

FLEXIBLE SOLUTIONS INTERNATIONAL INC  
Form 10-Q  
August 14, 2012

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 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 June 30, 2012

OR

TRANSITION REPORT PURSUANT TO 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-31540

FLEXIBLE SOLUTIONS INTERNATIONAL INC.  
(Exact Name of Issuer as Specified in Its Charter)

Nevada  
(State or other jurisdiction of incorporation  
or organization)

91-1922863  
(I.R.S. Employer Identification No.)

615 Discovery St.  
Victoria, British Columbia, Canada  
(Address of Issuer's Principal Executive  
Offices)

V8T 5G4  
(Zip Code)

Issuer's telephone number: (250) 477-9969

N/A

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities 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) had 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One):

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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 Exchange Act Rule 12b-2 of the Exchange Act).

Yes  No

Class of Stock	No. Shares Outstanding	Date
Common	13,169,991	August 1, 2012

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FORM 10-Q

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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 financial 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 rates 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-K for the year ended December 31, 2011.

## PART I FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS.

FLEXIBLE SOLUTIONS INTERNATIONAL, INC.  
CONSOLIDATED BALANCE SHEETSAt June 30, 2012  
(U.S. Dollars)

	June 30, 2012 (Unaudited)	December 31, 2011
Assets		
Current		
Cash and cash equivalents	\$645,907	\$ 506,903
Accounts receivable	2,355,423	2,332,019
Inventory	3,193,511	2,890,511
Prepaid expenses	202,968	135,361
	6,397,809	5,864,794
Property, equipment and leaseholds	7,683,743	8,205,514
Patents	201,967	208,206
Long term deposits	7,725	7,733
Deferred tax asset	229,000	219,000
	\$14,520,244	\$ 14,505,247
Liabilities		
Current		
Accounts payable and accrued liabilities	\$698,167	\$ 514,890
Deferred revenue	312,383	312,392
Taxes payable	290,998	437,998
Short term line of credit	875,000	650,000
Current portion of long term debt	308,111	329,389
	2,484,659	2,244,669
Long Term		
Loans	1,603,778	1,647,603
	\$4,088,437	\$ 3,892,272
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		
13,169,991 (2010: 13,962,567) common shares	13,170	13,170
Capital in excess of par value	15,929,062	15,864,348
Other comprehensive income	474,593	477,139
Deficit	(5,985,018)	(5,741,682)
Total Stockholders' Equity	10,431,807	10,612,975

Total Liabilities and Stockholders' Equity	\$14,520,244	\$	14,505,247
Commitments and contingencies (Note 13)			

-- See Notes to Unaudited Consolidated Financial Statements --

FLEXIBLE SOLUTIONS INTERNATIONAL, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
For the Three Months Ended June 30, 2012 and 2011  
(U.S. Dollars -- Unaudited)

	Three Months Ended June 30,	
	2012	2011
Sales	\$3,761,729	\$3,930,075
Cost of sales	2,654,812	2,246,652
Gross profit	1,106,917	1,683,423
Operating expenses		
Wages	468,088	418,113
Administrative salaries and benefits	308,715	92,777
Advertising and promotion	17,224	18,865
Investor relations and transfer agent fee	54,753	61,842
Office and miscellaneous	105,370	156,990
Insurance	67,147	58,725
Interest expense	26,615	20,808
Rent	43,907	44,541
Consulting	72,416	22,703
Professional fees	163,820	174,368
Travel	34,795	39,804
Telecommunications	8,071	9,604
Shipping	7,777	8,317
Research	17,512	21,314
Commissions	36,069	30,581
Bad debt expense	76	-
Currency exchange	(9,790 )	21,683
Utilities	30,347	12,654
Total operating expenses	1,452,912	1,213,689
Operating income (loss)	(345,995 )	469,734
Interest income	-	-
Income (loss) before income tax	(345,995 )	469,734
Provision for income taxes	(120,000 )	(295,000 )
Net income (loss)	(465,995 )	174,734
Net income (loss) per share (basic)	\$(0.04 )	\$0.01
Net income (loss) per share (diluted)	\$(0.04 )	\$0.01
Weighted average number of common shares (basic)	13,169,991	13,169,991

Weighted average number of common shares (diluted)	13,218,596	13,294,503
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-- See Notes to Unaudited Consolidated Financial Statements --



FLEXIBLE SOLUTIONS INTERNATIONAL, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
For the Six Months Ended June 30, 2012 and 2011  
(U.S. Dollars -- Unaudited)

	Six Months Ended June 30,	
	2012	2011
Sales	\$ 8,955,800	\$ 8,287,542
Cost of sales	5,874,710	4,820,600
Gross profit	3,081,090	3,466,942
Operating expenses		
Wages	856,651	888,951
Administrative salaries and benefits	439,247	186,391
Advertising and promotion	43,266	56,475
Investor relations and transfer agent fee	113,763	87,666
Office and miscellaneous	204,792	254,325
Insurance	132,161	114,823
Interest expense	61,414	40,089
Rent	91,102	89,206
Consulting	141,357	53,394
Professional fees	255,944	219,299
Travel	64,149	72,454
Telecommunications	14,821	18,512
Shipping	16,965	16,436
Research	37,677	35,429
Commissions	112,772	97,239
Bad debt expense (recovery)	76	-
Currency exchange	(3,560 )	34,606
Utilities	64,410	53,806
	2,647,007	2,319,101
Income (loss) before other items and income tax	434,083	1,147,841
Gain on sale of equipment	2,217	-
Interest income	361	-
Income (loss) before income tax	436,661	1,147,841
Deferred tax (recovery)	(10,000 )	-
Provision for income tax	(690,000 )	(615,000 )
Net income (loss)	(243,339 )	532,841
Net income (loss) per share (basic)	\$ (0.02 )	\$ 0.04
Net income (loss) per share (diluted)	\$ (0.02 )	\$ 0.04
Weighted average number of common shares (basic)	13,169,991	13,353,904
Weighted average number of common shares (diluted)	13,277,709	13,412,237



FLEXIBLE SOLUTIONS INTERNATIONAL, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Six Months Ended June 30, 2012 and 2011  
(U.S. Dollars -- Unaudited)

	Six Months Ended June 30,
2012	2011