

FLEXIBLE SOLUTIONS INTERNATIONAL INC
Form 10QSB
August 14, 2007

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

FORM 10-QSB

(Mark one)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2007.

Transition Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____ .

Commission File Number 000-29649

FLEXIBLE SOLUTIONS INTERNATIONAL, INC.
(Name of Small Business Issuer as Specified in Its Charter)

Nevada
(State of Incorporation)

91-1922863
(IRS Employer Identification No.)

615 Discovery Street
Victoria, British Columbia, CANADA
(Address of Principal Executive Offices)

V8T 5G4
(Zip Code)

(250) 477-9969
(Issuer's Telephone Number, Including Area Code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 shell company (as defined in Rule 12b-2 of the Exchange Act). 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: The Company had 14,157,567 shares of Common Stock, par value \$0.001 per share, outstanding as of August 8, 2007.

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

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are “forward-looking statements” for the purposes of the federal and state securities laws, including, but not limited to any projections of earnings, revenue or other financials items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing.

Forward-looking statements may include the words “may,” “could,” “will,” “estimate,” “intend,” “continue,” “believe,” “expect,” “anticipate” or other similar words. These forward-looking statements present our estimates and assumptions only as of the date of this report. Except for our ongoing obligation to disclose material information as required by the federal securities laws, we do not intend, and undertake no obligation, to update any forward-looking statement.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. The factors impacting these risks and uncertainties include but are not limited to:

- Increased competitive pressures from existing competitors and new entrants;
- Increases in interest rate or our cost of borrowing or a default under any material debt agreement;
 - Deterioration in general or regional economic conditions;
- Adverse state or federal legislation or regulation that increases the costs of compliance, or adverse findings by a regulator with respect to existing operations;
 - Loss of customers or sales weakness;
 - Inability to achieve future sales levels or other operating results;
 - The unavailability of funds for capital expenditures; and
 - Operational inefficiencies in distribution or other systems.

For a detailed description of these and other factors that could cause actual results to differ materially from those expressed in any forward-looking statement, please see “Risk Factors” in our Annual Report on Form 10-KSB for the year ended December 31, 2006.

PART I**FINANCIAL INFORMATION****Item 1.****Financial Statements.**

FLEXIBLE SOLUTIONS INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS
At June 30, 2007
(U.S. Dollars)

	June 30, 2007 (Unaudited)	December 31, 2006
Assets		
Current		
Cash and cash equivalents	\$ 3,913,094	\$ 450,759
Accounts receivable	1,376,196	1,319,575
Inventory	1,916,522	1,904,315
Prepaid expenses	136,640	124,360
	7,342,452	3,799,009
Property, equipment and leaseholds	3,864,737	4,100,553
Patents	204,530	169,758
Investment	369,000	369,000
Long term deposits	48,628	47,220
	\$ 11,829,347	\$ 8,485,540
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 305,558	\$ 423,030
Deferred revenue	-	20,559
	305,558	443,589
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 and outstanding		
14,157,567 (2006: 13,058,427) common shares	14,158	13,058
Capital in excess of par value	15,812,776	12,370,418
Other comprehensive income	264,073	131,002
Deficit	(4,567,218)	(4,472,527)
Total Stockholders' Equity	11,523,789	8,041,951
Total Liabilities and Stockholders' Equity	\$ 11,829,347	\$ 8,485,540
Commitments, Contingencies and Subsequent events (Notes 12, 13 & 14)		

-- See Notes to Unaudited Consolidated Financial Statements --

FLEXIBLE SOLUTIONS INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three Months Ended June 30, 2007 and 2006
(U.S. Dollars -- Unaudited)

	Three Months Ended June 30,	
	2007	2006
Sales	\$ 2,143,107	\$ 2,250,388
Cost of sales	1,260,324	1,579,739
Gross profit	882,783	670,649
Operating expenses		
Wages	259,272	332,092
Administrative salaries and benefits	124,485	159,192
Advertising and promotion	6,146	13,437
Investor relations and transfer agent fee	119,647	31,034
Office and miscellaneous	65,578	73,971
Insurance	52,236	51,214
Interest expense	159	-
Rent	56,738	59,266
Consulting	62,682	108,248
Professional fees	42,477	67,938
Travel	48,287	30,735
Telecommunications	9,845	8,029
Shipping	15,151	12,119
Research	22,974	42,661
Commissions	38,894	32,765
Bad debt expense (recovery)	775	(165)
Currency exchange	19,683	(990)
Utilities	4,439	4,638
	949,468	1,016,184
Income (loss) before other items and income tax	(66,685)	(345,535)
Other expenses	(5,570)	
Interest income	1,778	908
Income (loss) before income tax	(70,477)	(344,627)
Net income (loss)	(70,477)	(344,627)
Net income (loss) per share (basic and diluted)	\$ (0.01)	\$ (0.03)
Weighted average number of common shares	13,841,489	12,982,898

-- See Notes to Unaudited Consolidated Financial Statements --

FLEXIBLE SOLUTIONS INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Six Months Ended June 30, 2007 and 2006
(U.S. Dollars -- Unaudited)

	Six Months Ended June 30,	
	2007	2006
Sales	\$ 4,433,008	\$ 4,758,833
Cost of sales	2,726,675	3,066,420
Gross profit	1,706,333	1,692,413
Operating expenses		
Wages	516,458	598,492
Administrative salaries and benefits	256,282	320,141
Advertising and promotion	38,024	32,384
Investor relations and transfer agent fee	177,838	63,332
Office and miscellaneous	103,506	97,891
Insurance	107,065	93,708
Interest expense	1,184	1,044
Rent	111,031	117,799
Consulting	127,679	196,049
Professional fees	81,271	160,873
Travel	82,030	49,488
Telecommunications	19,461	15,026
Shipping	23,244	25,585
Research	55,668	80,264
Commissions	75,597	89,990
Bad debt expense (recovery)	1,851	424
Currency exchange	9,590	4,523
Utilities	10,046	9,630
	1,797,825	1,956,623
Income (loss) before other items and income tax	(91,492)	(264,230)
Other expenses	(5,570)	
Interest income	2,371	1,853
Income (loss) before income tax	(94,691)	(262,377)
Income tax (recovery)	-	(127,079)
Net income (loss)	(94,691)	(135,298)