EDGAR SUBMISSION SUMMARY

Issuer Name	SCIENTIFIC INDUSTRIES INC
Submission Type	10-Q
Live File	On
Return Copy	On
Exchange	NONE
Confirming Copy	Off
Filer CIK	0000087802
Filer CCC	xxxxxxxx
Period of Report	09-30-2023
Smaller Reporting Company	On
Shell Company	Off
Emerging Growth Company	No
Notify via Filing website Only	Off
Emails	confirmations@issuerdirect.com

Documents

Form Type	File Name	Description
10-Q	scnd_10q.htm	FORM 10-Q
EX-31.1	scnd_ex311.htm	EX-31.1
EX-31.2	scnd_ex312.htm	EX-31.2
EX-32.1	scnd_ex321.htm	EX-32.1
EX-32.2	scnd_ex322.htm	EX-32.2
EX-101.SCH	scnd-20230930.xsd	XBRL TAXONOMY EXTENSION SCHEMA
EX-101.LAB	scnd-20230930_lab.xml	XBRL TAXONOMY EXTENSION LABEL LINKBASE
EX-101.CAL	scnd-20230930_cal.xml	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE
EX-101.PRE	scnd-20230930_pre.xml	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE
EX-101.DEF	scnd-20230930_def.xml	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE

Module and Segment References

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

FORM 10-Q

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

For the quarterly period ended **September 30, 2023**

☐ **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 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)	(I.R.S. Employer Identification No.)
80 Orville Drive, Suite 102, 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 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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated Filer	☒	Smaller reporting company	☒
		Emerging Growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company *(as defined in Rule 12b-2 of the Act)* Yes ☐ No ☒

The number of shares outstanding of the registrant's common stock, par value $.05 per share ("Common Stock") as of November 13, 2023 is 7,003,599 shares.

SCIENTIFIC INDUSTRIES, INC.

Table of Contents

PART I - Financial Information

Item 1.	CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)	3
	Condensed Consolidated Balance Sheets	3
	Condensed Consolidated Statements of Operations and Comprehensive Loss	4
	Condensed Consolidated Statements of Changes in Shareholders' Equity	5
	Condensed Consolidated Statements of Cash Flows	6
	Notes to Unaudited Condensed Consolidated Financial Statements	7
Item 2.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	17
Item 3.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	22
Item 4.	CONTROLS AND PROCEDURES	22

PART II - Other Information

Item 1.	Legal Proceedings	23
Item 1A.	Risk Factors	23
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	23
Item 3.	Defaults Upon Senior Securities	23
Item 4.	Mine Safety Disclosures	23
Item 5.	Other Information	23
Item 6.	Exhibits	24
SIGNATURE		25

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2023 (Unaudited)	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 515,400	$ 1,927,100
Investment securities	809,600	4,272,100
Trade accounts receivable, less allowance for doubtful accounts of $33,600 at September 30, 2023 and December 31, 2022	1,292,600	1,312,900
Inventories	5,282,300	4,859,600
Income tax receivable	52,700	161,400
Prepaid expenses and other current assets	619,600	456,800
Total current assets	8,572,200	12,989,900
Property and equipment, net	1,093,900	1,163,200
Goodwill	115,300	115,300
Other intangible assets, net	1,377,400	1,763,000
Inventories	658,700	606,000
Operating lease right-of-use assets	1,172,400	1,373,600
Other assets	58,200	58,200
Total assets	$ 13,048,100	$ 18,069,200
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,095,200	$ 887,300
Accrued expenses	810,800	821,800
Contract liabilities	20,400	134,400
Lease liabilities, current portion	243,100	276,900
Bank overdraft	13,300	-
Total current liabilities	2,182,800	2,120,400
Lease liabilities, less current portion	987,300	1,156,200
Total liabilities	3,170,100	3,276,600
Shareholders' equity:		
Common stock, $0.05 par value; 20,000,000 shares authorized; 7,003,599 shares issued and outstanding at September 30, 2023 and 7,023,401 shares issued and 7,003,599 shares outstanding at December 31, 2022	350,200	351,200
Additional paid-in capital	34,882,400	32,900,800
Accumulated comprehensive loss	(92,400)	(8,400)
Accumulated deficit	(25,262,200)	(18,398,600)
	9,878,000	14,845,000
Less common stock held in treasury at cost, 0 shares at September 30, 2023 and 19,802 shares at December 31, 2022	-	52,400
Total shareholders' equity	9,878,000	14,792,600
Total liabilities and shareholders' equity	$ 13,048,100	$ 18,069,200

See notes to unaudited condensed consolidated financial statements.

Table of Contents

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

	Three Months Ended, September 30		Nine Months Ended, September 30	
	2023	**2022 (as Restated)**	**2023**	**2022**
Revenues	$ 2,585,500	$ 2,670,000	$ 8,373,400	$ 8,311,900
Cost of revenues	1,404,500	1,320,900	4,504,400	4,148,400
Gross profit	1,181,000	1,349,100	3,869,000	4,163,500
Operating expenses:				
General and administrative	896,300	1,607,500	3,765,500	4,592,200
Selling	1,614,200	875,700	4,650,800	3,243,700
Research and development	895,900	560,100	2,371,900	1,916,600
Impairment of goodwill and intangible asset	-	-	-	4,280,100
Total operating expenses	3,406,400	3,043,300	10,788,200	14,032,600
Loss from operations	(2,225,400)	(1,694,200)	(6,919,200)	(9,869,100)
Other income (expense), net	5,300	(15,000)	95,700	(296,100)
Interest income	19,000	-	65,400	27,900
Total other income (expense), net	24,300	(15,000)	161,100	(268,200)
Loss from continuing operations before income tax expense	(2,201,100)	(1,709,200)	(6,758,100)	(10,137,300)
Income tax expense(benefit), current	-	-	108,800	(99,200)
Income tax expense, deferred	-	-	-	3,227,300
Total Income tax expense	-	-	108,800	3,128,100
Loss from continuing operations	(2,201,100)	(1,709,200)	(6,866,900)	(13,265,400)
Discontinued operations:				
Gain (loss) from discontinued operations, net of tax	-	-	3,300	(6,600)
Net loss	(2,201,100)	(1,709,200)	(6,863,600)	(13,272,000)
Comprehensive loss:				
Unrealized holding gain (loss) on investment securities, net of tax	-	4,100	1,600	(5,700)
Foreign currency translation adjustment	(95,700)	(118,300)	(85,600)	(308,500)
Comprehensive loss	(95,700)	(114,200)	(84,000)	(314,200)
Total comprehensive loss	(2,296,800)	(1,823,400)	(6,947,600)	(13,586,200)
Basic and diluted loss per common share:				
Continuing operations	$ (0.31)	$ (0.24)	$ (0.98)	$ (1.93)
Discontinued operations	-	-	-	-
Consolidated operations	$ (0.31)	$ (0.24)	$ (0.98)	$ (1.93)

See notes to unaudited condensed consolidated financial statements.

Table of Contents

SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)

	Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Treasury Stock		Total Stockholders'
	Shares	Amount	Capital	Income (Loss)	Deficit	Shares	Amount	Equity
Balance December 31, 2022	7,023,401	$ 351,200	$ 32,900,800	$ (8,400)	$ (18,398,600)	19,802	$ 52,400	$ 14,792,600
Net loss	-	-	-	-	(2,370,500)	-	-	(2,370,500)
Foreign currency translation adjustment	-	-	-	40,200		-	-	40,200
Unrealized gain on investment securities, net of tax				3,700				3,700
Stock-based compensation	-	-	602,600	-	-	-	-	602,600
Balance March 31, 2023	7,023,401	$ 351,200	$ 33,503,400	$ 35,500	$ (20,769,100)	19,802	$ 52,400	$ 13,068,600
Net loss	-	-	-	-	(2,292,000)	-	-	(2,292,000)
Foreign currency translation adjustment	-	-	-	(30,100)		-	-	(30,100)
Unrealized loss on investment securities, net of tax				(2,100)				(2,100)
Retirement of treasury stock	(19,802)	(1,000)	(51,400)			(19,802)	(52,400)	-
Stock-based compensation	-	-	584,700	-	-	-	-	584,700
Balance June 30, 2023	7,003,599	$ 350,200	$ 34,036,700	$ 3,300	$ (23,061,100)	0	$ 0	$ 11,329,100
Net loss	-	-	-	-	(2,201,100)	-	-	(2,201,100)
Foreign currency translation adjustment	-	-	-	(95,700)		-	-	(95,700)
Stock-based compensation	-	-	845,700	-	-	-	-	845,700
Balance September 30, 2023	7,003,599	$ 350,200	$ 34,882,400	$ (92,400)	$ (25,262,200)	0	$ 0	$ 9,878,000

	Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Treasury Stock		Total Stockholders'
	Shares	Amount	Capital	Income (Loss)	Deficit	Shares	Amount	Equity
Balance December 31, 2021	6,477,945	$ 324,000	$ 27,879,900	$ 94,400	$ ($2,756,400)	19,802	$ 52,400	$ 25,489,500
Net loss	-	-	-	-	(1,535,000)	-	-	(1,535,000)
Issuance of Common Stock and Warrants, net of issuance costs	545,456	27,200	2,700,000					2,727,200
Foreign currency translation adjustment	-	-	-	(194,500)		-	-	(194,500)
Unrealized loss on investment securities, net of tax				(4,700)				(4,700)
Stock-based compensation	-	-	653,700	-	-	-	-	653,700
Balance, March 31, 2022	7,023,401	$ 351,200	$ 31,233,600	$ (104,800)	$ (4,291,400)	19,802	$ 52,400	$ 27,136,200
Net loss	-	-	-	-	(10,027,800)	-	-	(10,027,800)
Foreign currency translation adjustment	-	-	-	4,300		-	-	4,300
Unrealized loss on investment securities, net of tax				(5,100)				(5,100)
Stock-based compensation	-	-	430,500	-	-	-	-	430,500
Balance, June 30, 2022 (as restated)	7,023,401	$ 351,200	$ 31,664,100	$ (105,600)	$ (14,319,200)	19,802	$ 52,400	$ 17,538,100
Net loss	-	-	-	-	(1,709,200)	-	-	(1,709,200)
Foreign currency translation adjustment	-	-	-	(118,300)		-	-	(118,300)
Unrealized gain on investment securities, net of tax				4,100				4,100

Stock-based compensation	-	-	618,100	-	-	-	-	618,100
Balance, September 30, 2022 (as restated)	7,023,401	$ 351,200	$ 32,282,200	$ (219,800)	$ (16,028,400)	19,802	$ 52,400	$ 16,332,800

See notes to consolidated financial statements

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

	For the Nine Months Ended September 30,	
	2023	2022
Operating activities:		
Net loss	$ (6,863,600)	$ (13,272,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	566,700	549,800
Stock-based compensation	2,033,000	1,702,300
Change in fair value of contingent consideration	-	17,500
Loss on sale of investments	96,500	93,600
Unrealized holding (gain) loss on investments	(147,900)	213,200
Deferred income taxes	-	3,223,300
Impairment of goodwill and intangible asset	-	4,280,100
Changes in operating assets and liabilities:		
Trade accounts receivable	(20,100)	234,600
Inventories	(532,400)	(1,415,400)
Prepaid and other current assets	(162,100)	48,300
Income tax receivable	108,800	(95,400)
Other assets	-	100
Carrying value of right of use assets	201,400	(778,900)
Accounts payable	175,400	(504,500)
Accrued expenses	39,700	201,100
Contract liabilities	(114,000)	1,100
Lease liabilities	(203,000)	775,700
Total adjustments	(506,300)	(1,533,300)
Net cash used in operating activities	(4,821,600)	(4,725,500)
Investing activities:		
Purchase of investment securities	(987,000)	(1,648,100)
Redemption of investment securities	4,505,400	2,908,500
Capital expenditures	(117,900)	(754,300)
Purchase of other intangible assets	-	(2,000)
Net cash provided by investing activities	3,400,500	504,100
Financing activities:		
Proceeds from issuance of common stock	-	3,000,000
Issuance costs of common stock and warrants	-	(272,800)
Payments of contingent consideration	-	(98,800)
Bank overdraft	13,300	(74,300)
Net cash provided by financing activities	13,300	2,554,100
Effect of changes in foreign currency exchange rates	(3,900)	(192,000)
Net decrease in cash and cash equivalents	(1,411,700)	(1,859,300)
Cash and cash equivalents, beginning of period	1,927,100	4,297,000
Cash and cash equivalents, end of period	$ 515,400	$ 2,437,700
SUPPLEMENTAL DISCLOSURES:		
Cash paid during the period for:		
Income taxes	$ -	$ -
Noncash financing activities:		
Record right-of-use assets	$ -	$ 110,700
Record lease liabilities	$ -	$ 107,900

See notes to consolidated financial statements

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

1. Nature of the Business and Basis of Presentation

Scientific Industries, Inc. and its subsidiaries (the "Company") design, manufacture, and market a variety of benchtop laboratory equipment and bioprocessing products. The Company is headquartered in Bohemia, New York where it produces benchtop laboratory and pharmacy equipment. Additionally, the Company has a location in Baesweiler, Germany, where it designs and produces a variety of bioprocessing products, and administrative facilities in Orangeburg, New York and Pittsburgh, Pennsylvania related to sales and marketing. The products, which are sold to customers worldwide, include mixers, shakers, stirrers, refrigerated incubators, pharmacy balances and scales, force gauges, bioprocessing sensors and analytical tools.

The accompanying (a) condensed balance sheet as of December 31, 2022, which has been derived from audited financial statements, and (b) 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 notes 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 consolidated financial statements and notes thereto, included in its Annual Report on Form 10-KT for the six months transition period of July 1, 2022 through December 31, 2022. The results for the three and nine months ended September 30, 2023 are not necessarily an indication of the results for the full fiscal year ending December 31, 2023.

2. Significant Accounting Policies

Principles of Consolidation

The accompanying unaudited interim condensed consolidated financial statements include the accounts of Scientific Industries, Inc., Scientific Packaging Industries, Inc., an inactive wholly-owned subsidiary, Altamira Instruments, Inc. ("Altamira"), a Delaware corporation and wholly-owned subsidiary (discontinued operation as of November 30, 2020), and Scientific Bioprocessing Holdings, Inc. ("SBHI"), a Delaware corporation and wholly-owned subsidiary, which holds 100% of the outstanding stock of Scientific Bioprocessing, Inc. ("SBI"), a Delaware corporation, and aquila biolabs GmbH ("Aquila"), a German corporation, since its acquisition on April 29, 2021, (all collectively referred to as the "Company"). All material intercompany balances and transactions have been eliminated in consolidation.

Liquidity and Going Concern Considerations

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Accordingly, the financial statements do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. However, for the reasons described below, Company management does not believe that cash on hand and cash flows generated internally by the Company will be adequate to fund its overhead and other cash requirements over the next twelve months. These reasons raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are to be filed.

In order to continue as a going concern, the Company will need, among other things, additional capital resources. Management is in plans to obtain such resources for the Company by obtaining capital from management and significant shareholders sufficient to meet its operating expenses and seeking third party equity and/or debt financing. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans. These financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Restatement Background

On April 12, 2023, the management of Scientific Industries, Inc. (the "Company"), together with the Company's Board of Directors, acting collective as the Audit Committee (the "Audit Committee") reached a determination that the Company's consolidated audited financial statements as of and for the fiscal year ended June 30, 2022 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") and the Company's consolidated unaudited financial statements as of and for the quarter period ended September 30, 2022 included in the Company's Quarterly Reports on Form 10-Q filed with the SEC, collectively the "Non-Reliance Periods", should no longer be relied upon because of material misstatements contained in those consolidated financial statements. The Company's management and the Audit Committee discussed the matters with Macias Gini & O'Connell LLP ("MGO"), the Company's independent registered public accounting firm, and determined to restate its consolidated audited financial statements for the Non-Reliance Periods. During the preparation of its audited financial statements for the six-month transition period from July 1, 2022 to December 31, 2022, the Company identified an error in the assessment of a full valuation allowance against the consolidated net deferred tax asset and in addition, the Company identified an error in the use of future projections and weighted average cost of capital used in the annual goodwill impairment testing of the Company's Bioprocessing Systems segment. Upon further analysis of the errors, the Company determined that it should have allocated a full valuation allowance to the consolidated net deferred tax asset and applied a goodwill impairment charge to the Bioprocessing Systems reporting unit in the fiscal year ended June 30, 2022, as restated in the Company's Transition Report for the six-month transition period from July 1, 2022 to December 31, 2022, filed on Form 10-KT with the SEC.

The Company has restated certain information within this Quarterly Report on Form 10-Q, relevant to the unaudited interim financial information as of September 30, 2022.

Derivative Instruments

The Company may enter into derivative transactions to hedge its exposures to foreign exchange risk associated with Euro foreign currency denominated assets and liabilities and other Euro foreign currency transactions. On January 9, 2023, the Company entered into a 90-day foreign currency forward contract with a settled date on April 11, 2023, for a notional amount of $1,082,500. On April 4, 2023, the Company entered into a 90 day foreign currency forward contract with a settled date on July 11, 2023, for a notional amount of $1,097,300. The foreign currency forward contracts are used to manage the foreign exchange risk associated with a portion of the Company's Euro foreign currency denominated assets and liabilities and other Euro foreign currency transactions. The Company is required to record these derivatives in the balance sheet at fair value. In order for a derivative to qualify as a hedge, specific criteria must be met and appropriate documentation maintained. Gains and losses from derivatives that do not qualify as hedges, or are undesignated, must be recognized immediately in earnings. If the derivative does qualify as a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will be either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. Changes in the fair value of undesignated derivatives are recorded in the statement of operations.

Recently Adopted Accounting Pronouncements

On January 1, 2023, the Company adopted Accounting Standards Update, or ASU, No. 2016-13, Financial Instruments - Credit Losses ("ASC 326"): Measurement of Credit Losses on Financial Instruments, which replaces the "incurred loss" model for recognizing credit losses with a forward-looking "expected loss" model that generally will result in the earlier recognition of credit losses. The measurement of current expected credit losses, or "CECL", is based upon historical experience, current conditions, and reasonable and supportable forecasts incorporating forward-looking information that affect the collectability of the reported amount. ASU No. 2016-13 is applicable to financial assets measured at amortized cost and off-balance sheet credit exposures.

Allowance for Credit Losses – Accounts Receivable

The allowance for credit losses required under ASC 326 is a valuation account that is deducted from the accounts receivables' amortized cost basis on the Company's condensed consolidated balance sheets. Our accounts receivables are generated from the sales revenue derived from the Company's Benchtop Laboratory Equipment and Bioprocessing Systems segments. The Company elected to estimate expected losses using an analytical model based on methods that utilize the accounts receivable aging schedule. This analytical model incorporates historical loss activity, geographic location, customer-specific information, collection terms and customer amounts. The Company evaluates the estimated allowance on an aggregate basis as each individual account receivable shares similar risk characteristics. Upon adoption of ASC 326 using the modified retrospective transition method and as of September 30, 2023, the Company determined that the allowance for credit losses, if any, is immaterial as of adoption date and the Company will continue to evaluate the accounts receivable portfolio on an on-going basis.

Allowance for Credit Losses – Available-for-Sale Debt Securities

The impairment model for available-for-sale ("AFS") debt securities differs from the CECL methodology applied for held to maturity debt securities because AFS debt securities are measured at fair value rather than amortized cost. Although ASC 326 replaced the legacy other-than-temporary impairment ("OTTI") model with a credit loss model, it retained the fundamental nature of the legacy OTTI model. For AFS debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell, the security before recovery of its amortized cost basis. If either criterion is met, the security's amortized cost basis is written down to fair value. For AFS debt securities where neither of the criteria is met, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the credit rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited to the amount that the fair value is less than the amortized cost basis. Any remaining discount that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. Upon adoption of ASC 326, an entity may no longer consider the length of time fair value has been less than amortized cost. Changes in the allowance for credit losses are recorded as a provision (or release) for credit losses. Losses are charged against the allowance when management believes the collectability of an AFS security is considered below the amortized cost basis of the security. As of September 30, 2023, the Company determined that the unrealized loss positions in AFS securities were not the result of credit losses, and therefore, an allowance for credit losses was not recorded.

3. Fair Value of Financial Instruments

The Company follows ASC - Accounting Standards Codification ("ASC 820"), Fair Value Measurement, which has defined 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 for 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 observable, either directly or indirectly

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

In valuing assets and liabilities, the Company is required to maximize the use of quoted market prices and minimize the use of unobservable inputs. The Company calculated the fair value of its Level 1 and 2 instruments based on the exchange traded price of similar or identical instruments where available or based on other observable instruments. These calculations take into consideration the credit risk of both the Company and its counterparties. The Company has not changed its valuation techniques in measuring the fair value of any financial assets and liabilities during the period.

The fair value of the contingent consideration obligations was based on a probability weighted approach derived from the estimates of earn-out criteria and the probability assessment with respect to the likelihood of achieving those criteria. The measurement is based on significant inputs that were not observable in the market, therefore, the Company classifies this liability as Level 3 in the following table.

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 as of September 30, 2023 and December 31, 2022 according to the valuation techniques the Company used to determine their fair values:

	Fair Value Measurements as of September 30, 2023			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 515,400	$ -	$ -	$ 515,400
Investment securities	809,600	-	-	809,600
Total	$ 1,325,000	$ -	$ -	$ 1,325,000

	Fair Value Measurements as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 1,927,100	$ -	$ -	$ 1,927,100
Investment securities	4,035,500	236,600	-	4,272,100
Total	$ 5,962,600	$ 236,600	$ -	$ 6,199,200

The Company reviews the available-for-sale debt securities ("AFS") for declines in fair value below the amortized cost basis under the credit loss model of ASC 326. Any decline in fair value related to a credit loss is recognized in the condensed consolidated statements of operations, with the amount of the loss limited to the difference between fair value and amortized cost. As of September 30, 2023 and December 31, 2022, the allowance for credit losses related to available-for sale debt securities was zero.

Investments in marketable securities by security type as of September 30, 2023 and December 31, 2022 consisted of the following:

As of September 30, 2023:	Cost	Fair Value	Unrealized Holding Gain (Loss)
Equity securities	$ 95,700	$ 124,200	$ 28,500
Mutual funds	626,500	685,400	58,900
Total	$ 722,200	$ 809,600	$ 87,400

As of December 31, 2022:	Cost	Fair Value	Unrealized Holding Gain (Loss)
Equity securities	$ 118,900	$ 154,600	$ 35,700
Mutual funds	4,063,100	3,880,900	(182,200)
Debt securities	235,400	236,600	1,200
Total	$ 4,417,400	$ 4,272,100	$ (145,300)

Foreign currency forward contract

On January 9, 2023, the Company entered into a 90 day foreign currency forward contract for a notional amount of $1,082,500, which settled on April 11, 2023. On April 4, 2023, the Company entered into a 90 day foreign currency forward contract for a notional amount of $1,097,300 which settled on July 11, 2023. The foreign currency forward contract are used to manage the foreign exchange risk associated with a portion of its Euro foreign currency denominated assets and liabilities and other Euro foreign currency transactions. Although the Company believes the hedge position accomplish an economic hedge against the Company's future purchases and sales, management has chosen not to use hedge accounting, which would match the gain or loss on our hedge positions to the specific expense being hedged. The Company is using fair value accounting for our hedge positions, which means as the current market price of our hedge positions changes, the realized or unrealized gains and losses are immediately recognized in our statement of operations. The immediate recognition of hedging gains and losses can cause net income/loss to be volatile from quarter to quarter due to the timing of the change in value of the derivative instruments.

4. Inventories

	As of September 30, 2023	As of December 31, 2022
Raw materials	$ 3,628,900	$ 3,703,900
Work-in-process	92,100	66,700
Finished goods	2,220,000	1,695,000
Total Inventories	$ 5,941,000	$ 5,465,600
Inventories - Current Asset	$ 5,282,300	$ 4,859,600
Inventories - Noncurrent Asset	658,700	606,000

5. Goodwill and Finite Lived Intangible Assets

Goodwill amounted to $115,300 as of September 30, 2023 and December 31, 2022, all of which is expected to be deductible for tax purposes.

Finite lived intangible assets consist of the following:

As of September 30, 2023:	Useful Lives	Cost	Accumulated Amortization	Net
Technology, trademarks	3-10 yrs.	$ 1,216,800	$ 833,600	$ 383,200
Trade names	3-6 yrs.	592,300	322,700	269,600
Websites	3-7 yrs.	210,000	210,000	-
Customer relationships	4-10 yrs.	372,200	186,700	185,500
Sublicense agreements	10 yrs.	294,000	294,000	-
Non-compete agreements	4-5 yrs.	1,060,500	748,700	311,800
Patents	5-7 yrs.	595,800	368,500	227,300
		$ 4,341,600	$ 2,964,200	$ 1,377,400

As of December 31, 2022	Useful Lives	Cost	Accumulated Amortization	Net
Technology, trademarks	3-10 yrs.	$ 1,216,800	$ 721,700	$ 495,100
Trade names	3-6 yrs.	592,300	266,000	326,300
Websites	3-7 yrs.	210,000	210,000	-
Customer relationships	4-10 yrs.	372,200	163,800	208,400
Sublicense agreements	10 yrs.	294,000	294,000	-
Non-compete agreements	4-5 yrs.	1,060,500	602,000	458,500
Patents	5-7 yrs.	595,800	321,100	274,700
		$ 4,341,600	$ 2,578,600	$ 1,763,000

Total amortization expense was $127,800 and $134,200 for the three months ended September 30, 2023 and 2022, respectively.

Total amortization expense was $385,600 and $403,200 for the nine months ended September 30, 2023 and 2022, respectively.

Estimated future fiscal year amortization expense of intangible assets as of September 30, 2023 is as follows:

As of September 30, 2023	Amount
Remainder of fiscal year ending 2023	$ 131,000
2024	506,100
2025	371,500
2026	193,800
2027	92,600
Thereafter	82,400
Total	$ 1,377,400

6. Commitment and Contingencies

Legal Matters

The Company may be named from time to time as a party to claims and litigations arising in the ordinary course of business. When the Company becomes aware of potential litigation, it evaluates the merits of the case in accordance with ASC 450, Contingencies. Litigation and contingency accruals are based on our assessment, including advice of legal counsel, regarding the expected outcome of litigation or other dispute resolution proceedings. If the Company determines that an unfavorable outcome is probable and can be reasonably assessed, it establishes the necessary accruals. As of September 30, 2023 and December 31, 2022, the Company is not aware of any contingent legal liabilities that should be reflected in the consolidated financial statements.

Leases

The Company's approximate future minimum rental payments under all operating leases as of September 30, 2023 were as follows:

As of September 30, 2023:		Amount
Remainder of fiscal year ending 2023	$	81,100
2024		296,400
2025		269,300
2026		266,600
2027		274,600
Thereafter		201,000
Total future minimum payments	$	1,389,000
Less: Imputed interest		(156,600)
Total Present Value of Operating Lease Liabilities	$	1,230,400

Employment Agreement

The Company entered into an employment agreement, effective as of July 1, 2023, with Reginald Averilla, its Chief Financial Officer. The agreement provides continued employment through June 30, 2025 for a base annual salary of $195,000, a 10% bonus at the discretion of the Board of Directors of the Company and a 12-month post termination noncompete covenant.

7. Stockholders' Equity

Stock-based compensation expense

On July 21, 2023, the Company's Bioprocessing System segment entered into a separation agreement with their VP of Sales ("former employee"). In connection with the separation agreement, the Company extended the exercisability of the former employee's vested stock options up through the original expiration date of July, 13, 2030, which the Company recorded a additional $684,900 of noncash stock base compensation expense related to the modification of the exercisability of the vested stock options

8. Loss Per Common Share

The Company presents the computation of earnings per share ("EPS") on a basic basis. Basic EPS is computed by dividing net income or loss by the weighted average number of shares outstanding during the reported period. Diluted EPS is computed similarly to basic EPS, except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential additional common shares that were dilutive had been issued. Common shares are excluded from the calculation if they are determined to be anti-dilutive. The following table sets forth the weighted average number of common shares outstanding for each period presented.

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022 (as restated)	2023	2022
Weighted average number of common shares outstanding	7,003,599	7,003,599	7,003,599	6,881,720
Effect of dilutive securities:	-	-	-	-
Weighted average number of dilutive common shares outstanding	7,003,599	7,003,599	7,003,599	6,881,720
Basic and diluted loss per common share:				
Continuing operations	$ (0.31)	$ (0.24)	$ (0.98)	$ (1.93)
Discontinued operations	-	-	-	-
Consolidated operations	$ (0.31)	$ (0.24)	$ (0.98)	$ (1.93)

Approximately 20,965 and 0 shares of the Company's common stock issuable upon the exercise of stock options and warrants, and 36,423 and 0 shares of the Company's common stock issuable upon the exercise of stock options and warrants, respectively, were excluded from the calculation because the effect would be anti-dilutive due to the loss for the three months ended September 30, 2023 and 2022, respectively.

Approximately 24,417 and 0 shares of the Company's common stock issuable upon the exercise of stock options and warrants, and 32,508 and 0 shares of the Company's common stock issuable upon the exercise of stock options and warrants, respectively, were excluded from the calculation because the effect would be anti-dilutive due to the loss for the nine months ended September 30, 2023 and 2022, respectively.

9. Related Parties

Consulting Agreements

During the nine months ended September 30, 2023 and 2022, respectively, the Company paid $0 and $120,700, respectively, to Mr. Reinhard Vogt, a former Director of the Company, and his affiliate which provided consulting services. The Company's consulting agreement with Mr. Reinhard Vogt and his affiliate was terminated on April 1, 2022. There were no payments to Mr. Reinhard Vogt during the three months ended September 30, 2023 and 2022, respectively.

10. Segment Information and Concentration

The Company views its operations as two operating segments: the manufacture and marketing of standard benchtop laboratory equipment for research in university, hospital and industrial laboratories sold primarily through laboratory equipment distributors and laboratory and pharmacy balances and scales ("Benchtop Laboratory Equipment Operations"), and the manufacture, design, and marketing of bioprocessing systems and products ("Bioprocessing Systems"). The Company also has included a Non-operating Corporate segment. All inter-segment revenues are eliminated.

Segment information is reported as follows.

Three Months Ended September 30, 2023:	Benchtop Laboratory Equipment	Bioprocessing Systems	Corporate And Other	Consolidated
Revenues	$ 2,161,300	$ 424,200	$ -	$ 2,585,500
Foreign Sales	625,000	242,900	-	867,900
Income (Loss) From Operations	73,600	(2,105,500)	(193,500)	(2,225,400)
Assets	7,137,200	5,101,300	809,600	13,048,100
Long-Lived Asset Expenditures	-	11,700	-	11,700
Depreciation and Amortization	20,700	167,500	-	188,200

Three Months Ended September 30, 2022 (as Restated):	Benchtop Laboratory Equipment	Bioprocessing Systems	Corporate And Other	Consolidated
Revenues	$ 2,357,600	$ 312,400	$ -	$ 2,670,000
Foreign Sales	749,600	241,100	-	990,700
Income (Loss) From Operations	306,900	(1,515,800)	(485,300)	(1,694,200)
Assets	8,962,000	4,874,600	5,298,600	19,135,200
Long-Lived Asset Expenditures	11,300	150,300	-	161,600
Depreciation and Amortization	25,200	163,700	-	188,900

Nine Months Ended September 30, 2023:	Benchtop Laboratory Equipment	Bioprocessing Systems	Corporate And Other	Consolidated
Revenues	$ 7,357,800	$ 1,015,600	$ -	$ 8,373,400
Foreign Sales	2,204,800	478,700	-	2,683,500
Income (Loss) From Operations	555,200	(5,972,600)	(1,501,800)	(6,919,200)
Assets	7,137,200	5,101,300	809,600	13,048,100
Long-Lived Asset Expenditures	25,200	92,700	-	117,900
Depreciation and Amortization	64,400	502,300	-	566,700

Nine Months Ended September 30, 2022:	Benchtop Laboratory Equipment	Bioprocessing Systems	Corporate And Other	Consolidated
Revenues	$ 7,307,600	$ 1,004,300	$ -	$ 8,311,900
Foreign Sales	2,420,900	821,000	-	3,241,900
Income (Loss) From Operations	923,000	(9,445,700)	(1,346,400)	(9,869,100)
Assets	8,962,000	4,874,600	5,298,600	19,135,200
Long-Lived Asset Expenditures	37,200	719,100	-	756,300
Depreciation and Amortization	74,900	474,900	-	549,800

For the three months ended September 30, 2023 and 2022, respectively, one customer accounted for approximately 10% or more of the Company's total revenue.

For the nine months ended September 30, 2023 one customer accounted for approximately 10% or more of the Company's total revenue. For the nine months ended September 30, 2022 no individual customer accounted for 10% or more of the Company's total revenue.

A reconciliation of the Company's consolidated segment income (loss) from operations to consolidated loss from operations before income taxes and net loss for the three and nine months ended September 30, 2023 and 2022, respectively are as follows:

Three months ended September 30, 2023	Benchtop Laboratory Equipment	Bioprocessing Systems	Corporate	Consolidated
Income (Loss) from Operations	$ 73,600	$ (2,105,500)	$ (193,500)	$ (2,225,400)
Other income (expense), net	5,300	(1,800)	1,800	5,300
Interest income	-	-	19,000	19,000
Total other (expense) income, net	5,300	(1,800)	20,800	24,300
Income (Loss) from operations before discontinued operations and income taxes	$ 78,900	$ (2,107,300)	$ (172,700)	$ (2,201,100)

Three months ended September 30, 2022	Benchtop Laboratory Equipment	Bioprocessing Systems	Corporate	Consolidated
Income (Loss) from Operations	$ 306,900	$ (1,515,800)	$ (485,300)	$ (1,694,200)
Other (expense) income, net	1,600	13,500	(30,100)	(15,000)
Interest income	-	-	-	-
Total other (expense) income, net	-	13,500	(30,100)	(15,000)
Income (Loss) from operations before discontinued operations and income taxes	$ 308,500	$ (1,502,300)	$ (515,400)	$ (1,709,200)

Nine months ended September 30, 2023	Benchtop Laboratory Equipment	Bioprocessing Systems	Corporate	Consolidated
Income (Loss) from Operations	$ 555,200	$ (5,972,600)	$ (1,501,800)	$ (6,919,200)
Other income (expense), net	7,700	9,300	78,700	95,700
Interest income	-	-	65,400	65,400
Total other (expense) income, net	7,700	9,300	144,100	161,100
Income (Loss) from operations before discontinued operations and income taxes	$ 562,900	$ (5,963,300)	$ (1,357,700)	$ (6,758,100)

Nine months ended September 30, 2022	Benchtop Laboratory Equipment	Bioprocessing Systems	Corporate	Consolidated
Income (Loss) from Operations	$ 923,000	$ (9,445,700)	$ (1,346,400)	$ (9,869,100)
Other (expense) income, net	2,900	(42,100)	(256,900)	(296,100)
Interest income	-	-	27,900	27,900
Total other (expense) income, net	2,900	(42,100)	(229,000)	(268,200)
Income (Loss) from operations before discontinued operations and income taxes	$ 925,900	$ (9,487,800)	$ (1,575,400)	$ (10,137,300)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking statements. *The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited financial statements and related notes included in our Annual Report on Form 10-KT for the six month transition period beginning July 1, 2022 and ended December 31, 2022, filed on April 17, 2023. 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 statements. Numerous unknown factors and future events could cause such differences, including but not limited to, product demand, market acceptance, success of marketing strategy, success of expansion efforts, impact of competition, adverse economic conditions, and other factors affecting the Company's business that are beyond the Company's control, which are discussed elsewhere in this report. Consequently, no forward-looking statement can be guaranteed. The Company undertakes no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. Throughout this Quarterly Report on Form 10-Q, the terms the "Company," "Scientific," "we," "our" or "us," refer to Scientific Industries, Inc. and its subsidiaries on a consolidated basis, unless stated or the context implies otherwise.*

Overview.

Scientific Industries, Inc., a Delaware corporation ("SI" and along with its subsidiaries, the "Company", "we", "our"), is engaged in the design, manufacture, and marketing of standard benchtop laboratory equipment ("Benchtop Laboratory Equipment"), and through its wholly-owned subsidiary, Scientific Bioprocessing Holdings, Inc., a Delaware corporation ("SBHI"), the design, manufacture, and marketing of bioprocessing systems and products ("Bioprocessing Systems"). SBHI has two wholly-owned subsidiaries – Scientific Bioprocessing, Inc., a Delaware corporation ("SBI"), and aquila biolabs GmbH, a German corporation ("Aquila"). The Company's products are used primarily for research purposes by universities, pharmaceutical companies, pharmacies, national laboratories, medical device manufacturers, and other industries performing laboratory-scale research. Until November 30, 2020, the Company was also engaged in the design, manufacture and marketing of customized catalyst research instruments through its wholly-owned subsidiary, Altamira Instruments, Inc, a Delaware corporation ("Altamira"). On November 30, 2020, the Company sold significantly all of Altamira's assets and Altamira's operations were discontinued.

COVID-19

The challenges posed by the COVID-19 pandemic on the global economy affected the Company with minor or temporary disruptions to its operations. The Company took appropriate action and put plans in place to diminish the effects of COVID-19 on its operations, by implementing the Center for Disease Control's guidelines for employers in order to protect the Company's employees' health and safety, with actions such as implementing work from home, social distancing in the workplace, requiring self-quarantine for any employee showing symptoms, wearing face coverings, and training employees on maintaining a healthy work environment. In fiscal years ended June 30, 2020 and fiscal 2021, the Company received loans from the Paycheck Protection Program (the "PPP") administered by the U.S. Small Business Administration, all of which were repaid or forgiven through the fiscal year ended June 30, 2022. The Company has not experienced and does not anticipate any material impact on its ability to collect its accounts receivable due to the nature of its customers. The Company experienced some delays from its supply chain which caused delayed delivery of some products, however this is deemed temporary and does not affect the Company's major product, the Vortex-Genie 2. The extent to which the COVID-19 outbreak ultimately impacts the Company's business, future revenues, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and actions to curtail the virus, and how quickly and to what extent normal economic and operating conditions can resume. Even after the COVID-19 outbreak has subsided, the Company may experience a significant impact to its business as a result of the global economic impact of COVID-19, including any economic downturn or recession that has occurred or may occur in the future. As a result of the impact of COVID-19 on capital markets, the availability, amount, and type of financing available to the Company in the near future is uncertain and cannot be assured and is largely dependent upon evolving market conditions and other factors. The Company intends to continue to monitor the situation and may adjust its current business plans as more information and guidance become available.

Results of Operations.

Three months ended September 30, 2023 and 2022 (as Restated)

The Company's results reflect those of the Benchtop Laboratory Equipment Operations and the Bioprocessing Systems Operations. The Company realized a loss from continuing operations before income tax expense of $2,201,100 for the three months ended September 30, 2023 compared to a $1,709,200 loss from continuing operations before income tax expense for the three months ended September 30, 2022, primarily due to the increased product development expenses for the new VIVID products for the Benchtop Laboratory Equipment Operations and operating expenses of its Bioprocessing Systems Operations, which were partially offset by increased revenue of bioprocessing products, and decreased corporate overhead expenses.

Revenues

Net revenues for the three months ended September 30, 2023 decreased $84,500 (3.2%) to $2,585,500 from $2,670,000 for the three months ended September 30, 2022, due primarily to a $196,300 decrease in Benchtop Laboratory Equipment Operations' revenue resulting from a $363,900 decrease in the Genie Division's revenues attributable to a decline in COVID-related products, offset by increased revenues of $167,600 in the Torbal Division. Sales of Torbal brand products amounted to approximately $850,700 for the three months ended September 30, 2023 compared to $683,100 in the prior period. Revenue in the Bioprocessing Systems Operations increased by $111,800 compared to prior period.

Gross profit

The gross profit percentage for the three months ended September 30, 2023 and 2022, were 45.7% and 50.5%, respectively. The 4.8% decrease is due primarily to increases in material costs due to product mix, and labor and overhead in the Benchtop Laboratory Equipment Operations.

General and administrative expenses

General and administrative expenses for the three months ended September 30, 2023 and 2022, were $896,300 and $1,607,500, respectively. The decrease of $711,200 (44.2%) is due primarily to decreased expenses due to the consolidation and reorganization of operations in the Bioprocessing Systems Operations of the Pittsburgh, Pennsylvania and Baesweiller, Germany facilities and decreased corporate overhead expenses as compared to prior period.

Selling expenses

Selling expenses for the three months ended September 30, 2023 and 2022, were $1,614,200 and $875,700, respectively. The increase of $738,500 (84.3%) is due primarily to the increased marketing expenses and a noncash stock-based compensation expense in the Bioprocessing Systems Operations as compared to prior period, and increased sales and marketing expenditures in the Benchtop Laboratory Equipment Operations as compared to prior period.

Research and development expenses

Research and development expenses for the three months ended September 30, 2023, and 2022, were $895,900 and $560,100, respectively. The increase of $335,800 (60.0%) is due primarily to the increased research and development expenditures in the Bioprocessing Systems Operations and increased research and development related to the VIVID automated pill counter in the Benchtop Laboratory Equipment Operations as compared to prior period.

Impairment of goodwill and intangible assets

Impairment of goodwill and intangible assets for the three months ended September 30, 2023 and 2022, were $0 and $0, respectively.

Other income (expense), net

Other income (expense), net, for the three months ended September 30, 2023 and 2022, were $24,300 and ($15,000), respectively. The increase is due primarily to the increased unrealized gain and interest income on investment securities during the current quarter period compared to prior quarter period.

Income tax

Income tax expense for the three months ended September 30, 2023, and 2022, was $0 and $0, respectively. In addition, the Company maintains a full valuation allowance of $8,734,400 against the consolidated net deferred tax asset as the Company determined the net deferred tax assets which includes net operating loss carry-forwards and other tax credits, are more likely not to be realized in the future. For the three months ended September 30, 2023, the full valuation allowance of $8,734,400 is offset by a income tax benefit of $592,400. As referenced in the Restatement Background (Financial Statement – Note 1) above, as a result of the restated consolidated unaudited financial statements as of and for the quarter period ended September 30, 2022, the income tax expense for the three months ended September 30, 2022 reflects a full valuation allowance against the deferred tax asset of $5,533,200 offset by a income tax benefit of $417,200. In the event that in the future the Company changes the determination as to the amount of deferred tax assets that can be realized, the Company will adjust the valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made.

Nine months ended September 30, 2023 and 2022

The Company's results reflect those of the Benchtop Laboratory Equipment Operations and the Bioprocessing Systems Operations. The Company realized a loss from continuing operations before income tax benefit of $6,758,100 for the nine months ended September 30, 2023 compared to a $10,137,300 loss from continuing operations before income tax expense for the nine months ended September 30, 2022. Excluding the prior period goodwill impairment expense of $4,280,100, the Company realized an increase in net revenues and operating expenses in the current period compared to prior period, as discussed below.

Revenue

Net revenues for the nine months ended September 30, 2023 increased $61,500 (0.7%) to $8,373,400 from $8,311,900 for the nine months ended September 30, 2022, due primarily to an increase of $50,200 in revenues of the Benchtop Laboratory Equipment Operations resulting from increased sales of Torbal products and an increase of $11,300 in revenues of the Bioprocessing Systems Operations as compared to prior period. Sales of Torbal brand products amounted to approximately $2,659,200 for the nine months ended September 30, 2023 compared to $1,901,800 in the prior period.

Gross profit

The gross profit percentage for the nine months ended September 30, 2023 and 2022, were 46.2% and 50.1%, respectively. The 3.9% decrease is due primarily to increases in material costs due to product mix, and labor and overhead in the Benchtop Laboratory Equipment Operations.

General and administrative expenses

General and administrative expenses for the nine months ended September 30, 2023 and 2022, were $3,765,500 and $4,592,200, respectively. The decrease of $826,700 (18.0%) is due primarily to decreases expenses resulting from the consolidation and reorganization of operations in the Bioprocessing Systems Operations of the Pittsburgh, Pennsylvania and Baesweiller in the current year period.

Selling expenses

Selling expenses for the nine months ended September 30, 2023 and 2022, were $4,650,800 and $3,243,700, respectively. The increase of $1,407,100 (43.4%) is due primarily to increased marketing expenses of the Bioprocessing Systems Operations as compared to prior period, and to a lesser extent, increased sales and marketing expenditures in the Benchtop Laboratory Equipment Operations as compared to prior period.

Research and development expenses

Research and development expenses for the nine months ended September 30, 2023, and 2022, were $2,371,900 and $1,916,600, respectively. The increase of $455,300 (23.8%) is due primarily to the increased research and development expenditures in the Bioprocessing Systems Operations and increased research and development related to the VIVID automated pill counter in the Benchtop Laboratory Equipment Operations as compared to prior period.

Impairment of goodwill and intangible assets

Impairment of goodwill and intangible assets for the nine months ended September 30, 2023 and 2022, were $0 and $4,280,100, respectively. There was no impairment of goodwill and intangible assets for the nine months ended September 2023. For the nine months ended September 30, 2022, the Company recorded a $4,280,100 impairment of goodwill as a result of a goodwill impairment analysis, of which the Company determined the carrying value of the Bioprocessing Systems reporting unit exceeded its fair value and therefore the associated goodwill was impaired.

Other income (expense), net

Other income (expense), net, for the nine months ended September 30, 2023 and 2022, were $161,100 and ($268,200), respectively. The increase is due primarily to the increased unrealized gain and interest income on investment securities compared to prior period.

Income tax

Income tax expense for the nine months ended September 30, 2023, and 2022, was $108,800 and $3,128,100, respectively. The income tax expense for the nine months ended September 30, 2023, of $108,800 is attributable to the finalization of a income tax receivable filing claim. In addition, the Company maintains a full valuation allowance of $8,734,400 against the consolidated net deferred tax asset as the Company determined the net deferred tax assets which includes net operating loss carry-forwards and other tax credits, are more likely not to be realized in the future. The income tax expense of $3,128,100 for the nine months ended September 30, 2022, reflects a full valuation allowance against the consolidated net deferred tax assets recorded in the current period as the Company determined the consolidated net deferred tax assets which includes net operating loss carry-forwards and other tax credits, are more likely not to be realized in the future. In the event in the future the Company changes the determination as to the amount of deferred tax assets that can be realized, the Company will adjust the valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made.

Liquidity and Capital Resources.

Our primary sources of liquidity are existing cash and cash equivalents, and cash generated from operating activities of the Benchtop Laboratory Equipment Operations. We assess our liquidity in terms of our ability to generate cash to fund our short and long-term cash requirements. We believe that our operating cash flows derived primarily from the Benchtop Laboratory Equipment Operations, our cash and investments on hand, and the availability of our line of credit, are not sufficient to fund our cash requirements for the next 12 months. The accompanying unaudited condensed financial statements do not include any adjustments related to the recoverability and classification of asset amounts or the classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

In order to continue as a going concern, the Company will need, among other things, additional capital resources. Management is in plans to obtain such resources for the Company by obtaining capital from management and significant shareholders sufficient to meet its operating expenses and seeking third party equity and/or debt financing. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans. These financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The following table discloses our cash flows for the periods presented:

	For the nine months ended September 30,	
	2023	2022
Net cash used in operating activities	$ (4,821,600)	$ (4,725,500)
Net cash provided by investing activities	3,400,500	504,100
Net cash provided by financing activities	13,300	2,554,100
Effect of changes in foreign currency exchange rates	(3,900)	(192,000)
Decrease in cash and cash equivalents	$ (1,411,700)	$ (1,859,300)

Net cash used in operating activities was $4,821,600 for the nine months ended September 30, 2023 compared to $4,725,500 for the nine months ended September 30, 2022. The net increase of $96,100 is primarily due to the increased operational costs from the Bioprocessing Systems operations and corporate overhead operations in the current period compared to prior period.

Net cash provided by investing activities was $3,400,500 for the nine months ended September 30, 2023 compared to $504,100 used in the nine months ended September 30, 2022. The net increase of $2,896,400 is primarily due to the increase in net redemption of investments, partially offset by the decrease in purchase of investment securities, in the current period compared to prior period.

Net cash provided by financing activities was $13,300 for the nine months ended September 30, 2023 compared to $2,554,100 for the nine months ended September 30, 2022. The net decrease of $2,540,800 is primarily due to issuance of common stock in the prior period compared to the current period.

Critical Accounting Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires us to make judgments, assumptions, and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. “Note 2-Summary of significant accounting policies” to the Consolidated Financial Statements in our Annual Report on Form 10-KT for the six months transition period of July 1, 2022 through December 31, 2022 (“2022 Form 10-KT”) describes the significant accounting policies and methods used in the preparation of the consolidated financial statements. Our critical accounting estimates are identified in Management’s Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of our 2022 Form 10-KT. Such accounting policies and estimates require significant judgments and assumptions to be used in the preparation of the consolidated financial statements, and actual results could differ from our assumptions and estimates, and such differences could be material.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information otherwise required under this item.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, our management, with the participation and supervision of our Chief Executive Officer and Chief Financial Officer, have evaluated 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). In designing and evaluating our disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and that we are required to apply our judgment in evaluating the cost-benefit relationship of possible controls and procedures. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. Based on the evaluation of our disclosure controls and procedures and internal controls over financial reporting as of September 30, 2023, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures and internal controls over financial reporting were effective and has concluded that the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q present fairly, in all material respects, the Company's financial position, results of operations and cash flows for the periods disclosed in accordance with U.S. GAAP.

Changes in Internal Controls Over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three and nine months ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. Legal Proceedings

None

ITEM 1A. Risk Factors

Not required for smaller reporting companies.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

ITEM 3. Defaults Upon Senior Securities

None

ITEM 4. Mine Safety Disclosures

Not applicable

ITEM 5. Other Information

None

Table of Contents

ITEM 6. Exhibits

Exhibit Number	Description of document
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of Section13 or 15(d) of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SCIENTIFIC INDUSTRIES, INC. (Registrant)

Date: November 14, 2023

By: /s/ Helena R. Santos
Helena R. Santos
President, Chief Executive Officer, and Treasurer

SCIENTIFIC INDUSTRIES, INC. (Registrant)

Date: November 14, 2023

By: /s/ Reginald Averilla
Reginald Averilla
Chief Financial Officer

EXHIBIT 31.1

**CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT**

I, Helena R. Santos, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 of Scientific Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting (that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions);

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Scientific Industries, Inc.

Date: November 14, 2023

By: /s/ Helena R. Santos
Helena R. Santos
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION BY THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT

I, Reginald Averilla, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 of Scientific Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting (that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions);

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Scientific Industries, Inc.

Date: November 14, 2023

By: /s/ Reginald Averilla
Reginald Averilla
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT

I, Helena R. Santos, Chief Executive Officer of Scientific Industries, Inc. (the “Company”), certify, to the best of my knowledge that:

1. I have reviewed this Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2023 (the “Quarterly Report”);

2. the Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

3. the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of Scientific Industries, Inc.

Scientific Industries, Inc.

Date: November 14, 2023

By: /s/ Helena R. Santos
Helena R. Santos
Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION BY THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT

I, Reginald Averilla, Chief Financial Officer of Scientific Industries, Inc. (the "Company"), certify, to the best of my knowledge that:

1. I have reviewed this Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2023 (the "Quarterly Report");

2. the Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

3. the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of Scientific Industries, Inc.

Scientific Industries, Inc.

Date: November 14, 2023

By: /s/ Reginald Averilla
Reginald Averilla
Chief Financial Officer