September 30, 2013	June 30, 2013
Raw Materials	<u>\$1,326,200</u>	<u>\$1,336,800</u>
Work in process	331,900	254,000
Finished Goods	125,300	114,800
	<u>\$1,783,400</u>	<u>\$1,705,600</u>
	=====	=====

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7. Earnings (Loss) per common share:

Basic earnings (loss) per common share are computed by dividing net income or loss by the weighted-average number of shares outstanding. Diluted earnings per common share include the dilutive effect of stock options, if any.

Earnings (Loss) per common share was computed as follows:

For the Three Month
Periods Ended
September 30,

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	2013	2012
Net income (loss)	\$ 2,100	(\$ 62,200)
Weighted average common shares outstanding	1,337,663	1,335,712
Dilutive securities	7,408	-
Weighted average dilutive common shares outstanding	1,345,071	1,335,712
Basic earnings (loss) per common share	\$.00	(\$.05)
Diluted earnings (loss) per common share	\$.00	(\$.05)

Approximately 28,500 and 60,000 shares of the Company's Common Stock issuable upon the exercise of outstanding stock options were excluded from the calculation of diluted earnings per common share for the three months ended September 30, 2013 and 2012, respectively, because the effect would be anti-dilutive.

8. Goodwill and Other Intangible Assets:

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in connection with the Company's acquisition of Altamira and SBI's acquisition of assets. Goodwill amounted to \$589,900 as of September 30, 2013 and June 30, 2013, all of which is expected to be deductible for tax purposes.

The components of other intangible assets are as follows:

	Useful Lives	Cost	Accumulated Amortization	Net
At September 30, 2013:				
Technology, trademarks	5/10 yrs.	\$ 865,900	\$ 417,800	\$ 448,100
Customer relationships	10 yrs.	237,000	205,600	31,400
Sublicense agreements	10 yrs.	294,000	55,100	238,900
Non-compete agreements	5 yrs.	114,000	106,500	7,500
Other intangible assets	5 yrs.	157,400	136,000	21,400
		<u>\$1,668,300</u>	<u>\$ 921,000</u>	<u>\$ 747,300</u>
		=====	=====	=====

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	Useful Lives	Cost	Accumulated Amortization	Net
At June 30, 2013:				
Technology, trademarks	5/10 yrs.	\$ 865,400	\$ 402,100	\$ 463,300
Customer relationships	10 yrs.	237,000	203,200	33,800
Sublicense agreements	10 yrs.	294,000	47,800	246,200
Non-compete agreements	5 yrs.	114,000	105,900	8,100
Other intangible assets	5 yrs.	156,000	133,900	22,100
		<u>\$1,666,400</u>	<u>\$ 892,900</u>	<u>\$ 773,500</u>

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Total amortization expense was \$28,100 and \$28,800 for the three months ended September 30, 2013 and 2012, respectively. As of September 30, 2013, estimated future amortization expense related to intangible assets is \$82,700 for the remainder of the fiscal year ending June 30, 2014, \$106,600 for fiscal 2015, \$110,800 for fiscal 2016, \$95,600 for fiscal 2017, \$81,100 for fiscal 2018, and \$270,500 thereafter.

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SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARIES

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

Certain statements contained in this report are not based on historical facts, but are forward-looking statements that are based upon various assumptions about future conditions. Actual events in the future could differ materially from those described in the forward-looking information. Numerous unknown factors and future events could cause such differences, including but not limited to, product demand, market acceptance, impact of competition, the ability to reach final agreements, the ability to finance and produce to customers' specifications catalyst research instruments, and to develop marketable bioprocessing systems, adverse economic conditions, and other factors affecting the Company's business that are beyond the Company's control. Consequently, no forward-looking statement can be guaranteed.

We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise.

Liquidity and Capital Resources

Cash and cash equivalents decreased by \$194,600 to \$732,700 as of September 30, 2013 from \$927,300 as of June 30, 2013.

Net cash used in operating activities was \$159,100 for the three months ended September 30, 2013 as compared to cash provided by operating activities of \$19,800 for the comparable three month period in 2012, due mainly to the income tax payments made and lower cash advances in the current period compared to the prior period. Cash used in investing activities was \$16,100 for the three month period ended September 30, 2013 compared to \$21,800 for the three month period ended September 30, 2012 due primarily to decreased capital expenditures. Cash used in financing activities was \$19,400 and \$18,700 for the three months ended September 30, 2013 and 2012, respectively, related to principal payments on a note related to a recent acquisition.

On September 20, 2013, the Board of Directors of the Company declared a cash dividend of \$.08 per share of Common Stock payable on November 4, 2013 to holders of record as of the close of business on October 11, 2013.

The Company's working capital decreased by \$87,900 to \$3,737,200 at September 30, 2013 from \$3,825,100 at June 30, 2013, mostly due to the

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dividend declared during the period.

The Company has a line of credit with its bank, JPMorgan Chase Bank, N.A. which provides for maximum borrowings of up to \$700,000, bearing interest at 3.05 percentage points above a defined LIBOR Index. The interest rate as of September 30, 2013 was approximately 3.25% and is to be secured by a pledge of collateral consisting of the inventory, accounts, chattel paper, equipment and general intangibles of the Company. Outstanding amounts are due and payable by June 14, 2014 with a requirement that the Company is to reduce the outstanding principal balance to zero during the 30 day period ending on the anniversary date of the promissory note. As of September 30, 2013 and June 30, 2013, no borrowings under the line were outstanding.

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Management believes that the Company will be able to meet its cash flow needs during the next 12 months from its available financial resources which include its cash and investment securities.

Results of Operations

Financial Overview

The Company recorded income of \$3,000 before income tax expense for the three months ended September 30, 2013 compared to a loss of \$87,700 before income tax benefit for the comparable period last year; the improvement, primarily the result of a smaller loss by the Bioprocessing Systems Operations due to lower research and development expenses during the current year period. The Catalyst Research Instruments Operations also incurred a smaller loss in the current year period primarily due to higher sales.

The Three Months Ended September 30, 2013 Compared With the Three Months Ended September 30, 2012

Revenues for the three months ended September 30, 2013 increased by \$84,400 (6.2%) to \$1,436,100 from \$1,351,700 for the three months ended September 30, 2012, primarily as a result of a \$55,500 increase in catalyst research instrument sales and a \$24,100 increase in revenue of the bioprocessing systems operations. Sales of benchtop laboratory products increased slightly by \$4,800 compared to the same period last year. Sales of catalyst research instruments are sold pursuant to a small number of larger orders, typically averaging over \$100,000 each, resulting in significant swings in revenues. The Bioprocessing Systems Operations' revenues consist primarily of earned royalties. The backlog of orders for catalyst research instruments was \$513,400 as of September 30, 2013, substantially all of which is expected to be delivered by fiscal year end, as compared to the backlog as of September 30, 2012 of \$1,240,000.

The gross profit percentage for the three months ended September 30, 2013 increased to 41.4% compared to 34.4% for the three months ended September 30, 2012, due to product mix.

General and administrative expenses for the three months ended September 30, 2013 increased by \$23,400 (8.4%) to \$303,000 from

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\$279,600 for the three months ended September 30, 2012, primarily due to an increase in expenses incurred by the Benchtop Laboratory Equipment Operations.

Selling expenses for the three months ended September 30, 2013 increased \$40,600 (26.0%) to \$197,000 from \$156,400 for the three months ended September 30, 2012, primarily the result of increased sales commissions and exhibitions expenses for the Catalyst Research Instruments Operations.

Research and development expenses for the three months ended September 30, 2013 decreased by \$22,900 (19.1%) to \$97,200 from \$120,100 for the three months ended September 30, 2012, primarily the result of lower product development costs related to the Bioprocessing Systems Operations during the current quarter due to the termination of an R&D agreement.

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Other income increased by \$2,000 to \$6,000 for the three months ended September 30, 2013 from \$4,000 for the prior year period, mainly due to lower interest expense incurred by the Bioprocessing Systems Operations and higher miscellaneous income.

For the three months ended September 30, 2013, the income tax expense was \$900 compared to an income tax benefit of \$25,500 for the three months ended September 30, 2012.

As a result, net income for the three months ended September 30, 2013 of \$2,100 compared to a net loss of \$62,200 for the three months ended September 30, 2012.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. As of the end of the period covered by this report, based on an evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934), the Chief Executive and Chief Financial Officer of the Company has concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in its Exchange Act reports is recorded, processed, summarized and reported within the applicable time periods specified by the SEC's rules and forms. The Company also concluded that information required to be disclosed in such reports is accumulated and communicated to the Company's management, including its principal executive and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting. There was no change in the Company's internal controls over financial reporting that occurred during the most recently completed fiscal quarter that materially affected or is reasonably likely to materially affect the Company's internal controls over financial reporting.

Part II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibit Number:	Description
31.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K:

None

SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARIES

SIGNATURE

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Scientific Industries, Inc.
Registrant

/s/ Helena R. Santos

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Helena R. Santos
President, Chief Executive Officer
and Treasurer
Principal Executive, Financial and
Accounting Officer

Date: November 14, 2013