

INNOVATIVE DESIGNS INC
Form 10QSB
September 15, 2005

OMB APPROVAL

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

FORM 10-QSB

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

OR

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

COMMISSION FILE NUMBER: **333-103746**

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

INNOVATIVE DESIGNS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

03-0465528

(IRS Employer Identification No.)

223 North Main Street, Suite 1

Pittsburgh, Pennsylvania 15215

(Address of principal executive offices)

(412) 799-0350

(Registrant's telephone number, including area code)

Not applicable

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

All Correspondence to:

Eric S. Gillen, Esquire

Leech Tishman Fuscaldo & Lampl, LLC

Citizens Bank Building, 30th Floor

525 William Penn Place

Pittsburgh, Pennsylvania 15025

As of July 31, 2005, there were 17,315,193 shares of the registrant's common stock outstanding.

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

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

INNOVATIVE DESIGNS, INC.

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

PART 1 - FINANCIAL INFORMATION

INNOVATIVE DESIGNS, INC.

(A DEVELOPMENT STAGE COMPANY)

FINANCIAL STATEMENTS

ITEM 1. FINANCIAL STATEMENTS.

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

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

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

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

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

BALANCE SHEETS

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

ASSETS

July 31,

October 31,

2005

2004

(Unaudited)

CURRENT ASSETS:

Cash

\$

10,646

\$

27,384

Accounts receivable

13,619

30,355

Other receivables

5,000

5,000

Inventory

338,760

286,310

Deferred financing fee

4,687

-

Total current assets

372,712

349,049

PROPERTY AND EQUIPMENT, NET

19,648

26,118

TOTAL ASSETS

\$

392,360

\$

375,167

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES:

Accounts payable

\$

142,842

\$

138,842

Due to shareholders

46,000

46,000

Accrued expenses

12,938

13,596

Current portion of note payable

97,800

102,000

Current portion of related party debt

70,000

727,275

Total current liabilities

369,580

1,027,713

LONG TERM LIABILITIES:

Long-term portion of related party debt

319,000

307,364

Long-term portion of notes payable

23,923

-

Total long term liabilities

342,923

307,364

TOTAL LIABILITIES

712,503

1,335,077

STOCKHOLDERS' DEFICIT:

Preferred stock, \$.0001 par value,

-

-

100,000,000 shares authorized

Common stock, \$.0001 par value,

500,000,000 shares authorized,

17,315,193 and 16,903,625 shares

issued and outstanding, respectively

1,732

1,691

Additional paid in capital

4,813,868

3,948,259

(Deficit) accumulated during the development stage

(5,135,743)

(4,909,860)

Total stockholders' (deficit)

(320,143)

(959,910)

TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT

\$

392,360

\$

375,167

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

INNOVATIVE DESIGNS, INC.
(A Development Stage Company)

STATEMENTS OF OPERATIONS

Three and Nine Months Ended July 31, 2005 and 2004, Period from Inception (June 25, 2002) to July 31, 2005

(Unaudited)

Inception to

Three Months Ended July 31,

Nine Months Ended July 31,

July 31,

2005

2004

2005

2004

2005

REVENUE

\$

17,671

\$

6,061

\$

49,936

\$

19,469

\$

177,351

OPERATING EXPENSES:

Cost of sales

7,580

2,546

21,131

8,178

147,111

Non-cash stock

compensation

2,400

(1,600,000)

82,550

(1,600,000)

3,657,580

Selling, general and

administrative expenses

61,322

106,591

177,476

278,999

996,255

71,302

(1,490,863)

281,157

(1,312,823)

4,800,946

Income (loss) from operations

(53,631)

1,496,924

(231,221)

1,332,292

(4,623,595)

OTHER INCOME (EXPENSE)

Revenue from grants

11,138

-

11,138

-

11,138

Interest expense

(1,800)

(55,116)

(5,800)

(165,441)

(406,338)

Total other income (expense)

9,338

(55,116)

5,338

(165,441)

(395,200)

Income (loss) before

extraordinary items

(44,293)

1,441,808

(225,883)

1,166,851

(5,018,795)

Extraordinary item - casualty

loss from flooding, net

of insurance proceeds

-

-

-

-

116,948

NET INCOME (LOSS)

\$

(44,293)

\$

1,441,808

\$

(225,883)

\$

1,166,851

\$

(5,135,743)

Per share information -

basic and fully diluted

Weighted Average

Shares Outstanding

17,312,639

17,639,462

17,130,262

16,318,323

15,387,384

Net income (loss) per share

\$

(0.01)

\$

0.08

\$

(0.01)

\$

0.07

\$

(0.33)

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

INNOVATIVE DESIGNS, INC.
(A Development Stage Company)

STATEMENTS OF CASHFLOW

Nine Months Ended July 31, 2005 and 2004, Period from Inception (June 25, 2002) to July 31, 2005

(Unaudited)

Inception to

Nine Months Ended July 31,

July 31,

2005

2004

2005

CASH FLOWS FROM OPERATING ACTIVITIES

Net income (loss)

\$

(225,883)

\$

1,166,851

\$

(5,135,743)

Adjustments to reconcile net income (loss) to

cash provided by operating activities:

Common stock issued to founders

-

-

1,405

Common stock returned for

noncompliance services

(39,600)

(1,600,000)

(1,639,600)

Common stock issued for services

122,150

-

5,306,695

Depreciation and amortization

10,284

9,339

26,698

Interest added to related party note

-

163,638

395,494

Interest added to note payable

5,800

-

7,800

Loss from extraordinary item

-

-

173,830

Changes in operating assets and liabilities:

Accounts receivable

16,736

4,820

(13,619)

Inventory

(52,450)

(78,102)

(461,832)

Other receivables

-

-

(5,000)

Due to related party

-

3,500

-

Accounts payable

4,000

1,946

142,842

Accrued expenses

(658)

-

12,938

Net cash (used in) operating activities

(159,621)

(328,008)

(1,188,092)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment

(1,000)

-

(49,290)

Insurance proceeds from casualty loss

-

-

38,202

Insurance proceeds used to pay off vehicle loans

-

-

(38,202)

Net cash (used in) investing activities

(1,000)

-

(49,290)

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on note payable

(10,000)

(6,737)

(13,884)

Payment on related party note

-

-

(50,000)

Shareholder advances

-

15,000

363,875

Proceeds from note payable

23,923

6,000

23,923

Proceeds from loan payable from related party

58,000

71,000

129,000

Proceeds from note payable - related party

60,000

-

60,000

Common stock shares issued for cash

11,960

167,420

676,230

Proceeds from short term debt

-

100,000

58,884

Net cash provided by financing activities

143,883

352,683

1,248,028

Net increase (decrease) in cash

(16,738)

24,675

10,646

Cash - beginning

27,384

73,476

-

Cash ending

\$

10,646

\$

98,151

\$

10,646

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

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

STATEMENTS OF CASHFLOW

Nine Months Ended July 31, 2005 and 2004, Period from Inception (June 25, 2002) to July 31, 2005

(Unaudited)

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

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

STATEMENTS OF CASHFLOW

Nine Months Ended July 31, 2005 and 2004, Period from Inception (June 25, 2002) to July 31, 2005

(Unaudited)

Inception to

Nine Months Ended July 31,

July 31,

2005

2004

2005

Supplemental cash flow information:

Cash paid for interest

\$

-

\$

803

\$

3,043

Non-cash investing and financing activities:

License agreement

\$

-

\$

-

\$

618,145

Property and equipment acquired

with note payable

\$

-

\$

-

\$

45,000

Conversion of notes payable -

related party to equity

\$

763,639

\$

-

\$

763,639

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

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

1.

BASIS OF PRESENTATION

The accompanying unaudited financial statements in the Form 10QSB are presented in accordance with the requirement of the form and do not include all of the disclosures required by accounting principles generally accepted in the United States of America. For additional information, reference is made to the Innovative Designs, Inc.'s annual report on Form 10KSB for the year ended October 31, 2004. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

2.

EARNINGS PER SHARE

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

3.

COMMON STOCK

During the nine month period ended July 31, 2005, the Company entered into various common stock transactions that included 317,000 shares issued for services at an average price of \$0.39 per share or \$122,150, 33,000 shares cancelled for non performance of services at an average price of \$1.20 per share or \$39,600, 77,568 shares purchased by investors for an average price of \$0.15 per share or \$11,960, and 50,000 shares issued as additional consideration for a loan from a related party as further discussed in Note 4. The individual stock transactions are as follows:

Common Stock Issued for Service

On December 12, 2004, the Company issued 100,000 shares of our stock to Sean W. Dills in exchange for past and future consulting services pertaining to strategic business planning. The shares to Sean W. Dills were valued at a price of \$0.75 per share, or an aggregate price of \$75,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. These shares were issued without a restrictive legend.

On December 21, 2004, the Company issued 10,000 shares of our stock to Anthony C. Mengine in exchange for legal services rendered to us. The shares to Anthony C. Mengine were valued at a price of \$0.50 per share, or an aggregate price of \$5,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. These shares were issued without a restrictive legend.

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

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

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On December 21, 2004, the Company issued 6,000 shares of our stock to Roy S. Devine in exchange for consulting services rendered to us. The shares to Roy S. Devine were valued at a price of \$0.50 per share, or an aggregate price of \$3,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. These shares were issued without a restrictive legend.

On January 7, 2005, the Company issued 50,000 shares of our stock to Sean W. Dills in exchange for past and future consulting services pertaining to strategic business planning. The shares to Sean W. Dills were valued at a price of \$0.30 per share, or an aggregate price of \$15,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. These shares were issued without a restrictive legend.

On April 19, 2005, the Company issued 75,000 shares of our stock to Bonnie Dake in exchange for past and future administrative and marketing services pertaining to the operation of the business. The shares to Bonnie Dake were valued at a price of \$0.15 per share, or an aggregate price of \$11,250. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. 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.

On April 19, 2005, the Company issued 25,000 shares of our stock to Owen Dake in exchange for past and future marketing services pertaining to the operation of the business. The shares to Owen Dake were valued at a price of \$0.15 per share, or an aggregate price of \$3,750. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. 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.

On April 19, 2005, the Company issued 25,000 shares of our stock to Gary M. Tyra in exchange for past and future marketing services pertaining to the operation of the business. The shares to Gary M. Tyra were valued at a price of \$0.15 per share, or an aggregate price of \$3,750. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. 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.

On April 19, 2005, the Company issued 10,000 shares of our stock to Anthony Fazio in exchange for providing construction modifications and improvements to our facility. The shares to Anthony Fazio were valued at a price of \$0.15 per share, or an aggregate price of \$1,500. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. We placed legends on the

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

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On April 19, 2005, the Company issued 10,000 shares of our stock to Gregory P. Domion in exchange for past, present and future sales and marketing services pertaining to the operation of the business. The shares to Gregory P. Domion were valued at a price of \$0.15 per share, or an aggregate price of \$1,500. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. 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.

On June 14, 2005, the Company issued 6,000 shares of our stock to Charles Peterson in exchange for product development. The shares to Charles Peterson were valued at a price of \$0.40 per share, or an aggregate price of \$2,400. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. These shares were issued without a restrictive legend.

Common Stock Sold

On April 19, 2005, the Company sold 33,334 shares of our stock to Jennifer Lee Dake for a price of \$0.15 per share or \$5,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. 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.

On April 19, 2005, the Company sold 33,334 shares of our stock to Anna Mae Lipski for a price of \$0.15 per share or \$5,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. 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.

On April 19, 2005, the Company sold 6,400 shares of our stock to Thomas Gniewkowski for a price of \$0.15 per share or \$960. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. 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.

On July 19, 2005, the Company sold 2,000 shares of our stock to Jennifer Lee Dake for a price of \$0.25 per share or \$500. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. 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.

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

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

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On July 19, 2005, the Company sold 2,500 shares of our stock to Edward Craft for a price of \$0.20 per share or \$500. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. 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.

Common Stock Issued in Connection with Borrowing Activity

On April 28, 2005, the Company issued 50,000 shares of our stock to David W. Lampl as additional consideration for a loan Lampl made to the Company as further described Note 4. The shares to David W. Lampl were valued at a price of \$0.15 per share, or an aggregate price of \$7,500. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. 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.

Common Stock Cancelled

On December 29, 2004, the Company cancelled 3,000 shares of our stock previously issued to Barry Douglas in exchange for sales services for nonperformance of these services. The shares were valued at \$1.20 per share or an aggregate of \$3,600.

On April 18, 2005, the Company cancelled 30,000 shares of our stock previously issued to Anthony P. Leech in exchange for legal services for nonperformance of these services. The shares were valued at \$1.20 per share or an aggregate of \$36,000.

4.

BORROWINGS

July 31, 2005

October 31, 2004

Related Party Borrowings

Note Payable - Related party; RMF Global, Inc.;
Note Payable is non-interest bearing with no
payment terms.

Loan Payable - Related party; RMF Global \$ Riccelli Properties. Loan Payable is non-interest bearing with no payment terms.	200,000	\$ 963,639
--	---------	---------------

Note Payable - Related party - David W. Lampl,
Esq.; due December 31, 2005; interest is 12% per
annum.

Subtotal	119,000	71,000
----------	---------	--------

<u>50,000</u>	<u>-</u>
---------------	----------

Subtotal from previous page

\$	\$
----	----

Note Payable - Related party; due October 15, 369,000 2005; interest is 10% per annum.	1,034,639
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Note Payable - Related party; Bonnie Dake; there are no terms and is due upon demand.	<u>July 31, 2005</u>	<u>October 31, 2004</u>
--	----------------------	-------------------------

Note Payable - Related party; Gregory P. Domain; \$ there are no terms and is due upon demand.	369,000	\$ 1,034,639
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Total Related Party Borrowings

10,000 -

5,000 -

5,000 -

\$ \$

389,000 1,034,639

Other Borrowings

Note Payable - James Kearney; due upon demand; interest is 8% per annum.

\$ \$

Note Payable - Redevelopment Authority of Allegheny County; due June 2010; payable in 97,800 monthly installments of \$290. This is a non-interest bearing note. 102,000

Note Payable - U.S. Small Business Administration; due December 2035; payable in monthly installments. Interest is 2.9% per annum.

Total Other Borrowings 13,923 -

Total Borrowings

Less current portion of Related

Party Borrowings	<u>10,000</u>	<u>-</u>
Less current portion of Other Borrowings	\$	\$
	<u>121,723</u>	<u>102,000</u>
Total Long-Term Borrowings		
	\$	\$
	510,723	1,136,639
	(70,000)	(727,275)
	(<u>97,800</u>)	(<u>102,000</u>)
	\$	\$
	<u>342,923</u>	<u>307,364</u>

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

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

In April 2005, the Company entered into discussions with David W. Lampl, Esq. (Lampl), a related party shareholder, regarding the terms of a potential loan from Lampl to the Company. Lampl disclosed the potential conflict of interest to the Company and followed the Pennsylvania Rules of Professional Conduct with regard to conflict of interest matters. Joseph Riccelli, the Company's Chief Executive Officer, executed, on behalf of the Company, a letter dated April 19, 2005, which outlined the terms of the loan. Mr. Riccelli also executed a Disclosure Statement stating that he understood the terms of the loan and consented to Lampl's role as both counselor to the Company and as payee of the loan. On April 28, 2005, the Company entered into a Secured Term Promissory Note (the Note) with Lampl, whereby Lampl loaned and the Company agreed to pay Lampl the principal amount of fifty thousand and 00/100 dollars (\$50,000.00) plus interest at a rate of twelve percent (12%) per annum on or before December 31, 2005. Lampl is a member of the law firm of Leech Tishman Fuscald & Lampl, LLC which represents the Company with regard to various corporate matters.

To secure the indebtedness the Company granted a security interest to Lampl in and to all presently owned and after acquired personal property of the Company, including, but not limited to, Accounts, Equipment, Raw Materials, Inventory, Contract Rights and Proceeds and all General Intangibles. The Company also issued two (2) twenty-five thousand (25,000) share blocks of Rule 144 Common stock of the Company as additional consideration (the Additional Consideration). If all sums due under the Note have been paid on or before December 31, 2005, and if the closing price on the one (1) year anniversary date of the issuance of the Company stock to Lampl is equal to or greater than \$1.00 per share, then Lampl will return one (1) twenty-five thousand (25,000) share block to the Company. Otherwise, Lampl will retain the entire fifty thousand (50,000) shares of the Company stock free and clear of any claims or obligations.

If the Company defaults under the terms of the Note, the payment of the indebtedness will be accelerated and the interest rate will accrue on any remaining principal balance at a rate of eighteen percent (18%) from the date of default forward. The Note also contains a Confession of Judgment provision.

In July 2005, the Company entered into a 90 day note with a related party shareholder, Stephen H. Dake, for \$10,000. The note bears interest of ten percent (10%) and is payable on or before the 90 day due date of October 15, 2005.

In July 2005, the Company entered into a loan with a related party shareholder, Bonnie Dake, for \$5,000. The loan has no terms, bears no interest and is due upon demand. Accordingly, no interest has been reflected within the financial statements.

In July 2005, the Company entered into a loan with a related party shareholder, Gregory P. Domain, for \$5,000. The loan has no terms, bears no interest and is due upon demand. Accordingly, no interest has been reflected within the financial statements.

In July 2005, the Company received a no interest loan with Redevelopment Authority of Allegheny County in the amount of \$13,923. The Company qualified for a loan due to the significant loss of inventory, raw materials, and

equipment when its leased warehouse, in which it maintained these items, was flooded by the remnants of Hurricane Ivan in

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

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

September 2004. The loan is to be repaid over a forty-seven month period in equal payments of \$290.06, commencing July 1, 2006.

In July 2005, the Company was approved for a low interest promissory note from the U.S. Business Administration in the amount of \$280,100. The Company qualified for the loan due to the significant loss of inventory, raw materials, and equipment when its leased warehouse, in which it maintained these items, was flooded by the remnants of Hurricane Ivan in September 2004. The note bears interest at an annual rate of two and 9/100 percent (2.9%). Monthly installment payments, including principal and interest, will be \$1,186 beginning five months from the date of the promissory note. The note will be payable over 30 years. Certain guarantees of collateral were made by the Company's Chief Executive Officer and shareholder, Joseph Riccelli to service the note. The Company is to use the loan proceeds to repair or replace the following: approximately \$6,200 for machinery and equipment; approximately \$80,100 for furniture and fixtures; approximately \$148,700 for inventory; and approximately \$45,100 for working capital. The Company has received \$10,000 as of July 31, 2005, with the remainder of the funds to be disbursed in accordance with the general requirements of the Small Business Administration.

5.

CONVERSION OF NOTES PAYABLE RELATED PARTY TO EQUITY

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

6.

GRANT FOR CASUALTY LOSS OF PROPERTY DUE TO FLOOD

In July 2005, the Company received a grant from the Redevelopment Authority of Allegheny County in the amount of \$11,138. The Company qualified for the grant due to the significant loss of inventory, raw materials, and equipment when its leased warehouse, in which it maintained these items, was flooded by the remnants of Hurricane Ivan in September 2004. The grant is not a loan and will not be paid back to Allegheny County. The proceeds of the grant shall be used to purchase replacement equipment and/or inventory damaged in the flooding.

7.

GOING CONCERN

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

The Company has experienced a significant loss from operations as a result of its investment necessary to achieve its operating plan, which is long-range in nature. For the nine month period ended July 31, 2005 and 2004, the Company incurred a net operating (loss) income of (\$231,221) and \$1,332,292, respectively. Since the Company's inception, they have incurred a net loss from operations of \$4,623,595 which included \$3,657,580

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

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

resulting from non-cash stock compensation paid to various individuals for performance of services on behalf of the Company. The Company has working capital of \$3,132 and a stockholders' deficit of \$320,143 at July 31, 2005. In addition, the Company has no significant revenue generating operations.

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

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

On May 1, 2005, Innovative Designs, Inc. (the Company) entered into a Personal Services Agreement (the Agreement) with William Maas (Maas), whereby the Company agreed to design and manufacture a line of hunting and outdoor apparel that will be known as the Bill Maas Hunting Line (the Hunting Line). The initial term of the Agreement is three (3) years and will automatically renew for another three (3) year term, not to exceed ten (10) three (3) year terms, unless either party terminates the Agreement.

Maas agreed to permit the Company to utilize his name, image, likeness, reputation, signature, history, career statistics and other personal characteristics in order to communicate Maas' endorsement, use and involvement with the Hunting Line. Maas also agreed to make himself available, at his discretion, to appear in person at various locations and/or functions to promote the Hunting Line.

The Company agreed to compensate Maas by providing him with a commission on all revenues received by the Company from the sale of the Hunting Line apparel.

During May 2005, the Company received a substantial purchase order from one prominent independent retailer for the Hunting Line. The Company products are also currently carried by 18 retailers located primarily in Ohio and Pennsylvania. The Company also has an exclusive agreement with a major manufacturing representative firm that will be marketing and selling the Company's products in 37 states throughout the United States.

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

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INNOVATIVE DESIGNS, INC.

/s/ Joseph Riccelli

By:

Joseph Riccelli

Chief Executive Officer

/s/ Anthony Fonzi

By:

Anthony Fonzi

Chief Financial Officer, Principal

Accounting Officer, and Director

Date:

09/15/05

Exhibit 32.1

CERTIFICATIONS

I, Joseph Riccelli, certify that:

1.

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

2.

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Innovative Designs, Inc. as of, and for, the periods presented in this report;

4.

The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Innovative Designs, Inc. and have:

(a)

Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Innovative Designs, Inc., including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b)

Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c)

Evaluated the effectiveness of Innovative Designs, Inc.'s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d)

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

5.

The registrant s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Innovative Designs, Inc. s board of directors (or persons performing the equivalent functions):

(a)

All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Innovative Designs, Inc. s ability to record, process, summarize and report financial information; and

(b)

Any fraud, whether or not material, that involves management or other employees who have a significant role in Innovative Designs, Inc. s internal control over financial reporting.

/s/ Joseph Riccelli

Date:

09/15/05

By:

Joseph Riccelli, Chief Executive Officer

Exhibit 32.1

CERTIFICATIONS

I, Anthony Fonzi, certify that:

1.

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

2.

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Innovative Designs, Inc. as of, and for, the periods presented in this report;

4.

The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Innovative Designs, Inc. and have:

(a)

Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Innovative Designs, Inc., including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b)

Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c)

Evaluated the effectiveness of Innovative Designs, Inc.'s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d)

Disclosed in this report any change in Innovative Designs, Inc.'s internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter that has materially affected, or is reasonably likely to

materially affect, the small business issuer's internal control over financial reporting; and

5.

The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Innovative Designs, Inc.'s board of directors (or persons performing the equivalent functions):

(a)

All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Innovative Designs, Inc.'s ability to record, process, summarize and report financial information; and

(b)

Any fraud, whether or not material, that involves management or other employees who have a significant role in Innovative Designs, Inc.'s internal control over financial reporting.

/s/ Anthony Fonzi

Date:

09/15/05

By:

Anthony Fonzi, Chief Financial Officer,

Principal Accounting Officer, and Director

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

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

o

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

o

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

/s/ Joseph Riccelli

Date:

09/15/05

By:

Joseph Riccelli

Chief Executive Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

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

o

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

o

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

/s/ Anthony Fonzi

Date:

09/15/05

By:

Anthony Fonzi

Chief Financial Officer, Principal

Accounting Officer, and Director