Design Source, Inc.
Form 10QSB
August 14, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB

[X] **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2007

OR

[ ] **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from to

Commission File Number 000-52089

DESIGN SOURCE, INC.

(Exact name of registrant as specified in its charter)

NEVADA	36-4528166
(State of other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

100 Europa Drive
Suite 455
Chapel Hill, North Carolina 27517

(Address of principal executive offices)

(919) 933-2720

(Registrant's telephone number, including area code)

The Company is a Shell company: Yes [ ] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

As of August 13, 2007, the Company had 10,718,457 shares of common stock outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. INTERIM FINANCIAL STATEMENTS

Design Source, Inc.
(A Development Stage Company)

June 30, 2007

DESIGN SOURCE, INC.
(A Development Stage Company)
BALANCE SHEETS

	June 30, 2007 (unaudited)	March 31, 2007
ASSETS		
CURRENT ASSETS		
Cash	$ 2,783	$ 5,259
TOTAL ASSETS	$ 2,783	$ 5,259
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	$ 3,941	$ 2,248
TOTAL CURRENT LIABILITIES	3,941	2,248
TOTAL LIABILITIES	3,941	2,248
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock, $0.00001 par value, 100,000,000 shares authorized, 10,718,457 and 10,718,457 shares issued and outstanding, respectively	108	108
Additional paid-in capital	535,815	535,815
Accumulated deficit during development stage	(537,081)	(532,912)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	(1,158)	3,011
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 2,783	$ 5,259

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

DESIGN SOURCE, INC.
(A Development Stage Company)
STATEMENTS OF OPERATIONS

	Three Months Ended June 30, 2007 (unaudited)	Three Months Ended June 30, 2006 (unaudited)	From Inception (April 2, 2003) through June 30, 2007 (unaudited)
REVENUES	$ -	$ -	$ -
EXPENSES			
General and administrative	123	2,233	48,869
Meals and Entertainment	-	520	1,050
Advertising and Marketing	-	2,000	6,000
Professional fees	3,941	5,542	103,367
Rent	-	4,861	24,307
Stock compensation	-	-	327,500
Telephone	-	1,356	5,049
Travel	46	1,061	4,187
Taxes, licenses, and permits	-	532	3,476
Consulting	65	2,080	13,751
Total Expenses	4,175	20,185	537,556
LOSS FROM OPERATIONS	(4,175)	(20,185)	(537,556)

OTHER INCOME (EXPENSE)			
Interest income	6	804	2,128
Interest expense	-	(273)	(1,653)
Total Other Income (Expense)	6	531	475
LOSS BEFORE TAXES	(4,169)	(19,654)	(537,081)
INCOME TAX EXPENSE	-	-	-
NET LOSS	$ (4,169)	$ (19,654)	$ (537,081)
NET INCOME (LOSS) PER SHARE, BASIC AND DILUTED	$ nil	$ nil	
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, BASIC AND DILUTED	10,718,457	4,168,457	

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

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DESIGN SOURCE, INC.
(A Development Stage Company)
STATEMENTS OF CASH FLOWS

	For the Three Months Ended June 30, 2007 (unaudited)	Ended June 30, 2006 (unaudited)	From Inception (April 2, 2003) through June 30, 2007 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (4,169)	$ (19,654)	$ (537,081)

Adjustments to reconcile net loss to net cash used by operating activities:			
(Increase) in accounts receivable			
Increase (Decrease) in accounts payable	1,693	(16,771)	3,941
Subscriptions receivable decrease	-	6,000	-
Increase (Decrease) in accrued interest	-	273	-
Stock issued for compensation	-	-	327,500
Expenses paid by officer	-	-	25,923
Net cash used by operating activities	(2,476)	(30,152)	(179,717)
CASH FLOWS FROM INVESTING ACTIVITIES:	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of common stock for cash advances	-	-	-
Proceeds from shareholder loans	-	-	21,560
Repayment of shareholder loans	-	(821)	(21,560)
Proceeds from issuance of common stock	-	6,500	182,500
Net cash provided (used in) by financing activities	-	5,679	182,500
NET INCREASE (DECREASE) IN CASH	(2,476)	(24,473)	2,783
CASH, BEGINNING OF PERIOD	5,259	160,447	-
CASH, END OF PERIOD	$ 2,783	$ 135,974	$ 2,783
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid	$ -	$ -	$ -
Income taxes paid	$ -	$ -	$ -

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

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DESIGN SOURCE, INC.
(A Development Stage Enterprise)
CONDENSED NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

Design Source, Inc. (hereinafter "the Company") was incorporated on April 2, 2003 under the laws of the State of Nevada for the purpose of offering textiles to the commercial designer market utilizing the internet. The Company's headquarters is located in Chapel Hill, North Carolina. The Company is a development stage enterprise.

The Company's year end is March 31.

The foregoing unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Regulation S-B as promulgated by the Securities and Exchange Commission ("SEC"). Accordingly, theses financial statements do not include all of the disclosures required by generally accepted accounting principles in the United States of America for complete financial statements. Theses unaudited interim financial statements should be read in conjunction with the audited financial statements for the period ended March 31, 2007. In the opinion of management, the unaudited interim financial statements furnished herein include all adjustments, all of which are of a normal recurring nature, necessary for a fair statement of the results for the interim period presented. Operating results for the three-month period ending June 30, 2007 are not necessarily indicative of the results that may be expected for the year ending March 31, 2008.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the accompanying financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

<u>Accounting Method</u>

The Company's financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

<u>Development Stage Activities</u>

The Company has been in the development stage since its formation and has not realized any revenue from operations. It is primarily engaged in offering textiles to the commercial designer market utilizing the internet.

<u>Going Concern</u>

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern.

At June 30, 2007, the Company had an accumulated deficit during the development stage of $537,081. Since its inception, the Company has not generated any revenues and has minimal cash resources. These conditions raise substantial doubt about the Company's ability to continue as a going concern. For the twelve-month subsequent period, the Company anticipates that its minimum operating cash requirements to continue as a going concern will be approximately $50,000. Management's business plan is to develop a website to offer textiles to the commercial design market. Management also plans to raise capital through the sale of shares of common stock. The ability of the Company to continue in existence is dependent upon management's successful development and implementation of its business plan resulting in profitable operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

Fair Value of Financial Instruments

The Company's financial instruments as defined by Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," may include cash, receivables, advances, accounts payable and accrued expenses. All such instruments are accounted for on a historical cost basis, which, due to the short maturity of these financial instruments, approximates fair value at June 30, 2007 and March 31, 2007.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 3 - COMMON STOCK

The Company is authorized to issue 100,000,000 shares of $0.00001 par value common stock. All shares have equal voting rights, are non-assessable and have one vote per share. Voting rights are not cumulative and, therefore, the holders of more than 50% of the common stock could, if they choose to do so, elect all of the directors of the Company.

Upon incorporation, the Company issued 435,000 shares of common stock at a price of $0.05 per share as reimbursement of a cash advance in the amount of $1,000 and expenses paid personally by a director totaling $20,750.

JUNE 30, 2007

During the period ending March 31, 2004, an additional 283,457 shares of common stock were issued at $0.05 per share for reimbursement of expenses paid personally by a director totaling $4,173 and for cash totaling $10,000.

During the period ending March 31, 2006, an additional 3,320,000 shares of common stock were issued at $0.05 per share for cash totaling $160,000 and subscription receivable of $6,000.

During the year ended March 31, 2007, 130,000 shares of common stock were issued at $0.05 per share for cash totaling $6,500 to outside investors; 6,550,000 share of common stock were issued to its officers for compensation at $0.05 per share for $327,500 and $6,000 subscription receivable was received.

As of June 30, 2007, the Company had issued no additional shares of common stock.

NOTE 4 - INCOME TAXES

At June 30, 2007 and March 31, 2007, the Company had calculated deferred tax assets of approximately $217,500 and $215,800, respectively, calculated at a combined federal and state expected rate of 40.5%. As management of the Company cannot determine that it is more likely than not that the Company will realize the benefit of the net deferred tax asset, a valuation allowance equal to the net deferred tax asset has been recorded.

The significant components of the deferred tax assets as June 30, 2007 and March 31, 2007 were as follows:

		June 30, 2007		March 31, 2007
Net operating loss carryforward:	$	537,000	$	532,900
Deferred tax asset	$	217,500	$	215,800
Deferred tax asset valuation allowance		(217,500)		(215,800)
Net deferred tax asset	$	-	$	-

At June 30, 2007 and March 31, 2007, the Company has net operating loss carryforwards of approximately $537,000 and $532,900, respectively, which begin to expire in the years 2023 to 2027. The change in the allowance account from March 31, 2007 to June 30, 2007 was approximately $1,700.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

This section of the report includes a number of forward-looking statements that reflect our current views with respect to future events and financial performance. Forward-looking statements are often identified by words like: believe, expect, estimate, anticipate, intend, project and similar expressions, or words which, by their nature, refer to future events. You should not place undue certainty on these forward-looking statements, which apply only as of the date of this report. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or our predictions.

We are a development stage corporation and have just initiated operations, but have not generated or realized any revenues from our business operations.

Our auditors have issued a going concern opinion. This means that our auditors believe there is substantial doubt that we can continue as an on-going business for the next twelve months. We completed a private placement of our common stock in 2006. We raised $172,500 by selling 3,450,000 restricted shares of our common stock to 38 persons. We have not generated any revenues. The only operations we have engaged in are the creation of the website and the development of a business plan. We continue to believe the technical aspects of our website will be sufficiently developed. We have exhausted the proceeds from the private placement.

We have used up the proceeds and need to find alternative sources, such as a second private placement of securities, a joint venture or strategic partner or loans from our officers or others in order for us to maintain our operations. At the present time, we have not made any arrangements to raise the additional cash.

Currently, we have no financing plans.

Plan of Operation

We will not be conducting any product research or development other than the development a database of potential customers and our belief of their wants and needs. We have examined websites selling different home furnishings. We do not expect to purchase or sell plant or significant equipment other than to establish an office which will include computer equipment, office equipment and supplies, telephones and other assets needed for operation of our business.

Our specific goal is to profitably sell a comprehensive supply of products on our Internet website to the interior design industry and individual retail customers. We concluded this from our own analysis of the market channels, researched the industry on the Internet, and held discussions with knowledgeable industry participants. We have not conducted any research regarding our plan to develop a website and offering textiles to the commercial design market.

We will attempt to accomplish the foregoing through the following milestones:

1. We will continue to work out of our offices in Chapel Hill and our officers will continue to handle any administrative work.

2. We need to raise additional capital through the sale of common stock or through loans. Currently, we have not initiated a program to raise cash.

3. We will work to contact and negotiate with large industry leaders to offer their product on our website. We will also attempt to locate smaller, new manufacturers to offer their product on a more exclusive basis. We hope to have one contract signed within the next 90 days. The foregoing is based upon our officers cumulative business experience in other fields, however, our officers and directors do not have any experience in the commercial design business. We

will however continue to contact small and large companies to offer their products on our website and we will carry out our marketing plan. The execution of additional contracts with suppliers and the development of the website will be ongoing during the life of our operations. As more products are added and as our customer data base expands, we will have to be continually upgrading the website. We believe that it will cost up to $10,000 in order to have our website fully operational and $5,000 to have our data base initially ready to receive information. We do not have the money to fund this. The creation and operation of the website and the data base is not dependent upon signing any contracts with a manufacturer. At some point we will have industry information available on our website and be able to accept orders for the products we will sell. As additional contracts are signed with suppliers, we will up-grade the website. As our customer base increases we will up-grade the data base. Both upgrades will be ongoing during the life of our operations. In addition to offering commercial upholstery, drapery, bedspread, panel, and wall-covering fabrics, we will pass on industry information to interior designers that we acquire from other interior designers and manufacturers of commercial upholstery, drapery, bedspread, panel, and wall-covering fabrics we will sell.

4. As soon as our website is operational, we will begin to market our website in the United States and in Canada through traditional sources such as trade magazines, conventions and conferences, newspaper advertising, billboards, telephone directories and flyers/mailers. We will attempt to target purchasers of commercial upholstery, drapery, bedspread, panel, and wall-covering fabrics such as interior designers and individual consumers. We may utilize inbound links that connect directly to our website from other sites. Potential customers can simply click on these links to become connected to our website from search engines and community and affinity sites. We believe that it will cost $40,000 for our marketing campaign. We don't have the money to fund our marketing campaign. Marketing and advertising will be focused on promoting our website to prospective customers through direct sales and will be based on the list of prospects developed from our database. Direct sales to the interior designers and individual customer will be accomplished through e-mail, telephone calls and mailings. Advertising will be considered and used to support the e-mail, telephone calls and mailings in certain market segments. The advertising campaign will include the design and printing of various sales materials. The cost of developing the campaign is estimated to cost $40,000. Marketing is an ongoing matter which will continue during the life of our operations. We also believe that we should begin to see results from our marketing campaign within 30 days from the initiation of a complete marketing initiative. The foregoing is based upon our officers cumulative business experience in other fields, however, our officers and directors do not have any experience in the commercial design business and there is in fact no assurance that the foregoing event will occur.

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5. Part of our marketing program includes sourcing out and identifying interior designers and individual consumers who may become potential buyers of commercial upholstery, drapery, bedspread, panel, and wall-covering fabrics from our website. The process of sourcing out suppliers includes identifying manufacturers, large and small by research into existing databases via the Internet and research in trade magazines and directories. This process will start as soon as our office is operational and will be ongoing during the life of our operations. Sourcing customers may consist of telephone surveys and may contain questions which would determine the marketing approach and acceptability of specific products. It will also involve research into existing databases available via the Internet to target and extract the applicable names and contacts to create our own customized database. The database will be comprised of two components: suppliers and customers. Supplier information is readily available from online fabric mill directories, and an example can be found at www.apparelsearch.com/fabric.htm. The principal source of customers will be interior designers. Mail lists are available from organizations such as the American Society of Interior Designers, which sells database information at a cost of $120 per thousand names, and World Wide Art Resources, which sells regional interior designer databases such as Florida Interior Designers Directory with up to 2,275 contacts at a cost of $68.25. We will attempt to prepare a database of up to 75 suppliers and up to 10,000 interior designers. The database preparation should take approximately four weeks to complete. We intend to look into the databases of design schools, interior design associates, trade magazines as well as telephone directories. Databases

for design schools, interior design associates, and trade magazines are publicly available through internet research, telephone directories, and periodical research. The cost to source and analyze all of the material to identify suitable candidates to develop and maintain the database is estimated to cost $15,000. We estimate the time to be approximately two weeks. Our current officers and directors will undertake to prepare the database.

6. Within 90 days from the successful launch of our website, we believe that we will begin receiving orders from purchasers. The foregoing is based upon our officers' cumulative business experience in other fields, however, our officers and directors do not have any experience in the commercial design business and there is in fact no assurance that the foregoing event will occur.

7. Once the website is fully operational, we will locate and negotiate agreements with a suitable number of manufacturers to offer their commercial upholstery, drapery, bedspread, panel, and wall-covering fabrics for sale; and, we have begun to receive orders for commercial upholstery, drapery, bedspread, panel, and wall-covering fabrics, we will hire one or two part time salesperson(s) to call on interior design firms to introduce them to our website. The salesperson(s) will also call on various manufacturers to continue to source new products to offer for sale.

In summary, it has proven to be a more difficult task to get our company fully operational but we continue to work our business plan while we seek new sources of cash to support the ongoing operations. The foregoing is based upon our officers' cumulative business experience in other fields, however, our officers and directors do not have any experience in the commercial design business and there is in fact no assurance that the foregoing event will occur.

Until our website is fully operational, we do not believe that large industry leaders will provide us with their best prices. We believe, however, that once our website is operational and we have developed a significant database of customers, large industry leaders will provide us with their best prices. There is no guarantee that the large industry leaders will provide us with their best prices.

If the manufacturers do not provide their products to us on reasonable terms, we may have to suspend or cease operations.

We will not be conducting any research and we are not going to buy or sell any plant or significant equipment during the next twelve months, other than in conjunction with opening our office, acquiring office equipment and the development of our website and database.

If we cannot generate sufficient revenues to continue operations, we will suspend or cease operations. Because we have been unable to generate revenues over the preceding year we will begin to seek out other sources of cash including new investors, joint venture and strategic partners or loans from our officers or directors. If we cease operations, we do not know what we will do and we do not have any plans to do anything. We have no plans to statutorily dissolve at this time under any circumstances nor do we have any plans to enter into any merger or acquisition.

Limited operating history; need for additional capital

There is no historical financial information about us upon which to base an evaluation of our performance. We are a development stage company and have not generated any revenues. We cannot guarantee we will be successful in our business operations. Our business is subject to risks inherent in the establishment of a new business enterprise, including limited capital resources and possible cost overruns due to price and cost increases in services.

To become profitable and competitive, we have to locate and negotiate agreements with manufacturers to offer their products for sale to us at pricing that will enable us to establish and sell the products to our clientele.

We have no assurance that future financing will be available to us on acceptable terms. If financing is not available on satisfactory terms, we may be unable to continue, develop or expand our operations. Equity financing could result in additional dilution to existing shareholders.

Results of operations
From Inception on April 2, 2003 to June 30, 2007

Since inception, we have incorporated the company, hired the attorney, and hired an auditor. We prepared a business plan. We also prepared and filed a registration statement with the SEC, which we subsequently withdrew. We have been creating an Internet website. Our loss since inception is $537,081, of which $327,500 is for stock compensation to our officers and directors, $103,367 is for professional fees, $13,751 of consulting was paid to Tryon Capital Ventures, LLC, a merchant banking group that includes Mr. Reichard, our president and Mr. Coker, our secretary, for the preparation of the business plan. Other expenses since inception include $48,869 for general and administrative; $1,050 for meals and entertainment; $6,000 for advertising and marketing; $24,307 for rent; $5,049 for telephone; $4,187 for travel; and $3,476 for taxes. There is $1,653 for interest expense which is offset by $2,128 in interest income.

Since inception, we sold 518,457 shares of common stock to one of our officers for $25,923 consideration. Additionally, since inception we sold 200,000 shares of common stock to one individual for $10,000.

In March 2006, we completed a private placement of our common stock pursuant to the exemption from registration contained in Reg. 506 of the Securities Act of 1933. We raised gross proceeds of $172,500, net $158,000 after offering expenses of $14,500, by selling 3,450,000 restricted shares of our common stock to 38 persons. We have exhausted the money.

On February 16, 2007, we issued 3,275,000 restricted shares of common stock to Mr. Reichard, our president and 3,275,000 restricted shares of common stock to our secretary, Mr. Coker as compensation for services rendered to us. The shares were issued pursuant to the exemption from registration contained in Section 4(2) of the Securities Act of 1933. Messrs Reichard and Coker were in possession of all information that could be found in a Form SB-2 registration statement and were sophisticated investors, being our existing officers and directors.

Liquidity and capital resources

As of the date of this report, we have yet to generate any revenues from our business operations.

In March 2006, we completed a private placement of our common stock pursuant to the exemption from registration contained in Reg. 506 of the Securities Act of 1933. We raised gross proceeds of $172,500, net $158,000 after offering expenses of $14,500, by selling 3,450,000 restricted shares of our common stock to 38 persons. We have exhausted the money.

On February 16, 2007, we issued 3,275,000 restricted shares of common stock to Mr. Reichard, our president and 3,275,000 restricted shares of common stock to our secretary, Mr. Coker as compensation for services rendered to us. The shares were issued pursuant to the exemption from registration contained in Section 4(2) of the Securities Act of 1933. Messrs Reichard and Coker were in possession of all information that could be found in a Form SB-2

registration statement and were sophisticated investors, being our existing officers and directors.

As of June 30, 2007, our total assets were $2,783 consisting of cash and we had $3,941 in liabilities.

Critical accounting policies and estimates

Management has reviewed the financial statement disclosures for the list of the most important accounting policies that the Company has. Management feels that the accounting policies that are estimate based, fair value, and revenue recognition are the most important accounting policies that the Company has.

Recent accounting pronouncements

In February 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115" (hereinafter "SFAS No. 159"). This statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments. This statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007, although earlier adoption is permitted. Management has not determined the effect that adopting this statement would have on the Company's financial condition or results of operation.

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)" (hereinafter "SFAS No. 158"). This statement requires an employer to recognize the overfunded or underfunded positions of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not for profit organization. This statement also requires an employer to measure the funded status of a plan as of the date of its year end statement of financial position, with limited exceptions. The adoption of this statement had no immediate material effect on the Company's financial condition or results of operations.

ITEM 3. CONTROLS AND PROCEDURES.

(a)

Evaluation of Disclosure Controls and Procedures: Disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports filed under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon and as of the date of that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that during the annual audit, certain disclosure inadequacies were uncovered. Upon notification of these inadequacies, management determined that changes were required for certain reporting procedures. Management believes its disclosure controls and procedures were not effective at June 30, 2007, but will be making the following changes subsequent to the year end.

Anticipated changes to internal controls over disclosure controls and procedures of the Company: The CFO and CEO have taken certain immediate steps which include (i) notification of the events causing the inadequacies to the Board of Directors through formal board resolution (ii) immediately adding the company's accounting firm and independent registered public accounting firm as a copied party to all board resolutions. Management continues to evaluate its controls and procedures in light of the changes in its business and operations.

PART II OTHER INFORMATION

ITEM 6. EXHIBITS.

The following Exhibits are attached hereto:

Exhibit No.	Document Description
31.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Rule 13a-15(a) and Rule 15d-15(a), promulgated under the Securities Exchange Act of 1934, as amended.
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant To 18 U.S.C. Section 1350, as adopted pursuant to Section 302 Of The Sarbanes-Oxley Act of 2002.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 14th day of August, 2007.

DESIGN SOURCE, INC.
(Registrant)

BY: PETER REICHARD
Peter Reichard
President, Principal Executive Officer,
Treasurer, Principal Financial Officer,
Principal Accounting Officer and member of
the Board of Directors