

ENVIRO VORAXIAL TECHNOLOGY INC

Form 10-Q

November 14, 2013

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2013

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-30454

Enviro Voraxial Technology, Inc.

(Exact name of Small Business Issuer as specified in its Charter)

IDAHO

(State or other jurisdiction of  
incorporation or organization)

82-0266517

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

821 NW 57th Place, Fort Lauderdale, Florida 33309

(Address of principal executive offices)

(954) 958-9968

(Issuer's telephone number)

\_\_\_\_\_  
(Former Name, former address and former fiscal year, if changed since last Report.)

Indicate by check mark whether the Issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes       No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes       No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer     

Accelerated filer

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Non-accelerated filer  (Do not check if a Smaller reporting company   
smaller reporting company)

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

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: November 14, 2013, we had 33,464,497 shares of our Common Stock outstanding.

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## PART I. CONSOLIDATED FINANCIAL INFORMATION

## Item 1. Financial Statements.

ENVIRO VORAXIAL TECHNOLOGY, INC. AND SUBSIDIARY  
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2013 (unaudited)	December 31, 2012
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 233,650	\$ 425,309
Accounts receivable, net	167,170	41,580
Inventory, net	218,027	315,755
Prepaid expenses	--	21,000
Total current assets	618,847	803,644
<b>FIXED ASSETS, NET</b>	<b>83,417</b>	<b>100,380</b>
<b>OTHER ASSETS</b>	<b>10,026</b>	<b>10,026</b>
Total assets	\$ 712,290	\$ 914,050
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 309,159	\$ 631,685
Accrued expenses - related party	846,755	641,937
Total current liabilities	1,155,914	1,273,622
Total liabilities	1,155,914	1,273,622
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS' DEFICIENCY:</b>		
Common stock, \$.001 par value, 42,750,000 shares authorized; 33,464,497 and 33,464,497 shares issued and outstanding as of September 30, 2013 and December 31, 2012	33,465	33,465
Additional paid-in capital	14,781,916	14,762,931
Accumulated deficit	(15,259,005)	(15,155,968)
Total shareholders' deficiency	(443,624)	(359,572)
Total liabilities and shareholders' deficiency	\$ 712,290	\$ 914,050

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.



ENVIRO VORAXIAL TECHNOLOGY, INC. AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues, net	\$ 149,838	\$ 194,280	\$ 1,130,440	\$ 605,250
Cost of goods sold	16,725	46,983	422,549	147,455
Gross profit	133,113	147,297	707,891	457,795
Costs and expenses:				
General and administrative	154,660	96,576	423,552	358,607
Payroll expense	121,317	113,887	340,662	340,235
Consulting expense	--	53,500	39,986	841,568
Research and development	--	31,437	--	141,083
Total costs and expenses	275,977	295,400	804,200	1,681,493
Loss from operations	(142,864)	(148,103)	(96,309)	(1,223,698)
Other expenses:				
Interest expense	(2,882)	(2,273)	(6,728)	(6,769)
Total other expense	(2,882)	(2,273)	(6,728)	(6,769)
Net Loss	\$ (145,746)	\$ (150,376)	\$ (103,037)	\$ (1,230,467)
Weighted average number of common shares outstanding-basic and diluted	33,464,497	33,464,497	33,464,497	33,287,125
Loss per common share – basic and diluted	(0.00)	(0.00)	(0.00)	(0.04)

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

ENVIRO VORAXIAL TECHNOLOGY, INC. AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	Nine Months Ended September 30,	
	2013	2012
<b>Cash Flows From Operating Activities:</b>		
Net loss	\$ (103,037)	\$ (1,230,467 )
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	16,963	16,986
Stock-based compensation	39,985	835,568
Bad Debt	--	--
Changes in assets and liabilities:		
Accounts receivable	(125,590)	303,293
Inventory	97,728	11,559
Accounts payable and accrued expenses	(117,708)	291,041
Net cash provided by (used in) operating activities	(191,659)	227,980
<b>Cash Flows From Financing Activities:</b>		
Repayments toward notes payable	--	(28,438 )
Net cash used in financing activities	--	(28,438 )
Net increase (decrease) in cash and cash equivalents	(191,659)	199,542
Cash and cash equivalents, beginning of period	425,309	147,198
Cash and cash equivalents, end of period	\$ 233,650	\$ 346,740
<b>Supplemental Disclosures</b>		
Cash paid during the year for interest	\$ 6,728	\$ 6,769
Cash paid during the year for taxes	\$ --	\$ --

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

ENVIRO VORAXIAL TECHNOLOGY, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013 (UNAUDITED)

NOTE A - ORGANIZATION AND OPERATIONS

Enviro Voraxial Technology, Inc. (the "Company") is a provider of environmental and industrial separation technology. The Company has developed, and now manufactures and sells its patented technology, the Voraxial(R) Separator, a technology that efficiently separates liquid/liquid, liquid/solid or liquid/liquid/solid fluid streams with distinct specific gravities. Current and potential commercial applications and markets include oil exploration and production, oil refineries, mining, manufacturing, waste-to-energy and food processing industry.

Florida Precision Aerospace, Inc. (FPA) is the wholly-owned subsidiary of the Company and is used to manufacture, assemble and test the Voraxial Separator.

NOTE B - GOING CONCERN

The Company has experienced net losses, has negative cash flows from operating activities, and has to raise capital to sustain operations. There is no assurance that the Company's sales and marketing efforts will be successful enough to achieve a level of revenue sufficient to provide cash inflows to sustain operations; however, the Company has begun commercializing the Voraxial and is experiencing an increase in revenues that is forecast to continue in 2014. The Company will continue to require the infusion of capital until operations become profitable. During the remainder of 2013, the Company anticipates increase in sales of the Voraxial Separator. As a result of the above, there is a substantial doubt about our ability to continue as a going concern and the accompanying condensed unaudited consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The condensed consolidated unaudited financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interim Financial Statements

The condensed consolidated unaudited interim financial statements presented herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. The interim financial statements should be read in conjunction with the Company's annual financial statements, notes and accounting policies included in the Company's annual report on Form 10-K for the year ended December 31, 2012 as filed with the SEC. In the opinion of management, all adjustments which are necessary to provide a fair presentation of financial position as of September 30, 2013 and the related operating results and cash flows for the interim period presented have been made. The results of operations, for the period presented are not necessarily indicative of the results to be expected for the year.



ENVIRO VORAXIAL TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 (UNAUDITED)

Principles of Consolidation

The consolidated financial statements include the accounts of the parent company, Enviro Voraxial Technology, Inc., and its wholly-owned subsidiary, Florida Precision Aerospace, Inc. All significant intercompany accounts and transactions have been eliminated.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ.

Revenue Recognition

The Company derives its revenue from the sale and short-term rental of the Voraxial Separator. The Company presents revenue in accordance with FASB new codification of "Revenue Recognition in Financial Statements". Under Revenue Recognition in Financial Statements, revenue is realized when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collectability is reasonably assured.

Revenues that are generated from sales of equipment are typically recognized upon shipment. Our standard agreements generally do not include customer acceptance or post shipment installation provisions. However, if such provisions have been included or there is an uncertainty about customer order, revenue is deferred until we have evidence of customer order and all terms of the agreement have been complied with. There were no agreements with such provisions as of September 30, 2013.

The Company recognizes revenue from the short term rental of equipment, ratably over the life of the agreement, which is usually three to nine months.

Fair Value of Instruments

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, inventory, accounts payable and accrued expenses at September 30, 2013, approximate their fair value because of their relatively short-term nature.

"Disclosures about Fair Value of Financial Instruments," requires disclosures of information regarding the fair value of certain financial instruments for which it is practicable to estimate the value. For purpose of this disclosure, the fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale of liquidation.

The company accounts for certain assets and liabilities at fair value. The hierarchy below lists three levels of fair value based on the extent to which inputs used in measuring fair value is observable in the market. We categorize each of our fair value measurements in one of these three levels based on the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1—inputs are based upon unadjusted quoted prices for identical instruments traded in active markets. We have no Level 1 instruments as of September 30, 2013.

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## ENVIRO VORAXIAL TECHNOLOGY, INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 (UNAUDITED)

Level 2—inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques (e.g. the Black-Scholes model) for which all significant inputs are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, foreign exchange rates, and forward and spot prices for currencies and commodities. We have no Level 2 instruments as of September 30, 2013.

Level 3—inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques, including option pricing models and discounted cash flow models. We have no Level 3 instruments as of September 30, 2013.

## Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents. The Company maintains its cash balances with various financial institutions. Balances at these institutions may at times exceed the Federal Deposit Insurance Corporate limits.

## Inventory

Inventory consists of components for the Voraxial Separator and is priced at lower of cost or market. Inventory may include units being rented on a short term basis or components held by third parties in connection with pilot programs as part of the continuing evaluation by such third parties as to the effectiveness and usefulness of the service to be incorporated into their respective operations. The third parties do not have a contractual obligation to purchase the equipment. The Company maintains the title and risk of loss. Therefore, these units are included in the inventory of the Company. Inventory as of September 30, 2013 and December 31, 2012 consists of:

	2013		2012	
Raw Material	\$	123,027	\$	220,755
Work in Process	—		—	
Finished Goods		95,000		95,000
	\$	218,027	\$	315,755

## Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. The cost of maintenance and repairs is expensed to operations as incurred. Depreciation is computed by the straight-line method over the estimated economic useful life of the assets (5-10 years). Gains and losses recognized from the sales or disposal of assets is the difference between the sales price and the recorded cost less accumulated depreciation less costs of disposal.

## Net Loss Per Share

Basic and diluted loss per share has been computed by dividing the net loss available to common stockholders by the weighted average number of common shares outstanding. The Warrants and stock



ENVIRO VORAXIAL TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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options have been excluded from the calculation since they would be anti-dilutive, for the three and nine months periods ended September 30, 2013 and 2012.

As of September 30, 2013 and 2012, such equity instruments may have a dilutive effect in the future and include the following potential common shares:

	2013	2012
Stock Options	12,965,000	12,800,000
	12,965,000	12,800,000

Income Taxes

Deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Research and Development Expenses

Research and development costs, which includes travel expenses, consulting fees, subcontractors and salaries are expensed as incurred.

Advertising Costs

Advertising costs are expensed as incurred and are included in general and administrative expenses.

Stock-Based Compensation

The Company adopted ASC Topic 718 formerly Statement of Financial Account Standard (SFAS) No. 123(R) effective January 1, 2006. This statement requires compensation expense relating to share-based payments to be recognized in net income using a fair-value measurement method. Under the fair value method, the estimated fair value of awards is charged to income on a straight-line basis over the requisite service period, which is generally the vesting period. The company elected the modified prospective method as prescribed in ASC Topic 718 formerly SFAS No. 123 (R) and therefore, prior periods were not restated. Under the modified prospective method, this statement was applied to new awards granted after the time of adoption, as well as to the unvested portion of previously granted equity-based awards for which the requisite service has not been rendered as of January 1, 2006.

Prior to January 1, 2006, the Company accounted for stock-based employee compensation under Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. The Company has adopted the disclosure-only provisions of ASC Topic 718 formerly SFAS No. 123, "Accounting for Stock-Based Compensation," and SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," which was released in December 2002 as an amendment of ASC Topic 718 Formerly SFAS No. 123. The Company currently accounts for stock-based compensation under the fair value method using the Black-Scholes option pricing model as indicated in Note E.



ENVIRO VORAXIAL TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Accounting for the Impairment of Long-Lived Assets

The long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. It is reasonably possible that these assets could become impaired as a result of technology or other industry changes. Determination of recoverability of assets to be held and used is by comparing the carrying amount of an asset to future net undiscounted cash flows to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. The Company has no such assets and, therefore, no impairments of long-lived assets were recorded as of September 30, 2013.

Business Segments

The Company operates in one segment and therefore segment information is not presented.

Recent Accounting Pronouncements

Recent accounting pronouncements issued by FASB (including the Emerging Issues Task Force), the AICPA and the SEC, did not or are not believed by the Company's management, to have a material impact on the Company's present or future financial statements.

NOTE D - RELATED PARTY TRANSACTIONS

For the nine months ended September 30, 2013, the Company incurred salary expenses from the Chief Executive Officer of the Company of \$228,750. Of these amounts, \$17,000 has been paid for the nine months ended September 30, 2013. The total unpaid balance as of September 30, 2013 is \$846,755.

NOTE E - CAPITAL TRANSACTIONS

Common stock

On January 1, 2012, the Company issued an aggregate of 100,000 shares of common stock to a consultant in consideration of services to be provided for 15 months with a fair value of \$10,000. The expense was amortized over the life of the agreement. The securities were issued pursuant to an exemption from registration under Section 4(2) of the Securities Act. The securities may not be transferred absent registration or applicable exemption.

Effective April 30, 2010, the Company issued restricted stock grants to a consultant in consideration of services to be provided for 36 months with a fair value of \$114,000. The expense was amortized over the life of the agreement. The securities were issued pursuant to an exemption from registration under Section 4(2) of the Securities Act. The securities may not be transferred absent registration or applicable exemption.

Stock Options

The Company follows the provisions of ASC Topic 718, "Compensation – Stock Compensation." ASC Topic 718 establishes standards surrounding the accounting for transactions in which an entity exchanges its equity instruments

for goods or services. ASC Topic 718 focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions.

On February 15, 2013 the Company issued options to purchase up to an aggregate of 165,000 shares of common stock to two employees of the Company in consideration for services performed. The options are exercisable at \$0.20 per share and may be exercised on a cashless basis. The options shall expire at the earlier of (1) February 15, 2018 or (2) the upon the expiration of three calendar months from the date of which employee's continuous employment by the Company or any of its subsidiaries is terminated,



## ENVIRO VORAXIAL TECHNOLOGY, INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 (UNAUDITED)

provided that in the event of employee's death while in the employ of the Company his personal representatives may exercise the option as to any of the vested shares not previously exercised during his lifetime within three months following the date of his death. We used the following assumptions for options for the nine months ended September 30, 2013:

Expected volatility: 128%

Expected lives: 5 Years

Risk-free interest rate: 0.87%

Expected dividend yield: None

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options and warrants have characteristics different from those of its traded stock, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of such stock options. The risk free interest rate is based upon quoted market yields for United States Treasury debt securities with a term similar to the expected term. The expected dividend yield is based upon the Company's history of having never issued a dividend and management's current expectation of future action surrounding dividends. Expected volatility was based on historical data for the trading of our stock on the open market. The expected lives for such grants were based on the simplified method for employees and officers.

Information with respect to options outstanding and exercisable at September 30, 2013 is as follows:

	Number Outstanding	Range of Exercise Price	Number Exercisable
Balance, December 31, 2012	12,800,000	-	12,800,000
Issued	165,000	\$0.20	165,000
Expired			
Forfeited	-	-	-
Balance, September 30, 2013	12,965,000		12,965,000

The following table summarizes information about the stock options outstanding at September 30, 2013:

Exercise Price	Number Outstanding at September 30, 2013	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at September 30, 2013	Weighted Average Exercise Price
0.15	5,800,000	5.09	0.15	5,800,000	0.15
0.18	6,050,000	3.69	0.18	6,050,000	0.18
0.20	1,115,000	3.70	0.20	1,115,000	0.20
Total	12,965,000	-	-	12,965,000	-



ENVIRO VORAXIAL TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 (UNAUDITED)

NOTE F – MAJOR CUSTOMERS

During the nine months ended September 30, 2013, we recorded 56% of our revenue from Customer A and 20% of our revenue from Customer B, and 13% of our revenue from Customer C. As of September 30, 2013, 54% of our accounts receivable was from Customer C and 34% was from Customer D.



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

### Forward-Looking Statements

The following discussion of the financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes thereto. The following discussion contains forward-looking statements. Enviro Voraxial Technology, Inc. is referred to herein as “the Company”, “we” or “our.” The words or phrases “would be,” “will allow,” “intends to,” “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “pro” similar expressions are intended to identify “forward-looking statements”. Such statements include those concerning our expected financial performance, our corporate strategy and operational plans. Actual results could differ materially from those projected in the forward-looking statements as a result of a number of risks and uncertainties. Statements made herein are as of the date of the filing of this Form 10-Q with the Securities and Exchange Commission and should not be relied upon as of any subsequent date. Unless otherwise required by applicable law, we do not undertake, and we specifically disclaim any obligation, to update any forward-looking statements to reflect occurrences, developments, unanticipated events or circumstances after the date of such statement.

### Application of Critical Accounting Policies

The Company’s consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Certain accounting policies have a significant impact on amounts reported in the financial statements. A summary of these significant accounting policies can be found in Note C to the Company’s financial statements in the Company’s 2012 Annual Report on Form 10-K. The Company has not adopted any significant new policies during the nine month period ended September 30, 2013.

Among the significant judgments made in preparation of the Company’s financial statements are the determination of the allowance for doubtful accounts, value of equity instruments and adjustments of inventory valuations. These adjustments are made each quarter in the ordinary course of accounting.

### Overview

Enviro Voraxial Technology, Inc. (the “Company”) was incorporated in Idaho on October 19, 1964, under the name Idaho Silver, Inc. In May of 1996, we entered into an agreement and plan of reorganization with Florida Precision Aerospace, Inc., a privately held Florida corporation (“FPA”), and its shareholders. FPA was incorporated on February 26, 1993. We believe we are emerging as a potential leader in the rapidly growing environmental and industrial separation industries. The Company has developed, manufactures and sells its patented Voraxial® Separator (“Voraxial® Separator” or “Voraxial® ”), a proprietary technology that efficiently separates large volumes of liquid/liquid, liquid/solids or liquid/liquid/solids fluid mixtures with distinct specific gravities. Management believes this superior separation quality is achieved in real-time, and in much greater volumes, with a more compact, cost effective and energy efficient machine than any comparable product on the market today. Management believes the Voraxial fills a void in the market; specifically a real-time separation device that separates a large volume of liquids with a small footprint and without the need of a pressure drop. We believe the need for such a separation device overlaps many markets.

The Voraxial is capable of processing volumes as low as 3 gallons per minute as well as volumes over 5,000 gallons per minute with only one moving part. The Company believes that the Voraxial®

technology can help protect the environment and its natural resources while simultaneously making numerous industries more productive and cost effective.

Results of Operations for the Three Months ended September 30, 2013 and 2012:

#### Revenue

Our revenues decreased by \$44,442 or approximately 22% to \$149,838 for the three months ended September 30, 2013 as compared to \$194,280 for the three months ended September 30, 2012. The Company believes the decrease in revenues reflects a fluctuation in orders. The Company believes there is an increasing demand for our Voraxial Separators in the oil exploration and production markets as we are working with a growing number of potential customers both domestically and abroad. Our Voraxial Separators are being evaluated and/or installed for various niche markets within the oil industry including production facilities, offshore platforms, tar sands and hydraulic fracturing (frac). We are achieving greater revenue growth in 2013 than in 2012 and believe this growth will continue into 2014. We continue to believe the markets for the Voraxial Separator are developing as companies with high volume water separation problems are becoming aware of the Voraxial. Interest and request for proposals for applications in other markets are also increasing, specifically from the oil spill, and mining. This may result in more revenue generating opportunities for the Company from various market segments.

The Company is currently working on numerous opportunities with customers for refinery, produced water, frac water and oil spill applications. We are in different stages of the project process with our customers and believe some of these opportunities will result in purchase orders in fiscal year 2014. The projects include the Voraxial 2000 Separator, Voraxial 4000 Separator, Voraxial 8000 and multiple versions of the Voraxial Separator Skid. We are in discussions to sign representative agreements with oil service companies to promote the Voraxial. The Company continues to focus its sales and marketing program on the Voraxial Separator and believes such efforts will result in increasing revenues in 2014.

#### Cost of Goods

Our cost of goods decreased by \$30,258 or approximately 64% to \$16,725 for the three months ended September 30, 2013 as compared to \$46,983 for the three months ended September 30, 2012. This decrease is primarily due to a decrease in sales and the different models shipped and the higher percentage of leases versus sales during the three months ended September 30, 2013. Majority of revenues this quarter were a result of leases as compared to 2012 resulting in a lower cost of goods. Our cost of goods continues to be reviewed by management in an effort to obtain the best available pricing while maintaining high quality standards.

#### Expenses

As discussed below expenses for the three month period ended September 30, 2013 as compared to the three month period ended September 30, 2012, decreased approximately \$19,423 or 6.6% primarily due to decreases in consulting expenses and research and development expenses, as partially offset by increases in general and administrative and payroll expense.

#### General and Administrative Expenses

General and Administrative ("G&A") expenses increased by \$58,084 or approximately 60% to \$154,660 for the three months ended September 30, 2013 from \$96,576 for the three months ended September 30, 2012. The increase in G&A expenses was primarily due to an increase in expenses associated with sales and marketing activities. The Company continues to focus on its sales and marketing program for the Voraxial Separator.



### Consulting Expense

Consulting expense for the three month period ended September 30, 2013 decreased to zero from \$53,500 for the three month period ended September 30, 2012. The consulting expense during 2012 was related to non cash expenses of common stock issued for investor relations and consulting services.

### Payroll Expense

Payroll expense for the three month period ended September 30, 2013 was \$121,317, as compared to \$113,887 for the three months ended September 30, 2012. The increase of approximately 6% for the nine months ended September 30, 2013 was due to an increase in overtime for certain employees.

### Research and Development Expenses

Research and Development expenses decreased by \$31,437 or 100% to zero for the three months ended September 30, 2013. As the Company has finalized the development of the Voraxial Separator, research and development expenses have decreased.

Results of Operations for the Nine Months ended September 30, 2013 and 2012:

### Revenue

Our revenues increased by 87% or \$525,190 to \$1,130,440 for the nine months ended September 30, 2013, as compared to \$605,250 for the nine months ended September 30, 2012. The Company believes the increase in revenues reflects a continued growing market for the Voraxial Separator. The Company believes there is an increasing demand for our Voraxial Separators in the oil exploration and production markets as we are working with a growing number of potential customers both domestically and abroad. Our Voraxial Separators are being evaluated and/or installed for various niche markets within the oil industry including production facilities, offshore platforms, tar sands and hydraulic fracturing (frac). We anticipate achieving greater revenue growth in 2014 than in 2013. We continue to believe the markets for the Voraxial Separator are developing as companies with high volume water separation problems are becoming aware of the Voraxial. Interest and request for proposals for applications in other markets are also increasing, specifically from the oil spill, and mining. This may result in more revenue generating opportunities for the Company from various market segments.

### Cost of Goods

Our cost of goods increased to \$422,549 for the nine months ended September 30, 2013 as compared to \$147,455 for the nine months ended September 30, 2012. This increase is primarily due to the increase in sales and the different models sold during the nine months ended September 30, 2013. The majority of revenues this period were a result of sales as compared to higher percentage of leases during 2012, resulting in a higher cost of goods for this period. Our cost of goods continues to be reviewed by management to guarantee the best available pricing while maintaining high quality standards.



## Expenses

As discussed below expenses for the nine month period ended September 30, 2013 as compared to the nine month period ended September 30, 2012, decreased approximately \$877,293 or 52.2% primarily due to decreases in consulting and research and development expense, as partially offset by increases in G&A.

### General and Administrative Expenses

G&A expense increased by \$64,945 or approximately 18% to \$423,552 for the nine months ended September 30, 2013 from \$358,607 for the nine months ended September 30, 2012. The increase was primarily due to an increase in expenses associated with sales and marketing.

### Consulting Expense

Consulting expense decreased by \$801,502 or 95% to \$39,986 for the nine month period ended September 30, 2013 as compared to \$841,568 for the nine month period ended September 30, 2012. The expense during 2012 is attributed to a one time non cash expense related to the extension of exercise terms of previously issued options held by consultants.

### Payroll Expense

Payroll expense for the nine month period ended September 30, 2013 as compared to the nine month period ended September 30, 2012 remained fairly consistent.

### Research and Development Expenses

Research and development expenses decreased by \$141,083 or 100% to zero for the nine months ended September 30, 2013, as compared to \$141,083 for the nine months ended September 30, 2012. As the Company has finalized the development of the Voraxial Separator, research and development expenses have decreased.

### Liquidity and Capital Resources:

Cash at September 30, 2013 was \$233,650. Working capital deficit at September 30, 2013 was \$537,067 as compared to working capital deficit at December 31, 2012 of \$469,978.

At September 30, 2013, the Company had an accumulated deficit of \$15,259,005. We may require infusion of capital to sustain our operations. We cannot be assured that we will generate revenues that will be self-sustaining. The Company has funded working capital requirements and intends, if necessary, to fund current working capital requirements through third party financing, including the private placement of securities. We cannot provide any assurances that required capital will be obtained or that terms of such required capital may be acceptable to us. If the Company is unable to obtain adequate financing, it may reduce its operating activities until sufficient funding is secured or revenues are generated to support operating activities.

## Continuing Losses

We may be unable to continue as a going concern, given our limited operations and revenues and our significant losses to date. We have encountered expenses in the development and commercialization of our Voraxial Separators and have had limited sales income from this development. Consequently, our working capital may not be sufficient and our operating costs may exceed those experienced in our prior years. Therefore, we may be unable to continue as a going concern. The Company has experienced net losses, has a working capital deficit and sustained cash outflows from operating activities and had to raise capital to sustain operations. There is no assurance that the Company's developmental and marketing efforts will be successful, that the Company will ever have commercially accepted products, or that the Company will achieve significant revenues. However, we believe that the exposure received in the past year for the Voraxial Separator has positioned the Company to begin generating sales and supply us with sufficient working capital.

As a result of the above, the accompanying condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

## Risk Factors

Investing in our common stock involves a high degree of risk. You should carefully consider the risk factors contained in our most recent annual report filed on Form 10-K with the Securities and Exchange Commission before deciding whether to invest in the Company. Additional risks and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our business operations or our financial condition.

## Recent Accounting Pronouncements

For a discussion of new accounting pronouncements affecting the Company, refer to Note C to the Consolidated Financial Statements.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable to smaller reporting company.

## Item 4. Controls and Procedures

### Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to be effective in providing reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management to allow timely decisions regarding required disclosure.

The Company's management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial (and principal accounting) Officer, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act) as of September 30, 2013.



During our assessment of the effectiveness of internal control over financial reporting as of September 30, 2013 management identified significant deficiencies related to (i) the U.S. GAAP expertise of our internal accounting staff, (ii) the ability of our internal accounting staff to record our transactions to which we are a party which necessitates our bringing in external consultants to supplement this function, and (iii) a lack of segregation of duties within accounting functions. Therefore, our internal controls over financial reporting were not effective as of September 30, 2013 based on the following material weakness: (1) insufficient monitoring controls to determine the adequacy of our internal control over financial reporting and related policies and procedures; (2) lack of competent financial management personnel with appropriate accounting knowledge and training; (3) our financial staff does not hold a license such as Certified Public Accountant in the U.S., nor have they attended U.S. institutions or extended educational programs that would provide enough of the relevant education relating to U.S. GAAP, nor have any U.S. GAAP audit experience; (4) we rely on outside consultant to prepare our financial statements; and (5) insufficient controls over our period-end financial close and reporting processes.

As a result of this material weakness, our Chief Executive Officer and Chief Financial Officer concluded that our internal control over financial reporting was not effective as of September 30, 2013. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness; yet important enough to merit attention by those responsible for oversight of the company's financial reporting.

Because of its inherent limitations, however, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate. In order to mitigate the foregoing material weakness, we engage an outside accounting consultant to assist us in the preparation of our financial statements to ensure that these financial statements are prepared in conformity to U.S. GAAP. We expect to continue to rely on this outside consulting arrangement to supplement our internal accounting staff for the foreseeable future. Until such time as we hire the proper internal accounting staff with the requisite U.S. GAAP experience, however, it is unlikely we will be able to remediate the material weakness in our internal control over financial reporting.

We believe that the foregoing steps will remediate the material weaknesses identified above, and we will continue to monitor the effectiveness of these steps and make any changes that our management deems appropriate.

#### Changes in Internal Control over Financial Reporting

No change in our system of internal control over financial reporting occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

None.

### Item 1A. Risk Factors

Smaller reporting companies are not required to provide the information required by this item.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the period covered by this report, except as otherwise previously disclosed, the Company did not issued any unregistered equity securities.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosure

None.

### Item 5. Other Information

None.

### Item 6. Exhibits

Exhibits required by Item 601 of Regulation S-K

31.1 Form 302 Certification of Chief Executive Officer

31.2 Form 302 Certification of Principal Financial Officer

32.1 Form 906 Certification of Chief Executive Officer and Principal Financial Officer

101.INS XBRL Instance Document\*

101.SCH XBRL Taxonomy Extension Schema Document\*

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document\*

101.DEF XBRL Taxonomy Extension Definition Linkbase Document\*

101.LAB XBRL Taxonomy Extension Label Linkbase Document\*

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document\*

\* Attached as Exhibit 101 to this report are the following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) related notes to these financial statements tagged as blocks of text. The XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed "filed" or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, and is not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of those sections.



SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Enviro Voraxial Technology, Inc.

By: /s/ John A. DiBella  
John A. DiBella  
Chief Executive Officer and  
Principal Financial Officer

DATED: November 14, 2013

