

INNOVATIVE DESIGNS INC  
Form 10-Q  
June 12, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended April 30, 2013

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: 000-51791

INNOVATIVE DESIGNS, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware 03-0465528  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

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124 Cherry Street

Pittsburgh, Pennsylvania 15223

(Address of Principal Executive Offices, Zip Code)

(412) 799-0350

(Issuer's Phone Number Including Area Code)

N/A

(Former Name or Former Address, 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 and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES  NO

Indicate by check mark whether the registrant has submitted electronically 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 during the preceding 12 months (or 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. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

(Check One)

Large Accelerated Filer  Accelerated Filer

Non-accelerated Filer  Smaller reporting company

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(Do not check if a 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

As of June 6, 2013, there were 18,965,743 shares of the Registrant's common stock, par value \$.0001 per share, outstanding.

Transitional Small Business Disclosure Format: YES  NO

Innovative Designs, Inc.

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Form 10-Q for the Quarter Ended April 30, 2013

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**ITEM 1. CONDENSED FINANCIAL STATEMENTS****INNOVATIVE DESIGNS, INC.**

## CONDENSED BALANCE SHEETS

April 30, 2013 (Unaudited) and October 31, 2012

	2013	2012
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$30,228	\$54,995
Accounts receivable	18,432	102,350
Inventory - net of obsolete inventory reserve of \$58,000 and \$65,000, respectively	574,044	623,722
Deposits on inventory	49,602	44,514
Prepaid insurance	18,573	4,360
Total current assets	690,879	829,941
<b>PROPERTY AND EQUIPMENT - NET</b>	<b>19,505</b>	<b>20,448</b>
<b>TOTAL ASSETS</b>	<b>\$710,384</b>	<b>\$850,389</b>
<b><u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$91,794	\$64,455
Current portion of notes payable	116,963	91,298
Accrued interest expense	203,715	190,859
Due to shareholders	162,100	266,600
Loss contingency	190,000	190,000
Accrued expenses	22,136	876
Total current liabilities	786,708	804,088
Long-term portion of notes payable	340,170	347,663
<b>TOTAL LIABILITIES</b>	<b>1,126,878</b>	<b>1,151,751</b>
<b>STOCKHOLDERS' DEFICIT</b>		
Preferred stock, \$0.0001 par value, 100,000,000 shares authorized	-	-
Common stock, \$0.0001 par value, 500,000,000 shares authorized, and 18,965,743 and 18,935,743 issued and outstanding as of April 30, 2013 and October 31, 2012	1,899	1,896

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Additional paid-in capital	5,697,642	5,688,645
Accumulated deficit	(6,116,035)	(5,991,903)
Total stockholders' deficit	(416,494 )	(301,362 )
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$710,384	\$850,389

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

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**INNOVATIVE DESIGNS, INC.**

## CONDENSED STATEMENTS OF OPERATIONS

Three and Six Month Periods Ended April 30, 2013 and 2012 (Unaudited)

	Three Month Periods Ended April 30,		Six Month Periods Ended April 30,	
	2013	2012	2013	2012
REVENUES - NET	\$ 55,010	\$ 45,471	\$ 350,056	\$ 597,242
OPERATING EXPENSES:				
Cost of sales	15,184	20,657	142,815	227,029
Selling, general and administrative expenses	137,043	194,288	287,107	409,972
	152,227	214,945	429,922	637,001
LOSS FROM OPERATIONS	(97,217 )	(169,474 )	(79,866 )	(39,759 )
OTHER EXPENSE:				
Interest expense	(19,943 )	(14,455 )	(44,266 )	(36,151 )
Total other expense	(19,943 )	(14,455 )	(44,266 )	(36,151 )
NET LOSS	\$ (117,160 )	\$ (183,929 )	\$ (124,132 )	\$ (75,910 )
PER SHARE INFORMATION				
Basic and fully diluted				
Net Loss Per Common Share	\$ (0.006 )	\$ (0.010 )	\$ (0.007 )	\$ (0.004 )
Weighted Average Number of Common Shares Outstanding	18,964,732	18,783,132	18,949,997	18,779,397

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

**INNOVATIVE DESIGNS, INC.**

## CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

April 30, 2013 (Unaudited) and October 31, 2012

	Common Stock Number of Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total
Balance at October 31, 2011	18,775,743	\$ 1,880	\$ 5,648,161	\$(5,537,189 )	\$112,852
Shares issued for services	160,000	16	40,484	-	40,500
Net loss	-	-	-	(454,714 )	(454,714)
Balance at October 31, 2012	18,935,743	1,896	5,688,645	(5,991,903 )	(301,362)
Shares issued for services	30,000	3	8,997	-	9,000
Net loss	-	-	-	(124,132 )	(124,132)
Balance at January 31, 2013	18,965,743	\$ 1,899	\$ 5,697,642	\$(6,116,035 )	\$(416,494)

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



**INNOVATIVE DESIGNS, INC.****CONDENSED STATEMENTS OF CASH FLOWS**(Unaudited)

	For the Six Month Periods Ended	
	April 30, 2013	April 30, 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (124,132 )	\$ (75,910 )
Adjustments to reconcile net loss to net cash provided by operating activities:		
Common stock issued for service	9,000	10,500
Depreciation	943	226
Provision for inventory reserves	(7,000 )	(51,439 )
Increase (decrease) from changes in:		
Accounts receivable	83,918	153,897
Inventory	56,678	122,953
Deposits on inventory	(5,088 )	37,896
Prepaid insurance	(14,213 )	(10,579 )
Accounts payable	27,339	(35,716 )
Accrued expenses	21,260	2,508
Accrued interest expense	12,856	10,714
Net cash provided by operating activities	61,561	165,050
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on shareholder advances	(124,500 )	(109,500 )
Proceeds from shareholder advances	20,000	-
Payments on notes payable	(84,224 )	(91,982 )
Proceeds from notes payable	102,396	-
Net cash used in financing activities	(86,328 )	(201,482 )
Net decrease in cash	(24,767 )	(36,432 )
CASH, BEGINNING OF YEAR	54,995	91,209
CASH, END OF THE PERIOD	\$ 30,228	\$ 54,777
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 31,410	\$ 25,437

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

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**INNOVATIVE DESIGNS, INC.**

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Three and Six Month Periods Ended April 30, 2013 and 2012 (Unaudited)

In the opinion of management, the accompanying unaudited financial statements contain all adjustments necessary to present fairly the Company's financial position as of April 30, 2013, the changes therein for the three and six month periods then ended and the results of operations for the three and six month periods ended April 30, 2013 and 2012.

The financial statements included in the Form 10-Q are presented in accordance with the requirements of the Form and do not include all of the disclosures required by accounting principles generally accepted in the United States of America. For additional information, reference is made to the Company's annual report on Form 10-K for the fiscal year ended October 31, 2012. The results of operations for the three and six month periods ended April 30, 2013 and 2012 are not necessarily indicative of operating results for the full year.

NOTE 3. INVENTORY

Inventory consists principally of purchased finished goods. Inventory is stated at the lower of cost or market on a first-in, first-out basis. The Company has decided to discontinue the manufacturing of its hunting and swimming line of apparel. The Company has booked a reserve against this inventory at October 31, 2012 of \$65,000. Based upon management's review, the Company decreased the reserve to \$58,000, during the quarter ended April 30, 2013, due to the continued sale of hunting apparel. Management will continue to evaluate its obsolete inventory reserve throughout the year and make adjustments as needed.

NOTE 4. EARNINGS PER SHARE

Innovative Designs, Inc. (the "Company") calculates net income (loss) per share in accordance with FASB Accounting Standard Codification ("ASC") Topic 260 "Earnings per Share". Basic earnings (loss) per share is calculated by dividing income (loss) by the weighted average number of common shares outstanding for the period. During the periods presented, the Company only has common stock outstanding. As a result diluted earnings per share was not calculated.

NOTE 5. DEPOSITS

The Company only has one manufacturer that produces the apparel on behalf of the Company, located in Indonesia. The Company will send deposits to the manufacturer for future production of the apparel. As of April 30, 2013 and October 31, 2012, the Company had \$49,602 and \$44,514, respectively on deposit for the production of apparel.

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**INNOVATIVE DESIGNS, INC.**

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Three and Six Month Periods Ended April 30, 2013 and 2012 (Unaudited)

NOTE 6. INCOME TAXES

The Company accounts for income taxes in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 740 “*Income Taxes*”, which requires an asset and liability approach for financial reporting purposes.

Deferred income taxes are provided for differences between the tax bases of assets and liabilities and the financial reporting amounts at the end of the period, and for net operating loss and tax credit carryforwards available to offset future taxable income. Changes in enacted tax rates or laws result in adjustments to recorded deferred tax assets and liabilities in the periods in which the tax laws are enacted or tax rates are changed. The Company will continue to evaluate its income tax obligation throughout the year and will record a tax provision when it is necessary.

NOTE 7. SHIPPING AND HANDLING COSTS

The Company pays shipping and handling costs on behalf of customers for purchased merchandise. These costs are billed back to the customer through the billing invoice. The shipping and handling costs associated with merchandise ordered by the Company are included as part of cost of goods sold. The shipping and handling costs were approximately \$24,000 and \$69,000 for the six month periods ending April 30, 2013 and 2012, respectively. These costs are included in selling, general and administrative expenses.

NOTE 8. COMMON STOCK

On February 4, 2013, the Company issued an aggregate of 30,000 shares of our common stock to three individuals for professional services. These shares issued were valued at \$.30 a share or an aggregate price of \$9,000. We believe that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

NOTE 9.

DEBT

The Company entered into three Note Payable Agreements, with private lenders, during the three month period ended April 30, 2013, totaling \$39,396. These borrowings were used to fund operations during the quarter.

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**INNOVATIVE DESIGNS, INC.**

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Three and Six Month Periods Ended April 30, 2013 and 2012 (Unaudited)

NOTE 10.

SUBSEQUENT EVENTS

The Company has evaluated subsequent events in accordance with Accounting Standards Codification Topic 855, “*Subsequent Events*”, through June 12, 2013, which is the date financial statements were available to be issued.

Subsequent to the quarter ended April 30, 2013, Joseph Riccelli, President and CEO of the Company, was awarded the patent for the composite fabric material utilized in the production of the Company’s apparel.

Subsequent to the quarter ended April 30, 2013, the Company received a short-term advance of \$90,000 from a shareholder.

## **INNOVATIVE DESIGNS, INC.**

### **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

#### **General**

The following information should be read in conjunction with the consolidated financial statements and the notes thereto and in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended October 31, 2012.

#### **Disclosure Regarding Forward-Looking Statements**

Certain statements made in this report, and other written or oral statements made by or on behalf of the Company, may constitute "forward-looking statements" within the meaning of the federal securities laws. When used in this report, the words "believes," "expects," "estimates," "intends" and similar expressions are intended to identify forward-looking statements. Statements regarding future events and developments and our future performance, as well as our expectations, beliefs, plans, intentions, estimates or projections relating to the future, are forward-looking statements within the meaning of these laws. Examples of such statements in this report include descriptions of our plans and strategies with respect to developing certain market opportunities and our overall business plan. All forward-looking statements are subject to certain risks and uncertainties that could cause actual events to differ materially from those projected. We believe that these forward-looking statements are reasonable; however, you should not place undue reliance on such statements. These statements are based on current expectations and speak only as of the date of such statements. We undertake no obligations to publicly update or revise any forward-looking statement, whether as a result of future events, new information or otherwise.

#### **Background**

Innovative Designs, Inc. (hereinafter referred to as the "Company", "we or "our") was formed on June 25, 2002. We market and sell clothing products such as outdoor apparel, and cold weather gear called "Arctic Armor" that are made from INSULTEX, a material with buoyancy, scent block and thermal resistant properties. We also market our House Wrap product line which is a building material with thermal qualities. House Wrap is also made from INSULTEX. We obtain INSULTEX through a license agreement with the owner and manufacturer of the material. Since our formation we have devoted our efforts to:



- Completing the development, design and prototypes of our products,
- Obtaining retail stores or sales agents to offer and sell our products,
- Developing our website to sell more of our products, and
- Establishing distribution channels for our House Wrap product.

**INNOVATIVE DESIGNS, INC.****Results of Operations**Comparison of the Three Month Period Ended April 30, 2013 with the Three Month Period Ended April 30, 2012.

The following table shows a comparison of the results of operations between the three month periods ended April 30, 2013 and April 30, 2012:

	Three Month Period Ended April 30, 2013	% of Sales	Three Month Period Ended April 30, 2012	% of Sales	Increase (Decrease)	% Change
REVENUE	\$ 55,010	100.00%	\$ 45,471	100.00%	\$ 9,539	20.98 %
OPERATING EXPENSES						