

INNOVATIVE DESIGNS INC
Form 10-Q
September 20, 2016

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 July 31, 2016

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.)

Edgar Filing: INNOVATIVE DESIGNS INC - Form 10-Q

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

Edgar Filing: INNOVATIVE DESIGNS INC - Form 10-Q

(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 September 19, 2016, there were 25,370,310 shares of the Registrant's common stock, par value \$.0001 per share, outstanding.

Transitional Small Business Disclosure Format: YES NO

Innovative Designs, Inc.

Index

Form 10-Q for the Quarter Ended July 31, 2016

	Page No.
Part I — Financial Information	
Item 1. <u>Condensed Financial Statements (Unaudited)</u>	
<u>Condensed Balance Sheets as of July 31, 2016 (Unaudited) and October 31, 2015</u>	1
<u>Condensed Statements of Operations for the Three and Nine Month Periods Ended July 31, 2016 and 2015 (Unaudited)</u>	2
<u>Condensed Statements of Changes in Stockholders' Equity as of July 31, 2016 (Unaudited) and October 31, 2015</u>	3
<u>Condensed Statements of Cash Flows for the Nine Month Periods Ended July 31, 2016 and 2015 (Unaudited)</u>	4
<u>Notes to the Condensed Financial Statements</u>	5 - 9
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	10 - 13
Part II — Other Information	
<u>Items 1., 2., 3. and 4T</u>	14 - 15
Item 6. <u>Exhibits</u>	16

ITEM 1. CONDENSED FINANCIAL STATEMENTS**INNOVATIVE DESIGNS, INC.****CONDENSED BALANCE SHEETS**July 31, 2016 (Unaudited) and October 31, 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	\$798,368	\$1,151,904
Accounts receivable	57,814	85,827
Inventory - net of obsolete inventory reserve of \$40,000	977,767	924,054
Inventory on consignment	1,625	-
Deposits on inventory	-	78,320
Prepaid expenses	12,644	7,619
Total current assets	1,848,218	2,247,724
PROPERTY AND EQUIPMENT - NET	149,115	51,200
OTHER ASSETS		
Advance to employee	4,000	-
Deposits on equipment	607,000	420,000
TOTAL ASSETS	\$2,608,333	\$2,718,924
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$93,850	\$119,360
Current portion of notes payable	15,467	14,657
Accrued interest expense	58,233	78,251
Due to shareholders	174,500	354,130
Accrued expenses	97,155	92,533
Total current liabilities	439,205	658,931
Long-term portion of notes payable	201,454	235,146
TOTAL LIABILITIES	640,659	894,077

STOCKHOLDERS' EQUITY

Preferred stock, \$0.0001 par value, 25,000,000 shares authorized	-	-
Common stock, \$0.0001 par value, 100,000,000 shares authorized, and 25,340,310 and 24,371,310 issued and outstanding as of July 31, 2016 and October 31, 2015	2,534	2,437
Additional paid-in capital	9,440,677	8,902,744
Accumulated deficit	(7,475,537)	(7,080,334)
Total stockholders' equity	1,967,674	1,824,847
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$2,608,333	\$2,718,924

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

INNOVATIVE DESIGNS, INC.**CONDENSED STATEMENTS OF OPERATIONS**Three and Nine Month Periods Ended July 31, 2016 and 2015 (Unaudited)

	Three Month Periods Ended July 31,		Nine Month Periods Ended July 31,	
	2016	2015	2016	2015
REVENUES - NET	\$ 159,643	\$ 46,593	\$ 497,807	\$ 549,374
OPERATING EXPENSES:				
Cost of sales	75,944	24,903	258,895	277,817
Selling, general and administrative expenses	184,999	224,426	580,953	541,207
	260,943	249,329	839,848	819,024
LOSS FROM OPERATIONS	(101,300)	(202,736)	(342,041)	(269,650)
OTHER INCOME/(EXPENSE)				
Miscellaneous income	-	-	-	390
Interest expense	(15,156)	(31,227)	(53,162)	(70,736)
Total other expense	(15,156)	(31,227)	(53,162)	(70,346)
NET LOSS	\$ (116,456)	\$ (233,963)	\$ (395,203)	\$ (339,996)
PER SHARE INFORMATION				
Net Loss Per Common Share	\$ (0.005)	\$ (0.010)	\$ (0.016)	\$ (0.015)
Weighted Average Number of Common Shares Outstanding	25,340,310	23,708,444	25,045,664	23,153,055

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

INNOVATIVE DESIGNS, INC.

CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

July 31, 2016 (Unaudited) and October 31, 2015

	Common Stock Number of Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total
Balance at October 31, 2014	22,438,043	\$ 2,244	\$ 7,522,487	\$(6,568,734)	\$955,997
Shares issued for services	107,000	10	98,990	-	99,000
Shares issued for debt conversion	122,667	12	91,988	-	92,000
Sale of stock	1,703,600	171	1,189,279	-	1,189,450
Net loss	-	-	-	(511,600)	(511,600)
Balance at October 31, 2015	24,371,310	2,437	8,902,744	(7,080,334)	1,824,847
Shares issued for services related to fixed asset additions	30,000	3	23,997	-	24,000
Shares issued for services	90,000	9	52,191	-	52,200
Sale of stock	849,000	85	461,745	-	461,830
Net loss	-	-	-	(395,203)	(395,203)
Balance at July 31, 2016	25,340,310	\$ 2,534	\$ 9,440,677	\$(7,475,537)	\$1,967,674

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

INNOVATIVE DESIGNS, INC.**CONDENSED STATEMENTS OF CASH FLOWS**Nine Month Periods Ended July 31, 2016 and 2015 (Unaudited)

	For the Nine Month Periods Ended	
	July 31, 2016	July 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (395,203	) \$ (339,996
Adjustments to reconcile net loss to net cash used in operating activities:		
Common stock issued for services	52,200	57,000
Amortization	-	999
Depreciation	14,384	7,226
Increase (decrease) from changes in:		
Accounts receivable	28,013	29,116
Other receivable	-	30,000
Inventory	(53,713	) (39,992
Inventory on consignment	(1,625) -
Deposits on inventory	78,320	-
Prepaid expenses	(5,025	) (4,922
Advance to employee	(4,000) -
Accounts payable	(25,510	) (32,308
Accrued interest expense	(20,018	) 43,664
Accrued expenses	4,622	9,088
Net cash used in operating activities	(327,555	) (240,125
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits on equipment	(187,000	) (200,000
Capital expenditures	(88,299) -
Net cash used in investing activities	(275,299	) (200,000
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of stock	461,830	1,086,950
Payments on shareholder advances	(179,630	) (70,000
Proceeds from shareholder advances	-	69,130
Payments on notes payable	(32,882	) (128,135
Net cash provided by financing activities	249,318	957,945
Net (decrease) increase in cash	(353,536	) 517,820
CASH, BEGINNING OF YEAR	1,151,904	988,681

CASH, END OF THE PERIOD	\$ 798,368	\$ 1,506,501
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 73,180	\$ 27,072
Supplemental schedule of noncash financing activities:		
Stock issued for services related to fixed asset additions	\$ 24,000	\$ -
Stock issuance for conversion of accrued interest	-	92,000

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

- 4 -

INNOVATIVE DESIGNS, INC.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Nine Month Periods Ended July 31, 2016 and 2015 (Unaudited)

In the opinion of management, the accompanying unaudited financial statements contain all adjustments
NOTE necessary to present fairly Innovative Designs, Inc.'s financial position as of July 31, 2016, the changes therein
1. for the three and nine month periods then ended and the results of operations for the three and nine month periods ended July 31, 2016 and 2015.

The financial statements included in the Form 10-Q are presented in accordance with the requirements of the
NOTE Form and do not include all of the disclosures required by accounting principles generally accepted in the
2. 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, 2015. The results of operations for the three and nine month periods ended July 31, 2016 and 2015 are not necessarily indicative of operating results for the full year.

NOTE 3. INVENTORY

Inventory consists principally of purchased apparel inventory and House Wrap which is manufactured by the Company. Inventory is stated at the lower of cost or net realizable value on a first-in, first-out basis. Innovative Designs, Inc. (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 July 31, 2016 and October 31, 2015 of \$40,000. Management will continue to evaluate its obsolete inventory reserve throughout the year and make adjustments as needed.

NOTE 4. EARNINGS PER SHARE

The Company calculates net income (loss) per share in accordance with Financial Accounting Standards Board ("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. INCOME TAXES

The Company accounts for income taxes in accordance with 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.

- 5 -

INNOVATIVE DESIGNS, INC.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Nine Month Periods Ended July 31, 2016 and 2015 (Unaudited)

NOTE 6. SHIPPING AND HANDLING COSTS

The Company pays shipping and handling costs on behalf of customers for purchased apparel 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 inventory as these costs are allocated across the merchandise received. With House Wrap orders, the customer pays the shipping cost. The shipping and handling costs associated with customer orders was approximately \$25,000 and \$29,000 for the nine month periods ended July 31, 2016 and 2015, respectively.

NOTE 7. COMMON STOCK

During the three month period ended January 31, 2016, the Company sold its stock to seven investors. The stock was issued for prices from \$0.54 - \$0.60 per share. A total of 579,000 shares of common stock were sold, resulting in proceeds of \$314,830. In addition, the Company issued 90,000 shares to three individuals for services performed during the period. The shares issued were valued at \$0.50 - \$0.73 per share or an aggregate price of \$52,200. We believe that Section 4(2) of the Securities Act of 1933, as amended, was available because these transactions did not involve a public offering and there was no general solicitation or general advertising involved in these transactions. 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.

During the three month period ended April 30, 2016, the Company sold its stock to three investors. The stock was issued for prices from \$0.52-\$0.55 per share. A total of 270,000 shares of common stock were sold, resulting in proceeds of \$147,000. In addition, the Company issued 30,000 shares for services performed related to fixed asset additions during March 2016. The shares were issued at \$0.80 per share or an aggregate price of \$24,000. We believe that Section 4(2) of the Securities Act of 1933, as amended, was available because these transactions did not involve a public offering and there was no general solicitation or general advertising involved in these transactions. 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.

During the three month period ended July 31, 2016, there was no stock sold or issued.

NOTE 8. DEPOSITS ON EQUIPMENT

On July 12, 2015 the Company reached an agreement with Ketut Jaya to purchase the machinery and equipment utilized to produce the INSULTEX material. The purchase price is \$700,000 which was to be paid in four installments. The first installment of \$300,000 was to be paid at the execution of the agreement. The second installment of \$200,000 was to be paid when the machinery and equipment is ready to be shipped to the United States. The third installment of \$100,000 is to be paid once the machinery and equipment is producing INSULTEX, and the fourth and final installment of \$100,000 is to be made after the first commercial production run of INSULTEX is completed. As of July 31, 2016, the Company has made payments of \$590,000. Additionally, the Company has incurred \$17,000 of additional expenses related to shipping, site improvements and installation of the equipment.

INNOVATIVE DESIGNS, INC.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Nine Month Periods Ended July 31, 2016 and 2015 (Unaudited)NOTE 9. SEGMENT INFORMATION

We have organized our operations into two segments. We rely on an internal management reporting process that provides segment information for purposes of making financial decisions and allocating resources.

The following tables present our business segment information for the Nine month periods ended July 31, 2016 and 2015:

	2016	2015
Revenues:		
Apparel	\$ 195,949	\$ 328,820
Housewrap	301,858	220,554
Total Revenues	\$ 497,807	\$ 549,374
Assets:		
Apparel	\$ 1,316,622	\$ 1,985,066
Housewrap	1,291,711	742,946
Total	\$ 2,608,333	\$ 2,728,012
Capital Expenditures:		
Housewrap	\$ 88,299	\$ -
Total	\$ 88,299	\$ -
Depreciation:		
Apparel	\$ 1,388	\$ 1,395
Housewrap	12,996	5,831
Total	\$ 14,384	\$ 7,226

NOTE 10. CORRECTION OF AN ERROR

While preparing the interim financial statements, management became aware of an error in inventory related to the cost calculation for House Wrap that was produced during the 2016. This error has been adjusted for in the financial statements for the period ended July 31, 2016, but resulted in an overstatement of cost of goods sold by \$13,972, an overstatement of inventory by \$8,841, and an overstatement of accrued expenses of \$22,813 during the period ended April 30, 2016. The following tables summarize the corrections of previously reported amounts:

- 7 -

INNOVATIVE DESIGNS, INC.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Nine Month Periods Ended July 31, 2016 and 2015 (Unaudited)

	Three Month Periods Ended April 30, 2016		Six Month Periods Ended April 30, 2016	
	as report	as adjusted	as report	as adjusted
Statement of Operations				
Cost of sales	\$ 84,197	\$ 70,225	\$ 182,951	\$ 168,979
Loss from operations	(126,009)	(112,037)	(240,741)	(226,769)
Net loss	\$ (145,535)	\$ (131,563)	\$ (278,747)	\$ (264,775)
Net Loss Per Common Share	\$ (0.006)	\$ (0.005)	\$ (0.011)	\$ (0.011)

	Six Month Periods Ended April 30, 2016	
	as report	as adjusted
Balance Sheet		
Inventory - net of obsolete inventory reserve of \$40,000	\$ 1,008,165	\$ 999,324
Total Asset	2,841,660	2,832,819
Accrued expenses	150,828	128,015
Total Liabilities	757,530	734,717
Stockholders Equity	2,084,130	2,098,102
Total Liabilities And Stockholders Equity	\$ 2,841,660	\$ 2,832,819

Six Month Periods Ended April 30,
2016
as report as adjusted

Statement of Stockholder's Equity

Net loss	\$ (278,747)	\$ (264,775)
Stockholders deficit	(7,359,081)	(7,345,109)
Total stockholders equity	\$ 2,084,130	\$ 2,098,102

- 8 -

INNOVATIVE DESIGNS, INC.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Nine Month Periods Ended July 31, 2016 and 2015 (Unaudited)

NOTE 11. SUBSEQUENT EVENTS

The Company has evaluated subsequent events in accordance with ASC Topic 855, “*Subsequent Events*”, through September 19, 2016, which is the date financial statements were available to be issued. No subsequent event items were identified except the item discussed below by the Company.

In September 2016, the Company issued 30,000 shares of its common stock for professional services at \$0.50 per share, or \$15,000.

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, 2015.

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.

- 10 -

INNOVATIVE DESIGNS, INC.**Results of Operations**Comparison of the Three Month Period Ended July 31, 2016 with the Three Month Period Ended July 31, 2015.

The following table shows a comparison of the results of operations between the three month periods ended July 31, 2016 and July 31, 2015:

	Three Month Period Ended July 31, 2016	% of Sales	Three Month Period Ended July 31, 2015	% of Sales	Increase (Decrease)	% Change
REVENUE	\$ 159,643	100.00%	\$ 46,593	100.00 %	\$ 113,050	242.63 %
OPERATING EXPENSES						
Cost of sales	75,944	47.57 %	24,903	53.45 %	51,041	204.96 %
Selling, general and administrative expenses	184,999	115.88%	224,426	481.67 %	(39,427)	-17.57 %
Loss from operations	(101,300)	-63.45 %	(202,736)	-435.12%	101,436	-50.03 %
OTHER EXPENSE						
Interest expense	(15,156)	-9.49 %	(31,227)	-67.02 %	16,071	-51.47 %
Net loss	\$ (116,456)	-72.95 %	\$ (233,963)	-502.14%	\$ 117,507	-50.22 %

Revenues for the quarter ended July 31, 2016 were \$159,643 compared to revenues of \$46,593 for the quarter ended July 31, 2015. The increase is caused, primarily, by the increased sales of our House Wrap product line. See Note 9 of the Notes to the Condensed Financial Statements appearing elsewhere in this Report for a description of our segment products sales. Our net loss for the three month period ended July 31, 2016 was (\$116,456).

Our selling, general and administrative expenses were \$184,999 for the three months ended July 31, 2016 compared to \$224,426 for the three month period ended July 31, 2015. The decrease was a result, in part, by lower professional fees. We expect our professional fees to increase in the current period ending October 31, 2016.

INNOVATIVE DESIGNS, INC.Comparison of the Nine Month Period Ended July 31, 2016 with the Nine Month Period ended July 31, 2015.

The following table shows a comparison of the results of operations between the nine month periods ended July 31, 2016 and July 31, 2015:

	Nine Month Period Ended July 31, 2016	% of Sales	Nine Month Period Ended July 31, 2015	% of Sales	Increase (Decrease)	% Change
REVENUE	\$ 497,807	100.00%	\$ 549,374	100.00%	\$ (51,567)	-9.39 %
OPERATING EXPENSES						
Cost of sales	258,895	52.01 %	277,817	50.57 %	(18,922)	-6.81 %
Selling, general and administrative expenses	580,953	116.70%	541,207	98.51 %	39,746	7.34 %
Loss from operations	(342,041)	-68.71 %	(269,650)	-49.08 %	(72,391)	26.85 %
OTHER INCOME/(EXPENSE)						
Miscellaneous income	-	0.00 %	390	0.07 %	(390)	-100.00 %
Interest expense	(53,162)	-10.68 %	(70,736)	-12.88 %	17,574	-24.84 %
Net loss	\$ (395,203)	-79.39 %	\$ (339,996)	-61.89 %	\$ (55,207)	16.24 %

Revenues for the period ended July 31, 2016 were \$497,807 compared to revenues of \$549,374 for the period ended July 31, 2015. The decrease in revenue was largely the result of decreased sales of our apparel product line caused by the warmer weather in our target market areas. During the nine month period ended July 31, 2016, apparel sales totaled \$195,949 in comparison with \$328,820 during the nine month period ended July 31, 2015. We continue focusing most of our resources and efforts toward the development of a market for our House Wrap product line including the purchase of a machine capable of producing INSULTEX. We are in the permitting stage relating to environmental issues necessary to begin the installation and domestic production of our INSULTEX material. During the nine month period ended July 31, 2016 House Wrap sales totaled \$301,858 in comparison with \$220,554 during the nine month period ended July 31, 2015. Our net loss for the nine months ended July 31, 2016 was \$(395,203).

Our selling, general and administrative expenses were \$580,953 for the nine months ended July 31, 2016 compared to \$541,207 for the nine month period ended July 31, 2015. The increase is largely attributable to an increase in professional fees for the current period. The professional fees are primarily related to the inquiry by the Federal Trade Commission.

Liquidity and Capital Resources

During the quarter ended July 31, 2016, we funded our operations from revenues from sales.

- 12 -

INNOVATIVE DESIGNS, INC.

Short Term: We will continue to fund our operations from sales and the sale of our securities. We continue to pay our creditors when payments are due. We will require more funds to be able to order the material for our House Wrap and apparel products and to purchase equipment needed for the manufacture of the INSULTEX product. The Company has reached an agreement with the manufacturer of the INSULTEX material to purchase a machine capable of producing the INSULTEX material. Also included in the proposed agreement will be the propriety formula that creates INSULTEX. The Company took delivery of the equipment in December 2015. We are in the permitting stage relating to environmental issues necessary to begin the installation of the equipment. The Company has currently made deposits of \$590,000 on the equipment. The Company has incurred \$17,000 of additional expenses related to shipping. The Company will produce INSULTEX under its own brand name. See Note 8 of the Notes to the Condensed Financial Statements.

Long Term: The Company will continue to fund its operations from revenues, borrowings from private parties and the possible sale of our securities. Should we not be able to rely on the private sources for borrowing and /or increased sales, our operations would be severely affected as we would not be able to fund our purchase orders to our suppliers for finished goods and our efforts to produce our own INSULTEX would be delayed.

INNOVATIVE DESIGNS, INC.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDING

The Company is engaged in a matter with the Federal Trade Commission. A Form 8-K filed June 2, 2016, describing this matter is incorporated herein by reference.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the three month period ended January 31, 2016, the Company sold its stock to seven investors. The stock was issued for prices from \$0.54 - \$0.60 per share. A total of 579,000 shares of common stock were sold, resulting in proceeds of \$314,830. In addition, the Company issued 90,000 shares to three individuals for services performed during the period. The shares issued were valued at \$0.50 - \$0.73 per share or an aggregate price of \$52,200. We believe that Section 4(2) of the Securities Act of 1933, as amended, was available because these transactions did not involve a public offering and there was no general solicitation or general advertising involved in these transactions. 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.

During the three month period ended April 30, 2016, the Company sold its stock to four investors. The stock was issued for prices from \$0.52-\$0.80 per share. A total of 300,000 shares of common stock were sold, resulting in proceeds of \$171,000. We believe that Section 4(2) of the Securities Act of 1933, as amended, was available because these transactions did not involve a public offering and there was no general solicitation or general advertising involved in these transactions. 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.

During the three month period ended July 31, 2016, there was no stock sold or issued.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide the information otherwise required by this Item.

ITEM 4T. CONTROLS AND PROCEDURES

Management has developed and implemented a policy and procedures for reviewing, on a quarterly basis, our disclosure controls and procedures. During the quarter ended July 31, 2016, our principle executive/financial officer concluded that these controls and procedures were ineffective. At this time we do not have the financial resources to employ a financial staff with accounting and financial expertise, once we have the necessary financial resources, we plan to hire and designate an individual responsible for identifying reportable developments and to implement procedures designed to remediate the material weakness by focusing additional attention and resources in our internal accounting functions. During the second quarter of 2016, the Company was not able to close the books and records in a timely fashion. Consequently, the Company was unable to file its Form 10-Q for the period ended April 30, 2016 and July 31, 2016 within the timeline established by the SEC and was required to seek an extension for filing the form. There were no reclassifications made during the first or second quarter of 2016. Further, the Company was required to amend its previously filed Form 10Q for the quarter ended April 30, 2016.

INNOVATIVE DESIGNS, INC.

Changes in Internal Control Over Financial Reporting

During the most recent fiscal quarter, there were no changes in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13(a)-15 or 15d-15 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Until the Company has the financial resources to employ a financial staff with accounting and financial expertise, to be able to properly account for internal financial reporting, errors that may have a material effect on the financial statements have the potential to occur. While preparing the financial statements, management became aware of an error in inventory related to the cost calculation for House Wrap inventory that was produced during 2016. The errors have been adjusted for in the current quarter financial statements for the period ended July 31, 2106. For the April 30, 2016 quarter which had already been filed at the time the error was discovered, there was an overstatement of cost of goods sold by \$13,972, an overstatement of inventory by \$8,841, and an overstatement of accrued expenses of \$22,813. The result of the error caused the second quarter ended April 30, 2016 to be restated and the Form 10-Q for the quarter ended April 30, 2016 to be amendment.

INNOVATIVE DESIGNS, INC.

ITEM 6. EXHIBITS

*3.1 Revised Certificate of Incorporation

**3.2 By-Laws

31.1 Rule 13a - 14a Certification of Chief Executive Officer and Chief Financial Officer

32.1 Section 1350 Certification of Chief Executive Officer and Chief Financial Officer

* Incorporated by reference to the Company's Form 10-K filed February 12, 2015

** Incorporated by reference to the Company's registration statement on Form SB-2, filed March 11, 2003

99*** Incorporated by reference to the Company's Current Report on Form 8-k, filed June 2, 2016

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.
Registrant

Date: September 19, 2016 by: /s/ Joseph Riccelli
Joseph Riccelli, Sr., Chief Executive Officer and Chief Financial Officer