

INNOVATIVE DESIGNS INC
Form 10QSB
March 15, 2005

OMB APPROVAL

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

FORM 10-QSB

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY
THREE MONTH PERIOD ENDED JANUARY 31, 2005:

OR

[] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION
PERIOD FROM _____ to _____

COMMISSION FILE NUMBER: **333-103746**

#

INNOVATIVE DESIGNS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or
organization)

03-046528

(IRS Employer Identification No.)

223 North Main Street, Suite 1

Pittsburgh, Pennsylvania 15215

(Address of principal executive offices)

(412) 799-0350

(Registrant's telephone number, including area code)

Not applicable

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

All Correspondence to:

Eric S. Gillen, Esquire

Leech Tishman Fuscaldo & Lampl, LLC

Citizens Bank Building, 30th Floor

525 William Penn Place

Pittsburgh, Pennsylvania 15025

As of January 31, 2005, there were 16,983,592 shares of the registrant's common stock outstanding.

Transitional Small Business Disclosure Format (Check one): Yes [] No [X]

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INNOVATIVE DESIGNS, INC.

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PART 1 - FINANCIAL INFORMATION

INNOVATIVE DESIGNS, INC.

(A DEVELOPMENT STAGE COMPANY)

FINANCIAL STATEMENTS

ITEM 1. FINANCIAL STATEMENTS.

The information in this report for the three months ended January 31, 2005 is unaudited but includes all adjustments (consisting only of normal recurring accruals, unless otherwise indicated) which the "Company" considers necessary for a fair presentation of the financial position, results of operations, changes in stockholders' equity and cash flows for those periods.

The condensed consolidated financial statements should be read in conjunction with the Company's financial statements and the notes thereto contained in the Company's Audited Financial Statements for the year ended October 31, 2004 in the Form 10-KSB filed with the SEC on January 31, 2005.

Interim results are not necessarily indicative of results for the full fiscal year.

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INNOVATIVE DESIGNS, INC.**(A Development Stage Company)****BALANCE SHEETS**

January 31, 2005 (Unaudited) and October 31, 2004

ASSETS

	January 31, <u>2005</u> (Unaudited)	October 31, 2004
CURRENT ASSETS		
Cash	\$ 12,993	\$ 27,384
Accounts receivable	5,401	30,355
Other receivables	5,000	5,000
Inventory	<u>279,910</u>	<u>286,310</u>
Total Current Assets	<u>303,304</u>	<u>349,049</u>
PROPERTY & EQUIPMENT, NET	24,037	26,118
TOTAL ASSETS	<u>\$ 327,341</u>	<u>\$ 375,167</u>

LIABILITIES & STOCKHOLDERS DEFICIT

CURRENT LIABILITIES		
Accounts payable	\$ 141,442	\$ 138,842
Note payable	104,000	102,000
Note payable related party	-	727,275
Due to shareholders	46,000	46,000
Accrued expenses	<u>10,006</u>	<u>13,596</u>
Total Current Assets	301,448	1,027,713
LONG TERM LIABILITIES		
Note payable related party	200,000	236,364

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Loan Payable to related party	<u>81,000</u>	<u>71,000</u>
Total Long Term Liabilities	<u>281,000</u>	<u>307,364</u>
TOTAL LIABILITIES	<u>582,448</u>	<u>1,335,077</u>
STOCKHOLDERS' DEFICIT		
Preferred stock, \$.0001 par value, 100,000,000 shares authorized	-	-
Common stock, \$.001 par value, 500,000,000 shares authorized, 16,903,625 shares issued and outstanding	1,707	1,691
Additional paid in capital	4,818,792	3,948,259
(Deficit) accumulated during the development stage	<u>(5,075,596)</u>	<u>(4,909,860)</u>
Total Stockholder's Deficit	<u>(255,107)</u>	<u>(959,910)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	<u>\$ 327,341</u>	<u>\$ 375,167</u>

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

STATEMENTS OF OPERATIONS

Three Months Ended January 31, 2005 and 2004, Period from Inception to January 31, 2005

(Unaudited)

	Three Months Ended January 31,		Inception to January 31,
	<u>2005</u>	<u>2004</u>	<u>2005</u>
Revenue	\$ 15,753	\$ 11,209	\$ 143,168
Operating Expenses:			
Cost of sales	9,137	4,708	135,117

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Non-cash stock compensation	106,900	-	3,681,930
Selling, general and administrative expenses	<u>63,452</u>	<u>80,607</u>	<u>882,231</u>
	179,489	85,315	4,699,278
(Loss) from operations	<u>(163,736)</u>	<u>(74,106)</u>	<u>(4,556,110)</u>
INTEREST EXPENSE:	2,000	55,178	402,538
Income (loss) before extraordinary items	<u>\$(165,736)</u>	<u>\$(129,284)</u>	<u>\$(4,958,648)</u>
Extraordinary item - casualty loss from flooding,	-	-	116,948
NET (LOSS)	<u>\$ (165,736)</u>	<u>\$ (129,284)</u>	<u>\$ (5,075,596)</u>
Per share information - basic and fully diluted			
Weighted Average Shares Outstanding	<u>16,983,592</u>	<u>14,934,454</u>	<u>14,938,606</u>
Net (loss) per share	<u>\$ 0.008</u>	<u>\$ 0.009</u>	<u>\$ (0.340)</u>

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INNOVATIVE DESIGNS, INC.**(A Development Stage Company)**

STATEMENTS OF CASHFLOW

Three Months Ended January 31, 2005 and 2004, Period from Inception to January 31, 2005

(Unaudited)

	Three Months Ended January 31,		Inception to
	<u>2005</u>	<u>2004</u>	January 31, <u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
	\$	\$	\$
Net (loss)	(165,736)	(129,284)	(5,075,596)
Adjustments to reconcile net income to cash provided by operating activities:			
Common stock issued to founders	-	-	1,405
Common stock issued for services	110,500	-	5,295,045
Common stock returned for nonperformance of services	(3,600)		(1,603,600)
Depreciation	2,081	3,113	18,495
Interest added to related party note	-	109,091	395,494
Interest added to notes payable	2,000	-	4,000
Loss from extraordinary items			173,830
Changes in operating assets and liabilities:			
Accounts receivable	24,954	2,814	(5,401)
Inventory	6,400	(34,088)	(402,982)
Other receivables	-	-	(5,000)
Due to related party	-	3,500	-
Accounts payable	2,600	(1,184)	141,442
Accrued expenses	(3,590)	-	10,006
Net cash (used in) operating activities	(24,391)	(46,038)	(1,052,862)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	-	-	(48,290)
Insurance proceeds from casualty loss	-	-	38,202
Insurance proceeds used to pay off vehicle loans	-	-	(38,202)
Net cash (used in) investing activities	-	-	(48,290)
CASH FLOWS FROM FINANCING ACTIVITIES:			

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Proceeds on short-term debt	-	31,000	58,884
Payment on loan payable	-	(12,980)	-
Payments on note payable	-	(278)	(3,884)
Payment on related party note	-	(54,545)	(50,000)
Shareholder advances	-	190	363,875
Proceeds from loan payable to related party	10,000	-	81,000
Common stock shares issued for cash	-	36,900	664,270
Net cash provided by financing activities	10,000	287	1,114,145
Net increase (decrease) in cash	(14,391)	(45,751)	12,993
Cash - beginning	27,384	73,476	-
	\$	\$	\$
Cash - ending	12,993	27,725	12,993
Supplemental cash flow information:			
	\$	\$	\$
Cash paid for interest	-	632	3,043
Non-cash investing and financing activities:			
	\$	\$	\$
License agreement	-	-	618,145
	\$	\$	\$
Property and equipment acquired with note payable	-	-	45,000
	\$	\$	\$
Conversion of notes payable - related party to equity	763,639	-	763,639
#			

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

1.

BASIS OF PRESENTATION

The accompanying unaudited financial statements in the Form 10QSB are presented in accordance with the requirement 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 10KSB for the year ended October 31, 2004. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

2.

EARNINGS PER SHARE

The Company calculates net income (loss) per share as required by Statement of Financial Accounting Standard No. 128, 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. Diluted earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares and dilutive common stock equivalents outstanding. During the periods presented common stock equivalents were not considered as their effect would be anti-dilutive.

3.

COMMON STOCK

During the three month period ended January 31, 2005, the Company issued shares of its common stock in exchange of services for an average price of approximately \$0.67 per share or \$110,500. The individual stock transactions are as follows:

On December 12, 2004, the Company issued 100,000 shares of our stock to Sean W. Dills in exchange for past and future consulting services pertaining to strategic business planning. The shares to Sean W. Dills were valued at a price of \$0.75 per share, or an aggregate price of \$75,000. We relied upon Section 4(2) of the Act for the sale. We believed 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. These shares were issued without a restrictive legend.

On December 21, 2004, the Company issued 10,000 shares of our stock to Anthony C. Mengine exchange for legal services rendered to us. The shares to Anthony C. Mengine were valued at a price of \$0.50 per share, or an aggregate price of \$5,000. We relied upon Section 4(2) of the Act for the sale. We believed 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. These shares were issued without a restrictive legend.

On December 21, 2004, the Company issued 6,000 shares of our stock to Roy S. Devine exchange for consulting services rendered to us. The shares to Roy S. Devine were valued at a price of \$0.50 per share, or an aggregate price of \$3,000. We relied upon Section 4(2) of the Act for the sale. We believed 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. These shares were issued without a restrictive legend.

On December 29, 2004, the Company cancelled 3,000 shares of our stock previously issued to Barry Douglas in exchange for sales services for nonperformance of these services.

On January 7, 2005, the Company issued 50,000 shares of our stock to Sean W. Dills in exchange for past and future consulting services pertaining to strategic business planning. The shares to Sean W. Dills were valued at a price of \$0.55 per share, or an aggregate price of \$27,500. We relied upon Section 4(2) of the Act for the sale. We believed 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. These shares were issued without a restrictive legend.

4.

GOING CONCERN

The Company's financial statements are presented on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

The Company has experienced a significant loss from operations as a result of its investment necessary to achieve its operating plan, which is long-range in nature. For the three month period ended January 31, 2005 and 2004, the Company incurred a net loss of (\$165,736) and (\$129,284), respectively. Since the Company's inception, they have incurred a net loss from operations of (\$5,075,596). The Company has a working capital (deficit) of \$1,856 and (\$220,525) and a stockholders' deficit of (\$255,107) and (\$463,004) at January 31, 2005 and 2004, respectively. In addition, the Company has no significant revenue generating operations.

The Company's ability to continue as a going concern is contingent upon its ability to attain profitable operations and secure financing. Further, the Company's ability to continue as a going concern must be considered in light of the problems, expenses and complications frequently encountered by entrance into established markets and the competitive environment in which the Company operates.

The Company is pursuing equity financing for its operations. Failure to secure such financing or to raise additional capital or borrow additional funds may result in the Company depleting its available funds and not being able to pay

its obligations.

The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the possible inability of the Company to continue as a going concern.

5.

CONVERSION OF NOTES PAYABLE RELATED PARTY TO EQUITY

Due to cash flow problems currently being experienced by the Company, on January 31, 2005, the holder of the note payable, RMF-Global Inc., a company solely owned by the Chief Financial Officer of Innovative Designs, Inc., Joseph Riccelli, agreed to accept 1,909,098 shares of the Company's \$.0001 par value common stock in settlement of \$763,639 of the Company's obligation. The Company still has \$200,000 outstanding of a note payable related party at January 31, 2005.

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.

INNOVATIVE DESIGNS, INC.

/s/ Joseph Riccelli

By:

Joseph Riccelli

Chief Executive Officer

/s/ Anthony Fonzi

By:

Anthony Fonzi

Chief Financial Officer, Principal

Accounting Officer, and Director

Date:

3/15/05

Exhibit 32.1

CERTIFICATIONS

I, Joseph Riccelli, certify that:

1.

I have reviewed this quarterly report on Form 10-QSB of Innovative Designs, 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 Innovative Designs, Inc. as of, and for, the periods presented in this report;

4.

The registrant's other certifying officers 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 Innovative Designs, Inc. 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 Innovative Designs, Inc., 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 Innovative Designs, Inc.'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 Innovative Designs, Inc. s internal control over financial reporting that occurred during the small business issuer s most recent fiscal quarter (the small business issuer s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer s internal control over financial reporting; and

5.

The registrant s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Innovative Designs, Inc. 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 Innovative Designs, Inc. 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 Innovative Designs, Inc. s internal control over financial reporting.

/s/ Joseph Riccelli

Date:

03/15/05

By:

Joseph Riccelli, Chief Executive Officer

Exhibit 32.1

CERTIFICATIONS

I, Anthony Fonzi, certify that:

1.

I have reviewed this report on Form 10-QSB of Innovative Designs, Inc.;

2.

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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 Innovative Designs, Inc. as of, and for, the periods presented in this report;

4.

The registrant's other certifying officers 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 Innovative Designs, Inc. 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 Innovative Designs, Inc., 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 Innovative Designs, Inc.'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 Innovative Designs, Inc.'s internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5.

The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Innovative Designs, Inc.'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 Innovative Designs, Inc.'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 Innovative Designs, Inc.'s internal control over financial reporting.

/s/ Anthony Fonzi

Date:

03/15/05

By:

Anthony Fonzi, Chief Financial Officer,
Principal Accounting Officer, and Director

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 Form 10-QSB Quarterly Report of Innovative Designs, Inc. (the Company) for the period ended January 31, 2005, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

o

the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

o

the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joseph Riccelli

Date:

03/15/05

By:

Joseph Riccelli

Chief Executive 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 Form 10-QSB Quarterly Report of Innovative Designs, Inc. (the Company) for the period ended January 31, 2005, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

o

the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

o

the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

 /s/ Anthony Fonzi

Date:

03/15/05

By:

Anthony Fonzi

Chief Financial Officer, Principal

Accounting Officer, and Director