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FLEXIBLE SOLUTIONS INTERNATIONAL INC
Form 10QSB
November 09, 2001

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

FORM 10QSB

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

For the quarterly period ended Sept. 30th 2001

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

For the transition period from _____ to _____

Commission file number 000-29649

FLEXIBLE SOLUTIONS INTERNATIONAL INC.

(Exact name of small business issuer as specified in its charter)

NEVADA

91-1922863

(State or other jurisdiction of
incorporation or organization)

(IRS Employer Identification No.)

2614 Queenswood Dr. Victoria BC Canada V8N 1X5

(Address of principal executive offices)

(250) 477 - 9969

(Issuer's telephone number)

(Former name, former address and former fiscal year if changed since last
report)

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: Common stock \$.001 par value
9,233,816 shares as of Sept. 30th 2001.

Transitional Small Business Disclosure Format (Check one): Yes ☐ No ☒

PART 1 - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS.

Attached hereto and incorporated herein by reference.

Item 2. MANAGER'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

The following information contains certain forward looking statements that
anticipate future trends or events. These statements are based on certain

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assumptions that may prove to be erroneous and are subject to certain risks including but not limited to the risks of increased competition in the Company's industry and other risks detailed in the Company's Securities and Exchange Commission filings. Accordingly, actual results may differ, possibly materially, from the predictions contained herein.

During the three months ended Sept. 30th 2001, the Company experienced a net after tax loss of \$14,630 as compared to a net after tax loss of \$16,660 for the three months ended Sept. 30th 2000. As in the quarter ending Sept. 30th 2000, the end of the Northeastern USA pool season reduces demand for our products in the usual cyclical manner. In addition, the Company increased expenditures in the areas of WATER\$AVR research and development, investor relations and production equipment development. Finally, the Company did better at producing the correct amount of product in Q-1 and Q-2 2001 as a percentage of annual sales and therefore did not have to carry high production rates as far into Q-3 2001 as was the case in Q-3 2000.

RESULTS OF OPERATIONS

Reference is made to Item 2, "Management's Discussion and Analysis" included in the Company's registration statement on Form 10-SB for the year ended December 31st 1999, as amended, and the Company's 10K-SB for the year ended Dec. 31st 2000 on file with the Securities and Exchange Commission. The following analysis and discussion pertains to the Company's results of operations for the three month and nine month periods ended Sept. 30th 2001, compared to the results of operations for the three month and nine month periods ended Sept. 30th 2000, and to changes in the Company's financial condition from December 31st 2000 to Sept. 30th 2001.

THREE MONTHS ENDED Sept. 30th 2001 and 2000

For the third quarter of the current fiscal year ending Sept. 30th 2001, sales were \$148,177 compared to \$143,102 for the same quarter of the previous year. The increase in sales was in line with the general increase in sales year over year reduced by our effectiveness in producing correct amounts for the marketplace in the first two quarters of the year.

Operating expenses were \$102,350 for the third quarter, up from \$61,819 for the third quarter of last year. This is as a result of increased spending on research and development for Water\$avr, higher investor relations costs and development of advanced production machinery. The largest increases were in the areas of administrative salaries and expenses (\$18,803), and professional fees (\$17,131). The net loss for the quarter was \$14,630, a slight decrease from third quarter last year when the net loss was \$16,660. The reduced loss was too small to be significant.

The earnings per share (fully diluted) was \$0.00 for the three months ended Sept. 30th 2001 compared to \$0.00 for the three months ended Sept. 30th 2000.

NINE MONTHS ENDED Sept. 30th 2001 and 2000

Sales in the first nine months ended Sept. 30th 2001 were \$1,307,649 compared to \$943,288 for the nine months ended Sept. 30th 2000. As was the case for the six months ended June 30th 2001, the increase in sales were a result of increased numbers of customers and increased sales per customer.

Operating expenses for the Company were \$291,039 for the nine months ended Sept. 30th 2001 up from \$220,317 for the nine months ended Sept. 30th 2000. The increase in operating expenses in virtually every category are a result of greatly increased production and sales by the Company and increased research and product development costs.

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The net income for the nine months ended Sept. 30th 2001 was \$232,249 compared to a net income of \$185,468 for the nine months ended Sept. 30th 2000. The increase in income was due to the increase in sales compared to the year earlier period.

The earnings per share (fully diluted) was \$0.03 for the nine month period ended Sept. 30th 2001 compared to \$0.02 for the nine month period ended Sept. 30th 2000.

LIQUIDITY AND CAPITAL RESOURCES

Historically, the Company has financed it's cash flow requirements through retained earnings from sales. Cash provided by net earnings which occurred during the nine months ended Sept. 30th 2001 was \$232,249. This resulted in a total cash and cash equivalent position of \$533,553 at the end of the period.

As of Sept. 30th 2001 the Company had working capital of \$533,553 which represented an increase of \$138,332 as compared to the working capital of Sept. 30th 2000. The increase was a result of retained earnings from the fourth quarter of 2000 and the nine month period ending Sept 30th 2001.

The Company has no external sources of liquidity in the form of credit lines from banks. Management believes that its available cash will be sufficient to fund the Company's working capital requirements through December 31st 2001. Management further believes that available cash will be sufficient to implement the Company's expansion plans. No investment banking agreements are in place and there is no guarantee that the Company will be able to raise capital in the future should that become necessary.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS:

The Company does not have any derivative financial instruments as of Sept. 30th 2001. However, the Company is exposed to interest rate risk.

The Company's interest income and expense are most sensitive to changes in the general level of U.S. and Canadian interest rates. In this regard, changes in U.S. and Canadian interest rates affect the interest paid on the Company's cash equivalents as well as the interest paid on debt.

FOREIGN CURRENCY RISK

The Company operates primarily in Canada. Therefore, the Company's business and financial condition is sensitive to currency exchange rates or any other restriction imposed on its currency.

Part II - OTHER INFORMATION

- | | |
|------------|---|
| Item 1. | Legal proceedings - None |
| Item 2. | Changes in Securities - 30,000 restricted common shares were issued for management consulting fees in the quarter ending Sept 30th 2001 |
| Item 3. | Default upon Senior Securities - None |
| Item 4. | Submission of Matters to a Vote of Securities Holders - None |
| Item 5. | Other Information - None |
| Item 6.(a) | Exhibit 27 - Financial Data Schedule |
| Item 6.(b) | Reports on Form 8-K - None |

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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.

FLEXIBLE SOLUTIONS INTERNATIONAL INC.
(Registrant)

Dated: November 8th 2001

/s/ Dan O'Brien, President and Director

FLEXIBLE SOLUTIONS INTERNATIONAL INC.
Consolidated Balance Sheets
September 30, 2001
(U.S. Dollars)

(Unaudited)

	2001	2000
	-----	-----
Assets		
Current		
Cash	\$360,255	\$228,986
Accounts receivable	63,959	138,332
Note receivable	31,359	0
Inventory	193,452	105,484
Income Tax Installments	63,941	0
Prepaid expenses	9,766	1700
	-----	-----
Total Current Assets	722,732	474,502
Property and Equipment	72,544	50,011
	-----	-----
Total Assets	\$795,276	\$524,513
	=====	=====
Liabilities		
Current		
Accounts payable	5,801	16,001
Accrued liabilities	40,196	5,200
Income tax payable	143,182	58,080
	-----	-----
Total Current Liabilities	189,179	79,281
Stockholders' Equity		
Capital Stock		
Authorized		
50,000,000 Common shares with a par value of \$0.001 each		
1,000,000 Preferred shares with a par value of \$0.01 each		
Issued		
9,233,816 Common shares	9,234	9,131
Capital in Excess of Par Value	164,378	163,653
Other Comprehensive Income (Loss)	(14,564)	10,822
Retained Earnings	447,049	261,626
	-----	-----
	606,097	445,232
	-----	-----
Total Liabilities and Stockholders' Equity	\$795,276	\$524,513
	=====	=====

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FLEXIBLE SOLUTIONS INTERNATIONAL INC.
Consolidated Statement of Operations
Quarters Ended September 30
(U.S. Dollars)

(Unaudited)

	2001	2000
Sales	\$148,177	\$143,102
Cost of Sales (Exclusive of Depreciation)	69,423	106,526
Gross Profit	78,753	36,576
Operating Expenses		
Wages	33,820	34,171
Administrative salaries and benefits	18,803	0
Advertising	4,900	0
Professional fees	17,131	1,161
Subcontracting	11,330	7,880
Shipping	1,709	3,297
Rent	5,624	3,037
Travel	1,900	5,735
Office	638	1,055
Telephone	1,322	1,065
Commission	694	283
Stock promotion	594	0
Miscellaneous	205	1,583
Water\$avr	281	0
Depreciation	3,400	2,552
	102,350	61,819
Income Before Income Tax	(23,597)	(25,243)
Income Tax	(8,967)	(8,583)
Net Income	(\$14,630)	(\$16,660)
Net Income Per Share	(\$0.00)	(\$0.00)
Weighted Average Number of Shares	9,233,816	9,131,316

FLEXIBLE SOLUTIONS INTERNATIONAL INC.
Consolidated Statement of Operations
Nine Months Ended September 30
(U.S. Dollars)

(Unaudited)

	2001	2000
Sales	\$1,307,649	\$943,288
Cost of Sales (Exclusive of Depreciation)	642,014	441,959
Gross Profit	665,634	501,329
Operating Expenses		
Wages	106,165	101,717
Administrative salaries and benefits	50,605	0
Advertising	7,728	0
Professional fees	37,141	34,885
Subcontracting	21,946	27,943
Shipping	7,471	10,806

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Rent	16,595	9,157
Travel	18,768	10,739
Office	4,437	4,834
Telephone	4,068	3,466
Commission	1137.51	1514
Stock promotion	1,802	0
Miscellaneous	3,273	7,496
Water\$avr	935	0
Depreciation	8,968	7,760
	-----	-----
	291,039	220,317
	-----	-----
Income Before Income Tax	374,595	281,012
Income Tax	142,346	95,544
	-----	-----
Net Income	\$232,249	\$185,468
	=====	=====
Net Income Per Share	\$0.03	\$0.02
	=====	=====
Weighted Average Number of Shares	9,232,705	9,131,316
	=====	=====

FLEXIBLE SOLUTIONS INTERNATIONAL INC.

Consolidated Statement of Cash Flow

(Unaudited)

Quarter Ended September 31

(U.S. Dollars)

	2001	2000
	-----	-----
Operating Activities		
Net income	(\$14,630)	(\$16,659)
provided by (used in) operating activities		
Depreciation	3,400	2,552
Changes in non-cash working capital		
Accounts receivable	476,885	163,505
Notes receivable	(6,359)	0
Inventory	(106,616)	(33,475)
Income Tax Installments	(21,196)	0
Prepaid expenses	(6,307)	(1,058)
Accounts payable	(58,618)	3,023
Accrued liabilities	(21,432)	(14,880)
Income tax payable	(8,131)	(46,035)
	-----	-----
Cash provided (Used in) Operating Activities	236,996	56,973
Investing Activities		
Acquisitions and Equipment	(9,697)	(2,286)
Effect of Exchange Rate Changes on Cash	(20,153)	18,242
	-----	-----
Inflow (Outflow) of Cash	207,146	72,929
Cash, Beginning of Quarter	153,109	156,057
	-----	-----
Cash, End of Quarter	\$360,255	\$228,986
	=====	=====

Notes to Financial Statements:

Foreign Currency - Flexible Solutions functions using the Canadian

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dollar. Translation to US dollars for reporting is done at the average exchange rates during the year. Losses and gains arising from currency translation are disclosed as other comprehensive income (loss) in shareholders equity.

Estimates- The preparation of consolidated financial statements requires management to make estimates that affect the reported assets and liabilities at the date of the statements. Actual results could differ.

Inventory- Inventory is valued at the lower of cost or net realizable value. Cost is determined on a first in-first out basis.

Property and Equipment - Property and equipment are recorded at cost and depreciated using the declining balance with the following annual rates:

Manufacturing equipment	20%
Trailer	30%
Computer hardware	30%
Furniture and Fixtures	20%
Office equipment	20%

Revenue Recognition - Revenue is recognized when product is shipped. Returns have been insignificant since the Company's inception, therefore no allowance has been established for product returns.

Financialinstruments - The Company's instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. Management opines that there are no significant currency or credit risks from these instruments.

Income (loss) per share calculation - Calculated by dividing net income by the weighted average number of shares outstanding.

Accounts Receivable - No provision has been made for uncollectible accounts. Management believes all are collectible.