

FLEXIBLE SOLUTIONS INTERNATIONAL INC
Form 10QSB
May 15, 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 March 31, 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 14,055,967 shares of Common Stock, par value \$0.001 per share, outstanding as of May 10, 2007.

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

FORM 10-QSB

Index

PART I.	FINANCIAL INFORMATION	
Item 1.	Financial Statements.	1
	(a) Unaudited Consolidated Balance Sheets at March 31, 2007 and December 31, 2006.	1
	(b) Unaudited Consolidated Statements of Operations for the Three Months Ended March 31, 2007 and 2006.	2
	(c) Unaudited Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2007 and 2006.	3
	(d) Notes to Unaudited Consolidated Financial Statements for the Period Ended March 31, 2007.	4
Item 2.	Management's Discussion and Analysis or Plan of Operation.	15
Item 3.	Controls and Procedures.	17
PART II.	OTHER INFORMATION	
Item 1.	Legal Proceedings.	18
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds.	18
Item 3.	Defaults Upon Senior Securities.	18
Item 4.	Submission of Matters to a Vote of Security Holders.	18
Item 5.	Other Information.	18
Item 6.	Exhibits.	19
SIGNATURES		20

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 March 31, 2007
(U.S. Dollars)

	March 31, 2007 (Unaudited)	December 31, 2006
Assets		
Current		
Cash and cash equivalents	\$ 780,647	\$ 450,759
Accounts receivable	1,649,740	1,319,575
Inventory	1,750,999	1,904,315
Prepaid expenses	120,528	124,360
	4,301,914	3,799,009
Property, equipment and leaseholds	3,976,644	4,100,553
Patents	188,578	169,758
Investment	369,000	369,000
Long term deposits	47,531	47,220
	\$ 8,883,667	\$ 8,485,540
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 527,138	\$ 423,030
Deferred revenue	-	20,559
	527,139	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		
13,179,227 (2006: 13,058,427) common shares	13,179	13,058
Capital in excess of par value	12,691,858	12,370,418
Other comprehensive income	148,234	131,002
Deficit	(4,496,742)	(4,472,527)
Total Stockholders' Equity	8,356,529	8,041,951
Total Liabilities and Stockholders' Equity	\$ 8,883,667	\$ 8,485,540
Commitments, Contingencies and Subsequent events (Notes 11, 12 & 13)		

-- See Notes to Unaudited Consolidated Financial Statements --

1

FLEXIBLE SOLUTIONS INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three Months Ended March 31, 2007 and 2006
(U.S. Dollars -- Unaudited)

	Three Months Ended March 31,	
	2007	2006
Sales	\$ 2,289,901	\$ 2,508,445
Cost of sales	1,466,351	1,486,681
Gross profit	823,550	1,021,764
Operating expenses		
Wages	257,186	276,400
Administrative salaries and benefits	131,797	160,949
Advertising and promotion	31,878	18,947
Investor relations and transfer agent fee	58,191	32,298
Office and miscellaneous	37,928	160