

Edgar Filing: FLEXIBLE SOLUTIONS INTERNATIONAL INC - Form 10QSB

FLEXIBLE SOLUTIONS INTERNATIONAL INC
Form 10QSB
May 14, 2001

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

FORM 10QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the quarterly period ended March 31st 2001

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission file number 000-29649

FLEXIBLE SOLUTIONS INTERNATIONAL INC.

(Exact name of small business issuer as specified in its charter)

NEVADA

911922863

(State or other jurisdiction
of incorporation or organization)

(IRS Employer Identification No.)

2614 Queenswood Dr. Victoria BC Canada V8N 1X5

(Address of principal executive offices)

(250) 477-9969

(Issuer's telephone number)

(Former name, former address and former fiscal year if changed since last
report)

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be
filed by Section 12,13 or 15(d) of the Exchange Act after the distribution of
securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common
equity, as of the latest practicable date: Common stock \$.001 par value
9,231,136 shares as of March 31st 2001.

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

PART 1 - FINANCIAL INFORMATION

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Item 1. FINANCIAL STATEMENTS.

Attached hereto and incorporated herein by reference.

Item 2. MANAGER'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

The following information contains certain forward looking statements that anticipate future trends or events. These statements are based on certain assumptions that may prove to be erroneous and are subject to certain risks including but not limited to the risks of increased competition in the Company's industry and other risks detailed in the Company's Securities and Exchange Commission filings. Accordingly, actual results may differ, possibly materially, from the predictions contained herein.

During the three months ended March 31st 2001, the Company experienced a net after tax income of \$100,994 as compared to income of \$27,093 for the three months ended March 31st 2000. The increase was due to a significant expansion of operations which began in the fourth quarter of 2000 and continued through the first quarter of 2001. During this period the Company hired additional personnel, expanded corporate headquarters and increased production. The overall result was a net income of \$100,994.

RESULTS OF OPERATIONS

Reference is made to Item 2, "Management's Discussion and Analysis" included in the Company's registration statement on Form 10-SB for the year ended December 31st 1999, as amended, on file with the Securities and Exchange Commission and to the same section of the Company's 10K-SB for the period ended Dec. 31st 2000 on file with the Securities and exchange Commission. The following analysis and discussion pertains to the Company's results of operations for the three month period ended March 31st 2001, compared to the results of operations for the three month period ended March 31st 2000, and to changes in the Company's financial condition from December 31st 2000 to March 31st 2001.

THREE MONTHS ENDED March 31st 2001 and 2000

For the first quarter of the current fiscal year ending March 31st 2001, sales were \$351,447 compared to \$260,328 for the same quarter of the previous year. The increase in sales were as a result of our distributors selling to more retail outlets in more geographic areas and selling larger quantities to older accounts.

Operating expenses were \$75,799 for the first quarter, up from \$66,978 for the first quarter of last year. This is as a result of increased costs in all categories of expenses due to the significant expansion in sales. The largest increases were in the areas of administrative salaries and benefits (13,164), travel (8,454) and stock promotion (5,471).

The net income for the quarter was \$100,994 which represents a substantial increase over first quarter last year when the net income was \$27,093. The increase in income was a result of increased sales, and lower cost of sales.

The earnings per share (fully diluted) was \$0.01 for the three months ended March 31st 2001 compared to \$0.00 for the three months ended March 31st 2000.

LIQUIDITY AND CAPITAL RESOURCES

Historically, the Company has financed it's cash flow requirements through retained earnings from sales. Cash provided by net earnings which occurred during the three months ended March 31st was \$100,994 This resulted in a total cash and cash equivalent position of \$60,579 at the end of the period.

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As of March 31st 2001 the Company had working capital of \$486,938 which represented an increase of \$200,211 as compared to the working capital of March 31st 2000. The increase was a result of retained earnings from the second, third and fourth quarters of 2000 and the first quarter of 2001.

The Company has no external sources of liquidity in the form of credit lines from banks.

Management believes that its available cash will be sufficient to fund the Company's working capital requirements through December 31st 2001. Management further believes that available cash will be sufficient to implement the Company's expansion plans. No investment banking agreements are in place and there is no guarantee that the Company will be able to raise capital in the future should that become necessary.

IMPACT OF THE YEAR 2000 ISSUE

The year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the year 2000 issue that may affect the company including those related to customers, suppliers, or other third parties, have been fully resolved.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS:

The Company does not have any derivative financial instruments as of March 31st 2001. However, the Company is exposed to interest rate risk.

The Company's interest income and expense are most sensitive to changes in the general level of U.S. and Canadian interest rates. In this regard, changes in U.S. and Canadian interest rates affect the interest paid on the Company's cash equivalents as well as the interest paid on debt.

FOREIGN CURRENCY RISK

The Company operates primarily in Canada. Therefore, the Company's business and financial condition is sensitive to currency exchange rates or any other restriction imposed on its currency.

Part II - OTHER INFORMATION

- Item 1. Legal proceedings - None
- Item 2. Changes in Securities
 - A) On Jan. 14th 2001, 100,000 restricted shares were issued to Equity Trust SA in return for services rendered in the compilation of an SB-2 filing document.
 - B) On Apr. 12th 2001 the Company registered by way of an S-8 document, on file with the Securities Exchange Commission, 636,000 options to buy common shares.
- Item 3. Default upon Senior Securities - None
- Item 4. Submission of Matters to a Vote of Securities Holders - None
- Item 5. Other Information - None
- Item 6.(a) Exhibit 27 - Financial Data Schedule
- Item 6.(b) Reports on Form 8-K - None

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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.

FLEXIBLE SOLUTIONS INTERNATIONAL INC.
(Registrant)

Dated: May 4th 2001

/s/ Dan O'Brien, President and Director

FLEXIBLE SOLUTIONS INTERNATIONAL INC.
Consolidated Balance Sheets

(Unaudited)
March 31
(U.S. Dollars)

	2001	2000
<hr/>		
Assets		
Current		
Cash	\$35,579	\$3,409
Accounts receivable (note 4)	411,123	228,560
Note receivable	25,000	
Inventory	119,987	132,558
Prepaid expenses	2,494	0
	-----	-----
Total Current Assets	594,183	364,527
Property and Equipment (note 5)	60,410	52,654
	-----	-----
Total Assets	\$654,593	\$417,181
	=====	=====
Liabilities		
Current		
Accounts payable	15,158	56,806
Accrued liabilities	0	0
Income tax payable	152,497	73,648
	-----	-----
Total Current Liabilities	167,655	130,454
	-----	-----
Stockholders' Equity		
Capital Stock		
Authorized		
50,000,000 Common shares with a par value of \$0.001 each		
1,000,000 Preferred shares with a par value of \$0.01 each		
Issued		
9,231,316 Common shares	9,231	9,131
Capital in Excess of Par Value	163,653	163,653
Other Comprehensive Income (Loss)	-2,366	-3,488
Retained Earnings	316,420	117,431
	-----	-----
	486,938	286,727
	-----	-----
Total Liabilities and Stockholders' Equity	\$654,593	\$417,181
	=====	=====

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FLEXIBLE SOLUTIONS INTERNATIONAL INC.
Consolidated Statement of Operations

(Un-audited)
Quarter Ended March 31
(U.S. Dollars)

	2001	2000
Sales	\$351,447	\$260,328
Cost of Sales (Exclusive of Depreciation)	112,755	152,317
Gross Profit	238,692	108,011
Operating Expenses		
Wages	24,781	26,657
Administrative salaries and benefits	13,164	0
Advertising	1,520	0
Professional fees	4,213	18,382
Subcontracting	5,629	7,848
Shipping	1,912	2,839
Rent	4,288	2,380
Travel	8,454	2,206
Office	1,590	870
Telephone	553	879
Commission	178	263
Stock promotion and transfer agent fee	5,471	0
Miscellaneous	1,362	2,120
Depreciation	2,684	2,534
	75,799	66,978
Income Before Income Tax	162,893	41,033
Income Tax	61,899	13,940
Net Income	\$100,994	\$27,093
Net Income Per Share	\$0.01	\$0.00
Weighted Average Number of Shares	9,212,427	9,131,316

FLEXIBLE SOLUTIONS INTERNATIONAL INC.
Consolidated Statement of Cash Flow

(Un-audited)
Quarter Ended March 31
(U.S. Dollars)

	2001	2000
Operating Activities		
Net income	\$100,994	\$27,036
provided by (used in) operating activities		
Depreciation	2,684	2,534
Changes in non-cash working capital		
Accounts receivable	-266,740	-115,721
Notes receivable	-25,000	
Inventory	-26,474	4,002
Prepaid expenses	-3,657	520
Accounts payable	2,736	29,795
Accrued liabilities	0	-6,929

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Income tax payable	61,899	4,362
	-----	-----
Cash provided (Used in) Operating Activities	-153,558	-54,401
Investing Activities		
Acquisitions and Equipment	-10,030	-5,406
Financing Activities		
Repayment to shareholder	0	0
Effect of Exchange Rate Changes on Cash	6,887	3,775
	-----	-----
Inflow (Outflow) of Cash	-156,701	-56,032
Cash, Beginning of Quarter	192,280	59,441
	-----	-----
Cash, End of Quarter	\$35,579	\$3,409
	=====	=====

Notes to Financial Statements:

Foreign Currency - Flexible Solutions functions using the Canadian dollar. Translation to US dollars for reporting is done at the average exchange rates during the year. Losses and gains arising from currency translation are disclosed as other comprehensive income (loss) in shareholders equity.

Estimates- The preparation of consolidated financial statements requires management to make estimates that affect the reported assets and liabilities at the date of the statements. Actual results could differ.

Inventory- Inventory is valued at the lower of cost or net realizable value. Cost is determined on a first in-first out basis.

Property and Equipment - Property and equipment are recorded at cost and depreciated using the declining balance with the following annual rates:

Manufacturing equipment	20%
Trailer	30%
Computer hardware	30%
Furniture and Fixtures	20%
Office equipment	20%

Revenue Recognition - Revenue is recognized when product is shipped. Returns have been insignificant since the Company's inception, therefore no allowance has been established for product returns.

Financial instruments - The Company's instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. Management opines that there are no significant currency or credit risks from these instruments.

Income (loss) per share calculation - Calculated by dividing net income by the weighted average number of shares outstanding.

Accounts Receivable - No provision has been made for uncollectible accounts. Management believes all are collectible.