

INNOVATIVE DESIGNS INC
Form 10-Q
September 15, 2014

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, 2014

OR

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

For the transition period from _____ to _____.

Commission File Number: 000-51791

INNOVATIVE DESIGNS, INC.

(Exact Name of Registrant as Specified in its Charter)

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

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124 Cherry Street

Pittsburgh, Pennsylvania 15223

(Address of Principal Executive Offices, Zip Code)

(412) 799-0350

(Issuer's Phone Number Including Area Code)

N/A

(Former Name or Former Address, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files).

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

(Check One)

Large Accelerated Filer Accelerated Filer

Non-accelerated Filer Smaller reporting company

(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 August 19, 2014, there were 21,638,043 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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ITEM 1. CONDENSED FINANCIAL STATEMENTS**INNOVATIVE DESIGNS, INC.**

CONDENSED BALANCE SHEETS

July 31, 2014 (Unaudited) and October 31, 2013

| | 2014 | 2013 |
|--|---------------------|-------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 596,205 | \$ 69,613 |
| Accounts receivable | 32,854 | 90,583 |
| Other receivables | - | 4,000 |
| Inventory - net of obsolete inventory reserve of \$52,000 for 2014 and 2013 | 698,057 | 614,581 |
| Inventory on consignment | - | 42,900 |
| Deposits on inventory | 43,800 | 30,846 |
| Prepaid insurance | 2,185 | 7,655 |
| Deferred loan costs | 1,349 | - |
| Total current assets | 1,374,450 | 860,178 |
| PROPERTY AND EQUIPMENT - NET | 20,236 | 18,346 |
| TOTAL ASSETS | \$ 1,394,686 | \$ 878,524 |
| LIABILITIES AND STOCKHOLDERS' EQUITY/(DEFICIT) | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 73,273 | \$ 83,183 |
| Current portion of notes payable | 65,054 | 155,053 |
| Accrued interest expense | 233,084 | 240,121 |
| Due to shareholders | 367,315 | 416,500 |
| Accrued expenses | 147,981 | 3,419 |
| Total current liabilities | 886,707 | 898,276 |
| Long-term portion of notes payable | 330,580 | 335,371 |
| TOTAL LIABILITIES | 1,217,287 | 1,233,647 |
| STOCKHOLDERS' EQUITY/(DEFICIT) | | |
| Preferred stock, \$0.0001 par value, 100,000,000 shares authorized | - | - |
| Common stock, \$0.0001 par value, 500,000,000 shares authorized, and 21,078,723 and 19,325,743 issued and outstanding as of July 31, 2014 and October 31, 2013 | 2,108 | 1,935 |

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| | | |
|--|-------------|-------------|
| Additional paid-in capital | 6,601,173 | 5,777,606 |
| Accumulated deficit | (6,425,882) | (6,134,664) |
| Total stockholders' equity/(deficit) | 177,399 | (355,123) |
| | | |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY/(DEFICIT) | \$1,394,686 | \$878,524 |

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

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INNOVATIVE DESIGNS, INC.

CONDENSED STATEMENTS OF OPERATIONS

Nine Month Periods Ended July 31, 2014 and 2013 (Unaudited)

| | Three Month Periods Ended July 31, | | Nine Month Periods Ended July 31, | |
|---|---------------------------------------|------------|--------------------------------------|--------------|
| | 2014 | 2013 | 2014 | 2013 |
| REVENUES - NET | \$ 195,035 | \$ 11,117 | \$ 635,457 | \$ 361,173 |
| OPERATING EXPENSES: | | | | |
| Cost of sales | 123,782 | 5,460 | 322,938 | 148,275 |
| Selling, general and administrative expenses | 169,690 | 113,527 | 515,252 | 400,634 |
| | 293,472 | 118,987 | 838,190 | 548,909 |
| LOSS FROM OPERATIONS | (98,437) | (107,870) | (202,733) | (187,736) |
| OTHER INCOME/(EXPENSE) | | | | |
| Interest expense | (24,812) | (26,814) | (88,485) | (71,080) |
| Settlement of contingent liability | - | 190,000 | - | 190,000 |
| Total other income/(expense) | (24,812) | 163,186 | (88,485) | 118,920 |
| NET INCOME/(LOSS) | \$ (123,249) | \$ 55,316 | \$ (291,218) | \$ (68,816) |
| PER SHARE INFORMATION | | | | |
| Net Income/(Loss) Per Common Share | \$ (0.006) | \$ 0.003 | \$ (0.015) | \$ (0.004) |
| Weighted Average Number of Common Shares Outstanding | 20,444,578 | 18,980,091 | 19,888,248 | 18,960,118 |

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

INNOVATIVE DESIGNS, INC.

CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

July 31, 2014 (Unaudited) and October 31, 2013

| | Common Stock Number of Shares | Common Stock Amount | Additional Paid-in Capital | Accumulated Deficit | Total |
|-----------------------------------|----------------------------------|------------------------|-------------------------------|------------------------|-------------|
| Balance at October 31, 2012 | 18,935,743 | \$ 1,896 | \$ 5,688,645 | \$(5,991,903) | \$(301,362) |
| Shares issued for services | 70,000 | 7 | 24,993 | - | 25,000 |
| Sale of stock | 320,000 | 32 | 63,968 | - | 64,000 |
| Net loss | - | - | - | (142,761) | (142,761) |
| Balance at October 31, 2013 | 19,325,743 | 1,935 | 5,777,606 | (6,134,664) | (355,123) |
| Shares issued for debt conversion | 392,300 | 39 | 86,861 | - | 86,900 |
| Shares issued for services | 115,000 | 10 | 48,490 | - | 48,500 |
| Sale of stock | 1,245,680 | 124 | 688,216 | - | 688,340 |
| Net loss | - | - | - | (291,218) | (291,218) |
| Balance at July 31, 2014 | 21,078,723 | \$ 2,108 | \$ 6,601,173 | \$(6,425,882) | \$177,399 |

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, 2014 and 2013 (Unaudited)

| | For the Nine Month Periods Ended | |
|---|----------------------------------|---------------|
| | July 31, 2014 | July 31, 2013 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (291,218 |) \$ (68,816 |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Common stock issued for services | 57,900 | 25,000 |
| Amortization | 651 | - |
| Depreciation | 2,953 | 1,408 |
| Provision for inventory reserves | - | (7,000 |
| Reversal of contingent liability | - | (190,000 |
| Increase (decrease) from changes in: | | |
| Accounts receivable | 57,729 | 95,805 |
| Other receivable | 4,000 | - |
| Inventory | (40,576 |) 62,102 |
| Deposits on inventory | (12,954 |) (75,088 |
| Prepaid insurance | 5,470 | (8,754 |
| Deferred loan costs | (2,000 |) - |
| Accounts payable | (9,910 |) 12,833 |
| Accrued expenses | 144,562 | 20,938 |
| Accrued interest expense | (7,037 |) 26,642 |
| Net cash used in operating activities | (90,430 |) (104,930 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditures | (4,843 |) - |
| Net cash used in investing activities | (4,843 |) - |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from sale of stock | 688,340 | - |
| Payments on shareholder advances | (46,685 |) (144,100 |
| Proceeds from shareholder advances | 50,000 | 235,000 |
| Payments on notes payable | (149,790 |) (113,561 |
| Proceeds from notes payable | 80,000 | 142,396 |
| Net cash provided by financing activities | 621,865 | 119,735 |
| Net increase in cash | 526,592 | 14,805 |
| CASH, BEGINNING OF YEAR | 69,613 | 54,995 |

| | | |
|---|------------|-----------|
| CASH, END OF THE PERIOD | \$ 596,205 | \$ 69,800 |
| Supplemental disclosure of cash flow information: | | |
| Stock issuance for debt conversion | \$ 86,900 | \$ - |
| Cash paid for interest | \$ 89,022 | \$ 44,438 |

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

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INNOVATIVE DESIGNS, INC.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Three and Nine Month Periods Ended July 31, 2014 and 2013 (Unaudited)

NOTE 1. In the opinion of management, the accompanying unaudited financial statements contain all adjustments necessary to present fairly the Company's financial position as of July 31, 2014, the changes therein for the three and nine month periods then ended and the results of operations for the three and nine month periods ended July 31, 2014 and 2013.

NOTE 2. The financial statements included in the Form 10-Q are presented in accordance with the requirements of the Form and do not include all of the disclosures required by accounting principles generally accepted in the United States of America. For additional information, reference is made to the Company's annual report on Form 10-K for the fiscal year ended October 31, 2013. The results of operations for the three and nine month periods ended July 31, 2014 and 2013 are not necessarily indicative of operating results for the full year.

NOTE 3. INVENTORY

Inventory consists principally of purchased finished goods. Inventory is stated at the lower of cost or market on a first-in, first-out basis. The Company has decided to discontinue the manufacturing of its hunting and swimming line of apparel. The Company has booked a reserve against this inventory at July 31, 2014 and October 31, 2013 of \$52,000. Management will continue to evaluate its obsolete inventory reserve throughout the year and make adjustments as needed.

NOTE 4. EARNINGS PER SHARE

Innovative Designs, Inc. (the "Company") calculates net income (loss) per share in accordance with 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. DEPOSITS

The Company only has one manufacturer that produces the apparel and the INSULTEX material for the House Wrap on behalf of the Company, located in Indonesia. The Company will send deposits to the manufacturer for future production of the apparel and/or INSULTEX material, as the case may be, based on approved purchase orders between the Company and the manufacturer. Once finished purchase orders are received by the Company, the deposits associated with those purchase orders are transferred into inventory. As of July 31, 2014 and October 31, 2013, the Company had \$43,800 and \$30,846, respectively, on deposit with its manufacturer.

INNOVATIVE DESIGNS, INC.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Three and Nine Month Periods Ended July 31, 2014 and 2013 (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 billed back to customer orders was approximately \$46,000 and \$26,000 for the nine month periods ended July 31, 2014 and 2013, respectively. These amounts are included in both revenue and selling, general and administrative expenses.

NOTE 8. COMMON STOCK

During January of 2014, the Company sold its common stock to one private investor. The common stock was sold \$.20 per share. A total of 50,000 shares of common stock were sold resulting in total proceeds of \$10,000. No sales commissions were paid. We believe that Section 4(2) of the Securities Act of 1933, as amended, was available because the sales did not involve a public offering and there was no general solicitation or general advertising involved in the sales. 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 January of 2014, three individuals converted notes payable its common stock at \$.20 per share. These individuals converted principal and accrued interest of \$71,500 into 357,500 shares of common stock. The Company also issued an additional 14,000 shares of common stock at \$.20 per share, or \$2,800, as additional consideration called for in the note payable agreements. We believe that Section 4(2) of the Securities Act of 1933, as amended, was available because the sales did not involve a public offering and there was no general solicitation or general advertising involved in the sales. 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.

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INNOVATIVE DESIGNS, INC.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Three and Nine Month Periods Ended July 31, 2014 and 2013 (Unaudited)

During April 2014, the Company sold its common stock to three private investors. The common stock was sold at \$.40. A total of 115,000 shares were sold resulting in total proceeds of \$46,000. No sales commissions were paid. We believe that Section 4(2) of the Securities Act of 1933, as amended, was available because the sales did not involve a public offering and there was no general solicitation or general advertising involved in the sales. 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 April 2014, the Company issued an aggregate of 35,000 shares of our common stock, to two individuals for professional services. These issued shares were valued at \$.40 per share for an aggregate price of \$14,000. 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 May through July 2014, the Company sold its common stock to twenty-six private investors. The common stock was sold at prices ranging between \$.40 and \$.70 per share. A total of 1,080,680 shares of common stock were sold resulting in total proceeds of \$632,340. No sales commissions were paid. We relied on Rule 506 of Regulation D promulgated under the Securities Act of 1933, as amended, as the exemption from registration as all investors were "accredited investors" as that term is defined in the Regulation D, and no general solicitation or advertising was involved in these sales. 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.

In June 2014, a shareholder converted a note payable into common stock at approximately \$.60 per share. The shareholder converted a \$12,500 note into 20,800 shares of our common stock. We believe that Section 4(2) of the Securities Act of 1933, as amended, was available because the conversion did not involve a public offering and there was no general solicitation or general advertising involved in the conversion. 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 May and June 2014, the Company issued an aggregate of 80,000 shares of our common stock, to four individuals for professional services. These issued shares were valued at either \$.40 or \$.50 a share for an aggregate price of \$34,500. 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.

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INNOVATIVE DESIGNS, INC.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Three and Nine Month Periods Ended July 31, 2014 and 2013 (Unaudited)

NOTE 9. DEBT

The Company entered into a Note Payable Agreement with the President and CEO of the Company for \$50,000 during the three month period ended July 31, 2014.

NOTE 10. SUBSEQUENT EVENTS

The Company has evaluated subsequent events in accordance with ASC Topic 855, "*Subsequent Events*", through September 15, 2014, which is the date financial statements were available to be issued. With the exception of the matters discussed below, no subsequent event items were identified by the Company.

In August 2014, the Company sold 514,320 shares of its common stock to private investors, for gross proceeds of \$294,000. We relied on Rule 506 of Regulation D promulgated under the Securities Act of 1933, as amended, as the exemption from registration as all investors were "accredited investors" as that term is defined in the Regulation D, and no general solicitation or advertising was involved in these sales. 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.

In August 2014, the Company issued 45,000 shares of its common stock for professional services for \$0.50 per share, or \$22,500. 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 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, 2013.

Disclosure Regarding Forward-Looking Statements

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

Background

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

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

INNOVATIVE DESIGNS, INC.**Results of Operations**Comparison of the Three Month Period Ended July 31, 2014 with the Three Month Period Ended July 31, 2013.

The following table shows a comparison of the results of operations between the three month periods ended July 31, 2014 and July 31, 2013:

| | Three Month Period Ended July 31, 2014 | % of Sales | Three Month Period Ended July 31, 2013 | % of Sales | Increase (Decrease) | % Change |
|--|---|---------------|---|---------------|------------------------|-------------|
| REVENUE | \$ 195,035 | 100.00% | \$ 11,117 | 100.00 % | \$ 183,918 | 1654.39 % |
| OPERATING EXPENSES | | | | | | |
| Cost of sales | 123,782 | 63.47 % | 5,460 | 49.11 % | 118,322 | 2167.07 % |
| Selling, general and administrative expenses | 169,690 | 87.00 % | 113,527 | 1021.20% | 56,163 | 49.47 % |
| Loss from operations | (98,437) | -50.47 % | (107,870) | -970.31 % | 9,433 | -8.74 % |
| OTHER INCOME/(EXPENSE) | | | | | | |
| Interest expense | (24,812) | -12.72 % | (26,814) | -241.20 % | 2,002 | -7.47 % |
| Settlement of contingent liability | - | - | 190,000 | 1709.09% | (190,000) | -100.00 % |
| Net income (loss) | \$ (123,249) | -63.19 % | \$ 55,316 | 497.58 % | \$ (178,565) | -322.81 % |

Revenues for the quarter ended July 31, 2014 were \$195,035 compared to revenues of \$11,117 for the quarter ended July 31, 2013, as a result of the increase in sales in House Wrap during the three month period ended July 31, 2014. During the three month period ended July 31, 2014 House Wrap sales totaled \$192,041 in comparison with \$3,019 during the three month period ended July 31, 2013. Our net loss for the three months ended July 31, 2014 was \$(123,249). The majority of the House Wrap was purchased by our mid-west distributor, A Team Lindus.

Our selling, general and administrative expenses were \$169,690 for the three months ended July 31, 2014 compared to \$113,527 for the three months ended July 31, 2013. The increase in our expenses was a result of the higher activity in our sales. We have once again instituted our Early Order Booking program for our cold weather apparel. Under this program, a customer may place an order for a later delivery, make a deposit and we will pay for the shipping and offer a discount on payment. The customer may cancel the order at any time prior to shipment with no penalty.

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INNOVATIVE DESIGNS, INC.**Results of Operations**Comparison of the Nine Month Period Ended July 31, 2014 with the Nine Month Period Ended July 31, 2013.

The following table shows a comparison of the results of operations between the nine month periods ended July 31, 2014 and July 31, 2013:

| | Nine Month Period Ended July 31, 2014 | % of Sales | Nine Month Period Ended July 31, 2013 | % of Sales | Increase (Decrease) | % Change | |
|--|---|---------------|---|---------------|------------------------|-------------|---|
| REVENUE | \$ 635,457 | 100.00 % | \$ 361,173 | 100.00 % | \$ 274,284 | 75.94 | % |
| OPERATING EXPENSES | | | | | | | |
| Cost of sales | 322,938 | 50.82 % | 148,275 | 41.05 % | 174,663 | 117.80 | % |
| Selling, general and administrative expenses | 515,252 | 81.08 % | 400,634 | 110.93 % | 114,618 | 28.61 | % |
| Loss from operations | (202,733) | -31.90 % | (187,736) | -51.98 % | (14,997) | 7.99 | % |
| OTHER INCOME/(EXPENSE) | | | | | | | |
| Interest expense | (88,485) | -13.93 % | (71,080) | -19.68 % | (17,405) | 24.49 | % |
| Settlement of contingent liability | - | - | 190,000 | 52.61 % | (190,000) | -100.00 | % |
| Net loss | \$ (291,218) | -45.83 % | \$ (68,816) | -19.05 % | \$ (222,402) | 323.18 | % |

Revenues for the nine month period ended July 31, 2014 were \$635,457 compared to revenues of \$361,173 for the nine month period ended July 31, 2013, as a result of the increase in sales in House Wrap during the nine months ended July 31, 2014. During the nine month period ended July 31, 2014 House Wrap sales totaled \$213,709 in comparison with \$5,392 during the nine month period ended July 31, 2013. Our net loss for the nine month period ended July 31, 2014 was \$(291,218).

Our selling, general and administrative expenses were \$515,252 for the nine month period ended July 31, 2014 compared to \$400,634 for the nine months ended July 31, 2013.

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INNOVATIVE DESIGNS, INC.

Liquidity and Capital Resources

During the quarter ended July 31, 2014, we funded our operations from revenues from sales, short-term advances, private sales of our securities and additional borrowings.

Short Term: We will continue to fund our operations from sales and short term borrowings from shareholders and others and the possible 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 product and to purchase equipment needed for the manufacture of the product.

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, our operations would be severely effected as we would not be able to fund our purchase orders to our suppliers for finished goods.

Our House Wrap product continues to await the International Code Council's certification of the lab which certifies the R value of House Wrap. Once such certification is obtained, we believe that the R value of House Wrap will be increased such that large home builders will be able to use the product in their home construction. We cannot predict with any degree of certainty as to when such certification will be obtained. House Wrap is currently being offered, online, by Lowes and Home Depot.

INNOVATIVE DESIGNS, INC.

PART II – OTHER INFORMATION

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

During May through July 2014, the Company sold its common stock to twenty-six private investors. The common stock was sold at prices ranging between \$.40 and \$.70 per share. A total of 1,080,680 shares were sold resulting in total proceeds of \$632,340. The registrant intends to use the proceeds from the sales to purchase raw material inventory, invest in new equipment and general working capital purposes. No sales commissions were paid. We believe that Rule 506 of Regulation D promulgated under the Securities Act of 1933, as amended, was available because the sales did not involve a public offering and there was no general solicitation or general advertising involved in the sales and all investors were “accredited investors” as that term is defined in Regulation D. 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.

In June 2014, a shareholder converted his note into common stock at approximately \$.60 per share. The shareholder converted a \$12,500 note into 20,800 shares of our common stock. We believe that Section 4(2) of the Securities Act of 1933, as amended, was available because the conversion did not involve a public offering and there was no general solicitation or general advertising involved in the conversion. 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 May and June 2014, the Company issued an aggregate of 80,000 shares of our common stock, to four individuals for professional services. These issued shares were valued at either \$.40 or \$.50 a share for an aggregate price of \$34,500. 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.

INNOVATIVE DESIGNS, INC.

ITEM 4 T. 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, 2014, 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 fourth quarter of 2013 and the first quarter ended January 31, 2014, 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-K for the year ended October 31, 2013 or the Form 10-Q for the period ended January 31, 2014 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 third quarter of 2014.

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.

INNOVATIVE DESIGNS, INC.

ITEM 6. EXHIBITS

*3.1 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 registration statement on Form SB-2, filed March 11, 2003

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema

101.CAL XBRL Taxonomy Extension Calculation Linkbase

101.DEF XBRL Taxonomy Extension Definition Linkbase

101.LAB XBRL Taxonomy Extension Label Linkbase

101.PRE XBRL Taxonomy Extension Presentation Linkbase

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 15, 2014 by: /s/ Joseph Riccelli
Joseph Riccelli, Chief Executive Officer
and Chief Financial Officer