INNOVATIVE DESIGNS INC
Form 10QSB
September 15, 2006

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, 2006:
	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**

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:
Christopher H. Williams, Esquire
Leech Tishman Fuscaldo & Lampl, LLC

Citizens Bank Building, 30th Floor

525 William Penn Place

Pittsburgh, Pennsylvania 15025

As of July 31, 2006, there were 17,111,193 shares of the registrant's common stock outstanding.

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

INNOVATIVE DESIGNS, INC.

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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, 2006 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, 2005 in the Form 10-KSB filed with the SEC on January 31, 2006.

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

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

BALANCE SHEETS

July 31, 2006 (Unaudited) and October 31, 2005 (Audited)

(Unaudited)

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

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

BALANCE SHEETS

July 31, 2006 (Unaudited) and October 31, 2005 (Audited)

(Unaudited)

ASSETS

		2006 (Unaudited)	2005 (Audited)
CURRENT ASSETS:			
		$	$
Cash		55,421	42,434
Accounts receivable		226,572	270,739
Inventory		443,770	316,706
Other assets		61,011	48,875
Total current assets		786,774	678,754
PROPERTY AND EQUIPMENT, NET		21,019	27,489
		$	$
TOTAL ASSETS		807,793	706,243

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES:			
Accounts payable		$	$
		49,085	55,712
Accounts payable - related party	28,220		28,220
Current portion of notes payable	129,048		119,941
Current portion of related party debt			374,000
93,146			
Due to shareholders			40,500
26,500			
Accrued expenses			10,237
8,311			
Total current liabilities		334,310	628,610

LONG TERM LIABILITIES:		
Long-term portion of notes payable		294,738
430,036		
Total long term liabilities	430,036	294,738
TOTAL LIABILITIES	764,346	923,348
STOCKHOLDERS' EQUITY (DEFICIT):		
Preferred stock, $.0001 par value, 100,000,000 shares authorized		
Common stock, $.0001 par value, 500,000,000 shares authorized, 17,111,193 and 19, 224,291 shares issued and outstanding, respectively		1,923
1,712		
Additional paid in capital		4,813,676
4,497,669		
(Deficit) accumulated during the development stage	(4,455,934)	(5,032,704)
Total stockholders' equity (deficit)	43,447	(217,105)
	$	$
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	807,793	706,243

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

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

STATEMENTS OF OPERATIONS

Three Months Ended July 31, 2006 and 2005, Nine Months Ended July 31, 2006 and 2005,

Period from Inception (June 25, 2002) to July 31, 2006

(Unaudited)

Inception to

Three Months Ended July 31,

Nine Months Ended July 31,

July 31,

2006

2005

2006

2005

2006

REVENUE

$

41,330

$

17,671

$

60,709

$

49,936

$

500,610

OPERATING EXPENSES:

Cost of sales

15,732

7,580

23,871

21,131

179,077

Non-cash stock

compensation

18,500

2,400

186,300

82,550

3,843,680

Selling, general and

administrative

expenses

73,341

61,322

215,469

177,476

1,332,481

107,573

71,302

425,640

281,157

5,355,238

(Loss) from operations

(66,243)

(53,631)

(364,931)

(231,221)

(4,854,628)

OTHER INCOME AND (EXPENSE):

Grant revenue

-

11,138

373,557

11,138

11,138

Interest expense

(17,311)

(1,800)

-

(5,800)

(58,640)

Other expense

-

-

-

-

(5,000)

Extinguishment of

related party debt

-

-

-

-

-

(17,311)

9,338

373,557

5,338

(52,502)

Profit (loss) before

extraordinary items

(83,554)

(44,293)

8,626

(225,883)

(4,907,130)

Extraordinary item - casualty

loss from flooding, net

of insurance proceeds

-

-

-

-

(116,948)

Gain on forgiveness of debt

-

-

568,144

-

568,144

NET PROFIT (LOSS)

$

(83,554)

$

(44,293)

$

576,770

$

(225,883)

$

(4,455,934)

Per share information -

basic and fully diluted

Weighted Average

Shares Outstanding

16,882,552

17,312,639

18,304,738

17,130,263

16,148,757

Net income/(loss) per share

$

(0.01)

$

(0.01)

$

0.03

$

(0.01)

$

(0.28)

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

STATEMENTS OF STOCKHOLDERS (DEFICIT)

For the Nine Months Ended July 31, 2006, and

Period from Inception (June 25, 2002) to July 31, 2006

(Unaudited)

	Common Stock Shares	Amount	Additional Paid in Capital	(Deficit) Accumulated During the Development Stage	Total
Shares issued to founders in June 2002 at par $.0001	14,050,000	$ 1,405	$ -	$ -	$ 1,405
Shares issued for cash during June 2002 at $.75 per share	20,500	2	15,373	-	15,375
Shares issued for cash during July 2002 through August 2002 at $1.00 per share	57,000	6	56,994	-	57,000
Shares issued for cash during August 2002 through October 2002 at $2.00 per share	122,750	12	245,488	-	245,500
Shares issued for services during June 2002 at $.75 per share	623,500	62	467,563	-	467,625
Shares issued for services during August 2002 at $2.00 per share	5,000	1	9,999	-	10,000
Net (loss) for the period	-	-	-	(578,061)	(578,061)
Balance at October 31, 2002	14,878,750	1,488	795,417	(578,061)	218,844
Shares issued for services during January 2003 at $2.00 per share	525,000	52	1,049,948	-	1,050,000
September 2003 at $2.00 per share	450,000	45	899,955	-	900,000
Shares issued for cash					

during January 2003 at					
$2.00 per share	175,125	18	350,232	-	350,250
October 2003 at					
$2.00 per share	63,300	6	126,594	-	126,600
Cancellation of shares	(25,000)	(2)	2	-	-
License agreement	-	-	(618,145)	-	(618,145)
Net (loss) for the year	-	-	-	(2,398,169)	(2,398,169)
Balance at October 31, 2003	16,067,175	$ 1,607	$ 2,604,003	$ (2,976,230)	$ (370,620)

	Common Stock Shares	Amount	Additional Paid in Capital	(Deficit) Accumulated During the Development Stage	Total
Balance at October 31, 2003	16,067,175	$ 1,607	$ 2,604,003	$ (2,976,230)	$ (370,620)
Shares issued for cash during October 2003 at $2.00 per share	10,000	1	19,999	-	20,000
Shares issued for cash during November 2003 at $2.00 per share	12,950	1	25,899	-	25,900
Shares issued for services during November 2003 at $2.00 per share	140,000	14	279,986	-	280,000
Shares issued for services during November 2003 at $2.00 per share	380,000	38	759,962	-	760,000
Shares issued for cash during December 2003 at $2.00 per share	5,500	1	10,999	-	11,000
Shares issued for services during December 2003 at $2.00 per share	805,000	81	1,609,919	-	1,610,000
Shares issued for cash					

during April 2004 at $1.00 per share	50,000	5	49,995	-	50,000
Shares issued for services during April 2004 at $1.20 per share	80,000	8	95,992	-	96,000
Shares issued for cash during May 2004 at .61 per share	132,000	13	80,507	-	80,520
Shares issued for services during July 2004 at $2.00 per share	100,000	10	199,990	-	200,000
Shares returned for nonperformance of services during July 2004 at $2.00 per share	(1,050,000)	(105)	(2,099,895)	-	(2,100,000)
Shares issued for services during July 2004 at $2.00 per share	150,000	15	299,985	-	300,000
Shares issued for services during October 2004 at $.52 per share	21,000	2	10,918	-	10,920
Net loss for the year	-	-	-	(1,933,630)	(1,933,630)

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

STATEMENTS OF STOCKHOLDERS (DEFICIT)

For the Nine Months Ended July 31, 2006, and

Period from Inception (June 25, 2002) to July 31, 2006

(Unaudited)

(Deficit)

Accumulated

Common Stock

Additional

During the

Shares

Amount

Paid in Capital

Development Stage

Total

Balance at October 31, 2004	16,903,625	$ 1,691	$ 3,948,259	$ (4,909,860)	$ (959,910)
Shares issued for services during December 2004 at $.52 per share	116,000	12	82,988	-	83,000
Shares returned for nonperformance of services during December 2004 at $1.20 per share	(3,000)	-	(3,600)	-	(3,600)
Shares issued for services during January 2005 at $.30 per share	50,000	5	14,995	-	15,000
Shares issued for settlement of portion of note payable- related party	1,909,098	191	763,448	-	763,639
Shares issued for services during April 2005 at .15 per share	145,000	14	21,736	-	21,750
Shares issued for loan fee during April 2005 at .15 per share	50,000	5	7,495	-	7,500
Shares returned for Nonperformance of services during April 2005 at .1.20 per share	(30,000)	(3)	(35,997)	-	(36,000)
Shares issued for cash during April 2005 at .15 per share	73,068	7	10,953	-	10,960
Shares issued for services					

during June 2005 at $.40 per share	6,000	1	2,399	-	2,400
Shares issued for cash during July 2005 at $.25 per share	2,000	-	500	-	500
Shares issued for cash during July 2005 at $.20 per share	2,500	-	500	-	500
Net loss for the year	-	-	-	(122,844)	(122,844)
Balance at October 31, 2005	19,224,291	$ 1,923	$ 4,813,676	$ (5,032,704)	$ (217,105)

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

STATEMENTS OF STOCKHOLDERS (DEFICIT)

For the Nine Months Ended July 31, 2006, and

Period from Inception (June 25, 2002) to July 31, 2006

(Unaudited)

(Deficit)

Accumulated

Common Stock

Additional

During the

Shares

Amount

Paid in Capital

Development Stage

Total

Balance at October 31, 2005

19,224,291

$

1,923

$

4,813,676

$

(5,032,704)

$

(217,105)

Shares issued for services

during November 2005 at

$.42 per share

400,000

40

167,960

-

168,000

Shares issued for cash

during November 2005 at

$.42 per share

61,000

6

25,614

-

25,620

Reverse shares that were

forfeited by prior President

during January 2006

(1,250,000)

(125)

(75)

-

(200)

Shares issued for

cash in March 2006

at $.75 per share

30,000

3

22,497

-

22,500

Shares issued for

cash in March 2006

at $.40 per share

80,000

8

31,992

-

32,000

Shares issued for services

during April 2006 for

services at $.60 per share

10,000

1

5,999

-

6,000

Shares issued for cash

during April 2006

at $.40 per share

40,000

4

15,996

-

16,000

Reverse shares issued for

extinguishment of note

payable April 2006 -

related party

(1,909,098)

(191)

(763,448)

-

(763,639)

Shares issued for cash in

May 2006 at $.60 per share

25,000

3

14,998

-

15,000

Shares issued for cash in

May 2006 at $.40 per share

250,000

25

99,975

-

100,000

Shares issued for cash in

June 2006 at $.40 per share

125,000

12

49,988

-

50,000

Shares issued for services

In July 2006 at .50 per share

25,000

3

12,497

-

12,500

Net profit during the year

-

-

-

576,770

576,770

Balance at July 31, 2006

17,111,193

$

1,712

$

4,497,669

$

(4,455,934)

$

(43,447)

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

STATEMENTS OF CASHFLOW

Nine Months Ended July 31, 2006 and 2005,

Period from Inception (June 25, 2002) to July 31, 2006

(Unaudited)

Inception to

Nine Months Ended July 31,

July 31,

2006

2005

2006

CASH FLOWS FROM OPERATING ACTIVITIES

Net gain (loss)

$

576,770

$

(225,883)

$

(4,455,934)

Adjustments to reconcile net gain (loss) to cash

provided by operating activities:

Common stock issued to founders

-

-

1,205

Common stock returned for

noncompliance services

-

(39,600)

(1,639,600)

Common stock issued for services

186,300

122,150

5,493,195

Depreciation and amortization

9,753

10,284

41,715

Extinguishment of related party debt

(568,144)

-

(568,144)

Interest (reversal) added to related party note

(395,495)

-

-

Interest added to note payable

-

5,800

22,000

Loss from extraordinary item

-

-

173,830

Changes in operating assets and liabilities:

Accounts receivable

44,166

16,736

(226,573)

Inventory

(127,064)

(52,450)

(566,842)

Prepaid commission

(8,500)

-

(8,500)

Accounts payable

(6,627)

4,000

49,085

Accounts payable - related party

-

-

28,220

Deposits

-

-

(47,000)

Deferred financing

(6,928)

-

(6,928)

Accrued expenses

6,405

(658)

10,321

Accrued interest on notes payable

(8,321)

-

-

Net cash (used in) operating activities

(297,685)

(159,621)

(1,699,951)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment

-

(1,000)

(59,584)

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)

(59,584)

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on note payable

(86,848)

(10,000)

(101,076)

Payment on related party note

-

-

(65,000)

Shareholder advances (payments)

(14,000)

-

344,375

Proceeds from note payable

150,400

23,923

511,423

Proceeds from loan payable from related party

-

118,000

129,000

Common stock shares issued for cash

261,120

11,960

937,350

Proceeds from short term debt

-

-

58,884

Net cash provided by financing activities

$

310,672

$

143,883

$

1,814,956

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, 2006 and 2005,

Period from Inception (June 25, 2002) to July 31, 2006

(Unaudited)

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

STATEMENTS OF CASHFLOW

Nine Months Ended July 31, 2006 and 2005,

Period from Inception (June 25, 2002) to July 31, 2006

(Unaudited)

Inception to

Six Months Ended April 30,

July 31,

2006

2005

2006

Net increase (decrease) in cash

$

12,987

$

(16,738)

$

55,421

Cash - beginning

42,434

27,384

-

Cash - ending

$

55,421

$

10,646

$

55,421

Supplemental cash flow information:

Cash paid for interest

$

5,343

$

-

$

7,043

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

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

STATEMENTS OF CASHFLOW

Nine Months Ended July 31, 2006 and 2005,

Period from Inception (June 25, 2002) to July 31, 2006

(Unaudited)

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

STATEMENTS OF CASHFLOW

Nine Months Ended July 31, 2006 and 2005,

Period from Inception (June 25, 2002) to July 31, 2006

(Unaudited)

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

STATEMENTS OF CASHFLOW

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, 2005. 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 were not considered as their effect would be anti-dilutive.

3.

COMMON STOCK

During the nine month period ended July 31, 2006, the Company issued 435,000 shares of its common stock in exchange of services for an average price of approximately $0.43 per share or $186,500. The Company sold 611,000 shares of its common stock for an average price of approximately $0.43 per share. The individual stock transactions are as follows:

On November 3, 2005, the Company issued 400,000 shares of our stock to Jose Wejebe for related future promotional services. The shares issued to Jose Wejebe were valued at a price of $0.42 per share, or an aggregate price of

$168,000. 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 November 9, 2005, the Company sold 61,000 shares of stock to Alfred Czeriewski for a price of $0.42 per share or $25,620. 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 January 24, 2006, Frank Riccelli resigned his position as President of the Company. In connection with his resignation, he forfeited $1,250,000 shares of the Company s common stock for services rendered to the Company. These shares were originally valued at $200.

On March 28, 2006, the Company sold 15,000 shares of stock to Soto Kolocouris, for a price of $0.75 per share or $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 March 28, 2006, the Company sold 15,000 shares of stock to Dominic Kolocouris, for a price of $0.75 per share or $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 March 30, 2006, the Company sold 40,000 shares of stock to Gary Nolt, for a price of $0.40 per share or $16,000. 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 March 30, 2006, the Company sold 40,000 shares of stock to Cassel Dale, for a price of $0.40 per share or $16,000. 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 7, 2006, the Company issued 10,000 shares of stock to Tom Nelson for related future promotional services. The shares issued to Tom Nelson were valued at a price of $0.60 per share, or an aggregate price of $6,000. 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 7, 2006, the Company sold 40,000 shares of stock to K. E. Weaver Petroleum, for a price of $0.40 per share or $16,000. 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 May 25, 2006, the Company sold 250,000 shares of stock to Praetorian Off Shore, for a price of $0.40 per share or $100,000. 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 May 31, 2006, the Company sold 25,000 shares of stock to Kevin Sambuchino, for a price of $0.60 per share or $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. 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 21, 2006, the Company sold 125,000 shares of stock to Jim Korth Agencies, LTD, for a price of $0.40 per share or $50,000. 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 July 14, 2006, the Company issued 25,000 shares of stock to legal counsel, David Lampl in payment for legal services rendered to us. 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.

4.

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, 2006 and 2005, the Company incurred a net (loss) of ($83,363) and ($225,883), respectively. Since the Company s inception, they have incurred a net loss from operations of ($4,455,943). The Company has working capital of $452,454 and $3,132 and a stockholders equity (deficit) of $43,437 and ($320,143) at July 31, 2006 and 2005, respectively. During 2005, the Company was successful in obtaining a purchase order from a major retail sporting good chain in the amount of approximately $226,030. On April 28,

2006, the Company was successful in obtaining a $170,000 purchase order from a major retail sporting goods chain. The Company continues its marketing efforts with its existing product lines as well as new product lines.

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 continues to pursue 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.

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.

5.

<u>BORROWINGS</u>

On January 23, 2006, the U.S. Small Business Administration modified its Note Payable with the Company changing certain terms and conditions. The loan modification increased the note amount from $280,100 to $430,500 and increased the monthly payment from $1,186 to $1,820. All other terms and conditions remained the same.

On May 18, 2006, the Company entered into a loan of credit agreement with Enterprise Bank for borrowing up to $900,000 with a rate of interest computed at Prime plus 2.25%. The terms of this agreement were modified on June 1, 2006 to reduce borrowings to a maximum of $300,000 with interest computed at prime rate plus 2.25%. Interest is calculated from the date of each advance until repayment of each advance. The payment of all borrowings and accrued interest is due on May 18, 2007. There were no outstanding borrowings as of July 31, 2006. This loan is collateralized with a First lien on all business assets of the Company business including, but not limited to, the licensing agreement to manufacture and distribute products containing Eliotex insulation. Personal property of the Chief Executive Officer of the Company was also used as collateral.

1.

EXCLUSIVE LICENSING AND MANUFACTURING AGREEMENT

On November 25, 2002, Innovative purchased a product license for $1,250,000 from RMF Global, a company solely owned by the Chief Executive Officer of the Company, Joseph Riccelli. The license was for 10 years and gave the Company the exclusive right to manufacture and market products using Eliotex, a trademark registered and utilized by RMF Global, and used to describe a fabric used in recreational products. The Company paid $50,000 upon signing in November 2002, with the remaining amount payable at $400,000 per year for the next three years. The license was originally recorded as an asset and was to be amortized. Subsequently, because the license was purchased from RMF Global, which is owned by Joseph Riccelli, it was recorded at Joseph Riccelli s cost, which was $0. The $618,744 the Company paid in excess of Joseph Riccelli s cost was recorded as a reduction of paid in capital.

Due to cash flow problems experienced by the Company, on January 31, 2005, RMF Global 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. As of October 31, 2005, the Company owed RMF Global $200,000 for the product license described above. In light of the litigation regarding the License Agreement of RMF Global, Inc. with Eliotex SRL, the board of directors determined it appropriate to hold the issuance of said shares in abeyance pending the outcome of the litigation.

On or about April 1, 2006, Innovative was informed by RMF Global that RMF s Exclusive License and Manufacturing Agreement with Ko-Myung Kim was terminated by Mr. Kim, effective April 1, 2006, for the following reasons cited by Mr. Kim:

1.

Article 2.01 of the Grant of License, Exclusive Right to Purchase and Exclusive Right to Manufacture incorrectly references a prior product produced under prior patents, Republic of Korea Patent 35969-97 and U.S. patent 6,083,999. That product has not been manufactured since 2001 and has never been provided to RMF Global, Inc. by or through me.

2.

Given the current difficulties surrounding that patent, and my obligation to indemnify RMF for litigation costs arising from the patent infringement claims, I cannot permit the Agreement to remain in force where claims may be directed against, or litigation arise pursuant to, the patent referenced incorrectly in the Agreement. The fact that the Agreement references the incorrect patent mandates its termination.

On April 26, 2006, the Company entered into an Exclusive License and Manufacturing Agreement (the Agreement) with the Ketut Group, with an effective date of April 1, 2006, whereby the Company acquired an exclusive license to develop, use, sell, manufacture and market products related to or utilizing INSULTEX™, Korean Patent Number, (0426429) or any Insultex Technology. At the behest of the Board of Directors, the Insultex trademark was chosen as the mark to identify the product utilized by Innovative since its inception, and was originally registered by Joseph Riccelli on February 17, 2005. The new trademark, intended to avoid confusion arising from the use of the old Eliotex trademark in association with a new, subsequent, different and separately-patented product, was assigned by Mr. Riccelli to Innovative on April 25, 2006, with that assignment to become effective upon final approval of the Statement of Use by the United States Patent and Trademark Office. The License was awarded by the Korean inventor, an individual who is part of the Ketut Group, and the manufacturer of INSULTEX™. The Company received an exclusive forty (40) year worldwide license with an initial term of ten (10) years and an option to renew the License for up to three (3) successive ten (10) year terms. Additionally, the Company was granted the exclusive rights to any current or future inventions, improvements, discoveries, patent applications and letters of patent which the Ketut Group controls or may control related to INSULTEX™. Furthermore, the Company has the right to grant sub-licenses to other manufacturers for the use of INSULTEX™ or any Insultex Technology. Simultaneously with the Company entering into this exclusive license and manufacturing agreement, effective April 1, 2006, the licensing agreement with RMF Global was deemed null and void and the aforementioned issuance of shares of stock as consideration for said licensing agreement, previously held in abeyance, was cancelled. Consequently, the note payable and related licensing agreement asset were removed from the books and records of the Company resulting in the Company recognizing a gain from the extinguishment of debt in the amount of $568,144 and the reversal of interest expense in the amount of $395,495. Effective April 1, 2006, the Company has no outstanding obligations owed to RMF Global.

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

ADDITIONAL DISCLOSURES

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

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

ADDITIONAL DISCLOSURES

ITEM 2. CONTINGENCIES AND UNCERTAINTIES

1.

ELIOTEX, SRL LITIGATION UPDATE

The letter below, drafted by the Company s litigation Counsel of Record, updates and discloses the status of material litigation pending in the United States Court for the Western District of Pennsylvania Case No. 2:04-cv-000593, *RMF Global, Inc. and Innovative Designs, Inc. v. Elio Cattan and Eliotex s.r.l.*

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

From the Law Offices of Robert O Lampl, Company s litigation Counsel of Record:

September 12, 2006

Re:

Innovative Designs, Inc. (IVDN) Litigation Update

Dear Louis Plung & Company:

This letter is to update the status of the pending litigation involving IVDN and cetain salient facts with respect thereto.

As you are aware, the holders of the disputed judgment awarded to Cattan and Eliotex, SRL, which judgment is subject to an appeal pending before the United States Court of Appeals for the Third Circuit, commenced execution activity on said judgment in the Court of Common Pleas of Allegheny County, Pennsylvania. IVDN believes that said execution proceedings are improper as all of the assets of IVDN are subject to the interests of prior perfected secured creditors of IVDN and there is therefore no value in any such asset available to the judgment creditor. IVDN believes the execution proceedings were commenced not as a legitimate collection effort but as a continuation of a pattern and practice by these two judgment creditors to attempt to disrupt the operations of IVDN in order to extract a compromise of IVDN s flat refusal to tender any offers of settlement.

Upon an indication that IVDN was set to challenge their State Court execution proceedings, Cattan and Eliotex, SRL filed an Involuntary Chapter 7 Bankruptcy Petition against IVDN. IVDN believes the Petition to be improper, contrary to law, filed in bad faith and with actual malice. IVDN has filed a Motion to Dismiss the Involuntary Petition and Requested the Scheduling of a Hearing to Assess Damages and Award Attorneys Fees, which Motion is scheduled for hearing October 4, 2006 before the Honorable M. Bruce McCullough, Chief Judge of the United States Bankruptcy Court for the Western District of Pennsylvania.

On August 18, 2006, the appellate counsel for Cattan and Eliotex, SRL commenced a series of bizarre emails with counsel for IVDN and the Case Manager assigned to IVDN s appeal by the Third Circuit Court of Appeals. The essence of these emails was that IVDN s appeal was stayed during the pendency of the bankruptcy proceedings by virtue of 11 U.S.C. Section 362 (the automatic stay), which appears to be, at least in part, the purpose of the bankruptcy filing. IVDN responded to the Court that while it is uncertain the stay applies to its appeal, and wishes to prosecute the appeal as expeditiously as possible, it will observe the stay until such time as the Third Circuit Court of Appeals determines whether or not it applies. IVDN has been directed by the Court to prepare and submit briefs on the issue by September 21, 2006.

IVDN will spare no effort to facilitate the progress of its appeal, as IVDN is confident that when the issues are finally addressed on the merits, it will prevail.

Very truly yours,

/s/ Robert O Lampl

Robert O Lampl

Litigation Counsel for Innovative Designs, Inc.

ITEM 3. CONTROLS AND PROCEDURES.

As of July 31, 2006, an evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our management, including our Chief Executive Officer and Principal Financial Officer, concluded that our disclosure controls and procedures were effective as of July 31, 2006.

There have been no significant changes in our internal control over financial reporting during the quarter ended July 31, 2006, or subsequent to January 31, 2006, that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

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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.

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:

09/15/06

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

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:

09/15/06

By:

Joseph Riccelli, Chief Executive Officer

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:

09/15/06

By:

Anthony Fonzi, Chief Financial Officer,

Principal Accounting Officer, and Director

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, 2006, 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 IVDN.

/s/

Joseph Riccelli

Date:

09/15/06

By:

Joseph Riccelli

Chief Executive Officer

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, 2006, 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 IVDN.

/s/ *Anthony Fonzi*

Date:

09/15/06

By:

Anthony Fonzi

Chief Financial Officer, Principal

Accounting Officer, and Director