

SECURITIES AND EXCHANGE COMMISSION

FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**  
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FILER

**SCIENTIFIC INDUSTRIES INC**

CIK: **87802** | IRS No.: **042217279** | State of Incorporation: **DE** | Fiscal Year End: **0630**  
Type: **10QSB** | Act: **34** | File No.: **000-06658** | Film No.: **96664972**  
SIC: **3826** Laboratory analytical instruments

Mailing Address  
70 ORVILLE DR  
BOHEMIA NY 11716

Business Address  
70 ORVILLE DR  
AIRPORT INTERNATIONAL  
PLZ  
BOHEMIA NY 11716  
5165674700

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

FORM 10-QSB

(Mark One)

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

For quarterly period ended September 30, 1996

TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE EXCHANGE ACT

For the transition period from to

Commission File Number: 0-6658

SCIENTIFIC INDUSTRIES, INC.

(Exact name of small business as specified in its charter)

Delaware 04-2217279  
(State of incorporation) (I.R.S. Employer Identification No.)

70 Orville Drive, Bohemia, New York 11716  
(Address of principal executive offices)

(516) 567-4700  
(Issuer's telephone number)

Not Applicable

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

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 826,239

SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARY

FORM 10-QSB

The following information of the registrant and its subsidiary are submitted herewith:

PART I -- Financial Information:

|  |   |
|--|---|
| Condensed Consolidated Balance Sheet - September 30, 1996  | 1 |
| Condensed Consolidated Statements of Income - Three Months Ended September 30, 1996 and 1995     | 2 |
| Condensed Consolidated Statements of Cash Flows - Three Months Ended September 30, 1996 and 1995 | 3 |
| Notes to Condensed Consolidated Financial Statements   | 4 |
| Management's Discussion and Analysis   | 5 |

PART II -- Other Information:

|                   |   |
|-------------------|---|
| Items 1 through 6 | 6 |
| Signatures        | 7 |

SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARY  
CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements

ASSETS

September 30, 1996

Current Assets:

|   |            |
|---|------------|
| Cash and cash equivalents   | \$ 132,600 |
| Investment securities   | 734,100    |
| Trade accounts receivable, less allowance for<br>doubtful accounts of \$7,400 | 320,900    |
| Inventories (Note 2)  | 294,500    |
| Prepaid expenses, taxes and other current assets                              | 83,700     |
| Deferred income taxes   | 28,000     |

Total current assets 1,593,800

Property and equipment at cost, less accumulated  
depreciation of \$85,800 121,000

Other assets and deferred charges:

|   |         |
|---|---------|
| Intangible assets, less accumulated amortization<br>of \$10,600 | 59,800  |
| Deferred income taxes   | 8,600   |
| Other   | 108,400 |

171,200

\$1,891,600

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:

|                   |           |
|-------------------|-----------|
| Accounts payable  | \$ 37,800 |
| Accrued expenses  | 169,900   |
| Customer advances | 23,000    |

Total current liabilities 230,700

Deferred compensation 64,700

Shareholders' equity:

|  |         |
|--|---------|
| Common stock \$.05 par value                     | 42,300  |
| Additional paid-in capital                       | 842,300 |
| Unrealized holding loss on investment securities | (1,800) |
| Retained earnings                                | 765,800 |

1,648,600

|   |             |
|---|-------------|
| Less common stock held in treasury, at cost | (52,400)    |
|   | 1,596,200   |
|   | \$1,891,600 |

See notes to condensed unaudited consolidated financial statements

1

SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

For the Three Month Periods Ended  
September 30, 1996    September 30, 1995

|   |            |            |
|---|------------|------------|
| Net sales                                     | \$ 786,900 | \$ 629,500 |
| Cost of sales                                 | 469,100    | 399,700    |
| Gross profit                                  | 317,800    | 229,800    |
| Operating expenses:                           |            |            |
| General and administrative                    | 180,800    | 169,300    |
| Selling                                       | 27,300     | 10,700     |
| Research and development                      | 36,700     | -          |
|   | 244,800    | 180,000    |
| Income from operations                        | 73,000     | 49,800     |
| Interest and other income                     | 8,400      | 8,900      |
| Income before income taxes                    | 81,400     | 58,700     |
| Income taxes                                  | 30,400     | 21,000     |
| Net income                                    | \$ 51,000  | \$ 37,700  |
| Net income per common share (Note 3)          | \$ .05     | \$ .04     |
| Weighted average number of outstanding shares | 826,239    | 826,239    |

See notes to condensed unaudited consolidated financial statements

2

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

For the Three Month Periods Ended  
September 30, 1996    September 30, 1995

Operating activities:

|  |           |           |
|--|-----------|-----------|
| Net Income   | \$ 51,000 | \$ 37,700 |
| Adjustments to reconcile net income to<br>net cash used in operating activities: |           |           |
| Depreciation and amortization  | 17,000    | 12,600    |
| Change in assets and liabilities:  |           |           |
| Accounts receivable  | (136,500) | (26,900)  |
| Inventories  | 100       | (33,900)  |
| Prepaid expenses, taxes and other<br>current assets                              | 32,600    | (12,100)  |
| Other assets   | (5,500)   | 4,400     |
| Accounts payable   | (6,700)   | (57,300)  |
| Accrued expenses   | (10,400)  | 55,600    |
| Customer advances  | 18,700    | (14,800)  |
| Total adjustments  | (90,700)  | (72,400)  |
| Net cash used in<br>operating activities   | (39,700)  | (34,700)  |

Investing activities:

|   |           |           |
|---|-----------|-----------|
| Purchase of investment securities,<br>principally held to maturity    | (434,600) | (381,700) |
| Redemptions of investment securities,<br>principally held to maturity | 451,200   | 197,300   |
| Capital expenditures  | (14,200)  | (6,700)   |
| Purchase of intangible assets   | -         | (64,000)  |

|  |          |           |
|--|----------|-----------|
| Net cash used in (provided by)<br>investing activities | 2,400    | (255,100) |
| Net decrease in cash and cash equivalents              | (37,300) | (289,800) |
| Cash and cash equivalents, beginning<br>of year        | 169,900  | 315,600   |
| Cash and cash equivalents, end of period \$            | 132,600  | \$ 25,800 |

Supplemental disclosures:

Cash paid during the period for:

|              |        |          |
|--------------|--------|----------|
| Income Taxes | \$ 400 | \$ 6,300 |
|--------------|--------|----------|

See notes to condensed unaudited consolidated financial statements

3

SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

General: As contemplated by the Securities and Exchange Commission, the accompanying financial statements and footnotes have been condensed and therefore do not contain all financial statements and disclosures required by generally accepted accounting principles. Reference should be made to the Annual Report to Stockholders for the year ended June 30, 1996 of Scientific Industries, Inc., the "Company."

The statements as of and for the three months ended September 30, 1996 and 1995 are unaudited. In the opinion of management, all adjustments have been made to present fairly the results of such unaudited interim periods.

1. Significant accounting policies:

Principles of consolidation:

The accompanying condensed consolidated financial statements include the accounts of Scientific Industries, Inc. and Scientific Packaging Industries, Inc. (a 100% owned subsidiary). All intercompany items and transactions have been eliminated in consolidation.

2. Inventories:

Inventories for interim financial statement purposes are computed by costing sales made during the applicable periods. Management has estimated the components of inventory to be as follows:

|                 | September 30,<br>1996 |
|-----------------|-----------------------|
| Raw Materials   | \$ 251,300            |
| Work in process | 31,900                |
| Finished Goods  | 11,300                |
|                 | \$ 294,500            |

3. Net income per share:

Income per share of Common Stock is computed on the basis of the weighted average number of shares outstanding plus the dilutive effect of stock options.

SCIENTIFIC INDUSTRIES, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS

Liquidity and Capital Resources

The Company's working capital increased to \$1,363,100 at September 30, 1996 from \$1,304,400 at June 30, 1996 attributable primarily to an increase in net income. Management believes that the Company's working capital will be sufficient to meet the Company's operational requirements through the current fiscal year.

Results of Operations

The Three Months Ended September 30, 1996 Compared With Three Months Ended September 30, 1995.

Net sales increased \$157,400 (25.0%) for the three month period ended September 30, 1996 compared with the three month period ended September 30, 1995 as a result of increased demand for our existing laboratory products during this quarter. The gross profit percentage for the three month period



ended September 30, 1996 of 40.4% compared to the gross profit percentage of 36.5% for the three month period ended September 30, 1995 increased 10.7% as a result of higher sales combined with unchanged fixed overhead costs.

General and administrative expenses for the three month period ended September 30, 1996 of \$180,800 increased slightly compared with \$169,300 for the three month period ended September 30, 1995 due to regular increases in salaries, insurance, and depreciation.

Selling expenses for the three month period ended September 30, 1996 of \$27,300 compared with \$10,700 for the same period last year increased \$16,600 (155.1%) as a result of market research expenses pertaining to the new line of centrifuge products and a promotional rebate program for our existing laboratory products.

Research and development expenses for the three month period ended September 30, 1996 were \$36,700 compared to none in the comparable period last year as a result of the research and development activities conducted relating to the new product line and accessories for existing products. The Company expects to market and have available for delivery the centrifuge products at the end of this fiscal year.

Income before income taxes for the three month period ended September 30, 1996 of \$81,400 compared with \$58,700 for the three month period ended September 30, 1995 increased \$22,700 (38.7%) mainly due to the increased sales and gross profit margins.

SCIENTIFIC INDUSTRIES, INC.

FORM 10-QSB

For the Quarter Ended September 30, 1996

Part II -- OTHER INFORMATION

Not Applicable

6

SIGNATURES

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

Lowell A. Kleiman  
President and Treasurer

Helena R. Santos  
Controller and Assistant Treasurer

Date November 14, 1996

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This schedule contains summary financial information extracted from SEC Form 10-KSB and is qualified in its entirety by reference to such financial statements.

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