

INNOVATIVE DESIGNS INC
Form 10-Q
September 14, 2010

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

FORM 10-Q

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

For the quarterly period ended July 31, 2010

OR

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

For the transition period from _____ to _____.

Commission File Number: 000-51791

INNOVATIVE DESIGNS, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

03-0465528
(I.R.S. Employer
Identification No.)

223 North Main Street, Suite 1
Pittsburgh, Pennsylvania 15215
(Address of Principal Executive Offices, Zip Code)

(412) 799-0350
(Issuer's Phone Number Including Area Code)

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

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

YES ☒ NO ☐

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

Edgar Filing: INNOVATIVE DESIGNS INC - Form 10-Q

Large Accelerated Filer ☐

Accelerated Filer ☐

Non-accelerated Filer ☐

Smaller reporting company ☒

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES ☐ NO ☒

As of September 13, 2010, there were 18,710,743 shares of the Registrant's common stock, par value \$.0001 per share, outstanding.

Transitional Small Business Disclosure Format: YES ☐ NO ☒

Innovative Designs, Inc.

Index

Form 10-Q/A for the Quarter Ended July 31, 2010

Page No.

Part I — Financial Information		
Item 1.	Condensed Financial Statements	1
	Condensed Balance Sheets at July 31, 2010 (Unaudited) and October 31, 2009	1
	Condensed Statements of Operations for the Three Months Ended July 31, 2010 and 2009, Nine Months Ended July 31, 2010 and 2009	2
	Condensed Statement of Changes in Stockholders' Equity at July 31, 2010 (Unaudited) and October 31, 2009	3
	Condensed Statements of Cash Flows for the Nine Months Ended July 31, 2010 and 2009	4
	Notes to Condensed Financial Statements	5 - 7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	8 - 11
Item 4 T.	Controls and Procedures	11
Part II — Other Information		
Item 1.	Legal Proceedings	12
Item 2.	Unregistered Sale of Equity Securities and Use of Proceeds	12
Item 6.	Exhibits	13

ITEM 1. CONDENSED FINANCIAL STATEMENTS

INNOVATIVE DESIGNS, INC.

CONDENSED BALANCE SHEETS
July 31, 2010 (Unaudited) and October 31, 2009

	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash	\$ 27,985	\$ 26,872
Accounts receivable	28,049	119,123
Inventory	935,956	811,730
Deposits on inventory	86,858	123,312
Total current assets	1,078,848	1,081,037
LONG-TERM ASSETS		
Property and equipment - net	812	4,642
Total long-term assets	812	4,642
TOTAL ASSETS	\$ 1,079,660	\$ 1,085,679
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 35,462	\$ 53,983
Current portion of notes payable	169,707	177,029
Accrued interest expense	94,688	98,800
Accounts payable - related party	28,220	28,220
Related party debt	47,300	84,000
Shareholders advances	206,364	214,764
Accrued expenses	-	896
Total current liabilities	581,741	657,692
LONG-TERM LIABILITIES:		
Long-term portion of notes payable	377,009	388,928
Total long term liabilities	377,009	388,928
TOTAL LIABILITIES	958,750	1,046,620
STOCKHOLDERS' EQUITY:		
Preferred stock, \$.0001 par value, 100,000,000 shares authorized		
Common stock, \$.0001 par value, 500,000,000 shares authorized, 18,715,743 and 18,703,743 shares issued and outstanding	1,875	1,873
Additional paid in capital	5,640,416	5,638,018
Accumulated deficit	(5,521,381)	(5,600,832)
Total stockholders' equity	120,910	39,059

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,079,660	\$ 1,085,679
--	--------------	--------------

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

- 1 -

ITEM 1. CONDENSED FINANCIAL STATEMENTS

INNOVATIVE DESIGNS, INC.

STATEMENTS OF OPERATIONS

Three Months Ended July 31, 2010 and 2009, Nine Months Ended July 31, 2010 and 2009
(Unaudited)

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2010	2009	2010	2009
REVENUE	\$ 28,347	\$ 26,616	\$ 783,437	\$ 675,446
OPERATING EXPENSES:				
Cost of sales	12,703	11,810	336,866	298,023
Selling, general and administrative expenses	83,058	66,766	340,460	340,373
	95,761	78,576	677,326	638,396
(Loss)/income from operations	(67,414)	(51,960)	106,111	37,050
OTHER (EXPENSE)/INCOME:				
Interest income	255	-	255	-
Interest expense	(10,721)	(4,456)	(26,915)	(12,828)
Total other (expense)/income	(10,466)	(4,456)	(26,660)	(12,828)
Net (loss)/income before income taxes	(77,880)	(56,416)	79,451	24,222
Income taxes	-	-	-	-
NET (LOSS)/INCOME	\$ (77,880)	\$ (56,416)	\$ 79,451	\$ 24,222
Weighted Average Shares Outstanding	18,727,743	18,646,743	18,503,801	19,321,799
Net income/(loss) per share	\$ (.004)	\$ (.003)	\$.004	\$.001

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

ITEM 1. CONDENSED FINANCIAL STATEMENTS

INNOVATIVE DESIGNS, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY

July 31, 2010 (Unaudited) and October 31, 2009

	Common Stock Shares	Amount	Additional Paid in Capital	Retained Deficit	Total
Balance at October 31, 2008	18,455,243	\$ 1,846	\$ 5,565,045	\$ (5,622,832)	\$ (55,941)
Shares issued for services	185,500	21	54,779	-	54,800
Shares issued for cash	90,000	9	28,991	-	29,000
Return of shares for non-performance of services	(27,000)	(3)	(10,797)	-	(10,800)
Net income	-	-	-	22,000	22,000
Balance at October 31, 2009	18,703,743	1,873	5,638,018	(5,600,832)	39,059
Shares issued for services	12,000	2	2,398	-	2,400
Net income	-	-	-	79,451	79,451
Balance at July 31, 2010	18,715,743	\$ 1,875	\$ 5,640,416	\$ (5,521,381)	\$ 120,910

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

ITEM 1. CONDENSED FINANCIAL STATEMENTS

INNOVATIVE DESIGNS, INC.

STATEMENTS OF CASHFLOW
For Nine Months Ended July 31, 2010 and 2009
(Unaudited)

	For the Nine Months Ended July 31,	
	2010	July 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 79,451	\$ 24,222
Adjustments to reconcile net income to cash provided by operating activities:		
Common stock issued for services	2,400	54,800
Depreciation	3,830	3,592
Common stock returned for noncompliance of services	-	(10,800)
Changes in operating assets and liabilities:		
Accounts receivable	91,074	144,536
Inventory	(124,226)	(80,871)
Deposits on inventory	36,454	187,939
Accounts payable	(18,521)	(45,246)
Accrued expenses	(896)	(16,757)
Customer deposits	-	(9,823)
Accrued interest on notes payable	(4,112)	(26,000)
Net cash provided by operating activities	65,454	225,592
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on note payable	(134,241)	(164,943)
Payment on note payable - related party	(36,700)	(63,000)
Proceeds from notes payable	115,000	-
Payment of shareholder advances	(8,400)	(33,336)
Common stock issued for cash	-	29,000
Net cash used in financing activities	(64,341)	(232,279)
Net increase/(decrease) in cash	\$ 1,113	\$ (6,687)
Cash - beginning of year	\$ 26,872	\$ 22,523
Cash - end of period	\$ 27,985	\$ 15,836
Supplemental cash flow information:		
Cash paid for interest	\$ 16,193	\$ 12,832

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

INNOVATIVE DESIGNS, INC.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

July 31, 2010

1. BASIS OF PRESENTATION - INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and the general instructions to Form 10-Q. Accordingly, they do not include all information and footnotes required by GAAP for complete financial statements. These interim financial statements should be read in conjunction with our audited financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2009. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates. In the opinion of management, all adjustments (consisting 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 that may be expected for the year ending October 31, 2010 or any future period.

2. FASB ACCOUNTING STANDARDS CODIFICATION TOPIC 718 SHARE-BASED PAYMENT (FASB ASC 718)

FASB ASC 718 establishes standards for the accounting and transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. This Accounting Standard Codification does not change the accounting guidance for share-based payment transactions with parties other than employees provided in FASB ASC 718 as originally issued and EITF Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services." This Accounting Standard Codification does not address the accounting for employee share ownership plans, which are subject to AICPA Statement of Position 93-6, Employers' Accounting for Employee Stock Ownership Plans. The adoption of FASB ASC 718 by the Company did not have a material impact on the Company's financial position, results of operations or cash flows. There was no change in the status of outstanding shares or in the Equity Compensation Plan since October 31, 2006, and no shares were granted to employees of the Company for services rendered or to be rendered.

3. EARNINGS PER SHARE

Innovative Designs, Inc. (the "Company") calculates net income (loss) per share as required by FASB ASC Topic 260, Earnings per Share. Basic earnings (loss) per share is calculated by dividing income (loss) by the weighted average number of common shares outstanding for the period. 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.

INNOVATIVE DESIGNS, INC.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

July 31, 2010

4. GOING CONCERN AND LEGAL PROCEEDINGS

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's ability to continue as a going concern is contingent upon its ability to expand its operations and secure additional financing. The Company is currently pursuing financing for its operations and seeking to expand its operations. Failure to secure such financing or expand its operations may result in the Company not being able to continue as a going concern. During the quarter ended July 31, 2010, the Company entered into new short-term borrowings of \$115,000 with various individuals in addition to loans made to us by our Chief Executive Officer.

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.

On July 30, 2008, Elio D. Cattán and Eliotex srl filed a Motion to Strike Satisfaction of Judgment in the action filed at 04-00593 in the United States District Court for the Western District of Pennsylvania. The basis for the relief requested was Cattán's averment that Innovative Designs defrayed certain of the expenses in Greystone, Inc.'s litigation in the United States, and that assistance violated Pennsylvania public policy regarding champerty and maintenance.

On February 5, 2009, The Honorable Arthur J. Schwab entered an Order on the Motion of Elio Cattán and Eliotex, SRL (collectively, "Cattán") to strike the assignment and satisfaction of judgment filed at Docket No. 04-00593 by Elite Properties, LLC. Counsel for Innovative Designs, Inc. sought to preclude the District Court from rendering any determination on the merits as to the ownership of the Judgment or the propriety of the State Court execution proceedings by which ownership of the Judgment was transferred.

The District Court did not adopt or substantiate the legal argument brought forward by Counsel for Cattán, and did not render any findings on the merits that would disturb Elite Properties, LLC's ownership of the IDI Judgment at the time it was satisfied.

On March 31, 2009, Eliotex, srl ("Eliotex") and Elio Cattán ("Cattán") filed a Motion to Strike Assignment and Satisfaction of Judgment in the Court of Common Pleas of Allegheny County, Pennsylvania at Case No. GD-06-011327. The Motion requests that the Court invalidate State Court execution proceedings on the default judgment entered against Eliotex and Cattán by Greystone, Inc. ("Greystone") by which Greystone purchased at Sheriff Sale the default judgment against IDI entered in favor of Eliotex and Cattán in Italian arbitration proceedings and confirmed by the District Court. The Motion further requests that the Court strike the purchase of an assignment of that judgment from Greystone, and its subsequent satisfaction, by Elite Properties, LLC. IDI consented to the issuance of a Rule to Show Cause why the relief should not be granted.

INNOVATIVE DESIGNS, INC.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

July 31, 2010

On June 10, 2009, Eliotex and Cattan filed a Verification to their Motion. IDI filed its Answer to Rule to Show Cause on June 23, 2009. Eliotex and Cattan conducted no discovery within the 60 day time period provided for by the Order issuing the Rule, and no oral argument on the Rule has been requested. The Motion is dormant and likely to remain so for the foreseeable future.

On January 22, 2010, counsel for IDI and Eliotex/Cattan participated in a oral argument before the Honorable R. Stanton Wettick, Jr. of the Court of Common Pleas of Allegheny County, Pennsylvania on the Rule to Show Cause regarding Eliotex/Cattan's Motion to Strike Assignment of Judgement. The Judge heard arguments, and has asked the parties to brief two issues: (1) whether Eliotex/Cattan have standing to challenge the assignment from Greystone to Elite Properties; and (2) whether the dealings between IDI and Greystone constitute champerty and maintenance.

On June 2, 2010, the Honorable R. Stanton Wettick, Jr. of the Court of Common Pleas of Allegheny County, Pennsylvania entered an Order denying Elio D. Cattan and Eliotex, SRL's motion to strike assignment and satisfaction of judgment. As Judge Arthur J. Schwab of the United States District Court for the Western District of Pennsylvania specifically deferred the question of the ownership of the judgment to the State Court, Judge Wettick's Order represents a final adjudication of this matter on the merits, and resolved the case in IDI's favor. IDI's legal counsel will now request that Judge Schwab reform the Federal Court docket to comport with the State Court's ruling.

On July 23, 2010, IDI filed a motion with the United States District Court for the Western District of Pennsylvania in Case No. 04-00593 requesting that Judge Schwab enter an Order to conform the District Court docket in light of the State Court adjudication. On July 26, 2010, Judge Schwab entered an Order: (1) striking the assignment to Elio Cattan and Eliotex, SRL filed by Greystone, Inc. on March 25, 2009; (2) vacating the Order of February 5, 2009 striking the Assignment and Satisfaction of Judgment filed by Elite Properties, LLC on May 27, 2008; and (3) deeming satisfied the Judgment entered in favor of Elio Cattan and Eliotex, SRL and against RMF Global, Inc. and Innovative Designs, Inc. on May 9, 2006. Counsel for Elio Cattan and Eliotex, SRL represented to counsel for IDI that they would not oppose the Motion.

IDI has prevailed in all of the outstanding litigation involving the foregoing, and believes the matter to be concluded.

5. COMMON STOCK

On May 25, 2010, we issued 12,000 shares of our common stock for professional services for \$.20 per share or \$2,400. The shares were issued without registration pursuant to the exemption provided by Section 4(2) of the Securities Act of 1933, as amended.

6. SUBSEQUENT EVENTS

The Company has evaluated subsequent events in accordance with Accounting Standards Codification Topic 855, Subsequent Events, through September 13, 2010, which is the date financial statements were available to be issued. During the evaluation no subsequent event items were identified by the Company.

INNOVATIVE DESIGNS, INC.

July 31, 2010

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

The following information should be read in conjunction with the consolidated financial statements and the notes thereto and in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended October 31, 2009.

Disclosure Regarding Forward-Looking Statements

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

Background

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

- Completing the development, design and prototypes of our products,
- Obtaining retail stores or sales agents to offer and sell our products, and
- Developing our website to sell more of our products.

INNOVATIVE DESIGNS, INC.

July 31, 2010

Results of Operations

Comparison of the Three Months Ended July 31, 2010 with the Three Months Ended July 31, 2009.

Revenues

The following table shows a comparison of the results of operations between the three months ended July 31, 2010 and three months ended July 31, 2009:

	Three Months Ended July 31, 2010	% of Sales	Three Months Ended July 31, 2009	% of Sales	\$ Increase (Decrease)	% Change
REVENUE	\$ 28,347	100.0%	\$ 26,616	100.0%	\$ 1,731	6.5%
OPERATING EXPENSES						
Cost of sales	12,703	44.8%	11,810	44.4%	893	7.6%
Selling, general and administrative expenses	83,058	293.0%	66,766	250.8%	16,292	24.4%
	95,761	337.8%	78,576	295.2%	17,185	21.9%
Loss from operations	(67,414)	(237.8)%	(51,960)	195.2%	(15,454)	(29.7)%
OTHER (EXPENSE)/INCOME						
Interest income	255	.9%	-	-	255	100.0%
Interest (expense)	(10,721)	(37.8)%	(4,456)	(16.7)%	(6,265)	(140.6)%
	(10,466)	(36.9)%	(4,456)	(16.7)%	(6,010)	(134.9)%
Net loss	\$ (77,880)	(274.7)%	\$ (56,416)	(212.0)%	\$ (21,464)	(38.0)%

Three Months Ended July 31, 2010 and 2009

The increase in revenue for the three months ended July 31, 2010 compared to the corresponding period ended July 31, 2009, is the result of our entry into the Alaska market with its longer cold season and the addition of more retailers. Nearly all of our sales for the period were for our Arctic Armor line of products. During the period we had a \$2,400 expense related to our issuance of our common stock for services. This expense is included in the selling, general and administrative expenses category.

INNOVATIVE DESIGNS, INC.

July 31, 2010

The following table shows a comparison of the results of operations between the nine months ended July 31, 2010 and nine months ended July 31, 2009.

	Nine Months Ended July 31, 2010	% of Sales	Nine Months Ended July 31, 2009	% of Sales	\$ Increase (Decrease)	% Change
REVENUE	\$ 783,437	100.0%	\$ 675,446	100.0%	\$ 107,991	16.0%
OPERATING EXPENSES						
Cost of sales	336,866	43.0%	298,023	44.1%	38,843	13.0%
Selling, general and administrative expenses	340,460	43.5%	340,373	50.4%	87	.03%
	677,326	86.5%	638,396	94.5%	38,930	6.1%
Income from operations	106,111	13.5%	37,050	5.5%	69,061	186.4%
OTHER (EXPENSE)/INCOME						
Interest income	255	.03%	-	-	255	100.0%
Interest (expense)	(26,915)	(3.4)%	(12,828)	(1.9)%	(14,087)	(109.8)%
	(26,660)	(3.4)%	(12,828)	(1.9)%	(13,832)	(107.8)%
Net income	\$ 79,451	10.1%	\$ 24,222	3.6%	\$ 55,229	228.0%

Nine Months Ended July 31, 2010 and 2009

The increase in revenue for the nine month period ended July 31, 2010, over the corresponding period ended July 31, 2009, was a result of our adding more retailers, internet sales and the entry into the Alaska market. During the period substantially all of our sales were for our Arctic Armor line of products. We expanded our Arctic Armor product line by adding mitts, hats and a tasseled cap. We also introduced a special edition Arctic Armor suit that is oil and jet fuel resistance and is anti-static. The suit costs more than our standard suit and will be offered on a limited supply basis.

The increase during the period in our selling, general and administrative expenses was partly on account of approximately \$28,000 in professional expenses. We expect our fourth quarter to show a substantial increase in revenue over the comparable period. We continue to add more retailers including Canadian Tire. We continue to await the results of the sample yardage of our building wrap we sent out to builders and distributors.

INNOVATIVE DESIGNS, INC.

July 31, 2010

Liquidity and Capital Resources

During the quarter ended July 31, 2010, we funded our operations with revenues from sales and new short-term borrowings of \$115,000 in addition to loans made to us by our Chief Executive Officer. We will continue to fund operations from revenues and borrowings and the possible sale of securities. Our ability to obtain outside funding of either debt or equity is being adversely affected in part, by the general inability to obtain commercial lending.

Short Term: We funded our operations with revenues from sales and short-term borrowings. The financial institution has restricted the amounts we can borrow on our lines of credit and they will not increase our borrowing capacity on the lines of credit. The Company continues to pay its creditors when payments are due and has been successful in expanding its sales base and adding new products to its Arctic Armor product line.

Long Term: The Company will continue to fund operations from revenues, borrowings and the possible sale of its securities. The Company is currently pursuing financing to fund its long-term liquidity needs, however, the general state of the credit industry has made borrowing more difficult.

ITEM 4 T. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the reporting period covered by this report, June 30, 2010, our Chief Executive Officer, who also serves as our Chief Financial Officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures as defined in Securities Exchange Act Rule 13a-15(e).

Based upon that evaluation our management concluded that our disclosure controls and procedures were adequate and effective.

Changes in Internal Control Over Financial Reporting

During the most recent fiscal quarter, there were no changes in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13(a)-15 or 15d-15 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

INNOVATIVE DESIGNS, INC.

July 31, 2010

PART II

ITEM 1. LEGAL PROCEEDINGS

On June 2, 2010, the Honorable R. Stanton Wettick, Jr. of the Court of Common Pleas of Allegheny County, Pennsylvania entered an Order denying Elio D. Cattani and Eliotex, SRL's motion to strike assignment and satisfaction of judgment. As Judge Arthur J. Schwab of the United States District Court for the Western District of Pennsylvania specifically deferred the question of the ownership of the judgment to the State Court, Judge Wettick's Order represents a final adjudication of this matter on the merits, and resolved the case in IDI's favor. IDI's legal counsel will now request that Judge Schwab reform the Federal Court docket to comport with the State Court's ruling.

On July 23, 2010, IDI filed a motion with the United States District Court for the Western District of Pennsylvania in Case No. 04-00593 requesting that Judge Schwab enter an Order to conform the District Court docket in light of the State Court adjudication. On July 26, 2010, Judge Schwab entered an Order: (1) striking the assignment to Elio Cattani and Eliotex, SRL filed by Greystone, Inc. on March 25, 2009; (2) vacating the Order of February 5, 2009 striking the Assignment and Satisfaction of Judgment filed by Elite Properties, LLC on May 27, 2008; and (3) deeming satisfied the Judgment entered in favor of Elio Cattani and Eliotex, SRL and against RMF Global, Inc. and Innovative Designs, Inc. on May 9, 2006. Counsel for Elio Cattani and Eliotex, SRL represented to counsel for IDI that they would not oppose the Motion.

IDI has prevailed in all of the outstanding litigation involving the foregoing, and believes the matter to be concluded.

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

On May 25, 2010, we issued 12,000 shares of our common stock for marketing services for \$.20 per share or \$2,400 to one person. The shares were issued without registration pursuant to the exemption provided by Section 4(2) of the Securities Act of 1933, as amended, as an offering not involving a public offering.

INNOVATIVE DESIGNS, INC.

July 31, 2010

ITEM 6. EXHIBITS

*3.1 Certificate of Incorporation

*3.2 By Laws

10.1 Loan Agreement dated July 28, 2010 – Xunjin Hua

10.2 Loan Agreement dated July 15, 2010 – Corinthian Development LLC

10.3 Loan Agreement dated June 10, 2010 – Frank Riccelli

10.4 Loan Agreement dated June 10, 2010 – Frank Riccelli

31.1 Rules 13a–14(a) Certification of Chief Executive Officer and Chief Financial Officer

32.1 Section 1350 Certification of Chief Executive Officer and Chief Financial Officer

* Incorporated by reference to the Company's registration statement on Form SB-2, filed March 11, 2003

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Innovative Designs, Inc.
Registrant

Date: September 13, 2010

/s/ Joseph Riccelli
Joseph Riccelli, Chief Executive Officer
and Chief Financial Officer