

EDGAR SUBMISSION SUMMARY

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Submission Type	10-Q
Live File	On
Return Copy	On
Exchange	
Confirming Copy	Off
Filer CIK	0000087802
Filer CCC	xxxxxxx
Period of Report	09-30-2022
Smaller Reporting Company	On
Emerging Growth Company	No
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Documents

Form Type	File Name	Description
10-Q	scnd_10q.htm	FORM 10-Q
EX-31.1	scnd_ex311.htm	CERTIFICATION
EX-31.2	scnd_ex312.htm	CERTIFICATION
EX-32.1	scnd_ex321.htm	CERTIFICATION
EX-32.2	scnd_ex322.htm	CERTIFICATION
EX-101.SCH	scnd-20220930.xsd	XBRL TAXONOMY EXTENSION SCHEMA
EX-101.LAB	scnd-20220930_lab.xml	XBRL TAXONOMY EXTENSION LABEL LINKBASE
EX-101.CAL	scnd-20220930_cal.xml	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE
EX-101.PRE	scnd-20220930_pre.xml	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE
EX-101.DEF	scnd-20220930_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, 2022**

☐ 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

(State or other jurisdiction of
incorporation or organization)

04-2217279

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

80 Orville Drive, Suite 102, Bohemia, New York

(Address of principal executive offices)

11716

(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 10, 2022 is 7,003,599 shares.

SCIENTIFIC INDUSTRIES, INC.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

SCIENTIFIC INDUSTRIES, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2022 (Unaudited)	June 30, 2022
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,437,700	\$ 2,971,100
Investment securities	5,298,600	6,391,600
Trade accounts receivable, less allowance for doubtful accounts of \$15,600 at September 30, 2022 and June 30, 2022	1,141,300	1,501,400
Inventories	4,956,200	4,696,300
Income tax receivable	161,400	161,100
Prepaid expenses and other current assets	510,400	547,600
Assets of discontinued operations	-	200
Total current assets	14,505,600	16,269,300
Property and equipment, net	1,066,200	1,005,600
Goodwill	4,395,400	4,395,400
Other intangible assets, net	1,943,600	2,079,800
Deferred taxes	4,160,800	3,743,600
Operating lease right of use assets	1,442,100	1,475,500
Other assets	62,400	62,400
Total assets	\$ 27,576,100	\$ 29,031,600
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 452,800	\$ 1,105,900
Accrued expenses	762,500	796,000
Bank overdraft	84,000	-
Deferred revenue	-	29,000
Lease liabilities, current portion	284,400	299,300
Total current liabilities	1,583,700	2,230,200
Lease liabilities, less current portion	1,218,700	1,239,600
Total liabilities	2,802,400	3,469,800
Shareholders equity:		
Common stock, \$0.05 par value; 20,000,000 shares authorized; 7,023,401 shares issued; 7,003,599 shares outstanding at September 30, 2022 and June 30, 2022	351,200	351,200
Additional paid in capital	32,282,200	31,664,100
Accumulated comprehensive loss	(219,800)	(105,600)
Accumulated deficit	(7,587,500)	(6,295,500)
	24,826,100	25,614,200
Less common stock held in treasury at cost, 19,802 shares	52,400	52,400
Total shareholders equity	24,773,700	25,561,800
Total liabilities and shareholders equity	\$ 27,576,100	\$ 29,031,600

See notes to unaudited condensed consolidated financial statements.

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

	For the Three Months Ended September 30,	
	2022	2021
Revenues	\$ 2,670,000	\$ 2,854,500
Cost of revenues	1,320,900	1,340,900
Gross profit	1,349,100	1,513,600
Operating expenses:		
General and administrative	1,607,500	1,465,700
Selling	875,700	935,800
Research and development	560,100	636,500
Total operating expenses	3,043,300	3,038,000
Loss from operations	(1,694,200)	(1,524,400)
Other expense, net	(15,000)	(7,900)
Loss from continuing operations before income tax benefit	(1,709,200)	(1,532,300)
Income tax benefit, deferred	(417,200)	(322,600)
Loss from continuing operations	(1,292,000)	(1,209,700)
Discontinued operations (Note 10):		
Gain from discontinued operations, net of tax	-	900
Net loss	\$ (1,292,000)	\$ (1,208,800)
Comprehensive loss:		
Unrealized holding gain on investment securities, net of tax	4,100	2,200
Foreign currency translation (loss) gain adjustment	(118,300)	34,100
Comprehensive (loss) gain	(114,200)	36,300
Total comprehensive loss	\$ (1,406,200)	\$ (1,172,500)
Basic and diluted loss per common share:		
Continuing operations	\$ (0.18)	\$ (0.19)
Discontinued operations	\$ -	\$ -
Consolidated operations	\$ (0.18)	\$ (0.19)

See notes to unaudited condensed consolidated financial statements.

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

	Common Stock		Additional	Accumulated		Accumulated	Treasury Stock		Total
	Shares	Amount	Paid-in	Other	Comprehensive	Deficit	Shares	Amount	Stockholders' Equity
			Capital	Income	(Loss)				
Balance June 30, 2021	6,477,945	\$ 324,000	\$ 26,613,500	\$ (9,200)	\$ (651,100)		19,802	\$ 52,400	\$ 26,224,800
Net loss	-	-	-	-	(1,208,800)		-	-	(1,208,800)
Foreign currency translation adjustment	-	-	-	34,100	-		-	-	34,100
Unrealized gain on investment securities, net of tax	-	-	-	2,200	-		-	-	2,200
Stock-based compensation	-	-	675,400	-	-		-	-	675,400
Balance September 30, 2021	<u>6,477,945</u>	<u>\$ 324,000</u>	<u>\$ 27,288,900</u>	<u>\$ 27,100</u>	<u>\$ (1,859,900)</u>		<u>19,802</u>	<u>\$ 52,400</u>	<u>\$ 25,727,700</u>

	Common Stock		Additional	Accumulated		Accumulated	Treasury Stock		Total
	Shares	Amount	Paid-in	Other	Comprehensive	Deficit	Shares	Amount	Stockholders' Equity
			Capital	Income	(Loss)				
Balance June 30, 2022	7,023,401	\$ 351,200	\$ 31,664,100	\$ (105,600)	\$ (6,295,500)		19,802	\$ 52,400	\$ 25,561,800
Net loss	-	-	-	-	(1,292,000)		-	-	(1,292,000)
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	<u>7,023,401</u>	<u>\$ 351,200</u>	<u>\$ 32,282,200</u>	<u>\$ (219,800)</u>	<u>\$ (7,587,500)</u>		<u>19,802</u>	<u>\$ 52,400</u>	<u>\$ 24,773,700</u>

See notes to unaudited condensed consolidated financial statements.

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

	For the Three Months Ended September 30,	
	2022	2021
Operating activities:		
Net loss	\$ (1,292,000)	\$ (1,208,800)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	188,900	165,100
Stock-based compensation	618,100	675,400
Loss on sale of investments	56,900	200
Unrealized holding loss on investments	12,100	32,800
Deferred income tax benefit	(417,200)	(322,600)
Changes in operating assets and liabilities:		
Trade accounts receivable	391,200	(198,500)
Inventories	(334,100)	(117,600)
Prepaid and other current assets	26,400	(151,200)
Income tax receivable	(300)	267,300
Operating lease right of use assets	29,700	34,000
Accounts payable	(674,800)	167,000
Accrued expenses	(11,100)	(90,700)
Deferred revenue	(27,900)	-
Lease liabilities	(32,200)	(27,800)
Other long term liabilities	-	(10,800)
Net cash used in operating activities	(1,466,300)	(786,200)
Investing activities:		
Redemption of investment securities	1,043,000	708,200
Purchase of investment securities	(14,800)	(3,982,400)
Capital expenditures	(160,100)	(48,900)
Purchase of other intangible assets	(1,500)	-
Net cash provided by (used) in investing activities	866,600	(3,323,100)
Financing activities:		
Bank overdraft	84,000	(321,700)
Net cash provided by (used) in financing activities	84,000	(321,700)
Effect of changes in foreign currency exchange rates on cash and cash equivalents	(17,700)	24,500
Net decrease in cash and cash equivalents	(533,400)	(4,406,500)
Cash and cash equivalents, beginning of period	2,971,100	9,675,200
Cash and cash equivalents, end of period	\$ 2,437,700	\$ 5,268,700
SUPPLEMENTAL DISCLOSURES		
Noncash financing activities		
Record right of use assets	\$ 41,100	\$ -
Record lease liabilities	\$ 38,800	\$ -

See notes to unaudited condensed 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 two other locations in Pittsburgh, Pennsylvania and Baesweiler, Germany, where it designs and produces a variety of bioprocessing products, and an administrative facility in Orangeburg, New York 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 Company also sublicensed certain patents and technology under a license agreement which expired in August 2021 and received royalty fees from the sublicenses.

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 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-K for the fiscal year ended June 30, 2022. The results for the three months ended September 30, 2022 are not necessarily an indication of the results for the full fiscal year ending June 30, 2023.

2. Significant Accounting Policies*Principles of Consolidation*

The accompanying unaudited 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.

Reclassifications

Certain balances from fiscal 2022 have been reclassified to conform to the current year presentation.

Recently Issued Accounting Pronouncements

The Company has evaluated all recent accounting pronouncements as issued by the Financial Accounting Standards Board (“FASB”) in the form of Accounting Standards Updates (“ASU”) through the date these financial statements were available to be issued and found no recent pronouncements issued to have a material impact on the financial statements of the Company. The Company continually evaluates ASU’s issued, but not yet effective, to determine whether the ASU will have any material impact on the Company and its operations.

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.

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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, 2022 and June 30, 2022 according to the valuation techniques the Company used to determine their fair values:

	Fair Value Measurements as of September 30, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	\$ 2,437,700	\$ -	\$ -	\$ 2,437,700
Investment securities	4,314,100	984,500	-	5,298,600
Total	<u>\$ 6,751,800</u>	<u>\$ 984,500</u>	<u>\$ -</u>	<u>\$ 7,736,300</u>

	Fair Value Measurements as of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	\$ 2,971,100	\$ -	\$ -	\$ 2,971,100
Investment securities	5,276,600	1,115,000	-	6,391,600
Total	<u>\$ 8,247,700</u>	<u>\$ 1,115,000</u>	<u>\$ -</u>	<u>\$ 9,362,700</u>

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

As of September 30, 2022:	Cost	Fair Value	Unrealized Holding Gain (Loss)
Equity securities	\$ 118,800	\$ 134,700	\$ 15,900
Mutual funds	4,389,400	4,179,400	(210,000)
Debt Securities	978,800	984,500	5,700
Total	<u>\$ 5,487,000</u>	<u>\$ 5,298,600</u>	<u>\$ (188,400)</u>

As of June 30, 2022:	Cost	Fair Value	Unrealized Holding Gain (Loss)
Equity securities	\$ 118,800	\$ 151,000	\$ 32,200
Mutual funds	5,299,500	5,125,600	(173,900)
Debt Securities	1,114,100	1,115,000	900
Total	<u>\$ 6,532,400</u>	<u>\$ 6,391,600</u>	<u>\$ (140,800)</u>

4. Inventories

	As of September 30, 2022	As of June 30, 2022
Raw materials	\$ 3,244,600	\$ 3,298,300
Work-in-process	194,100	55,300
Finished goods	1,517,500	1,342,700
	<u>\$ 4,956,200</u>	<u>\$ 4,696,300</u>

5. Goodwill and Finite Lived Intangible Assets

Goodwill amounted to \$4,395,400 as of September 30, 2022 and June 30, 2022, all of which is expected to be deductible for tax purposes.

The components of finite lived intangible assets are as follows:

As of September 30, 2022:	Useful Lives	Cost	Accumulated Amortization	Net
Technology, trademarks	3-10 yrs.	\$ 1,274,900	\$ 693,200	\$ 581,700
Trade names	3-6 yrs.	592,300	247,100	345,200
Websites	3-7 yrs.	210,000	210,000	-
Customer relationships	4-10 yrs.	372,200	153,500	218,700
Sublicense agreements	10 yrs.	294,000	294,000	-
Non-compete agreements	4-5 yrs.	1,060,500	553,100	507,400
Patents	5-7 yrs.	595,800	305,200	290,600
		<u>\$ 4,399,700</u>	<u>\$ 2,456,100</u>	<u>\$ 1,943,600</u>

As of June 30, 2022	Useful Lives	Cost	Accumulated Amortization	Net
Technology, trademarks	3-10 yrs.	\$ 1,278,900	\$ 653,400	\$ 625,500
Trade names	3-6 yrs.	592,300	228,200	364,100
Websites	3-7 yrs.	210,000	210,000	-
Customer relationships	4-10 yrs.	372,200	143,300	228,900
Sublicense agreements	10 yrs.	294,000	294,000	-
Non-compete agreements	4-5 yrs.	1,060,500	504,200	556,300
Patents	5-7 yrs.	594,300	289,300	305,000
		<u>\$ 4,402,200</u>	<u>\$ 2,322,400</u>	<u>\$ 2,079,800</u>

Total amortization expense was \$134,200 and \$138,900 for the three months ended September 30, 2022 and 2021, respectively.

Estimated future fiscal year amortization expense of intangible assets as of September 30, 2022 is as follows:

As of September 30, 2022	Amount
Remainder of fiscal year ending 2023	\$ 401,400
2024	520,500
2025	484,800
2026	283,700
2027	136,600
Thereafter	116,600
Total	<u>\$ 1,943,600</u>

6. Commitment and Contingencies

Legal Matters

During the normal course of business, 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, 2022 and June 30, 2022, the Company is not aware of any contingent legal liabilities that should be reflected in the consolidated financial statements.

Leases

In August and September 2022, the Company entered into two lease agreements to lease motor vehicles for certain employees. The contractual period of each lease is 36 months and the lease was determined to qualify for operating lease treatment upon the lease commencement date.

The Company's approximate future minimum rental payments under all operating leases as of September 30, 2022 are as follows:

As of September 30, 2022:	Amount
Remainder of fiscal year ending 2023	\$ 276,200
2024	301,600
2025	278,200
2026	263,900
2027	270,600
Thereafter	339,000
Total future minimum payments	<u>\$ 1,729,500</u>
Less: Imputed interest	(226,400)
Total Present Value of Operating Lease Liabilities	<u>\$ 1,503,100</u>

7. 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,	
	2022	2021
Weighted average number of common shares outstanding	7,003,599	6,458,143
Effect of dilutive securities:	-	-
Weighted average number of dilutive common shares outstanding	7,003,599	6,458,143
Basic and diluted loss per common share:		
Continuing operations	\$ (0.18)	\$ (0.19)
Discontinued operations	-	-
Consolidated operations	<u>\$ (0.18)</u>	<u>\$ (0.19)</u>

Approximately 34,309 and 3,420,510 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, 2022.

Approximately 539,357 and 3,246,984 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, 2021.

8. Related Parties

Consulting Agreements

During the three months ended September 30, 2022 and 2021, respectively, the Company paid \$0 and \$23,400, respectively, to Mr. Joseph G. Cremonese, a Director of the Company, and his affiliate which provided consulting services on product development. The Company's consulting agreement with Mr. Joseph G. Cremonese and his affiliate expired on December 31, 2021.

During the three months ended September 30, 2022 and 2021, respectively, the Company paid \$0 and \$44,900, 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.

9. 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, 2022	Benchtop Laboratory Equipment	Bioprocessing Systems	Corporate	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	10,251,200	8,362,900	27,576,100
Long-Lived Asset Expenditures	11,300	150,300	-	161,600
Depreciation and Amortization	25,200	163,700	-	188,900
Three months ended September 30, 2021	Benchtop Laboratory Equipment	Bioprocessing Systems	Corporate	Consolidated
Revenues	\$ 2,529,900	\$ 324,600	\$ -	\$ 2,854,500
Foreign Sales	1,071,800	91,500	-	1,163,300
Income (Loss) From Operations	561,600	(1,685,500)	(400,500)	(1,524,400)
Assets	9,689,700	8,670,100	9,854,500	28,214,300
Long-Lived Asset Expenditures	33,800	15,100	-	48,900
Depreciation and Amortization	22,800	142,300	-	165,100

For the three months ended September 30, 2022 one customer accounted for approximately 10% or more of the Company's total revenue. For the three months ended September 30, 2021 no individual customer accounted for approximately 10% or more of the Company's total revenue.

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A reconciliation of the Company's consolidated segment loss from operations to consolidated loss from operations before income taxes and net loss for the three months ended September 30, 2022 and 2021, respectively are as follows:

	Benchtop Laboratory Equipment	Bioprocessing Systems	Corporate	Consolidated
For the three months ended September 30, 2022				
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)
Income (Loss) from operations before discontinued operations and income tax benefit	<u>\$ 308,500</u>	<u>\$ (1,502,300)</u>	<u>\$ (515,400)</u>	<u>\$ (1,709,200)</u>
For the three months ended September 30, 2021				
Income (Loss) from Operations	\$ 561,600	\$ (1,685,500)	\$ (400,500)	\$ (1,524,400)
Other (expense) income, net	2,000	-	(9,900)	(7,900)
Income (Loss) from operations before discontinued operations and income tax benefit	<u>\$ 563,600</u>	<u>\$ (1,685,500)</u>	<u>\$ (410,400)</u>	<u>\$ (1,532,300)</u>

10. Discontinued Operations

The operating results of the discontinued Catalyst Research Instruments Operations segment have been presented as discontinued operations in the balance sheets, the statements of operations, and the statements of cash flows, as detailed below.

	As of September 30, 2022	As of June 30, 2022
Assets:		
Cash	\$ -	\$ 200
Total	<u>\$ -</u>	<u>\$ 200</u>
	Three Months Ended September 30,	
	2022	2021
Revenue	\$ -	\$ 1,200
Cost of goods sold	-	-
Gross profit	-	1,200
Selling, general and administrative expenses	-	300
Loss from operations before income tax benefit	-	900
Income tax benefit, deferred	-	-
Income attributable to discontinued operations	<u>\$ -</u>	<u>\$ 900</u>

In our Consolidated Statements of Cash Flows, the cash flows from discontinued operations are not separately classified. Cash provided by operating activities from discontinued operations for three months ended September 30, 2022 and 2021 was \$0 and \$900, respectively. There was no cash provided by or used in investing or financing activities for both periods.

11. Subsequent Event

On November 4, 2022, the Board of Directors, approved to change the Company's fiscal year end from June 30 of each year to December 31 of each year. In accordance with the applicable rules of the Securities Exchange Act of 1934, as amended, the Company will file, on or about March 31, 2023, a transition report on Form 10-K with respect to the six-month transition period beginning July 1, 2022 and ending December 31, 2022. The Company's 2023 fiscal year will commence on January 1, 2023.

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

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-K for the year ending June 30, 2022, filed on September 28, 2022. 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. and its subsidiaries design, manufacture, and market a variety of benchtop laboratory equipment and bioprocessing products. 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 Operations").

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 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.

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 \$1,709,200 for the three months ended September 30, 2022 compared to a \$1,532,300 loss before income tax benefit for the three months ended September 30, 2021, primarily due to the decreased revenue of its Benchtop Laboratory Equipment Operations, offset by decreased operating expenses of its Bioprocessing Systems Operations.

Revenue

Net revenues for the three months ended September 30, 2022 decreased \$184,500 (6.5%) to \$2,670,000 from \$2,854,500 for the three months ended September 30, 2021, driven primarily by lower sales in Genie products in Asia, due to a decline of demand of COVID related equipment partially offset by increased sales of Torbal brand products. Sales of Torbal brand products amounted to approximately \$683,100 for the three months ended September 30, 2022 compared to \$509,800 in the prior year same quarter. Net revenues from the Bioprocessing Systems Operations decreased \$12,200 due primarily to the royalty revenue reduction from the prior year quarter due to the termination of a patent and technology license agreement in August 2021, partially offset by increased sales of bioprocessing products.

Gross profit

The gross profit percentage for the three months ended September 30, 2022 and 2021, was 50.5% and 53%, respectively. The 2.5% decreased is due primarily to a increase in material, labor and overhead cost incurred in the Benchtop Laboratory Equipment Operations.

General and administrative

General and administrative expenses for the three months ended September 30, 2022 and 2021, were \$1,607,500 and \$1,465,700, respectively. The increase of \$141,800 (9.7%) is due primarily to increased labor and operating costs incurred by the Bioprocessing Systems Operations and increased Corporate operating expenditures.

Selling

Selling expenses for the three months ended September 30, 2022 and 2021, were \$875,700 and \$935,800, respectively. The decrease of \$60,100 (6.4%) is due primarily to the reduction of sales and marketing consultants slightly offset by direct hire sales and marketing employees in the Bioprocessing Systems Operations.

Research and development

Research and development expenses for the three months ended September 30, 2022, and 2021, were \$560,100 and \$636,500, respectively. The decrease of \$76,400 (12.0%) is, due primarily to the completion and reduction of research and development projects in the Bioprocessing Systems Operations.

Other expense, net

Other expense, net, for the three months ended September 30, 2022 and 2021, were \$15,000 and \$7,900, respectively. The increase is due primarily to realized losses on investment securities, partially offset by the decrease in unrealized loss on investment securities during the current quarter period.

Income tax

Income tax benefit for the three months ended September 30, 2022, and 2021, was \$417,200 and \$322,600, respectively. The increase is due primarily to the increased net loss in operations during the current quarter period.

Liquidity and Capital Resources.

Our primary sources of liquidity are existing cash and cash equivalents, representing cash generated from operating activities of the Benchtop Laboratory Equipment Operations and proceeds from the private placements of Company equity securities. 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 and our cash and investments on hand are sufficient to fund our cash requirements for the next 12 months. In the event that the Company's business plan changes or its cash requirements are greater than anticipated, the Company may seek to access the capital markets to finance future cash requirements. However, there can be no assurance that such financing will be available to us should the Company need it or, if available, that the terms will be satisfactory to the Company and not dilutive to existing shareholders.

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

	For the three months ended September 30,	
	2022	2021
Net cash used in operating activities	\$ (1,466,300)	\$ (786,200)
Net cash provided by (used) in investing activities	866,600	(3,323,100)
Net cash provided by (used) in financing activities	84,000	(321,700)
Effect of changes in foreign currency exchange rates	(17,700)	24,500
Decrease in cash and cash equivalents	<u>\$ (533,400)</u>	<u>\$ (4,406,500)</u>

Net cash used in operating activities was \$1,466,300 for the three months ended September 30, 2022 compared to \$786,200 for the three months ended September 30, 2021. The net increase of \$680,100 is primarily a result of the increase in the net loss for the three months ended September 30, 2022 by \$83,200 over the prior year period and, a net cash outflow related to changes in operating assets and liabilities of \$504,800 offset by a net loss non-cash adjustments of \$92,100.

Net cash provided by investing activities was \$866,600 for the three months ended September 30, 2022 compared to \$3,323,100 used in the three months ended September 30, 2021. The net increase of \$4,189,700 is primarily due to the decrease in purchase of investment securities, partially offset by an increase in redemption of investments in the current quarter period compared to prior quarter period.

Net cash provided by financing activities was \$84,000 for the three months ended September 30, 2022 compared to \$321,700 used in the three months ended September 30, 2021. The net increase of \$405,700 is primarily due to the timing and funding of bank overdraft activities.

Critical Accounting Estimates

The preparation of financial statements and related disclosures in conformity with accounting principals 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-K for the year ended June 30, 2022 ("2022 Form 10-K") 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-K. 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. The Chief Executive Officer and Chief Financial Officer of the Company has concluded that the Company's disclosure controls and procedures are effective at a reasonable level 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 Securities and Exchange Commission'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 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 months ended September 30, 2022 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

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 Section 13 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.

Date: November 14, 2022

SCIENTIFIC INDUSTRIES, INC. (Registrant)

/s/ Helena R. Santos

Helena R. Santos

President, Chief Executive Officer, and Treasurer

Date: November 14, 2022

SCIENTIFIC INDUSTRIES, INC. (Registrant)

/s/ Reginald Averilla

Reginald Averilla

Chief Financial Officer

**CERTIFICATION 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 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, 2022

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

**CERTIFICATION 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 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, 2022

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

**CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT**

I, Helena R. Santos, the 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, 2022 (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, 2022

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

**CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT**

I, Reginald Averilla, the 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, 2022 (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, 2022

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

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