

INNOVATIVE DESIGNS INC  
Form 10-Q  
May 01, 2019

A UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 131 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934.

For the quarterly period ended January 31, 2019

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

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incorporation or organization) Identification No.)

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  X

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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 April 29, 2019, there were 28,209,560 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 January 31, 2019

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## Part I -- Financial Information

## ITEM 1. CONDENSED FINANCIAL STATEMENTS

**INNOVATIVE DESIGNS, INC.**

## CONDENSED BALANCE SHEETS

January 31, 2019 (Unaudited) and October 31, 2018

|                                                                                                                                                | 2019               | 2018               |
|------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b><u>ASSETS</u></b>                                                                                                                           |                    |                    |
| <b>CURRENT ASSETS</b>                                                                                                                          |                    |                    |
| Cash                                                                                                                                           | \$77,781           | \$1,12,203         |
| Accounts receivable - net of allowance for doubtful accounts of \$10,354 and \$9,320 as of January 31, 2019 and October 31, 2018, respectively | 45,659             | 13,455             |
| Inventory - net of obsolete inventory reserve of \$75,468 as of January 31, 2019 and October 31, 2018, respectively                            | 674,144            | 721,262            |
| Inventory on consignment                                                                                                                       | 1,625              | 1,625              |
| Deposits on inventory                                                                                                                          | 57,330             | 57,330             |
| Prepaid expenses                                                                                                                               | 10,018             | 11,669             |
| Total current assets                                                                                                                           | 866,557            | 917,544            |
| <b>PROPERTY AND EQUIPMENT - NET</b>                                                                                                            | 123,205            | 131,532            |
| <b>OTHER ASSETS</b>                                                                                                                            |                    |                    |
| Advance to employees                                                                                                                           | 8,200              | 8,200              |
| Assets held for sale                                                                                                                           | 600,000            | 617,000            |
| Total other assets                                                                                                                             | 608,200            | 625,200            |
| <b>TOTAL ASSETS</b>                                                                                                                            | <b>\$1,597,962</b> | <b>\$1,674,276</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                                    |                    |                    |
| <b>CURRENT LIABILITIES</b>                                                                                                                     |                    |                    |
| Accounts payable                                                                                                                               | \$323,403          | \$194,963          |
| Current portion of notes payable                                                                                                               | 18,628             | 18,628             |
| Accrued interest expense                                                                                                                       | 23,248             | 22,885             |
| Due to shareholders                                                                                                                            | 134,350            | 145,350            |
| Accrued expenses                                                                                                                               | 10,916             | 10,775             |
| Total current liabilities                                                                                                                      | 510,545            | 392,601            |

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|                                                                                                                                                                   |                     |                     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| Long-term portion of notes payable                                                                                                                                | 95,768              | 100,858             |
| <b>TOTAL LIABILITIES</b>                                                                                                                                          | <b>606,313</b>      | <b>493,459</b>      |
| <b>STOCKHOLDERS' EQUITY</b>                                                                                                                                       |                     |                     |
| Common stock, \$0.0001 par value, 100,000,000 shares authorized, and 28,149,560 and 27,789,560 issued and outstanding as of January 31, 2019 and October 31, 2018 | 2,816               | 2,780               |
| Additional paid-in capital                                                                                                                                        | 10,167,895          | 10,106,731          |
| Accumulated deficit                                                                                                                                               | (9,179,062 )        | (8,928,694 )        |
| Total stockholders' equity                                                                                                                                        | 991,649             | 1,180,817           |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                                                 | <b>\$ 1,597,962</b> | <b>\$ 1,674,276</b> |

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

**INNOVATIVE DESIGNS, INC.**

**CONDENSED STATEMENTS OF OPERATIONS**

Three Month Periods Ended January 31, 2019 and 2018 (Unaudited)

|                                                      | Three Month Periods Ended<br>January 31, |              |
|------------------------------------------------------|------------------------------------------|--------------|
|                                                      | 2019                                     | 2018         |
| REVENUES - NET                                       | \$ 109,344                               | \$ 116,203   |
| OPERATING EXPENSES:                                  |                                          |              |
| Cost of sales                                        | 66,204                                   | 64,382       |
| Selling, general and administrative expenses         | 270,904                                  | 190,811      |
|                                                      | 337,108                                  | 255,193      |
| LOSS FROM OPERATIONS                                 | (227,764 )                               | (138,990 )   |
| OTHER EXPENSE                                        |                                          |              |
| Miscellaneous expense                                | 686                                      | 547          |
| Impairment loss on assets held for sale              | 17,000                                   | -            |
| Interest expense                                     | 4,918                                    | 6,712        |
| Total other expense                                  | 22,604                                   | 7,259        |
| NET LOSS                                             | \$(250,368 )                             | \$(146,249 ) |
| PER SHARE INFORMATION                                |                                          |              |
| Net Loss Per Common Share                            | \$(0.009 )                               | \$(0.005 )   |
| Weighted Average Number of Common Shares Outstanding | 27,228,038                               | 26,732,245   |

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

**INNOVATIVE DESIGNS, INC.**

**CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

January 31, 2019 (Unaudited) and October 31, 2018

|                             | Common<br>Stock<br>Number of<br>Shares | Common<br>Stock<br>Amount | Additional<br>Paid-in<br>Capital | Accumulated<br>Deficit | Total        |
|-----------------------------|----------------------------------------|---------------------------|----------------------------------|------------------------|--------------|
| Balance at October 31, 2018 | 27,789,560                             | \$ 2,780                  | \$10,106,731                     | \$(8,928,694)          | \$ 1,180,817 |
| Sale of stock               | 360,000                                | 36                        | 61,164                           | -                      | 61,200       |
| Net loss                    | -                                      | -                         | -                                | (250,368 )             | (250,368 )   |
| Balance at January 31, 2019 | 28,149,560                             | \$ 2,816                  | \$10,167,895                     | \$(9,179,062)          | \$991,649    |

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



**INNOVATIVE DESIGNS, INC.**

**CONDENSED STATEMENTS OF CASH FLOWS**

Three Month Periods Ended January 31, 2019 and 2018 (Unaudited)

|                                                                             | For the Three Month<br>Periods Ended<br>January 31, 2019      January 31, 2018 |             |
|-----------------------------------------------------------------------------|--------------------------------------------------------------------------------|-------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                |                                                                                |             |
| Net loss                                                                    | \$(250,368)                                                                    | \$(146,249) |
| Adjustments to reconcile net loss to net cash used in operating activities: |                                                                                |             |
| Allowance for doubtful accounts                                             | 1,034                                                                          | -           |
| Common stock issued for services                                            | -                                                                              | 20,000      |
| Impairment loss on assets held for sale                                     | 17,000                                                                         | -           |
| Depreciation                                                                | 8,327                                                                          | 8,878       |
| (Increase) decrease from changes in:                                        |                                                                                |             |
| Accounts receivable                                                         | (33,238 )                                                                      | (4,590 )    |
| Inventory                                                                   | 47,118                                                                         | (59,411 )   |
| Deposits on inventory                                                       | -                                                                              | 21,670      |
| Prepaid expenses                                                            | 1,651                                                                          | 3,208       |
| Advance to employees                                                        | -                                                                              | (4,200 )    |
| Increase (decrease) from changes in:                                        |                                                                                |             |
| Accounts payable                                                            | 128,440                                                                        | 53,842      |
| Accrued interest expense                                                    | 363                                                                            | 2,297       |
| Accrued expenses                                                            | 141                                                                            | (5,912 )    |
| Net cash used in operating activities                                       | (79,532 )                                                                      | (110,467)   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                 |                                                                                |             |
| Capital expenditures                                                        | -                                                                              | (4,258 )    |
| Net cash used in investing activities                                       | -                                                                              | (4,258 )    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                |                                                                                |             |
| Proceeds from sale of stock                                                 | 61,200                                                                         | 111,560     |
| Proceeds from shareholder advances                                          | -                                                                              | -           |
| Payments on shareholder advances                                            | (11,000 )                                                                      | (11,250 )   |
| Payments on notes payable                                                   | (5,090 )                                                                       | (5,016 )    |
| Net cash provided by financing activities                                   | 45,110                                                                         | 95,294      |
| Net decrease in cash                                                        | (34,422 )                                                                      | (19,431 )   |

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|                                                   |          |           |
|---------------------------------------------------|----------|-----------|
| CASH, BEGINNING OF YEAR                           | 112,203  | 214,871   |
| CASH, END OF THE PERIOD                           | \$77,781 | \$195,440 |
| Supplemental disclosure of cash flow information: |          |           |
| Cash paid for interest                            | \$4,555  | \$4,415   |

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

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**INNOVATIVE DESIGNS, INC.**

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

Three Month Periods Ended January 31, 2019 and 2018 (Unaudited)

**BASIS OF PRESENTATION**

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 January 31, 2019, the changes  
1. therein for the three month period then ended and the results of operations for the three month periods ended  
January 31, 2019 and 2018.

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 Innovative Designs, Inc.'s annual report on Form 10-K for the fiscal year ended October 31, 2018. The results of operations for the three periods ended January 31, 2019 and 2018 are not necessarily indicative of operating results for the full year.

**NOTE 2. GOING CONCERN**

The Company had a net loss of \$250,368 and a negative cash flow from operations of \$79,532 for the three month period ended January 31, 2019. In addition, the Company has an accumulated deficit of \$9,179,062. Management of the Company has represented that they will be able to continue to support the Company's cash needs through sales, sales of Company stock, and borrowings from private parties.

**NOTE 3. ACCOUNTS RECEIVABLE**

Management evaluates its receivables on a quarterly basis to assess the validity of remaining receivables. Management has determined that there is significant doubt regarding the receivable balance over 90 days of \$10,354 and \$9,320 as of the quarter ended January 31, 2019 and as of the fiscal year ended October 31, 2018, respectively. Management has applied an allowance on all balances in excess of 90 days.

NOTE 4. 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 selling of its hunting and swimming line of apparel. The Company has booked a reserve against apparel inventory at January 31, 2019 and October 31, 2018 of \$75,468. Management has determined that no allowance is currently necessary on their House Wrap Inventory. Management will continue to evaluate its obsolete inventory reserve throughout the year and make adjustments as needed.

NOTE 5. 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.

**INNOVATIVE DESIGNS, INC.**

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

Three Month Periods Ended January 31, 2019 and 2018 (Unaudited)

**NOTE 6. 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.

**NOTE 7. 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 \$4,400 and \$5,500 for the three month periods ended January 31, 2019 and 2018, respectively.

**NOTE 8. COMMON STOCK**

During the three month period ended January 31, 2019, the Company sold 360,000 shares of common stock to seven investors for total proceeds of \$61,200. The stock was issued for \$0.17 per share. 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.

NOTE 9. 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 January 31, 2019, the Company has made payments of \$500,000 in accordance with the agreement and made a \$100,000 pre-payment as the machine is not yet producing INSULTEX. Additionally, the Company has incurred \$17,000 of additional expenses related to shipping, site improvements and installation of the equipment. Due to various environmental regulations regarding propane emitted from the machine into the air and other costs to assemble the machine the Company expects to incur costs in excess of the current deposit agreement. Management of the Company currently cannot reasonably estimate the costs. During the three month period ended January 31, 2019 Management plans to sell the machine. The shipping and other purchase costs associated with the purchase of the machine are deemed impaired. The total loss on impairment for the three month period ended January 31, 2019 is \$17,000.

**INNOVATIVE DESIGNS, INC.**

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

**Three Month Periods Ended January 31, 2019 and 2018 (Unaudited)**

**NOTE 10. 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 three month periods ended January 31, 2019 and 2018:

|                       | 2019        | 2018        |
|-----------------------|-------------|-------------|
| Revenues:             |             |             |
| Apparel               | \$94,219    | \$86,063    |
| House Wrap            | 15,125      | 30,140      |
| Total Revenues        | \$109,344   | \$116,203   |
| Assets:               |             |             |
| Apparel               | \$451,289   | \$581,654   |
| House Wrap            | 1,146,673   | 1,274,279   |
| Total                 | \$1,597,962 | \$1,855,933 |
| Capital Expenditures: |             |             |
| Apparel               | \$-         | \$4,258     |
| Housewrap             | -           | -           |
| Total                 | \$-         | \$4,258     |
| Depreciation:         |             |             |
| Apparel               | \$2,372     | \$2,853     |
| House Wrap            | 5,955       | 6,025       |
| Total                 | \$8,327     | \$8,878     |

NOTE 11. LEGAL PROCEEDINGS

On November 4, 2016, the Federal Trade Commission (FTC) filed a complaint against the Company in the U.S. District Court Western District of Pennsylvania, number 16-1669. In the complaint, the FTC alleges, that, among other matters, the Company does not have substantiation of claims made by the Company regarding the R value and energy efficiency of its INSULTEX House Wrap products. The complaint asks as redress of rescission of revenue the Company received from the sale of House Wrap and a permanent injunction. Due to the partial government shutdown a new trial date was set for July 29, 2019.

The Company strongly denies the allegation and intends to vigorously defend itself. It is the Company's belief that the complaint is based on improper testing of the INSULTEX products using the wrong type of testing equipment.



**INNOVATIVE DESIGNS, INC.**

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

**Three Month Periods Ended January 31, 2019 and 2018 (Unaudited)**

**NOTE 12. SUBSEQUENT EVENTS**

The Company has evaluated subsequent events in accordance with ASC Topic 855, “*Subsequent Events*”, through May 1, 2019, which is the date financial statements were available to be issued. The Company identified the below subsequent event.

During February, the Company sold 60,000 shares for total proceeds of \$10,200. The stock was issued for \$0.17 per share. 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.

**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 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, 2018.

**Forward-Looking Statements**

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of the Private Securities Reform Act of 1995. All statements other than statements of historical fact, including statements regarding future results of operation, made in this Quarterly Report on Form 10-Q are forward-looking statements. We use words such as expects, believes, intends, and similar expressions to identify forward-looking statements. Forward looking-looking statements reflect management's current expectations and are inherently uncertain. Actual results could differ materially for a variety of reasons, including, among others, an adverse outcome in our legal matter with the Federal Trade Commission, competition in our cold weather markets, our inability to secure sufficient funding to maintain and/or expand our current level of operations and the seasonality of our cold weather product line. These risks and uncertainties, as well as other risks and uncertainties that could cause our actual results to differ significantly from management's expectations, are described in greater detail in our Annual Report on Form 10-K for the fiscal year ended October 31, 2018. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise except as required by law.

**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.

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**INNOVATIVE DESIGNS, INC.****Results of Operations**Comparison of the Three Month Period Ended January 31, 2019 with the Three Month Period Ended January 31, 2018.

The following table shows a comparison of the results of operations between the three month periods ended January 31, 2019 and January 31, 2018:

|                                              | Three<br>Month<br>Period<br>Ended<br>January 31,<br>2019 | % of Sales | Three<br>Month<br>Period<br>Ended<br>January 31,<br>2018 | % of Sales | Increase<br>(Decrease) | %<br>Change |
|----------------------------------------------|----------------------------------------------------------|------------|----------------------------------------------------------|------------|------------------------|-------------|
| REVENUE - NET                                | \$ 109,344                                               | 100.00 %   | \$ 116,203                                               | 100.00 %   | \$ (6,859 )            | -5.90 %     |
| OPERATING EXPENSES                           |                                                          |            |                                                          |            |                        |             |
| Cost of sales                                | 66,204                                                   | 60.55 %    | 64,382                                                   | 55.40 %    | 1,822                  | 2.83 %      |
| Selling, general and administrative expenses | 270,904                                                  | 247.75 %   | 190,811                                                  | 164.20 %   | 80,093                 | 41.98 %     |
| Loss from operations                         | (227,764)                                                | -208.30 %  | (138,990)                                                | -119.61 %  | (88,774 )              | 63.87 %     |
| OTHER EXPENSE                                |                                                          |            |                                                          |            |                        |             |
| Miscellaneous expense                        | 686                                                      | 0.63 %     | 547                                                      | 0.47 %     | 139                    | 25.41 %     |
| Impairment loss on assets held for sale      | 17,000                                                   | 15.55 %    | -                                                        | 0.00 %     | 17,000                 | 100 %       |
| Interest expense                             | 4,918                                                    | 4.50 %     | 6,712                                                    | 5.78 %     | (1,794 )               | -26.73 %    |
| Net loss                                     | \$(233,368)                                              | -213.43 %  | \$(146,249)                                              | -125.86 %  | \$(87,119 )            | 59.57 %     |

Revenues for the three month period ended January 31, 2019 were \$109,344 compared to revenues of \$116,203 for the three month period ended January 31, 2018. The decrease is caused, by the decrease in our apparel sales and the sales in our House Wrap product line. The apparel sales were adversely affected by warm weather. In December 2016, we voluntarily ceased advertising our House Wrap products as a result of the legal action brought by the Federal

Trade Commission (“FTC”). See Note 10 of the Notes to the Condensed Financial Statements appearing elsewhere in this Report for a description of our segment product sales. During the three month period ended January 31, 2019 House Wrap sales totaled \$15,125 in comparison with \$30,140 during the three month period ended January 31, 2018. Our net loss for the three month period ended January 31, 2019 was (\$250,368).

Our selling, general and administrative expenses were \$270,904 for the three months ended January 31, 2019 compared to \$190,811 for the three month period ended January 31, 2018. The increase was a result of our third party warehouse for inventory charging us \$103,090 in relation to storage of inventory. We do not expect our seasonal help expense or advertising and promotional expenses to increase in the current fiscal year ending October 31, 2019.

**INNOVATIVE DESIGNS, INC.**

**Liquidity and Capital Resources**

During the period ended January 31, 2019, we funded our operations from revenues from sales and sale of our common stock. During the three month period ended January 31, 2019, we sold our common stock in private transactions and raised \$61,200 from the sales. If we are not able to either increase our sales revenue or sell more of our common stock during the current quarter, we may not be able to support our current cost structure.

**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. The Company 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. It is the Company's current plan to sell the equipment. The Company has currently made deposits of \$600,000 on the equipment. The Company has incurred \$17,000 of additional expenses related to shipping. See Note 9 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 November 4, 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, 2019, the Company sold 360,000 shares of common stock to seven investors for total proceeds of \$61,200. The stock was issued for \$0.17 per share. 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 February, the Company sold 60,000 shares for total proceeds of \$10,200. The stock was issued for \$0.17 per share. 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.

**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 period ended January 31, 2019, 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 first, second, and third quarter of 2018, 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 January 31, 2019 within the timeline established by the SEC and was required to seek an extension for filing the form.

#### 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.



**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 November 4, 2016

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**INNOVATIVE DESIGNS, INC.**

**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:

May 1, 2019 by: /s/ Joseph Riccelli

Joseph Riccelli, Chief Executive Officer  
and Chief Financial Officer

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