NOFIRE TECHNOLOGIES INC
Form 10QSB
July 11, 2008

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 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 May 31, 2008

[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period from _________

Commission File Number: 0-19945

NoFire Technologies, Inc.
(Name of small business issuer in its charter)

Delaware	22-3218682
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

21 Industrial Avenue, Upper Saddle River, New Jersey 07458
(Address of principal executive offices) (Zip Code)

Issuer's telephone number (201) 818-1616

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

Check whether the issuer has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by the Court.

YES X NO

State the number of shares of each of the issuer's classes of common equity outstanding at the latest practicable date: 41,021,029 shares of Common Stock as of July 03, 2008.

Transitional Small Business Disclosure Format (check one):

YES NO X

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FORM 10-QSB

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NOFIRE TECHNOLOGIES, INC.
BALANCE SHEETS

	May 31, 2008 (UNAUDITED)	August 31, 2007
ASSETS		
CURRENT ASSETS		
Cash	$ 2,227	$ 31,416
Accounts receivable - trade	58,017	301,286
Inventories	152,219	97,784
Prepaid expenses and other current assets	28,696	94,842
Total Current Assets	241,159	525,338
OTHER ASSETS:		
Security deposits	37,065	37,065
	$ 278,224	$ 562,393

See accompanying notes to financial statements

NOFIRE TECHNOLOGIES, INC.
BALANCE SHEETS

	May 31, 2008 (UNAUDITED)	August 31, 2007
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)		
CURRENT LIABILITIES:		
Settled liabilities	$ 378,031	$378,031
Accounts payable and accrued expenses	1,509,830	1,363,228
Loans and advances payable to stockholders	199,438	199,438
Deferred salaries	2,361,559	2,080,503
Loans payable	337,583	290,737
Convertible Debentures 8%	595,928	595,928
Convertible Debenture 10%	-	165,000
Deferred revenues	5,610	-
Total Current Liabilities	5,387,979	5,072,865
LONG TERM LIABILITY:		
Deferred revenue -licences	12,877	-
-		
STOCKHOLDERS' EQUITY (DEFICIENCY):		
Common stock $.01 par value: Authorized - 150,000,000 shares issued and outstanding 40,010,290 shares at May 31, 2008 and 39,383,932 at August 31, 2007	400,010	393,830
Capital in excess of par value	18,697,588	17,877,058
Stock receivable	(6,250)	-
Accumulated Deficit	(24,213,980)	(22,781,360)
Total Stockholders' Equity (Deficiency)	(5,122,632)	(4,510,472)
	$ 278,224	$ 562,393

See accompanying notes to financial statements

NOFIRE TECHNOLOGIES, INC.
STATEMENTS OF OPERATIONS

	For the Nine Months Ended		For the Three Months Ended	
	May 31, 2008	May 31, 2007	May 31, 2008	May 31, 2007
	(UNAUDITED)		(UNAUDITED)	
SALES				
Product	$ 434,705	$ 507,060	$ 123,517	$ 72,080
Licenses	12,928	44,632	3,817	-
Research Fees	-	-	-	-
NET SALES	447,633	551,692	127,334	72,080
COSTS AND EXPENSES:				
Cost of sales	189,804	293,041	98,966	59,514
Research and development costs	50,699	34,183	20,846	9,639
General and administrative (includes equity based compensation expense of $194,353 for the nine months ended May 31, 2008 and $46,824 for the three months ended May 31, 2008)	1,049,605	855,909	364,482	215,045
	1,290,108	1.183.133	484,294	284,198
LOSS FROM OPERATIONS	(842,475)	(631,441)	(356,960)	(212,118)
OTHER EXPENSES:				
Interest expense (includes equity based interest expense of				

$397,846 for the nine months ended May 31, 2008 and $369,052 for the three months ended May 31,2008)	638,858	3,075,670	456,721	1,576,062
LOSS BEFORE INCOME TAXES	(1,481,333)	(3,707,111)	(813,681)	(1,788,180)
DEFERRED INCOME TAX BENEFIT	49,164	36,493	-	-
NET LOSS	$(1,432,169)	$(3,670,618)	$(813,681)	$(1,788,180)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING ?basic & diluted	39,936,235	37,173,652	40,000,965	37,173,652
PER COMMON SHARE	$ (0.04)	$ (0.10)	$ (0.02)	$(0.05)

See accompanying notes to financial statements

NOFIRE TECHNOLOGIES, INC.
STATEMENTS OF CASH FLOWS

	For the Nine Months Ended	
	May 31, 2008	May,31, 2007
	(UNAUDITED)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (1,432,169)	$(3,670,619)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	-	1,086
Amortization of interest expense for discount on note payable	-	120,243
Warrants issued in exchange for loans by officer	-	139,908
Equity issued in exchange for services	194,352	137,568
Warrants issued for debt conversion or extension	397,846	2,572,899

Changes in operating assets and liabilities		
Inventory	(54,435)	(89,182)
Accounts receivable - trade	243,269	(10,163)
Prepaid expenses and other	66,146	(23,709)
Accounts payable and accrued expenses	274,430	247,784
Deferred salaries	281,056	273,806
Net cash flows from operating activities	(29,505)	(300,379)

See accompanying notes to financial statements

NOFIRE TECHNOLOGIES, INC.
STATEMENTS OF CASH FLOWS

	For the Nine Months	
	May 31, 2008	May 31, 2007

	(UNAUDITED)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Security deposits	-	(350)
Net cash flows from investing activities	-	(350)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock, net of related expenses	234,509	413,017
Payments on short term loans		(74,480)
Payments on advances from stockholders	(116,039)	(38,000)
Repayment of convertible debenture	(165,000)	-
Net proceeds from short term loans	46,846	-
Net cash flows from financing activities	316	300,537
NET CHANGE IN CASH	(29,189)	(192)
CASH AT BEGINNING OF PERIOD	31,416	18,107
CASH AT END OF PERIOD	$ 2,227	$ 17,915
SUPPLEMENTAL CASH FLOW INFORMATION		
Income taxes paid (received)	(49,164)	(36,493)
Interest paid	$ 194,854	$ 41,709
Conversion of related party debt to Convertible 8% debenture	$ -	$ 126,000
Common stock issued for debt conversion	$ -	$ 53,550

See accompanying notes to financial statements

NOFIRE TECHNOLOGIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)
May 31, 2008

NOTE 1 - Basis of Presentation:

The balance sheet at the end of the preceding fiscal year has been derived from the audited balance sheet contained in the Company's Form 10-KSB for the year ended August 31, 2007 (the "10-KSB") and is presented for comparative purposes. All other financial statements are unaudited. In the opinion of management, all adjustments that include only normal recurring adjustments necessary to present fairly the financial position, results of operations and cash flows for all periods presented have been made. The results of operations for interim periods are not necessarily indicative of the operating results for the full year.

Footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted in accordance with the published rules and regulations of the Securities and Exchange Commission. These financial statements should be read in conjunction with the financial statements and notes thereto included in the 10-KSB for the most recent fiscal year.

NOTE 2 - Reorganization:

Under a Chapter 11 proceeding, the Bankruptcy Court confirmed a Plan of Reorganization for the Company, which became effective on August 11, 1995. Claims of creditors, to the extent allowed under the Plan, were required to be paid over a four-year period.

NOTE 3- Summary Of Significant Accounting Policies:

Loss per Share - Loss per share is based on the weighted average number of shares outstanding during the periods. The effect of warrants outstanding is not included since it would be anti-dilutive.

Estimates and Uncertainties - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affects the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results, as determined at a later date, could differ from those estimates.

Financial Instruments - Financial instruments include accounts receivable, other assets, accounts payable, accrued expenses, settled liabilities and due to stockholders. The amounts reported for financial instruments are considered to be reasonable approximations of their fair values. The fair value estimates presented herein were based on market or other information available to management. The use of different market assumptions and/or estimation methodologies could have a material effect on the estimated fair value amounts.

Equity Based Compensation- Effective September 1, 2006, the Company adopted provisions of SFAS 123R for recording equity based compensation.

The equity-based employee compensation expense has been determined by using the weighted average fair value of warrants has been estimated on the date of grant using the Black-Scholes warrants pricing model. The Company has granted warrants to purchase common stock to employees and consultants during the period ended May 31,2008 in the amount of $ 194,353 and $ 137,568 for the period ended May 31, 2007. The warrants vested immediately upon issuance.

NOFIRE TECHNOLOGIES, INC
NOTES TO FINANCIAL STATEMENT
(Unaudited)
May 31, 2008

In accordance with SFAS 123, the fair value of each option grant has been estimated as of the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	For the Nine Months ended	
	May 31,2008	May 31, 2007
Risk free interest rate	3.74%	4.54%
Expected life		
Yrs	5	5
Dividend rate	0.0%	0.0%
Expected volatility	202% to 211%	200%

FASB 157 - Fair Value Measurements

In September 2006, the FASB issued FASB Statement No. 157. This Statement defines fair value, establishes a framework for measuring fair value using generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements; the Board having previously concluded in those accounting pronouncements that fair value is a relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. However, for some entities, but not the Company, the application of this Statement will change current practices. This Statement is effective for financial statements for fiscal years beginning after November 15, 2007, which for the Company, is the first quarter of fiscal 2009. Earlier application is permitted provided that the reporting entity has not yet issued financial statements for that fiscal year. Management believes this Statement will have no impact on the financial statements of the Company once adopted.

FASB 159 - Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the FASB issued FASB Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115 (SFAS 159). This Statement provides companies with an option to measure, at specified election dates, many financial instruments and certain other items at fair value that are not currently measured at fair value. A company that adopts SFAS 159 will report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. This Statement also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. This Statement is effective for fiscal years beginning after November 15, 2007, which, for the Company, is the first quarter of fiscal 2009. Management does not believe that the adoption of SFAS 159 will have a material impact on the financial statements of the Company once adopted.

We have reviewed all undisclosed new, but not yet adopted, accounting pronouncements and have determined that these new accounting pronouncements are not applicable, and will have no effect on the Company.

NOFIRE TECHNOLOGIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)
May 31, 2008

NOTE 4 - Management's Actions to Overcome Operating and Liquidity Problems:

The Company's financial statements have been presented on the going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company's viability as a going concern is dependent upon its ability to achieve profitable operations through increased sales and/or obtaining additional financing. Without achieving these, there is substantial doubt about the Company's ability to continue as a going concern.

The Company has a liability for settled claims payable to creditors in connection with its reorganization under the Plan. Without the achievement of profitable operations or additional financing, funds for repayment would not be available.

Management believes that successful passing of stringent tests, obtaining various civil and government approvals, and actions it has undertaken to revise the Company's operating and marketing structure may provide it with the opportunity to generate revenues needed to realize profitable operations and to attract the necessary financing and/or capital for the payment of outstanding obligations.

NOTE 5 - Loans Payable:

During the quarter ended February 29,2008 the Company borrowed $105,000 from three individuals. The terms were 2% interest per month.

In conjunction with the above five year warrants were issued to purchase 45,000 shares of the Company?s common stock at $.25 to $.30. The warrants vested immediately.

During April 2008 $10,000 of the above debt was repaid.

NOTE 6- Equity Transactions:

Warrants were issued during the period as follows:

Name	Issue	Expire	Amount	Exercise Price
Investors (4)	September 07	September2012	41,613	$.60
Investors (2)	October 07	October 2012	24,551	$.60
Investors	November 07	November 2012	86,806	$.50
Investors (2)	December 07	December 2012	75,455	$.25 to $.40
Employees (5)	December 07	December 2012	500,000	$.30
Investor	January 08	January 2013	32,250	$.25
Directors (2)	March 08	March 2013	200,000	$.28
Employee	April 08	April 2013	5,000	$.34

Creditors	April	08	April	2013	1,500,000	$.24 to $.34

During the nine months ended May 31,2008 the Company sold to accredited investors 238,409 shares of the Company's common stock for $74,302. In conjunction, the Company issued five-year warrants to purchase 106,705 shares of the Company?s common stock at an exercise price of $.25 to $.40 per share.

The Company issued 25,000 shares of unregistered common stock for the exercise of warrants. The warrants were originally issued to an employee and were about to expire.

Note 7 Manufacturing Agreement:

In March 2008, the Company entered into a Manufacturing Agreement, with a Singapore based company. This Manufacturing Agreement has several financial components which require payments over a period time within a year. These payments are for a 10 year license fee of $18,200, consultancy work totaling $57,995 and prepaid material for product development. The license fee portion and $7,800 of prepaid material was paid already and will be amortized over the term of the agreement ratably. Once the Singapore company begins manufacturing the Nofire products, the Singapore company will be obligated to pay a 2% royalty on Nofire product sales.

In addition to the above the Company will generate additional profit from the sale of propriety chemicals?to the licensee. These chemicals are necessary in the manufacture of the product.

NOTE 8- Subsequent Events:

On June 10, 2008 the Company borrowed $10,000 from an accredited investor. The note is due on December 12, 2008 and has an interest rate of 2% per month. An officer pledged personal stock holdings as collateral.

In conjunction with the above, the Company issued five-year warrants to purchase 8000 shares of the Company's common stock at an exercise price of $.31 per share.

During June an officer loaned the Company $47,500.

In June the Company issued 20,000 shares of unregistered common stock for the exercise of warrants. The warrants were about to expire.

Also in June the Company issued five-year warrants to purchase 25,000 shares of the Companys common stock at an exercise price of $.29 per share. These warrants were issued to an individual as a fee to forestall payment of a debt.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The Company continued its product development and application testing and now have numerous certifications for specific applications. Since August 1995, the Company has applied for eight patents, five of which have been issued. The other three are pending. Additionally, one patent has been purchased by the Company. The Company has been increasing its marketing efforts principally by retaining the services of specialized distribution firms. The Company's management believes that marketing efforts to date have brought the Company closer to achieving greater sales for applications in many diverse industries including: military, maritime, wood products, structural steel and nuclear power plants. Significant tests have been passed and approvals received to qualify the Company's products in naval and other military and governments applications. Aggressive marketing efforts are underway to obtain orders in these applications. Obstacles encountered in obtaining orders for most applications are the continuing tests and approvals required, competition against well established and better capitalized companies, cost, the slow process of specifying new products in highly regulated industrial applications and the decision not to use any fire retardant product.

In general, the Company's products perform their intended uses well and are in a form that is safe and easy to use. The Company's most pressing need
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continues to be cash infusion as discussed below in the section on Liquidity and Capital Resources. The Company is limiting its research and development efforts in order to concentrate on sales of existing products. While new market opportunities frequently arise, the Company has opted to concentrate on targeting sales of present products rather than developing new products. Efforts to establish additional U.S. distributors are being accelerated.

Additional efforts are also being directed to increase international sales by establishing distributor relationships in strategic locations throughout the industrialized world.

The number of manufacturing and quality control employees will increase with increased production. The salaried administrative and marketing staff will be evaluated and may be increased to support sales and marketing initiatives. Additional support for direct sales is expected to be provided by independent commission agents or employees compensated principally by commission.

COMPARISON NINE MONTHS ENDED May 31, 2008 AND May 31, 2007
Sales of $434,705 for the nine months ended May 31, 2008 represented a decrease of 21.2% from the $551,692 for the comparable nine-month period of the prior year. Cost of goods sold during the same period decreased from $293,041 to $189,804 resulting in a gross profit of $257,829 compared to $258,051 in the prior year. Selling, general and administrative expenses for the nine months ended May 31, 2008 were $855,252, representing an increase of $657 from the $855,909 of the similar period of the prior year. Equity based compensation expense of $197,353 increased by $150,529 from the comparable period.

COMPARISON THREE MONTHS ENDED May 31, 2008 AND May 31, 2007
Sales of $127,334 for the three months ended May 31, 2008 represented an increase of 76.7% from the $72,080 for the comparable three-month period of the prior year. Cost of goods sold during the same period increased from $59,514 to $98,966 resulting in a gross profit of $28,368 compared to $12,566 in the prior year. Selling, general and administrative expenses for the three months ended May 31, 2008 were $364,482 representing an increase of $149,437 or 69.5% from the $215,045 of the similar period of the prior year. There was $46,834 recorded for equity based compensation expense during the three months ended May 31, 2007 and $194,353 for the current period.

During the periods ended May 31, 2008 and May 31, 2007 the Company realized approximately $49,164 and $36,493, respectively, through the sale of a portion of its New Jersey Net Operating Loss Carry Forward under a program sponsored by that state.

LIQUIDITY AND CAPITAL RESOURCES
At May 31, 2008 the Company had a cash balance of $2,227.

The Company raised $74,302 through the sale of 238,409 shares of unregistered common stock and the issuance of 106,705 warrants to purchase common stock at $.25 to $.40 per share to accredited investors.

The Company has deferred payment of $378,031 of the installments of the Chapter 11 liability to unsecured creditors that was due in September 1996, 1997, 1998 and 1999. In order to pay those liabilities and meet working capital needs until significant sales levels are achieved, the Company will continue to explore alternative sources of funding including exercise of warrants, bank and other borrowings, issuance of convertible debentures, issuance of common stock to settle debt, and the sale of equity securities in a public or private offering. There is no assurance that the Company will be successful in securing the requisite financing.

Item 3. CONTROLS AND PROCEDURES

Our management, including the Chief Executive Officer and Chief Financial Officer, have conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "1934 Act"), as of the end of the period covered by this Quarterly Report on Form 10-QSB. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in ensuring that information required to be disclosed by us in the reports we file or submit under the Securities and Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

There have been no changes in internal control over financial

reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during the period covered by this report.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the nine months ended May 31, 2008 the Company sold to accredited investors 518,378 shares of the Company's common stock for $ 228,494. In conjunction, the Company issued five-year warrants to purchase 106,705 shares of the Company's common stock at an exercise price of $.25 to $.40 per share.

Date	Title	Number	Cash Price
9/07	common	126,077	$.60
10/07	common	6,150	$.60
11/07	common	173,612	$.50
12/07	common	60,000	$.40
1/08	common	62,500	$.25

2/08	common	90,909	$.25

The proceeds were used for working capital.

Item 3. None

Item 6. EXHIBITS

Exhibits 31.1 31.2 Certification of Financial Information
Exhibit 32.1 32.2 Sarbanes-Oxley Act Section 906 Certification

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

Dated: July 11, 2008 NoFire Technologies, Inc.

By: /s/ Samuel Gottfried
Sam Gottfried
Chief Executive Officer

By: /s/ Sam Oolie
Sam Oolie
Chairman of the Board,
Chief Financial Officer