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

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2020

or

[] 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: 0-31641

SCI ENGINEERED MATERIALS, INC.

(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction of
incorporation or organization)

31-1210318
(I.R.S. Employer
Identification No.)

2839 Charter Street, Columbus, Ohio 43228
(Address of principal executive offices) (Zip Code)

(614) 486-0261
(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 [X] No []

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes [X] 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 [X] Smaller reporting company [X] 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 Exchange Act). Yes [] No [X]

4,396,604 shares of Common Stock, without par value, were outstanding at May 1, 2020.

Securities registered pursuant to Section 12(b) of the Act:

Table with 3 columns: Title of each class, Trading Symbol(s), Name of each exchange on which registered. Row 1: Common stock, without par value, SCIA, OTCQB

FORM 10-Q

SCI ENGINEERED MATERIALS, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SCI ENGINEERED MATERIALS, INC.

BALANCE SHEETS

ASSETS

	March 31, 2020 (UNAUDITED)	December 31, 2019
Current Assets		
Cash	\$ 1,818,620	\$ 1,828,397
Accounts receivable		
Trade, less allowance for doubtful accounts of \$15,000	310,158	346,381
Other	7,359	2,143
Inventories	1,842,884	2,749,038
Prepaid expenses	78,799	105,464
Total current assets	<u>4,057,820</u>	<u>5,031,423</u>
Property and Equipment, at cost		
Machinery and equipment	8,219,020	8,258,578
Furniture and fixtures	137,680	137,680
Leasehold improvements	592,899	592,899
Construction in progress	157,237	-
	<u>9,106,836</u>	<u>8,989,157</u>
Less accumulated depreciation	<u>(7,109,474)</u>	<u>(7,036,955)</u>
	<u>1,997,362</u>	<u>1,952,202</u>
Right of use asset, net	415,774	434,492
Intangibles	88,030	86,958
Total other assets	<u>503,804</u>	<u>521,450</u>
TOTAL ASSETS	<u>\$ 6,558,986</u>	<u>\$ 7,505,075</u>

The accompanying notes are an integral part of these financial statements.

SCI ENGINEERED MATERIALS, INC.

BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31, 2020 <u>(UNAUDITED)</u>	December 31, 2019
Current Liabilities		
Finance lease obligations, current portion	\$ 99,817	\$ 98,524
Operating lease obligations, current portion	82,720	80,669
Accounts payable	129,157	254,004
Customer deposits	1,568,862	2,408,837
Accrued compensation	55,354	116,686
Accrued expenses and other	91,438	80,375
Total current liabilities	<u>2,027,348</u>	<u>3,039,095</u>
Finance lease obligations, net of current portion	99,866	125,311
Operating lease obligations, net of current portion	370,240	391,833
Total liabilities	<u>2,497,454</u>	<u>3,556,239</u>
Shareholders' Equity		
Convertible preferred stock, Series B, 10% cumulative, nonvoting, no par value, \$10 stated value, optional redemption at 103%; optional shareholder conversion 2 shares for 1; 24,152 shares issued and outstanding	520,476	514,438
Common stock, no par value, authorized 15,000,000 shares; 4,396,604 and 4,370,519 shares issued and outstanding, respectively	10,440,675	10,410,677
Additional paid-in capital	2,261,069	2,265,925
Accumulated deficit	<u>(9,160,688)</u>	<u>(9,242,204)</u>
Total shareholders' equity	<u>4,061,532</u>	<u>3,948,836</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 6,558,986</u>	<u>\$ 7,505,075</u>

The accompanying notes are an integral part of these financial statements.

SCI ENGINEERED MATERIALS, INC.
STATEMENTS OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(UNAUDITED)

	<u>2020</u>	<u>2019</u>
Revenue	\$ 3,438,795	\$ 4,015,038
Cost of revenue	<u>2,929,457</u>	<u>3,318,736</u>
Gross profit	509,338	696,302
General and administrative expense	283,165	359,800
Research and development expense	86,904	108,869
Marketing and sales expense	<u>51,784</u>	<u>68,619</u>
Income from operations	87,485	159,014
Interest expense (income)	<u>4,069</u>	<u>(1,188)</u>
Income before provision for income taxes	83,416	160,202
Income taxes	<u>1,900</u>	<u>4,860</u>
Net income	81,516	155,342
Dividends on preferred stock	<u>6,038</u>	<u>6,038</u>
INCOME APPLICABLE TO COMMON STOCK	<u>\$ 75,478</u>	<u>\$ 149,304</u>
Earnings per share - basic and diluted (Note 7)		
Income per common share		
Basic	<u>\$ 0.02</u>	<u>\$ 0.03</u>
Diluted	<u>\$ 0.02</u>	<u>\$ 0.03</u>
Weighted average shares outstanding		
Basic	<u>4,385,998</u>	<u>4,295,417</u>
Diluted	<u>4,394,574</u>	<u>4,350,377</u>

The accompanying notes are an integral part of these financial statements.

SCI ENGINEERED MATERIALS, INC.
STATEMENTS OF SHAREHOLDERS' EQUITY
THREE MONTHS ENDED MARCH 31, 2020 AND 2019

	Convertible Preferred Stock, Series B	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Total
Balance 12/31/18	\$ 514,438	\$ 10,275,733	\$ 2,280,060	\$ (9,547,555)	\$ 3,522,676
Accretion of cumulative dividends	6,038	-	(6,038)	-	-
Stock based compensation expense (Note 4)	-	-	4,158	-	4,158
Proceeds from exercise of stock options (Note 4)	-	14,952	-	-	14,952
Common stock issued (Note 4)	-	30,002	-	-	30,002
Net income	-	-	-	155,342	155,342
Balance 3/31/19	<u>\$ 520,476</u>	<u>\$ 10,320,687</u>	<u>\$ 2,278,180</u>	<u>\$ (9,392,213)</u>	<u>\$ 3,727,130</u>
Balance 12/31/19	\$ 514,438	\$ 10,410,677	\$ 2,265,925	\$ (9,242,204)	\$ 3,948,836
Accretion of cumulative dividends	6,038	-	(6,038)	-	-
Stock based compensation expense (Note 4)	-	-	1,182	-	1,182
Common stock issued (Note 4)	-	29,998	-	-	29,998
Net income	-	-	-	81,516	81,516
Balance 3/31/20	<u>\$ 520,476</u>	<u>\$ 10,440,675</u>	<u>\$ 2,261,069</u>	<u>\$ (9,160,688)</u>	<u>\$ 4,061,532</u>

The accompanying notes are an integral part of these financial statements.

SCI ENGINEERED MATERIALS, INC.

STATEMENTS OF CASH FLOWS

THREE MONTHS ENDED MARCH 31, 2020 AND 2019

(UNAUDITED)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 81,516	\$ 155,342
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and accretion	112,977	109,138
Amortization	713	17,941
Stock based compensation	31,180	34,160
Gain on sale of equipment	(1,000)	-
Inventory reserve	300	300
Changes in operating assets and liabilities:		
Accounts receivable	31,007	(208,925)
Note receivable	-	(7,477)
Inventories	905,854	(456,714)
Prepaid expenses	26,665	524,435
Other assets	(1,785)	(1,900)
Right of use asset	18,718	(505,700)
Accounts payable	(124,847)	97,863
Operating lease obligations	(19,543)	527,719
Accrued expenses and customer deposits	(891,143)	(357,961)
Net cash provided by (used in) operating activities	<u>170,612</u>	<u>(71,779)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of equipment	1,000	-
Purchases of property and equipment	(157,237)	(207,451)
Net cash used in investing activities	<u>(156,237)</u>	<u>(207,451)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of common stock options	-	14,952
Principal payments on finance lease obligations and notes payable	(24,152)	(38,901)
Net cash used in financing activities	<u>(24,152)</u>	<u>(23,949)</u>
NET DECREASE IN CASH	(9,777)	(303,179)
CASH - Beginning of period	<u>1,828,397</u>	<u>1,802,839</u>
CASH - End of period	<u>\$ 1,818,620</u>	<u>\$ 1,499,660</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the periods for:		
Interest	\$ 2,800	\$ 3,234
SUPPLEMENTAL DISCLOSURES OF NONCASH FINANCING ACTIVITIES		
Increase in asset retirement obligation	900	635

The accompanying notes are an integral part of these financial statements.

SCI ENGINEERED MATERIALS, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Business Organization and Purpose

SCI Engineered Materials, Inc. (“SCI”, or the “Company”), an Ohio corporation, was incorporated in 1987. The Company operates in one segment as a global supplier and manufacturer of advanced materials for Physical Vapor Deposition (“PVD”) Thin Film Applications. The Company is focused on specific markets within the PVD industry (Photonics, Thin Film Solar, Glass and Transparent Electronics). Substantially all of the Company’s revenues are generated from customers with multi-national operations. The Company develops innovative customized solutions enabling commercial success through collaboration with end users and Original Equipment Manufacturers.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation - The accompanying unaudited financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for fair presentation of the results of operations for the periods presented have been included. The financial statements should be read in conjunction with the audited financial statements and the notes thereto for the year ended December 31, 2019. Interim results are not necessarily indicative of results for the full year.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Right of Use Assets and Lease Liabilities - In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. In July 2018, the FASB issued ASU No. 2018-10, Codification Improvements to Topic 842, Leases. The amendments in ASU 2018-10 clarify, correct or remove inconsistencies in the guidance provided under ASU 2016-02 related to sixteen specific issues identified. Also, in July 2018, the FASB issued ASU No. 2018-11, Targeted Improvements to Topic 842. This amendment provides the Company with an additional and optional transition method to adopt the new lease standard. Under this new transition method, the Company can apply the new lease standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption and present the accounting on a prospective or go-forward basis instead of applying to the earliest comparative period presented in the financial statements. The new lease standard became effective for the Company January 1, 2019.

The Company adopted the new standard on January 1, 2019. The Company also elected the package of practical expedients to not reassess existing classifications on adoption. The new standard did not have a material impact on the Company’s income statements. The most significant impact of the new standard was the recognition of a ROU asset and lease liability of over \$500,000 as of January 1, 2019.

SCI ENGINEERED MATERIALS, INC**NOTES TO FINANCIAL STATEMENTS****Note 2. Summary of Significant Accounting Policies (continued)**

Revenue Recognition - The Company enters into contracts with its customers that generally represent purchase orders specifying general terms and conditions, order quantities and per unit product prices. The Company has determined that each unit of product purchased represents a separate performance obligation. The Company satisfies its performance obligations and recognizes revenue at a point in time when control of a unit of product is transferred to the customer. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring products. For the majority of product sales, transfer of control occurs when the products are shipped from the Company's manufacturing facility to the customer. The cost of delivering products to the Company's customers is recorded as a component of cost of products sold. Those costs may include the amounts paid to a third party to deliver the products. Any freight costs billed to and paid by a customer are included in revenue.

The Company considers collectability of amounts due under a contract to be probable upon inception of a sale based on an evaluation of the credit worthiness of each customer. The Company sells its products typically under agreements with payment terms less than 45 days. The Company does not typically include extended payment terms or significant financing components in contracts with customers. The majority of the Company's contracts have an obligation to transfer products within one year. Thus, the Company elects to use the practical expedient where incremental cost of obtaining a contract, such as commissions, is expensed when incurred because the amortization period for those costs is one year or less. The Company treats shipping and handling activities that occur after control of the product transfers as fulfillment activities, and therefore, does not account for shipping and handling costs as a separate performance obligation. Customer deposits are funds received in advance from customers and are recognized as revenue when the Company has transferred control of product to the customer. Product revenues are recognized upon shipment of goods as the customer has assumed the significant risks and rewards of ownership and the Company is entitled to payment at this point. Service revenues are recognized upon completion as the customer cannot realize the benefit of the service until fully completed.

During the three months ended March 31, 2020 and 2019, revenue from the photonics market was 100% and approximately 97% of total revenue, respectively. The balance of the revenue in 2019 was almost entirely from the thin film solar market. The top two customers represented approximately 91% and 75% of total revenue for the three months ended March 31, 2020 and 2019, respectively. International shipments resulted in 1% and 16% of total revenue for the first three months of 2020 and 2019, respectively.

Note 3. Recent Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13 "Credit Losses - Measurement of Credit Losses on Financial Instruments." ASU No. 2016-13 significantly changes how entities will measure credit losses for most financial assets, including accounts and notes receivables, by replacing today's "incurred loss" approach with an "expected loss" model under which allowances will be recognized based on expected rather than incurred losses. ASU No. 2016-13 will become effective for us in the first quarter of 2021. We are evaluating the impact that the adoption of this update will have on our financial statements.

Note 4. Common Stock and Stock Options

Stock Based Compensation cost for all stock awards is based on the grant date fair value and recognized over the required service (vesting) period. Non cash stock based compensation expense was \$31,180 and \$34,160 for the three months ended March 31, 2020 and 2019, respectively.

SCI ENGINEERED MATERIALS, INC

NOTES TO FINANCIAL STATEMENTS

Note 4. Common Stock and Stock Options (continued)

Unrecognized compensation expense was \$14,580 as of March 31, 2020 and will be recognized through 2023. There was no tax benefit recorded for this compensation cost as the expense relates to incentive stock options that do not qualify for a tax deduction until, and only if, a qualifying disposition occurs.

The non-employee Board members received compensation of 26,085 and 8,850 aggregate shares of common stock of the Company during the three months ended March 31, 2020 and 2019, respectively. The stock had an aggregate value of \$29,998 and \$30,002 for the three months ended March 31, 2020 and 2019, respectively, and was recorded as non-cash stock compensation expense in the financial statements.

The cumulative status of options granted and outstanding at March 31, 2020, and December 31, 2019, as well as options which became exercisable in connection with the Company's stock option plans is summarized as follows:

Employee Stock Options

	Stock Options	Weighted Average Exercise Price
Outstanding at January 1, 2019	396,941	\$ 4.41
Exercised	(31,788)	0.84
Expired	(271,500)	6.00
Forfeited	(17,616)	1.00
Outstanding at December 31, 2019	76,037	\$ 1.03
Outstanding at March 31, 2020	76,037	\$ 1.03
Options exercisable at December 31, 2019	48,265	\$ 0.90
Options exercisable at March 31, 2020	48,265	\$ 0.90

Exercise prices for options ranged from \$0.84 to \$1.25 at March 31, 2020. The weighted average option price for all options outstanding at March 31, 2020, was \$1.03 with a weighted average remaining contractual life of 6.2 years. There were no non-employee director stock options outstanding during 2020 and 2019.

Note 5. Preferred Stock

Dividends on the Series B preferred stock accrue at 10% annually on the outstanding shares. Dividends on the Series B preferred stock were \$6,038 for the three months ended March 31, 2020 and 2019. The Company had accrued dividends on Series B preferred stock of \$271,710 at March 31, 2020, and \$265,672 at December 31, 2019. These amounts are included in Convertible preferred stock, Series B, on the balance sheet at March 31, 2020, and December 31, 2019. A dividend payment of \$24,152 was made during 2019 to preferred shareholders of record. The Board of Directors approved a dividend payment of \$24,152, to be paid in June 2020, to preferred shareholders of record.

SCI ENGINEERED MATERIALS, INC
NOTES TO FINANCIAL STATEMENTS

Note 6. Inventories

Inventories consisted of the following:

	March 31, 2020	December 31, 2019
	(unaudited)	
Raw materials	\$ 829,254	\$ 883,767
Work-in-process	953,091	1,802,092
Finished goods	82,836	85,176
Inventory reserve	(22,297)	(21,997)
	<u>\$ 1,842,884</u>	<u>\$ 2,749,038</u>

Note 7. Earnings Per Share

Basic income per share is calculated as income applicable to common shareholders divided by the weighted average of common shares outstanding. Diluted earnings per share is calculated as diluted income applicable to common shareholders divided by the diluted weighted average number of common shares. Diluted weighted average number of common shares gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. Diluted earnings per share exclude all diluted potential shares if their effect is anti-dilutive. All convertible preferred stock and common stock options listed in Note 4 that were out-of-the-money or anti-dilutive were excluded from diluted earnings per share. The following is provided to reconcile the earnings per share calculations:

	Three months ended March 31,	
	2020	2019
Income applicable to common shares	<u>\$ 75,478</u>	<u>\$ 149,304</u>
Weighted average common shares outstanding - basic	4,385,998	4,295,417
Effect of dilution	<u>8,576</u>	<u>54,960</u>
Weighted average shares outstanding - diluted	<u>4,394,574</u>	<u>4,350,377</u>

Note 8. Note Payable

The Company renewed its line of credit with Huntington Bank for \$1 million during 2019. The line of credit bears interest at 0.5 percentage points over the Prime Commercial Rate with an expiration date of October 5, 2020. At March 31, 2020, no amounts were drawn on the line of credit.

SCI ENGINEERED MATERIALS, INC

NOTES TO FINANCIAL STATEMENTS

Note 9. Income Taxes

Following is the income tax expense for the three months ended March 31:

	2020	2019
Federal – deferred	\$ -	\$ -
State and local	1,900	4,860
	<u>\$ 1,900</u>	<u>\$ 4,860</u>

Deferred tax assets and liabilities result from temporary differences in the recognition of income and expense for tax and financial reporting purposes. A full valuation allowance has been recorded against the realization of the net deferred tax assets at March 31, 2020 and December 31, 2019. The Company has net operating loss carryforwards available for federal and state tax purposes of approximately \$3,900,000 which expire in varying amounts through 2039.

Note 10. Operating Lease

The Company entered into an operating lease with a third party on March 18, 2014 for its headquarters in Columbus, Ohio. The terms of the lease include monthly payments ranging from \$9,000 to \$9,700 with a maturity date of November 30, 2024. The Company has the option to extend the lease period for an additional five years beyond the original expiration date. There are no restrictions or covenants associated with the lease. The lease costs were approximately \$27,000 and \$26,100 during the three months ended March 31, 2020 and 2019, respectively.

The following is a maturity analysis, by year, of the annual undiscounted cash outflows of the operating lease liabilities as of March 31, 2020:

2020	\$ 81,157
2021	110,364
2022	112,611
2023	114,857
2024	102,550
Total minimum lease payments	<u>\$ 521,539</u>
Operating cash outflows from operating leases	\$ 92,359
Weighted average remaining lease term – operating leases	4.7 years
Weighted average discount rate – operating leases	5.5%

SCI ENGINEERED MATERIALS, INC
NOTES TO FINANCIAL STATEMENTS

Note 11. Finance Leases

The Company leases certain equipment under finance leases. Future minimum lease payments, by year, with the present value of such payments, as of March 31, 2020, are shown in the following table.

2020	\$	80,855
2021		91,398
2022		21,609
2023		18,129
Total minimum lease payments		<u>211,991</u>
Less amount representing interest		<u>12,308</u>
Present value of minimum lease payments		199,683
Less current portion		99,817
Finance lease obligations, net of current portion	\$	<u><u>99,866</u></u>

The equipment under finance lease at March 31, 2020, and December 31, 2019, is included in the accompanying balance sheets as follows:

	March 31, 2020	Dec. 31, 2019
Machinery and equipment	\$ 438,316	\$ 438,316
Less accumulated depreciation and amortization	109,264	98,305
Net book value	<u>\$ 329,052</u>	<u>\$ 340,011</u>

These assets are amortized over a period of ten years using the straight-line method and amortization is included in depreciation expense.

The finance leases are structured such that ownership of the leased asset reverts to the Company at the end of the lease term. Accordingly, leased assets are depreciated using the Company's normal depreciation methods and lives. Ownership of certain assets were transferred to the Company in accordance with the terms of the leases and these assets have been excluded from the leased asset disclosure above.

SCI ENGINEERED MATERIALS, INC**NOTES TO FINANCIAL STATEMENTS****Note 12. Subsequent Event**

On April 17, 2020 we entered into an unsecured promissory note under the Paycheck Protection Program (the “PPP”), with a principal amount of \$325,300. The PPP was established under the recently congressional approved Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) and is administered by the U.S. Small Business Administration (the “SBA”). The term of the PPP loan is two years. The interest rate on this loan is 1.0% per annum, which shall be deferred for the first six months of the term of the loan. After the initial six-month deferral period, the loan requires monthly payments of principal and interest until maturity with respect to any portion of the PPP loan which is not forgiven as described below. The Company is permitted to prepay or partially prepay the PPP loan at any time with no prepayment penalties. Under the terms of the CARES Act, PPP loan recipients can apply for, and be granted, forgiveness for all or a portion of loans granted under the PPP. Such forgiveness will be determined, subject to limitations and ongoing rulemaking by the SBA, based on the use of loan proceeds for payroll costs and mortgage interest, rent or utility costs and the maintenance of employee and compensation levels. While there is no assurance the Company will obtain forgiveness of the PPP loan in whole or in part, it expects most of this loan to be forgiven by the SBA as the Company anticipates all loan covenants to be met.

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

The following discussion should be read in conjunction with the Financial Statements and Notes contained herein and with those in our Form 10-K for the year ended December 31, 2019.

Except for the historical information contained herein, the matters discussed in this Quarterly Report on Form 10-Q include certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. Those statements include, but may not be limited to, all statements regarding our intent, belief, and expectations, such as statements concerning our future profitability and operating and growth strategy. Words such as “believe,” “anticipate,” “expect,” “will,” “may,” “should,” “intend,” “plan,” “estimate,” “predict,” “potential,” “continue,” “likely” and similar expressions are intended to identify forward-looking statements. Investors are cautioned that all forward-looking statements contained in this Quarterly Report on Form 10-Q and in other statements we make involve risks and uncertainties including, without limitation, the factors set forth under the caption “Risk Factors” included in our Annual Report on Form 10-K for the year ended December 31, 2019, and other factors detailed from time to time in our other filings with the Securities and Exchange Commission. One or more of these factors have affected, and in the future could affect our business and financial condition and could cause actual results to differ materially from plans and projections. Although we believe the assumptions underlying the forward-looking statements contained herein are reasonable, there can be no assurance that any of the forward-looking statements included in this Quarterly Report on Form 10-Q will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved.

Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statements are made or reflect the occurrence of unanticipated events, unless necessary to prevent such statements from becoming misleading. New factors emerge from time to time and it is not possible for us to predict all factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)**Executive Summary**

We believe the coronavirus COVID-19 (COVID-19) global pandemic had minimal impact on our first quarter 2020 results. We continue to receive orders for our products, although some shipments have been impacted by temporary closure of customer facilities. During the second quarter of 2020, and perhaps longer, we may operate below our normal production schedule due to uncertainty in our domestic and global market. We are maintaining regular contact, via phone and other electronic means, with our customers and suppliers, and do not currently expect any material change in overall demand for our products. We are complying with Ohio and Centers for Disease Control and Prevention guidelines regarding safety procedures. These procedures include, but are not limited to: social distancing, staggering start times, taking temperature of employees, remote working, and teleconferencing versus in person meetings.

On April 17, 2020 we entered into an unsecured promissory note under the Paycheck Protection Program (the "PPP"), with a principal amount of \$325,300. The PPP was established under the recently congressional approved Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and is administered by the U.S. Small Business Administration (the "SBA"). This loan will allow us to pay our employees a full 40-hour week for at least eight weeks. We anticipate that most of this loan will be forgiven by the SBA as we expect all loan covenants to be met. We value all employees and wish to aid them through this difficult period. Management will continue to monitor our production and payroll needs going forward based on evolving circumstances.

Some employees began working remotely and we do not believe it has adversely affected our ability to maintain operations, including financial reporting. The Chief Financial Officer has maintained constant contact with the accounting staff in addition to the Chief Executive Officer and the Operations Manager. We do not believe our disclosure controls and procedures have been materially affected and do not anticipate any changes in controls. Communication has been maintained with the Board of Directors as well.

Based on recent conversations with customers, we do not expect to experience any material impairments and do not anticipate any changes in accounting judgements. We are not aware of any material adverse impact on our supply chain. We remain in contact with our suppliers.

For the three months ended March 31, 2020, we had total revenue of \$3,438,795. This was a decrease of \$576,243, or 14.4%, compared to the three months ended March 31, 2019. Volume was lower compared to the first quarter of 2019. International shipments decreased \$582,011 in the first quarter of 2020 compared to a year ago.

Gross profit was \$509,338 for the three months ended March 31, 2020 compared to \$696,302 for the same three months in 2019 due to lower revenue.

Operating expenses were \$421,853 and \$537,288 for the three months ended March 31, 2020 and 2019, respectively. Operating expenses were lower in the first quarter of 2020 principally due to additional expenses incurred during last year's management transition in the first quarter of 2019. Our former President and CEO retired in June of 2019.

We have new materials under development that may replace the Cadmium Sulfide buffer layer in CIGS solar cells. These materials were tested at Case Western Reserve University and the results support the use of our innovative material in thin film solar applications that could lead to higher efficiencies. We are working with customers through product trials and qualifications to accelerate adoption of these materials. We continue to invest in developing new products for all of our markets including transparent conductive oxide systems for the thin film solar and display markets as well as with our transparent electronic products. Those products involve research and development expense to accelerate time to market.

Establishment of a bonding facility was completed during 2019 pursuant to a joint agreement with publicly owned Konfoong Materials International Co., LTD (KFMI). KFMI is expected to bond rotatable thin film solar Aluminum Zinc Oxide cylinders produced by SCI in Columbus, Ohio for thin film solar customers in China. This arrangement is intended to enable us to provide an advantage to thin film solar customers in China and to also enhance our access to this growing market. We will continue to produce the ceramic portion of the end product in our facility in Columbus. We will continue to exercise control over our trade secrets and proprietary property through assiduous scrutiny of our Intellectual Property. Our products for photonics and thin film solar customers in areas other than China will continue to be bonded at our manufacturing facility in Columbus.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)**RESULTS OF OPERATIONS****Three months ended March 31, 2020 (unaudited) compared to three months ended March 31, 2019 (unaudited):***Revenue*

For the three months ended March 31, 2020, we had total revenue of \$3,438,795. This was a decrease of \$576,243, or 14.4%, compared to the three months ended March 31, 2019. Volume was lower compared to the first quarter of 2019 primarily due to our international shipments which decreased \$582,011.

Gross Profit

Gross profit was \$509,338 for the three months ended March 31, 2020 compared to \$696,302 for the same three months in 2019. This was a decrease of \$186,964, or 26.9%. Gross profit as a percentage of revenue (gross margin) was 14.8% for the first quarter of 2020 compared to 17.3% for the same period in 2019. The decrease in gross profit was primarily due to lower revenue previously mentioned as well as product mix.

General and Administrative Expense

General and administrative expense for the three months ended March 31, 2020 and 2019, was \$283,165 and \$359,800, respectively, a decrease of 21.3%. This decrease was primarily related to lower compensation of approximately \$73,000 as transition costs related to our new President and CEO working closely with our former President and CEO led to increased expenses during the first quarter of 2019.

Professional Fees

Included in general and administrative expense was \$63,582 and \$66,501 for professional fees for the three months ended March 31, 2020 and 2019, respectively. These ongoing expenses were primarily related to SEC compliance costs for legal, accounting and stockholder relations fees.

Research and Development Expense

Research and development expense for the three months ended March 31, 2020, was \$86,904 compared to \$108,869 for the same period in 2019, a decrease of 20.2%. This decrease is primarily related to less compensation. We continue to invest in developing new applications for all of our markets including an innovative buffer layer for thin film solar cells, transparent conductive oxide systems for transparent electronics and thin film solar. These efforts include accelerating time to market for those applications and involve ongoing research and development expense.

Marketing and Sales Expense

Marketing and sales expense was \$51,784 and \$68,619 for the three months ended March 31, 2020 and 2019, respectively. This was a decrease of \$16,835 or 24.5%. This decrease was primarily related to lower travel and compensation expense of approximately \$13,000.

Stock Compensation Expense

Included in total expenses were non-cash stock-based compensation costs of \$31,180 and \$34,160 for the three months ended March 31, 2020 and 2019, respectively. Compensation expense for all stock-based awards is based on the grant date fair value and recognized over the required service (vesting) period. Unrecognized non-cash stock-based compensation expense was \$14,580 as of March 31, 2020 and will be recognized through 2023.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)*Interest*

Interest expense was \$4,069 for the three months ended March 31, 2020. Interest income was \$1,188 for the three months ended March 31, 2019. Interest expense during 2020 was higher due to the new operating lease standard that became effective in 2019.

Income Applicable to Common Stock

Income applicable to common stock for the three months ended March 31, 2020 and 2019, was \$75,478 and \$149,304, respectively. The decrease was primarily the result of lower gross profit.

Liquidity and Capital Resources*Cash*

As of March 31, 2020, cash on hand was \$1,818,620 compared to \$1,828,397 at December 31, 2019.

Working Capital

At March 31, 2020 working capital was \$2,030,472 compared to \$1,992,328 at December 31, 2019, an increase of \$38,144 or 1.9%. Inventories decreased \$906,154 and accrued expenses and customer deposits decreased \$891,143 due to prepaid orders shipped during 2020.

Cash from Operations

Net cash provided by operating activities during the three months ended March 31, 2020 was \$170,612. Net cash used in operating activities was \$71,779 for the three months ended March 31, 2019. This included depreciation and amortization of \$113,690 and \$127,709, and non-cash stock-based compensation costs of \$31,180 and \$34,160 for the three months ended March 31, 2020 and 2019, respectively. In addition, accrued expenses and customer deposits decreased \$891,143 for the three months ended March 31, 2020, and \$357,961 for the three months ended March 31, 2019.

Cash from Investing Activities

Cash of \$157,237 was used in investing activities during the three months ended March 31, 2020, for the acquisition of production equipment. During the three months ended March 31, 2019, \$207,451 was used in investing activities for the purchase of production equipment.

Cash from Financing Activities

Cash of \$24,152 and \$38,901 was used in financing activities for principal payments to third parties for finance lease obligations and notes payable during the three months ended March 31, 2020 and 2019, respectively.

Debt Outstanding

Total debt outstanding decreased to \$199,683 at March 31, 2020, from \$223,835 at December 31, 2019, a decrease of 10.8%.

Off Balance Sheet Arrangements

We have no off-balance sheet arrangements including special purpose entities.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)**Critical Accounting Policies**

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires management to make judgments, assumptions and estimates that affect the amounts reported in the Financial Statements and accompanying notes. Note 2 to the Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2019, describes the significant accounting policies and methods used in the preparation of the Financial Statements. Estimates are used for, but not limited to, accounting for the allowance for doubtful accounts, inventory allowances, property and equipment depreciable lives, patents and licenses useful lives, revenue recognition, tax valuation allowance, stock-based compensation and assessing changes in which impairment of certain long-lived assets may occur. Actual results could differ from these estimates. The following critical accounting policies are impacted significantly by judgments, assumptions and estimates used in the preparation of the Financial Statements. The allowance for doubtful accounts is based on our assessment of the collectability of specific customer accounts and the aging of the accounts receivable. If there is a deterioration of a major customer's credit worthiness or actual defaults are higher than our historical experience, our estimates of the recoverability of amounts due us could be adversely affected. Inventory purchases and commitments are based upon future demand forecasts. If there is a sudden and significant decrease in demand for our products or there is a higher risk of inventory obsolescence because of rapidly changing technology and customer requirements, we may be required to increase our inventory allowances and our gross margin could be adversely affected. Depreciable and useful lives estimated for property and equipment, licenses and patents are based on initial expectations of the period of time these assets and intangibles will benefit us. Changes in circumstances related to a change in our business, change in technology or other factors could result in these assets becoming impaired, which could adversely affect the value of these assets.

Item 4. Controls and Procedures**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Due to a segregation of duties material weakness described below, and based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that as of March 31, 2020, the Company's disclosure controls and procedures were not effective, at the reasonable assurance level, in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act and in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Accounting Officer, as appropriate to allow timely discussions regarding required disclosure. In order to remediate this material weakness, we plan to improve segregation procedures by strengthening cross approval of various functions, including financial reporting and disclosure review controls by the Chief Financial Officer, to include the Chief Executive Officer and Audit Committee Chairperson where appropriate. We will continue to report to the Audit Committee and the Board of Directors at least monthly (and more often as necessary). This reporting includes balance sheets, statements of operations, statements of cash flows, and other detail supporting these statements.

Inherent Limitations over Internal Controls

Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on the financial statements.

Item 4. Controls and Procedures (continued)

Management previously disclosed a material weakness in internal control over financial reporting in its annual report on Form 10-K, filed on February 5, 2020, for the year ended December 31, 2019, relating to insufficient segregation of duties consistent with control objectives. Management is aware of the risks associated with the lack of segregation of duties due to the small number of employees currently working with general administrative and financial matters. Due to our size and nature, segregation of all conflicting duties may not always be possible and may not be economically feasible. However, to the extent possible, the initiation of transactions, the custody of assets and the recording of transactions shall be performed by separate individuals. In order to remediate this material weakness, we plan to improve segregation procedures by strengthening cross approval of various functions, including financial reporting and disclosure review controls by the Chief Financial Officer, to include the Chief Executive Officer and Audit Committee Chairperson where appropriate. We will continue to report to the Audit Committee and the Board of Directors at least monthly (and more often as necessary). This reporting includes balance sheets, statements of operations, statements of cash flows, and other detail supporting these statements.

Changes in Internal Controls over Financial Reporting

There were no changes in our internal controls over financial reporting for the three months ended March 31, 2020, that materially affected or were reasonably likely to materially affect our disclosure controls and procedures. Additionally, there were no changes in our internal controls that could materially affect our disclosure controls and procedures subsequent to the date of their evaluation.

Item 6. Exhibits

- [3\(a\)](#) [Certificate of Second Amended and Restated Articles of Incorporation of Superconductive Components, Inc. \(Incorporated by reference to Exhibit 3\(a\) to the Company's initial Form 10-SB, filed on September 28, 2000\)](#)
- [3\(b\)](#) [Restated Code of Regulations of Superconductive Components, Inc. \(Incorporated by reference to Exhibit 3\(b\) to the Company's initial Form 10-SB, filed on September 28, 2000\)](#)
- [3\(c\)](#) [Amendment to Articles of Incorporation recording the change of the corporate name to SCI Engineered Materials, Inc. \(Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-QSB filed November 7, 2007\).](#)
- [4\(a\)](#) [SCI Engineered Materials, Inc. 2011 Stock Incentive Plan \(Incorporated by reference to the Company's Definitive Proxy Statement for the 2011 Annual Meeting of Shareholders held on June 10, 2011, filed April 28, 2011\).](#)
- [4\(b\)](#) [Superconductive Components, Inc. 2006 Stock Incentive Plan \(Incorporated by reference to Appendix A to the Company's Definitive Proxy Statement for the 2006 Annual Meeting of Shareholders held on June 9, 2006, filed May 1, 2006\).](#)
- [10\(a\)](#) [Description of Bonding Agreement between the Company and Konfoong Material International Co., Ltd. dated as of December 18, 2018 \(Incorporated by reference to the Company's Current Report on Form 8-K, dated December 18, 2018\).](#)
- 10(b) Employment Agreement entered into as of December 13, 2018, between Jeremy Young and the Company.
- [10\(c\)](#) [Description of Unsecured Promissory Note administered by the U.S. Small Business Administration for funds received April 24, 2020 \(Incorporated by reference to the Company's Current Report on Form 8-K, dated April 29, 2020\).](#)
- 14(a) SCI Engineered Materials Code of Ethics for the Chief Executive Officer and Chief Financial Officer (Incorporated by reference to the Company's Current Report via the Company's website at www.sciengineeredmaterials.com).
- [31.1](#) * [Rule 13a-14\(a\) Certification of Principal Executive Officer.](#)
- [31.2](#) * [Rule 13a-14\(a\) Certification of Principal Financial Officer.](#)
- [32.1](#) * [Section 1350 Certification of Principal Executive Officer](#)
- [32.2](#) * [Section 1350 Certification of Principal Financial Officer.](#)
- 99.1 Press Release dated May 4, 2020, entitled "SCI Engineered Materials, Inc., Reports First Quarter 2020 Results."
- 101 The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets at March 31, 2020 and December 31, 2019 (ii) Consolidated Statements of Operations for the three months ended March 31, 2020 and 2019, (iii) Consolidated Statement of Changes in Equity for the three months ended March 31, 2020 and 2019, (iv) Consolidated Statements of Cash Flows for the three months ended March 31, 2020 and 2019, and (v) Notes to Financial Statements.

* Filed herewith

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.

SCI ENGINEERED MATERIALS, INC.

/s/ Jeremiah R. Young

Jeremiah R. Young, President and Chief Executive Officer
(Principal Executive Officer)

/s/ Gerald S. Blaskie

Gerald S. Blaskie, Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Date: May 4, 2020

Exhibit 31.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jeremiah R. Young, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SCI Engineered Materials, 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. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in 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 our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us 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 our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our 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 in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our 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.

Date: May 4, 2020

/s/ Jeremiah R. Young

Jeremiah R. Young
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Gerald S. Blaskie, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SCI Engineered Materials, 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. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in 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 our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us 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 our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our 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 in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our 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.

Date: May 4, 2020

/s/ Gerald S. Blaskie

Gerald S. Blaskie

Vice President and Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of SCI Engineered Materials, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeremiah R. Young, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Jeremiah R. Young

Jeremiah R. Young
President and Chief Executive Officer of
SCI Engineered Materials, Inc.
(Principal Executive Officer)
May 4, 2020

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of SCI Engineered Materials, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gerald S. Blaskie, Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Gerald S. Blaskie

Gerald S. Blaskie

Vice President and Chief Financial Officer of
SCI Engineered Materials, Inc.

(Principal Financial Officer and Principal Accounting Officer)

May 4, 2020
