# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, DC 20549**

# FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2020**

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)

| Alberta | 71 163 0889 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (Employer Identification No.) |
| 6001 54 Ave.<br>Taber, Alberta, Canada | T1G 1X4 |
| (Address of Issuer's Principal Executive Offices) | (Zip Code) |

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

N/A

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

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock | FSI | NYSE American |

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933.

Yes [ ] No [X]

Indicate by check mark whether the registrant (1) has filed all reports 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) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

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

| | |
|---|---|
| Large accelerated filer [ ] | Accelerated filer [ ] |
| Non-accelerated filer [X] | Smaller reporting company [X] |
| | Emerging growth company [ ] |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):
[ ] Yes [X] No

| Class of Stock | No. Shares Outstanding | Date |
|---|---|---|
| Common | 12,240,545 | May 15, 2020 |

**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 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" or "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.
- New tariffs relating to raw materials imported from China.
- Impact of the COVID-19 virus

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, 2019.

**PART I FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**FLEXIBLE SOLUTIONS INTERNATIONAL INC.**
**CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS**
**(U.S. Dollars - Unaudited)**

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| **Assets** | | |
| **Current** | | |
| Cash and cash equivalents | $ 3,412,265 | $ 3,634,670 |
| Accounts receivable (Note 4) | 7,672,471 | 4,470,215 |
| Inventories (Note 5) | 8,902,873 | 9,182,786 |
| Prepaid expenses | 302,242 | 218,638 |
| **Total current assets** | 20,289,851 | 17,506,309 |
| **Property, equipment and leaseholds, net (Note 6)** | 3,986,428 | 4,005,676 |
| **Right of use assets** | 705,658 | 789,205 |
| **Patents (Note 7)** | 42,466 | 46,576 |
| **Intangible assets (Note 8)** | 2,908,000 | 2,952,000 |
| **Long term deposits (Note 9)** | 8,540 | 30,630 |
| **Investments (Note 10)** | 2,799,204 | 1,915,585 |
| **Goodwill (Note 8)** | 2,534,275 | 2,534,275 |
| **Restricted cash (Note 10e)** | - | 1,000,000 |
| **Deferred tax asset** | 1,545,172 | 1,600,161 |
| **Total Assets** | $ 34,819,594 | $ 32,380,417 |
| | | |
| **Liabilities** | | |
| **Current** | | |
| Accounts payable | $ 965,989 | $ 636,260 |
| Accrued liabilities | 388,062 | 181,234 |
| Deferred revenue | 119,511 | 213,221 |
| Income taxes payable | 1,741,067 | 1,770,105 |
| Short term line of credit (Note 11) | 3,555,832 | 2,389,982 |
| Current portion of lease liability (Note 3) | 393,959 | 405,670 |
| Current portion of long term debt (Note 12) | 1,197,186 | 1,196,722 |
| **Total current liabilities** | 8,361,606 | 6,793,194 |
| **Convertible note payable (Note 13)** | 500,000 | 500,000 |
| **Lease liabilities (Note 3)** | 311,699 | 383,535 |
| **Deferred income tax liability** | 1,058,641 | 1,058,641 |
| **Long term debt (Note 12)** | 2,982,180 | 3,183,671 |
| **Total liabilities** | 13,214,126 | 11,919,041 |
| | | |
| **Stockholders' Equity** | | |
| **Capital stock (see Note 15)** | | |
| 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: | | |
| 12,240,545 (December 31, 2019: 12,215,545) common shares | 12,241 | 12,216 |
| **Capital in excess of par value** | 16,491,780 | 16,437,473 |

| | | |
|---|---|---|
| **Other comprehensive loss** | (1,093,538) | (994,610) |
| **Accumulated earnings** | 3,720,823 | 2,456,148 |
| **Total stockholders' equity – controlling interest** | 19,130,306 | 17,911,227 |
| **Non-controlling interests (Note 16)** | 2,474,162 | 2,550,149 |
| **Total Stockholders' Equity** | 21,605,468 | 20,461,376 |
| | | |
| **Total Liabilities and Stockholders' Equity** | $ 34,819,594 | $ 32,380,417 |

— See Notes to Unaudited Interim Condensed Consolidated Financial Statements —

**FLEXIBLE SOLUTIONS INTERNATIONAL INC.**
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**
**(U.S. Dollars — Unaudited)**

| | Three Months Ended March 31, 2020 | Three Months Ended March 31, 2019 |
|---|---|---|
| **Sales** | $ 8,429,486 | $ 8,471,476 |
| **Cost of sales** | 5,479,947 | 5,695,889 |
| **Gross profit** | 2,949,539 | 2,775,587 |
| **Operating Expenses** | | |
| Wages | 535,433 | 530,677 |
| Administrative salaries and benefits | 204,543 | 265,092 |
| Advertising and promotion | 65,621 | 52,706 |
| Investor relations and transfer agent fee | 18,624 | 16,450 |
| Office and miscellaneous | 39,392 | 46,882 |
| Insurance | 131,569 | 102,735 |
| Interest expense | 101,425 | 129,007 |
| Lease expense | 118,468 | 114,452 |
| Consulting | 67,311 | 64,779 |
| Professional fees | 51,053 | 158,770 |
| Travel | 55,362 | 96,284 |
| Telecommunications | 11,876 | 11,028 |
| Shipping | 4,613 | 4,471 |
| Research | 28,578 | 20,086 |
| Commissions | 2,358 | 19,757 |
| Currency exchange | (57,727) | 92,064 |
| Utilities | 4,305 | 3,756 |
| Total operating expenses | 1,382,804 | 1,728,996 |
| **Operating income** | 1,566,735 | 1,046,591 |
| **Gain on investment** | 199,529 | 230,652 |
| **Interest income** | 414 | 16,252 |
| **Income before income tax** | 1,766,678 | 1,293,495 |
| **Income taxes** | | |
| Deferred income tax recovery | - | 125,999 |
| Income tax expense | (434,988) | (379,080) |
| **Net income for the period including non-controlling interests** | 1,331,690 | 1,040,414 |
| **Less: Net income attributable to non-controlling interests** | (67,015) | (29,264) |
| **Net income attributable to controlling interest** | $ 1,264,675 | $ 1,011,150 |
| **Income per share (basic and diluted)** | $ 0.10 | $ 0.09 |
| **Weighted average number of common shares (basic)** | 12,237,798 | 11,705,613 |
| **Weighted average number of common shares (diluted)** | 12,300,896 | 11,816,585 |
| **Other comprehensive income (loss):** | | |
| **Net income** | 1,331,690 | 1,040,414 |

| | | |
|---|---|---|
| **Unrealized (loss) gain on foreign currency translations** | (98,928) | 182,293 |
| **Total comprehensive income** | 1,232,762 | 1,222,707 |
| **Comprehensive income – non-controlling interest** | (67,015) | (29,264) |
| **Comprehensive income attributable to Flexible Solutions International Inc.** | $ 1,165,747 | $ 1,193,443 |

— See Notes to Unaudited Interim Condensed Consolidated Financial Statements —

**FLEXIBLE SOLUTIONS INTERNATIONAL INC.**
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(U.S. Dollars — Unaudited)**

| | Three Months Ended March 31, 2020 | Three Months Ended March 31, 2019 |
|---|---|---|
| **Operating activities** | | |
| Net income for the period including non-controlling interests | $ 1,331,690 | $ 1,040,414 |
| Adjustments to reconcile net income to net cash: | | |
| Stock based compensation | 29,582 | 5,747 |
| Depreciation and amortization | 148,058 | 148,279 |
| Gain on investment | (140,182) | (230,652) |
| Changes in non-cash working capital items: | | |
| (Increase) Decrease in accounts receivable | (3,192,845) | (3,222,431) |
| (Increase) Decrease in inventories | 235,397 | (8,764) |
| (Increase) Decrease in prepaid expenses | (85,116) | (92,199) |
| Increase (Decrease) in accounts payable and accrued liabilities | 444,898 | 403,062 |
| Increase (Decrease) in taxes payable | (29,038) | 379,080 |
| Increase (Decrease) in deferred income tax | - | (125,999) |
| Increase (Decrease) deferred revenue | 2,560 | 9,276 |
| **Cash used in operating activities** | (1,254,996) | (1,694,187) |
| **Investing activities** | | |
| Long term deposit | 22,084 | - |
| Investment | (743,437) | (996,001) |
| Net purchase of property, equipment and leaseholds | (96,280) | (1,275,835) |
| **Cash used in investing activities** | (817,633) | (2,271,836) |
| **Financing activities** | | |
| Draw from short term line of credit | 1,165,850 | 1,383,929 |
| Loans | (201,027) | (205,262) |
| Dividends paid | - | (590,483) |
| Partnership distributions | (143,002) | - |
| Proceeds from issuance of common stock | 24,750 | 10,850 |
| **Cash provided by financing activities** | 846,571 | 599,034 |
| Effect of exchange rate changes on cash | 3,653 | 204,986 |
| **Outflow of cash** | (1,222,405) | (3,162,003) |
| Cash, cash equivalents and restricted cash, beginning | 4,634,670 | 7,857,936 |
| **Cash, cash equivalents and restricted cash, ending** | $ 3,412,265 | $ 4,695,933 |
| **Cash, cash equivalents and restricted cash are comprised of:** | | |
| Cash and cash equivalents | $ 3,412,265 | $ 3,695,933 |
| Restricted cash | - | 1,000,000 |
| | $ 3,412,265 | $ 4,695,933 |

| | | |
|---|---|---|
| **Supplemental disclosure of cash flow information:** | | |
| Income taxes paid | $ 464,026 | $ - |
| Interest paid | $ 101,245 | $ 108,084 |

— See Notes to Unaudited Interim Condensed Consolidated Financial Statements —

**FLEXIBLE SOLUTIONS INTERNATIONAL INC.**
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**
**(U.S. Dollars — Unaudited)**

| | Shares | Capital Stock | Capital in Excess of Par Value | Accumulated Earnings (Deficiency) | Other Comprehensive Income (Loss) | Total | Non-Controlling Interests | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|---|
| **Balance December 31, 2019** | **12,215,545** | **$12,216** | **$16,437,473** | **$ 2,456,148** | **$ (994,610)** | **$17,911,227** | **$ 2,550,149** | **$ 20,461,376** |
| Translation adjustment | — | — | — | — | (98,928) | (98,928) | — | (98,928) |
| Net income | — | — | — | 1,264,675 | — | 1,264,675 | 67,015 | 1,331,690 |
| Common stock issued | 25,000 | 25 | 24,725 | — | — | 24,750 | — | 24,750 |
| Distributions to non-controlling interests | — | — | — | — | — | — | (143.002) | (143.002) |
| Stock-based compensation | — | — | 29,582 | — | — | 29,582 | — | 29,582 |
| **Balance March 31, 2020** | **12,240,545** | **$12,241** | **$16,491,780** | **$ 3,720,823** | **$ (1,093,538)** | **$19,130,306** | **$ 2,474,162** | **$ 21,605,468** |

| | Shares | Capital Stock | Capital in Excess of Par Value | Accumulated Earnings (Deficiency) | Other Comprehensive Income (Loss) | Total | Non-Controlling Interests | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|---|
| **Balance December 31, 2018** | **11,699,657** | **$11,700** | **$15,328,285** | **$ 2,941,889** | **$ (1,222,573)** | **$17,059,301** | **$ 2,462,231** | **$ 19,521,532** |
| Translation adjustment | — | — | — | — | 182,293 | 182,293 | — | 182,293 |
| Net income | — | — | — | 1,011,150 | — | 1,011,150 | 29,264 | 1,040,414 |
| Common stock issued | 12,000 | 12 | 10,838 | — | — | 10,850 | — | 10,850 |
| Dividends paid | — | — | — | (590,483) | — | (590,483) | — | (590,483) |
| Stock-based compensation | — | — | 5,747 | — | — | 5,747 | — | 5,747 |
| **Balance March 31, 2019** | **11,711,657** | **$11,712** | **$15,344,870** | **$ 3,362,556** | **$ (1,040,280)** | **$17,678,858** | **$ 2,491,495** | **$ 20,170,353** |

— See Notes to Unaudited Interim Condensed Consolidated Financial Statements —

**1. BASIS OF PRESENTATION.**

These consolidated financial statements include the accounts of Flexible Solutions International, Inc. (the “Company”), its wholly-owned subsidiaries Flexible Fermentation Ltd. (“Flexible Ltd.”), NanoChem Solutions Inc. (“NanoChem”), Flexible Solutions Ltd., Flexible Biomass LP, FS Biomass Inc., NCS Deferred Corp., Conserve H2O Ltd., Natural Chem SEZC Ltd., and InnFlexHoldings Inc. and its 65% interest in EnP Investments, LLC (“ENP Investments”). All inter-company balances and transactions have been eliminated. The Company was incorporated May 12, 1998 in the State of Nevada and had no operations until June 30, 1998. In 2019, the Company redomiciled into Alberta, Canada.

In 2018, NanoChem, a wholly-owned subsidiary of the Company, completed the purchase of 65% interest in EnP Investments for an aggregate purchase price of $5,110,560. An unrelated party owns the remaining 35% interest in EnP Investments, and EnP Investments is consolidated into the financial statements. The outside investor’s ownership interest in EnP Investments is included in noncontrolling interests in these consolidated financial statements from the acquisition date onward.

The Company and its subsidiaries develop, manufacture and market specialty chemicals which slow the evaporation of water. One product, HEATSAVR®, is marketed for use in swimming pools and spas where its use, by slowing the evaporation of water, allows the water to retain a higher temperature for a longer period of time and thereby reduces the energy required to maintain the desired temperature of the water in the pool. Another product, WATERSAVR®, is marketed for water conservation in irrigation canals, aquaculture, and reservoirs where its use slows water loss due to evaporation. In addition to the water conservation products, the Company also manufactures and markets water-soluble chemicals utilizing thermal polyaspartate biopolymers (hereinafter referred to as “TPAs”), which are beta-proteins manufactured from the common biological amino acid, L-aspartic. TPAs can be formulated to prevent corrosion and scaling in water piping within the petroleum, chemical, utility and mining industries. TPAs are also used as proteins to enhance fertilizers in improving crop yields and can be used as additives for household laundry detergents, consumer care products and pesticides. The TPA division also manufactures two nitrogen conservation products for agriculture that slows nitrogen loss from fields.

These unaudited interim condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States for interim financial statements. These unaudited interim financial statements are condensed and do not include all disclosures required for annual financial statements. The organization and business of the Company, accounting policies followed by the Company and other information are contained in the notes to the Company’s audited consolidated financial statements filed as part of the Company’s December 31, 2019 Annual Report on Form 10-K. This quarterly report should be read in conjunction with such annual report.

In the opinion of the Company’s management, these unaudited interim condensed consolidated financial statements reflect all adjustments, all of which are of normal recurring nature, necessary to present fairly the Company’s consolidated financial position at March 31, 2020, the consolidated results of operations for the three months ended March 31, 2020 and 2019, and the consolidated statements of cash flows for the three months ended March 31, 2020 and 2019. The results of operations for the three months ended March 31, 2020 are not necessarily indicative of the results to be expected for the entire fiscal year.

**2. SIGNIFICANT ACCOUNTING POLICIES.**

These consolidated financial statements have been prepared on a historical cost basis, except where otherwise noted, in accordance with accounting principles generally accepted in the United States applicable to a going concern and reflect the policies outlined below.

(a) *Cash and Cash Equivalents*.

The Company considers all highly liquid investments purchased with an original or remaining maturity of less than three months at the date of purchase to be cash equivalents. Cash and cash equivalents are maintained with several financial institutions.

(b) *Inventories and Cost of Sales*

The Company has three major classes of inventory: completed goods, work in progress and raw materials and supplies. In all classes, inventories are stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Cost of sales includes all expenditures incurred in bringing the goods to the point of sale. Inventory costs and costs of sales include direct costs of the raw material, inbound freight charges, warehousing costs, handling costs (receiving and purchasing) and utilities and overhead expenses related to the Company's manufacturing and processing facilities. Shipping and handling charges billed to customers are included in revenue (2020 - $162,905; 2019 – $165,592). Shipping and handling costs incurred are included in cost of goods sold (2020 - $290,748; 2019 – $347,960).

(c) *Allowance for Doubtful Accounts*

The Company provides an allowance for doubtful accounts when management estimates collectability to be uncertain. Accounts receivable are continually reviewed to determine which, if any, accounts are doubtful of collection. In making the determination of the appropriate allowance amount, the Company considers current economic and industry conditions, relationships with each significant customer, overall customer credit-worthiness and historical experience.

(d) *Property, Equipment, Leaseholds and Intangible Assets.*

The following assets are recorded at cost and depreciated using the methods and annual rates shown below:

| | |
|---|---|
| Computer hardware | 30% Declining balance |
| Furniture and fixtures | 20% Declining balance |
| Manufacturing equipment | 20% Declining balance |
| Office equipment | 20% Declining balance |
| Boat | 20% Declining balance |
| Building and improvements | 10% Declining balance |
| Trailer | 30% Declining balance |
| Automobile | Straight-line over 5 years |
| Patents | Straight-line over 17 years |
| Technology | Straight-line over 10 years |
| Right of Use Asset | Straight-line over lease term |
| Leasehold improvements | Straight-line over lease term |

Property and equipment are written down to net realizable value when management determines there has been a change in circumstances which indicates their carrying amounts may not be recoverable. No write-downs have been necessary to date.

(e) *Impairment of Long-Lived Assets*.

In accordance with FASB Codification Topic 360, “Property, Plant and Equipment (ASC 360), the Company reviews long-lived assets, including, but not limited to, property, equipment and leaseholds, patents and other assets, for impairment annually or whenever events or changes in circumstances indicate the carrying amounts of assets may not be recoverable. The carrying value of long-lived assets is assessed for impairment by evaluating operating performance and future undiscounted cash flows of the underlying assets. If the expected future cash flows of an asset is less than its carrying value, an impairment measurement is indicated. Impairment charges are recorded to the extent that an asset’s carrying value exceeds its fair value. Accordingly, actual results could vary significantly from such estimates. There were no impairment charges during the periods presented.

(f) *Foreign Currency*.

The functional currency of the Company is the U.S. dollar. The functional currency of three of the Company's subsidiaries is the Canadian Dollar. The translation of the Canadian Dollar to the reporting currency of the Company, the U.S. Dollar, is performed for assets and liabilities using exchange rates in effect at the balance sheet date. Revenue and expense transactions are translated using average exchange rates prevailing during the year. Translation adjustments arising on conversion of the Company's financial statements from the subsidiary's functional currency, Canadian Dollars, into the reporting currency, U.S. Dollars, are excluded from the determination of income (loss) and are disclosed as other comprehensive income in the consolidated statements of income and comprehensive income.

Foreign exchange gains and losses relating to transactions not denominated in the applicable local currency are included in operating income (loss) if realized during the year and in comprehensive income (loss) if they remain unrealized at the end of the year.

(g) *Revenue Recognition*.

We follow a five-step model for revenue recognition. The five steps are: (1) identification of the contract(s) with the customer, (2) identification of the performance obligation(s) in the contract(s), (3) determination of the transaction price, (4) allocation of the transaction price to the performance obligation, and (5) recognition of revenue when (or as) the performance obligation is satisfied. We have fulfilled our performance obligations when control transfers to the customer, which is generally at the time the product is shipped since risk of loss is transferred to the purchaser upon delivery to the carrier. For shipments which are F.O.B. shipping point, the Company has elected to account for shipping and handling activities as a fulfillment cost rather than as an additional promised service and performance obligation.

The Company recognizes revenue when there are no significant remaining performance obligations. When significant post-delivery obligations exist, revenue is deferred until such obligations are fulfilled. To date, there have been no such significant post-delivery obligations.

Since the Company's inception, product returns have been insignificant; therefore, no provision has been established for estimated product returns.

Deferred revenues consist of products sold to distributors with payment terms greater than the Company's customary business terms due to lack of credit history or operating in a new market in which the Company has no prior experience. The Company defers the recognition of revenue until the criteria for revenue recognition has been met, and payments become due or cash is received from these distributors.

(h) *Stock Issued in Exchange for Services*.

The Company's common stock issued in exchange for services is valued at estimated fair market value based upon trading prices of the Company's common stock on the dates of the stock transactions. The corresponding expense of the services rendered is recognized over the period that the services are performed.

(i) *Stock-based Compensation*.

The Company recognizes compensation expense for all share-based payments in accordance with FASB Codification Topic 718, *Compensation — Stock Compensation*, (ASC 718). Under the fair value recognition provisions of ASC 718, the Company recognizes share-based compensation expense, net of an estimated forfeiture rate, over the requisite service period of the award.

The fair value at grant date of stock options is estimated using the Black-Scholes option-pricing model. Compensation expense is recognized on a straight-line basis over the stock option vesting period based on the estimated number of stock options that are expected to vest. Shares are issued from treasury upon exercise of stock options.

(j) *Other Comprehensive Income*.

Other comprehensive income refers to revenues, expenses, gains and losses that under generally accepted accounting principles are included in comprehensive income, but are excluded from net income as these amounts are recorded directly as an adjustment to stockholders' equity. The Company's other comprehensive income is comprised only of unrealized foreign exchange gains and losses.

(k) *Income Per Share*.

Basic earnings per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding in the period. Diluted earnings per share are calculated giving effect to the potential dilution of the exercise of options and warrants. Common equivalent shares, composed of incremental common shares issuable upon the exercise of stock options and warrants are included in diluted net income per share to the extent that these shares are dilutive. Common equivalent shares that have an anti-dilutive effect on net income per share have been excluded from the calculation of diluted weighted average shares outstanding for the three months ended March 31, 2020 and 2019.

(l) *Use of Estimates*.

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and would impact the results of operations and cash flows.

Estimates and underlying assumptions are reviewed at each period end. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management estimates include assumptions and estimates relating to the valuation of goodwill and intangible assets, asset impairment analysis, share-based payments and warrants, valuation allowances for deferred income tax assets, determination of useful lives of property, equipment and leaseholds and intangible assets, and the valuation of inventory.

(m) *Financial Instruments*.

The fair market value of the Company's financial instruments comprising cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and short term line of credit were estimated to approximate their carrying values due to immediate or short-term maturity of these financial instruments.

(n) *Fair Value of Financial Instruments*

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs described below, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

- Level 1 – Quoted prices in active markets for identical assets or liabilities

- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 — Unobservable inputs that are supported by little or no market activity which is significant to the fair value of the assets or liabilities.

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and the short term line of credit for all periods presented approximate their respective carrying amounts due to the short term nature of these financial instruments.

(o) *Contingencies*

Certain conditions may exist as of the date the financial statements are issued which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potential material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed. Legal fees associated with loss contingencies are expensed as incurred.

(p) *Income Taxes*

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance so that the assets are recognized only to the extent that when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will be realized.

Per FASB ASC 740 "Income taxes" under the liability method it is the Company's policy to provide for uncertain tax positions and the related interest and penalties based upon management's assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. At December 31, 2018, the Company believes it has appropriately accounted for any unrecognized tax benefits. To the extent the Company prevails in matters for which a liability for an unrecognized benefit is established or is required to pay amounts in excess of the liability, the Company's effective tax rate in a given financial statement period may be affected. Interest and penalties associated with the Company's tax positions are recorded as interest expense in the consolidated statements of income and comprehensive income.

(q) *Risk Management.*

The Company's credit risk is primarily attributable to its accounts receivable. The amounts presented in the accompanying consolidated balance sheets are net of allowances for doubtful accounts, estimated by the Company's management based on prior experience and the current economic environment. The Company is exposed to credit-related losses in the event of non-payment by customers. Credit exposure is minimized by dealing with only credit worthy counterparties. Accounts receivable for the Company's three primary customers totaled $3,650,830 (48%) at March 31, 2020 (December 31, 2019 - $2,707,825 or 61%).

The credit risk on cash and cash equivalents is limited because the Company limits its exposure to credit loss by placing its cash and cash equivalents with major financial institutions. The Company maintains cash balances at financial institutions which at times exceed federally insured amounts. The Company has not experienced any material losses in such accounts.

The Company is exposed to foreign exchange and interest rate risk to the extent that market value rate fluctuations materially differ from financial assets and liabilities, subject to fixed long-term rates.

In order to manage its exposure to foreign exchange risks, the Company is closely monitoring the fluctuations in the foreign currency exchange rates and the impact on the value of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. The Company has not hedged its exposure to currency fluctuations.

(r) *Equity Method Investment*

The Company accounts for investments using the equity method of accounting if the investment provides the Company the ability to exercise significant influence, but not control, over the investee. Significant influence is generally deemed to exist if the Company's ownership interest in the voting stock of the investee ranges between 20% and 50%, although other factors, such as representation on the investee's board of directors, are considered in determining whether the equity method of accounting is appropriate. Under the equity method of accounting, the investment is recorded at cost in the consolidated balance sheets under other assets and adjusted for dividends received and the Company's share of the investee's earnings or losses together with other-than-temporary impairments which are recorded through interest and other loss, net in the consolidated statements of income and comprehensive income.

(s) *Goodwill and intangible assets*

Goodwill represents the excess of the purchase price of an acquired entity over the amounts assigned to the assets acquired and liabilities assumed. Goodwill is not amortized, but is reviewed for impairment annually or more frequently if certain impairment conditions arise. The Company performs an annual goodwill impairment review in the fourth quarter of each year at the reporting unit level. The evaluation begins with a qualitative assessment of the factors that could impact the significant inputs used to estimate fair value. If after performing the qualitative assessment, it is determined likely that the fair value of a reporting unit is more than its carrying amount, including goodwill, then no further analysis is necessary. However, if the results of the qualitative test are unclear, the Company performs a quantitative test, which involves comparing the fair value of a reporting unit with its carrying amount, including goodwill. The Company uses an income-based valuation method, determining the present value of future cash flows, to estimate the fair value of a reporting unit. If the fair value of a reporting unit exceeds its positive carrying amount, goodwill of the reporting unit is considered not impaired, and no further analysis is necessary. If the fair value of the reporting unit is less than its carrying amount, goodwill impairment would be recognized equal to the amount of the carrying value in excess of the reporting unit's fair value, limited to the total amount of goodwill allocated to the reporting unit.

Intangible assets primarily include trademarks and trade secrets with indefinite lives and customer-relationships with finite lives. Intangible assets with indefinite lives are not amortized but are tested for impairment on an annual basis, or more frequently if indicators of impairment are present. Indefinite lived intangible assets are assessed using either a qualitative or a quantitative approach. The qualitative assessment evaluates factors including macro-economic conditions, industry and company-specific factors, legal and regulatory environments, and historical company performance in assessing fair value. If it is determined the fair value of the reporting unit is less than its carrying value, a quantitative test is then performed. When using a quantitative approach, the Company compares the fair value of the reporting unit to its carrying amount, including goodwill. If the estimated fair value of the reporting unit is less than the carrying amount of the reporting unit, impairment is indicated, requiring recognition of an impairment charge for the differential.

Qualitative assessments of goodwill and indefinite-lived intangible assets were performed in 2019 and 2018. Based on the results of assessment, it was determined that it is more likely than not the reporting unit, customer lists and trademarks had a fair value in excess of carrying value. Accordingly, no further impairment testing was completed and no impairment charges related to goodwill or indefinite-lived intangibles were recognized during the three months ended March 31, 2020.

Finite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives. The Company reviews for impairment indicators of finite-lived intangibles and other long-lived assets as described in the "Property and Equipment" significant accounting policy.

(t) *Adoption of new accounting principles*

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASC 842 which requires lessees to recognize a right-of-use ("ROU") asset and lease liability on the balance sheet for virtually all leases. From a lessee perspective, ASC 842 retains a dual model requiring leases to be classified as either operating or finance leases for the income statement. Operating leases will result in straight-line expense, and financing leases will have a front-loaded expense pattern with an interest expense component. On January 1, 2019, the Company adopted ASC 842 and all related amendments using the prospective transition approach. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. Adoption of the new standard resulted in the recording of lease ROU assets and lease liabilities of approximately $819,079 as of January 1, 2019. In accordance with ASC 842, the Company determines if an arrangement is a lease at inception based on whether there is an identified asset, whether the Company has the right to obtain substantially all of the economic benefits from the use of the asset and whether the Company has the right to direct the use of the asset. Currently, the Company only has operating leases and does not have any financing leases. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. See note 3, Leases, for further disclosures and detail regarding our operating leases.

In November 2016, the FASB issued ASU2016-18 "Statement of Cash Flows" (Topic230); Restricted Cash (ASU2016-18), which defines new requirements for the presentation of restricted cash and restricted cash equivalents in the statement of cash flows. The amendments in this ASU require retrospective application to each period presented. The Company adopted this guidance effective January 1, 2018 retrospectively. This ASU requires entities to present the statement of cash flows in a manner such that it reconciles beginning and ending totals of cash, cash equivalents, restricted cash or restricted cash equivalents. Also, when cash, cash equivalents, restricted cash or restricted cash equivalents are presented in more than one line item within the statement of financial position, an entity should, for each period that a statement of financial position is presented, present on the face of the statement of cash flows or disclose in the notes to the financial statements, the line items and amounts of cash, cash equivalents, and restricted cash or restricted cash equivalents reported within the statement of financial position. The amounts, disaggregated by the line item in which they appear within the statement of financial position, shall sum to the total amount of cash, cash equivalents, and restricted cash or restricted cash equivalents at the end of the corresponding period shown in the statement of cash flows.

(u) *Recent Accounting Pronouncements*

The Company has implemented all applicable new accounting pronouncements that are in effect. Those pronouncements did not have any material impact on the financial statements unless otherwise disclosed, and the Company does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

**3. ADOPTION OF ASC 942, LEASES**

On January 1, 2019, the Company adopted ASC 842 using the prospective transition approach, which applies the provisions of the new guidance at the effective date without adjusting the comparative periods presented. The adoption of the lease standard did not result in a cumulative-effect adjustment to opening equity. Results for reporting periods beginning after January 1, 2019 are presented under ASC 842 while prior period amounts are not adjusted and continue to be reported in accordance with the Company's historic accounting under ASC 840, "Leases," ("ASC 840").

The Company leases office space. For leases with terms greater than 12 months, the Company records the related ROU asset and lease obligation at the present value of lease payments over the term. Leases may include fixed rental escalation clauses, renewal options and / or termination options that are factored into the determination of lease payments when appropriate. The Company's leases do not usually provide a readily determinable implicit rate; therefore, an estimate of the Company's incremental borrowing rate is used to discount the lease payments based on information available at the lease commencement date. The discount rate used was 5.5%.

Operating lease costs during the three months ended March 31, 2020 were $101,079 (2019 - $99,908).

The adoption of ASC 842 resulted in the recognition of right-of-use ("ROU") assets and lease liabilities of approximately $819,079 as of January 1, 2019. The standard did not materially impact the Company's consolidated statement of operations or its consolidated statement of cash flows for the three months ended March 31, 2020. See below for the Company's updated lease policy and the required disclosures under ASC 842.

The Company is a lessee in five different leases that have various expiry dates within the next 5 years.

The table below summarizes the remaining expected lease payments under our operating leases as of March 31, 2020.

| Future Lease Payments | | March 31, 2020 |
|---|---|---|
| 2020 | $ | 304,591 |
| 2021 | | 313,496 |
| 2022 | | 93,155 |
| 2023 | | 70,925 |
| Thereafter | | - |
| Less: imputed interest | | (76,509) |
| | | |
| Present value of operating lease liabilities | $ | 705,658 |

***Update to Lease Policy***

Accounting and reporting guidance for leases requires that leases be evaluated and classified as either operating or finance leases by the lessee and as either operating, sales-type or direct financing leases by the lessor. The Company's operating leases are included in ROU assets, lease liabilities-current portion and lease liability-less current portion in the accompanying consolidated balance sheets. ROU assets (which in plain English means "leases") represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease.

**4. ACCOUNTS RECEIVABLE**

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| Accounts receivable | $ 7,939,833 | $ 4,740,867 |
| Allowances for doubtful accounts | (267,362) | (270,652) |
| | $ 7,672,471 | $ 4,470,215 |

**5. INVENTORIES**

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| Completed goods | $ 4,660,303 | $ 3,818,876 |
| Work in progress | 297,824 | 416,950 |
| Raw materials and supplies | 3,944,746 | 4,946,960 |
| | $ 8,902,873 | $ 9,182,786 |

**6. PROPERTY, PLANT & EQUIPMENT**

| | March 31, 2020 Cost | Accumulated Depreciation | March 31, 2020 Net |
|---|---|---|---|
| Buildings | $ 3,624,527 | $ 2,636,575 | $ 987,952 |
| Automobiles | 163,397 | 102,095 | 61,302 |
| Computer hardware | 43,318 | 41,306 | 2,012 |
| Furniture and fixtures | 108,590 | 97,859 | 10,731 |
| Manufacturing equipment | 5,649,910 | 3,102,395 | 2,547,515 |
| Boat | 34,400 | 22,353 | 12,047 |
| Office equipment | 1,673 | 721 | 952 |
| Trailer | 8,456 | 5,198 | 3,258 |
| Leasehold Improvements | 88,872 | 73,230 | 15,642 |
| Land | 345,017 | - | 345,017 |
| Technology | 96,297 | 96,297 | - |
| | $ 10,164,457 | $ 6,178,029 | $ 3,986,428 |

| | December 31, 2019 Cost | Accumulated Depreciation | December 31, 2019 Net |
|---|---|---|---|
| Buildings | $ 3,614,057 | $ 2,619,914 | $ 994,143 |
| Automobiles | 163,397 | 94,789 | 68,608 |
| Computer hardware | 43,540 | 41,233 | 2,307 |
| Furniture and fixtures | 108,906 | 97,030 | 11,876 |
| Office equipment | 1,827 | 733 | 1,094 |
| Manufacturing equipment | 5,634,255 | 3,106,526 | 2,527,729 |
| Trailer | 9,236 | 5,389 | 3,847 |
| Boat | 34,400 | 21,719 | 12,681 |
| Leasehold improvements | 88,872 | 68,571 | 20,301 |
| Technology | 105,177 | 105,177 | — |
| Land | 363,090 | — | 363,090 |
| | $ 10,166,757 | $ 6,161,081 | $ 4,005,676 |

Amount of depreciation expense for the three months ended March 31, 2020: $99,948 (2019: $100,169) and is included in cost of sales in the unaudited interim condensed consolidated statements of income and comprehensive income.

**7. PATENTS**

In fiscal 2005, the Company started the patent process for additional WATER$AVR® products. Patents associated with these costs were granted in 2006 and they have been amortized over their legal life of 17 years.

| | March 31, 2020 Cost | Accumulated Amortization | March 31, 2020 Net |
|---|---|---|---|
| Patents | $ 186,870 | $ 144,404 | $ 42,466 |

| | December 31, 2019 Cost | Accumulated Amortization | December 31, 2019 Net |
|---|---|---|---|
| Patents | $ 204,102 | $ 157,526 | $ 46,576 |

The decrease in the carrying amount of patents is primarily due to foreign currency translation effects. The 2020 cost in Canadian dollars - $265,102 (2019 - $265,102 in Canadian dollars).

Amount of amortization for 2020 - $4,110 (2019 - $4,110) and is included in cost of sales in the consolidated statements of income and comprehensive income.

Estimated amortization expense over the next three years is as follows:

| | | |
|---|---|---|
| 2020 | $ | 16,438 |
| 2021 | | 16,438 |
| 2022 | | 13,700 |

**8. GOODWILL AND INDEFINITE LIVED INTANGIBLE ASSETS**

| | | |
|---|---|---|
| Goodwill | | |
| Balance as of December 31, 2018 | $ | 2,534,275 |
| Additions | | - |
| Impairment | | - |
| Balance as of December 31, 2019 and March 31, 2020 | $ | 2,534,275 |
| Indefinite Lived Intangible Assets | | |
| Balance as of December 31, 2018 | $ | 770,000 |
| Additions | | - |
| Impairment | | - |
| Balance as of December 31, 2019 and March 31, 2020 | $ | 770,000 |

Indefinite lived intangible assets consist of trade secrets and trademarks related to the acquisition of EnP Investments LLC.

| | | |
|---|---|---|
| Definite Life Intangible Assets | | |
| Balance as of December 31, 2018 | $ | 2,358,000 |
| Amortization | | (176,000) |
| Balance as of December 31, 2019 | | 2,182,000 |
| Amortization | | (44,000) |
| Balance as of March 31, 2020 | $ | 2,138,000 |

Definite life intangible assets consists of customer relationships related to the acquisition of EnP Investments LLC (note 3). Customer relationships are amortized over their estimated useful life of 15 years.

Estimated amortization expense over the next five years is as follows:

| | | |
|---|---|---|
| 2020 | $ | 176,000 |
| 2021 | | 176,000 |
| 2022 | | 160,000 |
| 2023 | | 160,000 |
| 2024 | | 160,000 |

**9. LONG TERM DEPOSITS**

The Company has reclassified certain security deposits to better reflect their long term nature. Long term deposits consist of damage deposits held by landlords and security deposits held by various vendors.

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| Long term deposits | $ 8,540 | $ 30,630 |

**10. INVESTMENTS**

**(a)** The Company has a 50% ownership interest in ENP Peru Investments LLC ("ENP Peru"), which was acquired in fiscal 2016. ENP Peru is located in Illinois and leases warehouse space. The Company accounts for this investment using the equity method of accounting. A summary of the Company's investment follows:

| | |
|---|---|
| Balance, December 31, 2018 | $ 12,108 |
| Return of equity | (6,250) |
| Loss in equity method investment | 5,529 |
| Balance, December 31, 2019 | 11,387 |
| Return of equity | (6,563) |
| Balance, March 31, 2020 | $ 4,824 |

Summarized profit and loss information related to the equity accounted investment is as follows:

| | 2019 |
|---|---|
| Net sales | $ 285,635 |
| Net income | $ 11,058 |

**(b)** The Company has a 24% ownership interest in ENP Realty LLC ("ENP Realty"), which was acquired in fiscal 2018. ENP Realty is located in Illinois and leases warehouse space. The Company accounts for this investment using the equity method of accounting. A summary of the Company's investment follows:

| | |
|---|---|
| Balance, December 31, 2018 | $ 64,249 |
| Return of equity | (9,292) |
| Gain in equity method investment | 8,208 |
| Balance, December 31, 2019 and March 31, 2020 | $ 63,165 |

Summarized profit and loss information related to the equity accounted investment is as follows:

| | 2019 |
|---|---|
| Net sales | $ 75,870 |
| Net income | $ 34,200 |

**(c)** In December 2018 the Company invested $200,000 in Applied Holding Corp. ("Applied"). Applied is a captive insurance company and the Company received a promissory note for its investment which becomes due in 2021 but may be extended with notice for a maximum of two years.

**(d)** In December 2018 the Company invested $500,000 in Trio Opportunity Corp. ("Trio"), a privately held entity. Trio is a real estate investment vehicle and the Company received 50,000 non-voting Class B shares at $10.00/share. In accordance with ASC 321-10-35, the Company has elected to account for this investment at cost less impairment. A summary of the Company's investment follows:

| | | |
|---|---|---|
| Balance, December 31, 2018 | $ | 500,000 |
| Impairment | | - |
| Balance, December 31, 2019 and March 31, 2020 | $ | 500,000 |

**(e)** In January 2019, the Company invested $1,001,000 in a Florida based LLC that is engaged in international sales of fertilizer additives. The Company accounts for this investment using the equity method of accounting. According to the operating agreement, the Company has a 50% interest in the profit and loss of the LLC but does not have control. A summary of the Company's investment follows:

| | | |
|---|---|---|
| Balance, December 31, 2018 | $ | - |
| Acquisition | | 1,001,000 |
| Gain in equity method investment | | 290,033 |
| Return on investment | | (150,000) |
| Balance, December 31, 2019 | | 1,141,033 |
| Additional payment | | 1,000,000 |
| Return on investment | | (250,000) |
| Gain on equity method investment | | 140,182 |
| Balance, March 31, 2020 | $ | 2,031,215 |

Further to the original investment amount, the Company has placed $1,000,000 in trust, to be released upon the LLC reaching a milestone related to earnings before interest, taxes and depreciation ("EBITDA") targets. This amount was accounted for as restricted cash on the balance sheet and was released in January 2020. Further payments of $1,000,000 and $500,000 may become due should other subsequent milestones be reached. Summarized profit and loss information related to the equity accounted investment is as follows:

| | 2020 | 2019 |
|---|---|---|
| Net sales | $ 2,791,754 | $ 3,257,350 |
| Gross profit | 945,395 | 1,010,781 |
| Net income | $ 280,364 | $ 448,804 |

## 11. SHORT-TERM LINE OF CREDIT

**(a)** In September 2018, the Company signed a new agreement with Harris Bank ("Harris") to renew the expiring credit line. The revolving line of credit is for an aggregate amount of up to the lesser of (i) $2,500,000, or (ii) 80% of eligible domestic accounts receivable and certain foreign accounts receivable plus 50% of inventory. The loan has an annual interest rate of 3.25% at March 31, 2020 (December 31, 2019 – 4.75%).

The revolving line of credit contains customary affirmative and negative covenants, including the following: compliance with laws, provision of financial statements and periodic reports, payment of taxes, maintenance of inventory and insurance, maintenance of operating accounts at Harris, Harris' access to collateral, formation or acquisition of subsidiaries, incurrence of indebtedness, dispositions of assets, granting liens, changes in business, ownership or business locations, engaging in mergers and acquisitions, making investments or distributions and affiliate transactions. The covenants also require that the Company maintain a minimum ratio of qualifying financial assets to the sum of qualifying financial obligations. As of March 31, 2020, Company was in compliance with all loan covenants.

To secure the repayment of any amounts borrowed under the revolving line of credit, the Company granted Harris a security interest in substantially all of the assets of NanoChem Solutions Inc., exclusive of intellectual property assets.

Short-term borrowings outstanding under the revolving line as of March 31, 2020 were $1,641,085 (December 31, 2019 - $1,641,085).

**(b)** In June 2019, EnP Investments, LLC signed a new agreement with Midland States Bank ("Midland") to renew the expiring credit line. The revolving line of credit is for an aggregate amount of up to $2,500,000. The interest rate of this loan is subject to change from time to time based on changes in an independent index which is the 1 month LIBOR as published in the Wall Street Journal (the “Index”). Interest on the unpaid principal balance of this loan will be calculated using a rate of 4.060 percentage points over the Index. Under no circumstances will the interest rate of this loan be less than 4.750% per annum or more than the maximum rate allowed by applicable law. The interest rate at March 31, 2020 is 5.0445% (December 31, 2019 – 6.075%).

The revolving line of credit contains customary affirmative and negative covenants, including the following: compliance with laws, provisions of financial statements and periodic reports, payment of taxes, maintenance of inventory and insurance, maintenance of operating accounts at Midland, Midland’s access to collateral, formation of acquisition of subsidiaries, incurrence of indebtedness, dispositions of assets, granting liens, changes in business, ownership or business locations, engaging in mergers and acquisitions, making investments or distributions and affiliate transactions. NanoChem Solutions Inc. is a guarantor of 65% of all the principal and other loan costs not to exceed $1,625,000. As of March 31, 2020, EnP Investments , LLC was in compliance with all loan covenants.

To secure the repayment of any amounts borrowed under the revolving line of Credit, EnP Investments, LLC granted Midland a security interest in all inventory, equipment and fixtures and acknowledges a separate commercial security agreement from guarantor to Midland dated February 15, 2011.

Short-term borrowings outstanding under the revolving line as of March 31, 2020 were $1,914,747 (December 31, 2019 – $748,897).

**12. LONG TERM DEBT**

**(a)** In September 2014, NanoChem Solutions Inc. signed a $1,005,967 promissory note with Harris Bank with a rate of prime plus 0.5% (March 31, 2019 – 6.0%) to be repaid over 5 years with equal monthly installments plus interest. This money was used to retire the previously issued and outstanding debt obligations. The final payment was made in September 2019. Interest expense for the three months ended March 31, 2019 was $2,009.

**(b)** In October 2018, NanoChem Solutions Inc. signed a $4,100,000 term loan with Harris Bank with a rate of prime (March 31, 2020 – 3.25%; December 31, 2019 – 4.75%) to be repaid over 7 years with equal monthly installments plus interest along two payments consisting of 25% prior year cash flow recapture, capped at $300,000, due May 31, 2019 and 2020. The money was used to purchase a 65% interest in EnP Investments LLC. Interest expense for the three months ended March 31, 2020 was $34,458 (2019 - $54,958). The balance owing at March 31, 2020 was $2,970,238 (December 31, 2019 - $3,116,667).

The Company has committed to the following repayments:

| | | |
|---|---|---|
| 2020 | $ | 739,285 |
| 2021 | $ | 585,714 |
| 2022 | $ | 585,714 |
| 2023 | $ | 585,714 |
| 2024 | $ | 473,811 |

**(c)** In April 2019, NanoChem Solutions Inc. signed a loan for $1,100,000 with Harris Bank with a rate of prime plus 0.5% (March 31, 2020 – 3.75%; December 31, 2019 – 5.25%) for the purchase of new manufacturing equipment. The Company paid interest only payments until February 2020, when equally monthly installments of the principal and interest are due until January 2024. Interest expense for the three months ended March 31, 2020 was $14,232 (2019 – $nil). The balance owing at March 31, 2020 was $1,054,166 (December 31, 2019 - $1,100,000)

The Company has committed to the following repayments:

| | | |
|---|---|---|
| 2020 | $ | 206,249 |
| 2021 | $ | 275,000 |
| 2022 | $ | 275,000 |
| 2023 | $ | 275,000 |
| 2024 | $ | 22,917 |

**(d)** In January, 2018, EnP Investments, LLC signed a $200,000 promissory note with Midland States Bank with a rate of 5.250% to be repaid over 7 years with equal monthly installments plus interest. This money was used to purchase production equipment. Interest expense for the three months ended March 31, 2020 was $2,104 (2019 - $2,333). The principal balance owing at March 31, 2020 is $145,774 (December 31, 2019 - $152,241).

The Company has committed to the following repayments:

| | | |
|---|---|---|
| 2020 | $ | 19,171 |
| 2021 | $ | 25,562 |
| 2022 | $ | 25,562 |

| | | |
|---|---|---|
| 2023 | $ | 25,562 |
| 2024 | $ | 25,562 |

**(e)** In March, 2016, EnP Investments, LLC signed a $45,941 promissory note with Ford Motor Credit Company with a rate of 0.00% interest to be repaid over 5 years with equal monthly installments. The balance owing at March 31, 2020 is $9,188 (December 31, 2019 - $11,485).

The Company has committed to the following repayments:

| | | |
|---|---|---|
| 2020 | $ | 6,891 |
| 2021 | $ | 2,297 |

As of March 31, 2020, Company was in compliance with all loan covenants.

| **Continuity** | March 31, 2020 | December 31, 2019 |
|---|---|---|
| Balance, January 1 | $ 4,380,393 | 4,351,743 |
| Plus: Proceeds from loans | - | 1,100,000 |
| Less: Payments on loan | (201,027) | (1,071,350) |
| Balance, end of period | $ 4,179,366 | $ 4,380,393 |

| **Outstanding balance** | March 31, 2020 | December 31, 2019 |
|---|---|---|
| a) Long term debt – Harris Bank | $ - | $ - |
| b) Long term debt – Harris Bank | 2,970,238 | 3,116,667 |
| b) Long term debt – Harris Bank | 1,054,166 | 1,100,000 |
| c) Long term debt – Midland States Bank | 145,774 | 152,241 |
| d) Long term debt – Ford Credit | 9,188 | 11,485 |
| Long-term Debt | $ 4,179,366 | $ 4,380,393 |
| Less: current portion | (1,197,186) | (1,196,722) |
| | $ 2,982,180 | $ 3,183,671 |

### 13. Convertible Note Payable

In October 2018, the Company issued a convertible note payable in the amount of $1,000,000 to EnP Investments LLC in connection with the acquisition of EnP Investments LLC. The convertible note is due on or before September 30, 2023 with 5% interest due per year. At the option of the holder, the Note may be converted to 400,000 shares in Flexible Solutions International Inc. The Company has the option to extend the note to no later than September 30, 2028.

In June 2019, the holder opted to convert $500,000 of the convertible note into 200,000 shares of the Company’s common stock.

**14. STOCK OPTIONS**

The Company has a stock option plan ("Plan"). The purpose of this Plan is to provide additional incentives to key employees, officers, directors and consultants of the Company and its subsidiaries in order to help attract and retain the best available personnel for positions of responsibility and otherwise promote the success of the Company's business. It is intended that options issued under this Plan constitute non-qualified stock options. The general terms of awards under the option plan are that 100% of the options granted will vest the year following the grant. The maximum term of options granted is 5 years and the exercise price for all options are issued for not less than fair market value at the date of the grant.

The following table summarizes the Company's stock option activities for the year ended December 31, 2019 and the three-month period ended March 31, 2020:

| | Number of shares | Exercise price per share | Weighted average exercise price |
|---|---|---|---|
| Balance, December 31, 2018 | 660,000 | $ 0.75 – 1.75 | $ 1.35 |
| Granted | 347,000 | $ 2.44 – 4.13 | $ 2.99 |
| Cancelled or expired | (56,112) | $ 0.75 – 3.46 | $ 1.41 |
| Exercised | (315,888) | $ 0.75 – 1.70 | $ 1.15 |
| Balance, December 31, 2019 | 635,000 | $ 0.75 – 4.13 | $ 2.31 |
| Cancelled or expired | (10,000) | $ 2.44 – 3.46 | $ 2.85 |
| Exercised | (25,000) | $ 0.75 – 1.05 | $ 0.99 |
| Balance, March 31, 2020 | 600,000 | $ 0.75 – 4.13 | $ 2.36 |
| Exercisable, March 31, 2020 | 337,000 | $ 0.75 – 4.13 | $ 2.52 |

The weighted average remaining contractual life of options outstanding is 3.8 years.

The fair value of each option grant is calculated using the following weighted average assumptions:

| | 2019 |
|---|---|
| Expected life – years | 3.0 |
| Interest rate | 1.69 – 1.93% |
| Volatility | 43.89 – 57.24% |
| Weighted average fair value of options granted | $ 0.7892 – 1.6399 |

The Company did not grant any options during the three months ended March 31, 2020 or 2019. Options granted in previous quarters resulted in expenses in the amount of $11,272 for consultants (2019 - $5,747) and $18,310 for employees (2019 - $nil) during the quarter ended March 31, 2020. There were 15,000 employee and 10,000 consultant stock options exercised during the three months ended March 31, 2020 (2019 – 12,000 employee and nil consultant stock options).

As of March 31, 2020, there was approximately $113,721 of compensation expense related to non-vested awards. This expense is expected to be recognized over a weighted average period of 1.3 years.

**15. CAPITAL STOCK.**

During the three months ended March 31, 2020, 15,000 shares were issued upon the exercise of employee stock options (2019 – 12,000) and 10,000 shares were issued upon the exercise of consultant stock options (2019 – nil).

In February 2019, the Company announced the payment of a special dividend to the existing stockholders of the Company as of March 6, 2019 in the amount of five cents per share.

In March 2019, the Company announced the payment of annual dividends of $0.15 per share, to be paid in two tranches. Shareholders of record on March 31, 2019 received $0.075 per share on April 15, 2019 and shareholders of record on September 30, 2019 received $0.075 per share on October 15, 2019. On March 19, 2020, the Company suspended the annual dividend until further notice due to the uncertainty surrounding the COVID-19 virus.

In June 2019, the holder of the Company's convertible note opted to convert $500,000 of the convertible note into 200,000 shares of the Company's common stock.

**16. NON-CONTROLLING INTERESTS**

EnP Investments is a limited liability corporation (LLC) that manufactures and distributes golf, turf and ornamental agriculture products in Mendota, IL. The Company owns 65% of EnP Investments through its wholly-owned subsidiary NanoChem. An unrelated party owns the remaining 35% EnP Investments. For financial reporting purposes, the assets, liabilities and earnings of the LLC are consolidated into these financial statements. The unrelated third party's ownership interest in the LLC are recorded as noncontrolling interests in these consolidated financial statements. The noncontrolling interest represents the noncontrolling unitholder's interest in the earnings and equity of EnP Investments. Effective October 1, 2018, the Company paid $4,110,560 in cash and issued a $1,000,000 convertible note to acquire EnP Investments. EnP Investments is allocated to the TPA segment.

EnP Investments makes cash distributions to the unitholders based on formulas defined within its Ownership Interest Purchase Agreement dated October 1, 2018. Distributions are defined in the Ownership Interest Purchase Agreement as cash on hand to the extent it exceeds current and anticipated long-term and short-term needs, including, without limitation, needs for operating expenses, debt service, acquisitions, reserves, and mandatory distributions, if any.

From the effective date of acquisition onward, the minimum distributions requirements under the Ownership Interest Purchase Agreement were satisfied. The total distribution from the effective date of acquisition onward was $669,111.

| | |
|---|---|
| Balance, December 31, 2018 | $ 2,462,231 |
| Distribution | (296,875) |
| Noncontrolling interest share of profits | 384,793 |
| Balance, December 31, 2019 | 2,550,149 |
| Distribution | (143,002) |
| Noncontrolling interest share of profits | 67,015 |
| Balance, March 31, 2020 | $ 2,474,162 |

**17. SEGMENTED, SIGNIFICANT CUSTOMER INFORMATION AND ECONOMIC DEPENDENCY.**

The Company operates in two segments:

(a) Energy and water conservation products (as shown under the column heading “EWCP” below), which consists of a (i) liquid swimming pool blanket which saves energy and water by inhibiting evaporation from the pool surface, and (ii) food-safe powdered form of the active ingredient within the liquid blanket and which is designed to be used in still or slow moving drinking water sources.

(b) Biodegradable polymers and chemical additives used within the petroleum, chemical, utility and mining industries to prevent corrosion and scaling in water piping (as shown under the column heading "TPA" below). These chemical additives are also manufactured for use in laundry and dish detergents, as well as in products to reduce levels of insecticides, herbicides and fungicides.

The accounting policies of the segments are the same as those described in Note 2, *Significant Accounting Policies*. The Company evaluates performance based on profit or loss from operations before income taxes, not including nonrecurring gains and losses and foreign exchange gains and losses.

The Company's reportable segments are strategic business units that offer different, but synergistic products and services. They are managed separately because each business requires different technology and marketing strategies.

Three months ended March 31, 2020:

| | EWCP | TPA | Total |
|---|---|---|---|
| Revenue | $ 89,928 | $ 8,339,558 | $ 8,429,486 |
| Interest expense | - | 101,425 | 101,425 |
| Depreciation and amortization | 10,476 | 137,582 | 148,058 |
| Segment profit (loss) | (60,255) | 1,324,930 | 1,264,675 |
| Segment assets | 545,187 | 9,722,640 | 10,176,827 |
| Expenditures for segment assets | - | (96,280) | (96,280) |

Three months ended March 31, 2019:

| | EWCP | TPA | Total |
|---|---|---|---|
| Revenue | $ 123,139 | $ 8,348,337 | $ 8,471,476 |
| Interest expense | - | 129,007 | 129,007 |
| Depreciation and amortization | 11,608 | 136,671 | 148,279 |
| Segment profit (loss) | (143,808) | 1,154,958 | 1,011,150 |
| Segment assets | 502,783 | 9,658,406 | 10,161,189 |
| Expenditures for segment assets | - | (1,275,835) | (1,275,835) |

The sales generated in the United States and Canada are as follows:

| | Three months ended March 31, 2020 | Three months ended March 31, 2019 |
|---|---|---|
| Canada | $ 146,000 | $ 75,952 |
| United States and abroad | 8,283,486 | 8,395,524 |
| Total | $ 8,429,486 | $ 8,471,476 |

The Company's long-lived assets (property, equipment, intangibles, goodwill, leaseholds, patents and right of use assets) are located in Canada and the United States as follows:

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| Canada | $ 454,187 | $ 480,243 |
| United States | 9,722,640 | 9,847,489 |
| Total | $ 10,176,827 | $ 10,327,732 |

Three customers accounted for $3,650,830 (48%) of sales during the three-month period ended March 31, 2020 (2019 - $3,790,213 or 45%).

**18. COMPARATIVE FIGURES.**

Certain of the comparative figures have been reclassified to conform with the current period's presentation.

**19. SUBSEQUENT EVENTS**

In April 2020, the holder of our convertible note opted to cash it in for $500,000.

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in a widespread health crisis that has affected economies and financial markets around the world resulting in an economic downturn. This outbreak may also cause staff shortages, reduced customer demand, increased government regulations or interventions, all of which may negatively impact the business, financial condition or results of options of the Company. The duration and impact of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

**Overview**

The Company develops, manufactures and markets specialty chemicals that slow the evaporation of water. The Company also manufactures and markets biodegradable polymers which are used in the oil, gas and agriculture industries.

**Results of Operations**

The Company has two product lines:

The first is a chemical ("EWCP") used in swimming pools and spas. The product forms a thin, transparent layer on the water's surface. The transparent layer slows the evaporation of water, allowing the water to retain a higher temperature for a longer period of time thereby reducing the energy required to maintain the desired temperature of the water. A modified version of EWCP can also be used in reservoirs, potable water storage tanks, livestock watering pods, canals, and irrigation ditches for the purpose of reducing evaporation.

The second product, biodegradable polymers ("TPAs"), is used by the petroleum, chemical, utility and mining industries to prevent corrosion and scaling in water piping. TPAs can also be used to increase biodegradability in detergents and in the agriculture industry to increase crop yields by enhancing fertilizer uptake.

The third product line is nitrogen conservation products used for the agriculture industry. These products decrease the loss of nitrogen fertilizer after application to the filed and allow less fertilizer to be used. These products are made and sold by our TPA division.

Material changes in the Company's Statement of Operations for the three months ended March 31, 2020 compared to the same period in the prior year are discussed below:

| Item | Increase (I) or Decrease (D) | Reason |
|---|---|---|
| Sales | | |
| EWCP products | D | Decreased customer orders. |
| Administrative salaries | D | Decrease in the Canadian dollar decreased our administrative salaries when reported in US dollars. |
| Advertising and promotion | I | The ENP subsidiary makes greater use of advertising and promotion. |
| Professional fess | D | Increased accounting fees related to the acquisition and general legal representation in 2019 did not reoccur in 2020. |
| Travel | D | Travel decreased in 2020 due to COVID-19. |
| Commissions | D | Uncommissionable sales increased against commissionable sales. |
| Currency exchange | D | Currency exchange decreased as a result of movements in the US / Canadian dollar exchange rate and its effects on US dollar cash balances and US dollar payables held by the Company's Canadian subsidiaries. |

Three primary customers accounted for 44% of the Company's sales during the three months ended March 31, 2020 (2019 - 45%). The amount of revenue (all from the sale of TPA products) attributable to each customer is shown below.

| | Three Months Ended March 31, | |
|---|---|---|
| | 2020 | 2019 |
| Company A | $ 985,941 | $ 1,075,569 |
| Company B | $ 915,820 | 745,906 |
| Company C | $ 1,842,694 | $ 1,968,737 |

Customers with balances greater than 10% of our receivables as of March 31, 2018 and 2017 are shown below:

| | March 31, | |
|---|---|---|
| | 2020 | 2019 |
| Company A | $ 603,655 | $ 796,672 |
| Company B | $ 2,037,071 | $ 1,635,125 |
| Company C | $ 1,010,104 | $ 1,342,821 |

The factors that will most significantly affect future operating results will be:

- the sale price of crude oil which is used in the manufacture of aspartic acid we import from China. Aspartic acid is a key ingredient in our TPA product;
- activity in the oil and gas industry, as we sell our TPA product to oil and gas companies;
- drought conditions, since we also sell our TPA product to farmers, and
- the impact of the COVID-19 virus.

Other than the foregoing we do not know of any trends, events or uncertainties that have had, or are reasonably expected to have, a material impact on our revenues or expenses.

**Capital Resources and Liquidity**

The Company's sources and (uses) of cash for the three months ended March 31, 2020 and 2019 are shown below:

| | 2020 | 2019 |
|---|---|---|
| Cash provided (used) by operations | (1,254,997) | (1,694,187) |
| Long term deposits | 22,084 | - |
| Investment | (743,437) | (996,001) |
| Acquisition of equipment | (96,280) | (1,275,835) |
| Borrowings from line of credit | 1,165,850 | 1,383,929 |
| Repayment of loans | (201,027) | (205,262) |
| Dividends paid | - | (590,483) |
| Partnership distributions | (143,001) | - |
| Proceeds from sale of common stock | 24,750 | 10,850 |
| Changes in exchange rates | 3,653 | 204,986 |

The Company has sufficient cash resources to meets its future commitments and cash flow requirements for the coming year. As of March 31, 2019, working capital was $11,928,245 (December 31, 2019 - $10,713,115) and the Company has no substantial commitments that require significant outlays of cash over the coming fiscal year.

We are committed to minimum rental payments for property and premises aggregating approximately $877,852 over the term of five leases, the last expiring on September 30, 2023.

Commitments for rent in the next five years are as follows:

| | | |
|---|---|---|
| 2020 | $ | 355,876 |
| 2021 | $ | 357,896 |
| 2022 | $ | 93,155 |
| 2023 | $ | 70,925 |

Other than as disclosed above, we do not anticipate any material capital requirements for the twelve months ending December 31, 2020.

Other than as disclosed above, we do not know of any trends, demands, commitments, events or uncertainties that will result in, or that are reasonable likely to result in, our liquidity increasing or decreasing in any material way.

Other than as disclosed above, we do not know of any significant changes in our expected sources and uses of cash.

We do not have any commitments or arrangements from any person to provide us with any equity capital.

See Note 2 to the consolidated financial statements included as part of this report for a description of our significant accounting policies.

**Item 4. CONTROLS AND PROCEDURES**

Evaluation of Disclosure Controls and Procedures

Under the direction and with the participation of our management, including our Principal Executive and Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2020. We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic reports with the Securities and Exchange Commission is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and regulations, and that such information is accumulated and communicated to our management, including our principal executive and financial officer, as appropriate, to allow timely decisions regarding required disclosure. Our disclosure controls and procedures are designed to provide a reasonable level of assurance of reaching desired disclosure control objectives. Based on the evaluation, our Principal Executive and Financial Officer concluded that these disclosure controls and procedures are effective as of March 31, 2020.

Changes in Internal Control over Financial Reporting

Our management, with the participation of our Principal Executive and Financial Officer, evaluated whether any change in our internal control over financial reporting occurred during the three months ended March 31, 2020. Based on that evaluation, it was concluded that there has been no change in our internal control over financial reporting during the three months ended March 31, 2020 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II**

**Item 6. Exhibits.**

| Number | Description |
| --- | --- |
| 3.1 | Amended and Restated Articles of Incorporation. (1) |
| 3.2 | Bylaws (1) |
| 31.1 | Certification of Principal Executive Officer Pursuant to §302 of the Sarbanes-Oxley Act of 2002.* |
| 31.2 | Certification of Principal Financial Officer Pursuant to §302 of the Sarbanes-Oxley Act of 2002.* |
| 32.1 | Certification of Principal Executive and Financial Officer Pursuant to 18 U.S.C. §1350 and §906 of the Sarbanes-Oxley Act of 2002.* |

* Filed with this report.

(1) Incorporated by reference to the registrant's Registration Statement on Form 10-SB (SEC File. No. 000-29649) filed February 22, 2000.

**SIGNATURES**

In accordance with the requirements the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

May 14, 2020

**FLEXIBLE SOLUTIONS INTERNATIONAL, INC.**

By: */s/ Daniel B. O'Brien*
Name: Daniel B. O'Brien
Title: President and Principal Executive Officer

By: */s/ Daniel B. O'Brien*
Name: Daniel B. O'Brien
Title: Principal Financial and Accounting Officer



**Exhibit 31.1**

**CERTIFICATIONS**

I, Daniel O'Brien, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Flexible Solutions International, 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 unaudited consolidated 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 the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant 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 the registrant, 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 cause 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 unaudited consolidated financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant'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 the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’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 the registrant’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 significant role in the registrant’s internal control over financial reporting.

May 14, 2020

*/s/ Daniel B. O’Brien*
Daniel O’Brien
Principal Executive Officer

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**Exhibit 31.2**

**CERTIFICATIONS**

I, Daniel O’Brien, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Flexible Solutions International, 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 unaudited consolidated 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 the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant 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 the registrant, 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 cause 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 unaudited consolidated financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant'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 the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 the registrant'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 significant role in the registrant's internal control over financial reporting.

May 14, 2020

*/s/ Daniel B. O'Brien*
Daniel O'Brien
Principal Financial Officer

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**Exhibit 32.1**

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Solely for the purposes of complying with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, the undersigned Principal Executive and Financial Officer of Flexible Solutions International, Inc. (the "Company"), hereby certify that, to the best of my knowledge, the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2020 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 14, 2020

*/s/ Daniel B. O'Brien*
Daniel B. O'Brien
Principal Executive and Financial Officer