UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington D. C. 20549

FORM 10-Q

☒ **Quarterly report pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934**
For the quarterly period ended March 31, 2019

☐ **Transition report pursuant to Section 13 or 15(d) of the Exchange Act**
For the transition period from _________ to _________.

Commission File Number: 0-9376

INNOVATIVE FOOD HOLDINGS, INC.

(Exact Name of Registrant as Specified in its Charter)

Florida	**20-1167761**
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer I.D. No.)

28411 Race Track Rd.
Bonita Springs, Florida 34135
(Address of Principal Executive Offices)

(239) 596-0204
(Registrant's Telephone Number, Including Area Code)

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). **YES** ☒ **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.

(Check One):

Large Accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☒
(Do not check if a smaller reporting company)	
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 Regulation 12b-2 of the Exchange Act): **YES** ☐ **NO** ☒

Securities registered pursuant to Section 12(b) of the Act: None.

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
N/A	N/A	N/A

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 36,427,354 shares of common stock issued and 33,839,774 shares of common stock outstanding as of May 17, 2019.

INNOVATIVE FOOD HOLDINGS, INC.
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PART I. FINANCIAL INFORMATION

ITEM 1 - CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Innovative Food Holdings, Inc.
Condensed Consolidated Balance Sheets

	March 31, 2019 (unaudited)	December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 3,140,799	$ 4,759,817
Accounts receivable, net	3,248,519	3,039,756
Inventory	2,123,330	2,301,377
Other current assets	166,225	144,301
Total current assets	8,678,873	10,245,251
Property and equipment, net	2,253,224	2,456,610
Investments	355,025	339,525
Right to use assets, operating leases, net	295,962	-
Right to use assets, financing leases, net	130,016	-
Other amortizable intangible assets, net	1,929,368	2,158,498
Goodwill and other unamortizable intangible assets	2,183,065	2,183,065
Total assets	$ 15,825,533	$ 17,382,949
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,085,464	$ 3,689,868
Accrued interest	18,285	16,402
Deferred revenue	277,395	559,315
Lease liability – operating leases, current	135,991	-
Lease liability – financing leases, current	22,481	-
Notes payable - current portion	668,833	928,857
Contingent liability - current portion	447,569	472,876
Total current liabilities	3,656,018	5,667,318
Lease liability – operating leases, non-current	159,971	
Lease liability – financing leases, non-current	102,828	
Contingent liability - long-term	357,600	357,600
Note payable - long term portion	1,030,160	1,196,245
Total liabilities	5,306,577	7,221,163
Stockholders' equity		
Common stock: $0.0001 par value; 500,000,000 shares authorized; 36,427,354 and 36,296,218 shares issued; 33,839,774 and 33,708,638 shares outstanding at March 31, 2019 and December 31, 2018, respectively	3,640	3,627
Additional paid-in capital	36,325,862	36,132,065
Treasury stock: 2,373,171 shares outstanding at March 31, 2019 and December 31, 2018, respectively	(1,016,370)	(1,016,370)
Accumulated deficit	(24,794,176)	(24,957,536)
Total stockholders' equity	10,518,956	10,161,786
Total liabilities and stockholders' equity	$ 15,825,533	$ 17,382,949

See notes to these unaudited condensed consolidated financial statements.

Innovative Food Holdings, Inc.
Condensed Consolidated Statements of Operations
(unaudited)

	For the Three Months Ended March 31, 2019	For the Three Months Ended March 31, 2018
Revenue	$ 12,859,215	$ 10,916,544
Cost of goods sold	8,881,380	7,437,431
Gross margin	3,977,835	3,479,113
Selling, general and administrative expenses	3,788,997	3,003,817
Total operating expenses	3,788,997	3,003,817
Operating income	188,838	475,296
Other expense:		
Interest expense, net	25,478	26,748
Total other expense	25,478	26,748
Net income before taxes	163,360	448,548
Income tax expense	-	-
Net income	$ 163,360	$ 448,548
Net income per share - basic	$ 0.005	$ 0.013
Net income per share - diluted	$ 0.005	$ 0.013
Weighted average shares outstanding - basic	33,947,817	33,710,609
Weighted average shares outstanding - diluted	33,947,817	33,725,720

See notes to these unaudited condensed consolidated financial statements.

Innovative Food Holdings, Inc.
Condensed Consolidated Statements of Cash Flows
(unaudited)

	For the Three Months Ended March 31, 2019	For the Three Months Ended March 31, 2018
Cash flows from operating activities:		
Net income	$ 163,360	$ 448,548
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	305,205	238,413
Amortization of right-of-use asset	42,619	-
Stock based compensation	100,144	8,787
Provision for doubtful accounts	(830)	-
Changes in assets and liabilities:		
Accounts receivable	(223,433)	(246,231)
Inventory and other current assets	156,123	(334,920)
Accounts payable and accrued liabilities	(1,508,855)	755,799
Deferred revenue	(281,920)	-
Operating lease liability	(42,619)	-
Contingent liabilities	(25,307)	-
Net cash (used in) provided by operating activities	(1,315,513)	870,396
Cash flows from investing activities:		
Cash related to the iGourmet asset acquisition	-	(2,409,437)
Acquisition of property and equipment	(2,705)	(69,000)
Investment in food related company	-	(50,000)
Net cash used in investing activities	(2,705)	(2,528,437)
Cash flows from financing activities:		
Purchase of stock options from officers, directors, and employees	-	(167,000)
Cash received from the exercise of warrants	-	35,000
Borrowings on term loan	-	1,500,000
Principal payments on debt	(294,734)	(160,186)
Principal payments capital leases	(6,066)	(2,394)
Net cash (used in) provided by financing activities	(300,800)	1,205,420
(Decrease) in cash and cash equivalents	(1,619,018)	(452,621)
Cash and cash equivalents at beginning of period	4,759,817	5,133,435
Cash and cash equivalents at end of period	$ 3,140,799	$ 4,680,814
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 27,693	$ 22,834
Taxes	$ -	$ -
Non-cash investing and financing activities:		
Issuance of 131,136 shares of common stock previously accrued	$ 93,666	$ -
Right of use asset and liabilities – operating upon adoption of ASU 2016-02	$ 388,581	$ -

See notes to these unaudited condensed consolidated financial statements.

Innovative Food Holdings, Inc. and subsidiary
Consolidated Statements of Stockholders' Deficiency

	December 31, Common Stock			Treasury stock		Accum	
	Amount	Value	APIC	Amount	Value	Deficit	Total
Balance - December 31, 2017	36,080,519	$ 3,605	$ 36,196,682	2,276,703	$ (992,313)	$ (26,653,435)	$ 8,554,539
Common stock issued for the exercise of options	100,000	10	34,990	-	-	-	35,000
Purchase of stock options from employees, officers, and directors	115,699	12	(167,012)	-	-	-	(167,000)
Fair value of vested stock options issued to management	-	-	8,787	-	-	-	8,787
Net income for the three months ended March 31, 2018	-	-	-	-	-	448,548	448,548
Balance - March 31, 2018 (unaudited)	36,296,218	$ 3,627	$ 36,073,447	2,276,703	$ (992,313)	$ (26,204,887)	$ 8,879,874

	December 31, Common Stock			Treasury stock		Accum	
	Amount	Value	APIC	Amount	Value	Deficit	Total
Balance - December 31, 2018	36,296,218	$ 3,627	$ 36,132,065	2,373,171	$ (1,016,370)	$ (24,957,536)	$ 10,161,786
Issuance of shares to employees, previously accrued	131,136	13	93,653	-	-	-	93,666
Fair value of vested stock and stock options issued to management	-	-	100,144	-	-	-	100,144
Net income for the three months ended March 31, 2019	-	-	-	-	-	163,360	163,360
Balance - March 31, 2019 (unaudited)	36,427,354	$ 3,640	$ 36,325,862	2,373,171	$ (1,016,370)	$ (24,794,176)	$ 10,518,956

See notes to these unaudited condensed consolidated financial statements.

INNOVATIVE FOOD HOLDINGS, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2019
(Unaudited)

1. BASIS OF PRESENTATION

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements of Innovative Food Holdings, Inc., and its wholly owned subsidiaries, some of which are non-operating, Artisan (“Artisan”), Food Innovations (“FII”), Food New Media Group, Inc. (“FNM”), Organic Food Brokers (“OFB”), Gourmet Food Service Group, Inc. (“GFG”), Gourmet Foodservice Warehouse, Inc. (“GFW”), Gourmeting, Inc. (“Gourmeting”), The Haley Group, Inc. (“Haley”), Oasis Sales Corp. (“Oasis”), 4 The Gourmet, Inc. (d/b/a For The Gourmet, Inc.), (“Gourmet”); Innovative Gourmet, LLC (“Innovative Gourmet”); Food Funding, LLC (“Food Funding”), M Innovations, LLC (“M Innovations”) and collectively with IVFH and its other subsidiaries, the “Company” or “IVFH”) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. All material intercompany transactions have been eliminated upon consolidation of these entities.

The accompanying unaudited interim condensed consolidated financial statements have been prepared by the Company, in accordance with generally accepted accounting principles pursuant to Regulation S-X of the Securities and Exchange Commission and with the instructions to Form 10-Q. Certain information and footnote disclosures normally included in audited consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. Accordingly, these interim financial statements should be read in conjunction with the Company’s audited financial statements and related notes as contained in Form 10-K for the year ended December 31, 2018. In the opinion of management, the interim unaudited condensed consolidated financial statements reflect all adjustments, including normal recurring adjustments, necessary for fair presentation of the interim periods presented. The results of the operations for the three months ended March 31, 2019 are not necessarily indicative of the results of operations to be expected for the full year.

2. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Business Activity

Our business is currently conducted by our wholly-owned subsidiaries, Artisan, FII, Food New Media Group, Inc. (“FNM”), OFB, Gourmet Foodservice Group, Inc. (“GFG”), Gourmet Foodservice Warehouse, Inc. (“GFW”), Gourmeting Inc. (“Gourmeting”), The Haley Group, Inc. (“Haley”), Oasis, 4 The Gourmet, Inc. (d/b/a For The Gourmet, Inc.), (“Gourmet”), Innovative Gourmet (sometimes referred to herein as “Igourmet.com” or “Igourmet”), M Innovations, (sometimes referred to herein as “Mouth” or ” Mouth.com”) and Food Funding (collectively, IVFH and its subsidiaries, the “Company” or “IVFH”).

Overall, our business activities are focused around the creation and growth of a platform which provides distribution or the enabling of distribution of high quality, unique specialty food and food related products ranging from specialty foodservice products to Consumer-Packaged Goods (“CPG”) products through a variety of sales channels ranging from national partnership based and regionally based foodservice related sales channels to e-commerce sales channels offering products both direct to consumers (“D2C”) and direct to business (“B2B”). In our business model, we receive orders from our customers and then work closely with our suppliers and our warehouse facilities to have the orders fulfilled. In order to maintain freshness and quality, we carefully select our suppliers based upon, among other factors, their quality, uniqueness, reliability and access to overnight courier services.

FII, though its relationship with the producers, growers, and makers of thousands of unique specialty foodservice products and through its relationship with US Foods, Inc. (“U.S. Foods” or “USF”), has been in the business of providing premium restaurants, within 24 – 72 hours, with the freshest origin-specific perishable, and healthcare products shipped directly from our network of vendors and from our warehouses. Our customers include restaurants, hotels, country clubs, national chain accounts, casinos, hospitals and catering houses.

Gourmet has been in the business of providing specialty food via e-commerce through its own website at www.forethegourmet.com and through other ecommerce channels, with unique specialty gourmet food products shipped directly from our network of vendors and from our warehouses within 24 – 72 hours. GFG is focused on expanding the Company’s program offerings to additional customers.

Artisan is a supplier of over 1,500 unique specialty foodservice products to over 500 customers such as chefs, restaurants, etc. in the Greater Chicago area and serves as a national fulfillment center for certain of the Company's other subsidiaries.

Haley is a dedicated foodservice consulting and advisory firm that works closely with companies to access private label and manufacturers' private label food service opportunities with the intent of helping them launch and commercialize new products in the broadline foodservice industry and assists in the enabling of the distribution of products via national broadline food distributors.

OFB and Oasis function as outsourced national sales and brand management teams for emerging organic and specialty food CPG companies of a variety of sizes and business stages, and provides emerging and unique CPG specialty food brands with distribution and shelf placement access in all of the major metro markets in the food retail industry.

Igourmet has been in the business of providing DTC specialty food via e-commerce through its own website at www.igourmet.com and through other channels such as www.amazon.com, www.jet.com, and www.walmart.com. In addition, Igourmet.com offers a line of B2B specialty foodservice items. Products are primarily shipped directly from Igourmet.com's 67,000 square feet warehouse in Pennsylvania via Igourmet.com owned trucks and via third party carrier directly to thousands of customers nationwide.

Mouth.com (www.mouth.com) is an online retailer of specialty foods, monthly subscription boxes and curated gift boxes to thousands of consumers and corporate customers across the United States. Mouth sources high quality specialty foods crafted in the US by independent and small batch makers, and expertly curates them into standout food gifts for both consumers and corporate customers. Mouth also has launched a private label brand, including several award-winning products.

Use of Estimates

The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate these estimates, including those related to revenue recognition and concentration of credit risk. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Accounts subject to estimate and judgements are accounts receivable reserves, income taxes, intangible assets, contingent liabilities, operating right of use assets and liabilities, and equity based instruments. Actual results may differ from these estimates under different assumptions or conditions. We believe our estimates have not been materially inaccurate in past years, and our assumptions are not likely to change in the foreseeable future.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Innovative Food Holdings, Inc., and its wholly owned operating subsidiaries, Artisan, FII, FNM, OFB, GFG, Gourmet Foodservice Warehouse, Inc., Gourmeting, Haley, Oasis, Innovative Gourmet, Food Funding, M Innovations and Gourmet. All material intercompany transactions have been eliminated upon consolidation of these entities.

Concentrations of Credit Risk

Financial instruments and related items, which potentially subject the Company to concentrations of credit risk, consist primarily of cash, cash equivalents and trade receivables. The Company places its cash and temporary cash in investments with credit quality institutions. At times, such investments may be in excess of applicable government mandated insurance limit. At March 31, 2019 and December 31, 2018, trade receivables from the Company's largest customer amounted to 50% and 48%, respectively, of total trade receivables.

Reclassifications

Certain reclassifications have been made to conform prior period data to the current presentation.

Leases

The Company determines if an arrangement is a lease at inception. Operating lease right-of-use assets ("ROU assets") and short-term and long-term lease liabilities are included on the face of the condensed consolidated balance sheet. Finance lease ROU assets are presented within other assets, and finance lease liabilities are presented within accrued liabilities.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses an incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company has lease agreements with lease and non-lease components, which are accounted for as a single lease component. For lease agreements with terms less than 12 months, the Company has elected the short-term lease measurement and recognition exemption, and it recognizes such lease payments on a straight-line basis over the lease term.

Revenue Recognition

The Company recognizes revenue upon product delivery. All of our products are shipped either same day or overnight or through longer shipping terms to the customer and the customer takes title to product and assumes risk and ownership of the product when it is delivered. Shipping charges to customers and sales taxes collectible from customers, if any, are included in revenues.

For revenue from product sales, the Company recognizes revenue in accordance with Financial Accounting Standards Board "FASB" Accounting Standards Codification "ASC" 606. A five-step analysis a must be met as outlined in Topic 606: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations, and (v) recognize revenue when (or as) performance obligations are satisfied.. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded. The Company defers any revenue for which the product has not been delivered or is subject to refund until such time that the Company and the customer jointly determine that the product has been delivered or no refund will be required. Adoption of ASC 606 had no material effect on the Company's financial statements.

Deferred Revenue

Certain customer arrangements in the Company's business such as gift cards and "Of the Month Club" purchases result in deferred revenues when cash payments are received in advance of performance. Gift cards are issued by the Company do not have expiration dates. The Company records a liability for unredeemed gift cards and advance payments for monthly club memberships, as cash is received, and the liability is reduced when the card is redeemed or product delivered.

The following table represents the changes in deferred revenue as reported on the Company's consolidated balance sheets:

Balance as of December 31, 2018	$	559,315
Cash payments received		93,580
Net sales recognized		(375,500)
Balance as of March 31, 2019	$	277,395

Disaggregation of Revenue

The following table represents a disaggregation of revenue by from sales for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,			
		2019		2018
Specialty food service	$	10,205,969	$	9,311,800
Ecommerce		2,187,303		984,421
National Brand Management		465,943		620,323
Total	$	12,859,215	$	10,916,544

Cost of goods sold

We have included in cost of goods sold all costs which are directly related to the generation of revenue. These costs include primarily the cost of food and raw materials, packing and handling, shipping, and delivery costs.

Basic and Diluted Earnings Per Share

Basic net earnings per share is based on the weighted average number of shares outstanding during the period, while fully-diluted net earnings per share is based on the weighted average number of shares of common stock and potentially dilutive securities assumed to be outstanding during the period using the treasury stock method. Potentially dilutive securities consist of options and warrants to purchase common stock, and convertible debt. Basic and diluted net loss per share is computed based on the weighted average number of shares of common stock outstanding during the period.

The Company uses the treasury stock method to calculate the impact of outstanding stock options and warrants. Stock options and warrants for which the exercise price exceeds the average market price over the period have an anti-dilutive effect on earnings per common share and, accordingly, are excluded from the calculation.

Dilutive shares at March 31, 2019:

Convertible notes and interest

At March 31, 2019 there were no convertible notes outstanding.

Warrants

At March 31, 2019 there are no warrants outstanding.

Stock Options

The following table summarizes the options outstanding and the related prices for the options to purchase shares of the Company's common stock issued by the Company at March 31, 2019:

Exercise Price	Number of Options	Weighted Average Remaining Contractual Life (years)
$ 0.62	360,000	4.76
$ 0.75	50,000	2.76
$ 0.85	540,000	4.76
$ 0.95	50,000	2.76
$ 1.10	75,000	2.12
$ 1.20	900,000	4.76
$ 1.38	100,000	0.67
$ 1.50	125,000	2.76
$ 1.90	100,000	0.42
$ 2.00	125,000	2.76
$ 2.50	125,000	2.76
$ 3.00	125,000	2.76
	2,675,000	3.92

Restricted Stock Awards

At March 31, 2019 there are an additional 300,000 unvested restricted stock awards remaining from grants in a prior year. Those 300,000 restricted stock awards will vest as follows: 125,000 restricted stock awards will vest contingent upon the attainment of a stock price of $2.00 per share for 20 straight trading days, and an additional 175,000 restricted stock awards will vest contingent upon the attainment of a stock price of $3.00 per share for 20 straight trading days.

Stock-based compensation

During the three months ended March 31, 2019, the Company incurred an obligation to issue an aggregate total of 72,826 shares of common stock to its Chief Executive Officer and to its Director of Strategic Acquisitions based upon their employment agreements

Dilutive shares at March 31, 2018:

There were no convertible notes or warrants outstanding on March 31, 2018.

Stock Options

The following table summarizes the options outstanding and the related prices for the options to purchase shares of the Company's common stock issued by the Company:

Exercise Price	Number of Options	Weighted Average Remaining Contractual Life (years)
$ 1.04	200,000	2.59
$ 1.31	150,000	0.50
$ 1.38	100,000	1.67
$ 1.42	100,000	0.22
$ 1.43	50,000	0.75
$ 1.46	100,000	0.25
$ 1.70	75,000	0.04
$ 1.90	175,000	1.23
$ 2.00	50,000	0.04
$ 2.40	20,000	0.17
$ 2.50	37,500	0.04
$ 3.40	30,000	0.17
$ 3.50	37,500	0.04
	1,125,000	0.96

Significant Recent Accounting Pronouncements

In January 2017, the FASB issued ASU No. 2017-04, Simplifying the Test for Goodwill Impairment, which simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, current U.S. GAAP requires the performance of procedures to determine the fair value at the impairment testing date of assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, the amendments under this ASU require the goodwill impairment test to be performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The ASU becomes effective for the Company on January 1, 2020. The amendments in this ASU should be applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed. We are evaluating what impact, if any, the adoption of this guidance will have on our financial condition, results of operations, cash flows or financial disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) , to increase transparency and comparability among organizations by recognizing a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than 12 months and disclosing key information about leasing transactions. Leases are classified as either operating or financing, with such classification affecting the pattern of expense recognition in the income statement. In July 2018, the FASB issued ASU 2018-11, Leases (Topic 842) - Targeted Improvements, which provided an optional transition method to apply the new lease requirements through a cumulative-effect adjustment in the period of adoption.

We adopted ASU 2016-02 in the first quarter of 2019 using the optional transition method and elected certain practical expedients permitted under the transition guidance, which, among other things, allowed us to not reassess prior conclusions related to contracts containing leases or lease classification. The adoption primarily affected our condensed consolidated balance sheet through the recognition of $338,581 of operating right-of-use assets and $338,581 of operating lease liabilities as of January 1, 2019. The adoption did not have a significant impact on our results of operations or cash flows. See Note 7. "Leases" to our condensed consolidated financial statements for further discussion of the effects of the adoption of ASU 2016-02 and the associated disclosures.

Management does not believe that any other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the accompanying condensed consolidated financial statements.

3. ACQUISITIONS

Mouth Foods, Inc.

Effective July 6, 2018, M Innovations acquired certain assets of Mouth Foods, Inc. (“Mouth”) from MFI (assignment for the benefit of creditors), LLC (“MFI”), the assignee of Mouth’s assets in connection with a Delaware assignment proceeding, pursuant to the terms of an Asset Purchase Agreement (“MFI APA”). The MFI APA was accounted for as an acquisition of an ongoing business in accordance with ASC Topic 805 - Business Combinations (“ASC 805”), where the Company was treated as the acquirer and the acquired assets and assumed liabilities were recorded by the Company at their preliminary estimated fair values. Mouth, was a privately held New York company operating out of Brooklyn, was an expert curator and online retailer of high quality specialty foods from small-batch makers in the US.

The consideration for and in connection with the acquisition consisted of (i) closing related cash payments of $208,355; (ii) additional revenue-based contingent liabilities valued by management at $100,000 related to certain future sales of purchased assets payable under the following terms: payment of 5% of certain revenues, with no payments on the first $500,000 of revenues and no payments on revenues after June 30, 2020; (iii) additional revenue based contingent liabilities of up to $185,000 associated with the purchase of certain debt of the seller; and (iv) additional contingent liability consideration valued by management at approximately $20,000.

The acquisition date estimated fair value of the consideration transferred totaled $513,355. During the year ended December 31, 2018, the Company changed the original allocation of the purchase price among the assets acquired. The reallocated purchase price consisted of the following:

Cash	$	208,355
Contingent liability – payable to debt holder		185,000
Contingent liabilities – payable to sellers		100,000
Additional Contingent Liabilities		20,000
Total purchase price	$	513,355
Tangible assets acquired	$	57,000
Intangible assets acquired		419,926
Goodwill acquired		36,429
Total purchase price	$	513,355

The above estimated fair value of the intangible assets is based on a preliminary purchase price allocation prepared by management. As a result, during the preliminary purchase price allocation period, which may be up to one year from the business combination date, we may record adjustments to the assets acquired and liabilities assumed, with a corresponding offset to goodwill. After the preliminary purchase price allocation period, we record adjustments to assets acquired or liabilities assumed subsequent to the purchase price allocation period in our operating results in the period in which the adjustments were determined.

iGourmet, LLC

The iGourmet Asset Purchase Agreement effective January 23, 2018 (the “iGourmet APA”) was accounted for as an acquisition of an ongoing business in accordance with ASC Topic 805 - Business Combinations (“ASC 805”), where the Company was treated as the acquirer and the acquired assets and certain liabilities not purchased or assumed by Innovative Gourmet, which under certain circumstances, Innovative Gourmet may determine to pay, were recorded by the Company at their preliminary estimated fair values.

The consideration for and in connection with the iGourmet APA consisted of: (i) $1,500,000, which satisfied or reduced secured, priority and administrative debt of sellers; (ii) in connection with and prior to the acquisition, our wholly-owned subsidiary, Food Funding, funded advances of $325,500 to sellers on a secured basis, pursuant to certain loan documents and as bridge loans, which loans were reduced by the proceeds of the iGourmet APA; (iii) the purchase for $200,000 of certain debt owed by sellers, to be paid out of, if available, Innovative Gourmet's cash flow; (iv) potential contingent liability allocation for a percentage of sellers' approximately $2,300,000 of certain debt, not purchased or assumed by Innovative Gourmet, which under certain circumstances, Innovative Gourmet may determine to pay; and (v) additional purchase price consideration of (a) up to a maximum of $1,500,000, if EBITDA of Innovative Gourmet reaches $800,000 thousand in 2018, (b) up to a maximum of $1,750,000, if EBITDA of Innovative Gourmet in 2019 exceeds its EBITDA in 2018 by at least 20% and if its EBITDA reaches $5,000,000; and (c) up to a maximum of $2,125,000, if EBITDA of Innovative Gourmet in 2020 exceeds its EBITDA in 2019 by at least 20% and if its EBITDA reaches $8,000,000. The additional purchase price consolidation milestone for 2018 was not met. The EBITDA based earnout shall be paid 37.5% in cash, 25% in Innovative Food Holdings shares valued at the time of the closing of this transaction and 37.5%, at Innovative Gourmet's option, in Innovative Food Holdings shares valued at the time of the payment of the earnout or in cash.

In connection with the iGourmet APA, our wholly-owned subsidiary, Food Funding, purchased seller's senior secured note at a price of approximately $1,187,000, pursuant to the terms of a Loan Sale Agreement with UPS Capital Business Credit. That note was reduced by the proceeds of the iGourmet APA as disclosed in (i) above.

The acquisition date estimated fair value of the consideration transferred totaled $4,151,243. During the year ended December 31, 2018, the Company made the following purchase price adjustments: (i) accrued an additional $286,239 for accounts payable prior to acquisition; (ii) decreased contingent liabilities by the amount of $392,900 for earnout payments not made; (iii) decreased accounts receivable in the amount of $108,893 for amounts not collected; and (4) increased deferred revenue in the amount of $231,169 for shipments made. These adjustments increased the value of the acquisition to $4,275,751. At December 31, 2018, the value of the acquisition consisted of the following:

Initial purchase price	$	1,500,000
Cash payable in connection with transaction		1,863,443
Accounts payable		286,239
Deferred revenue		231,169
Contingent liabilities		394,900
Total purchase price	$	4,275,751
Tangible assets acquired	$	842,458
Intangible assets acquired		2,970,600
Goodwill acquired		462,693
Total purchase price	$	4,275,751

The above estimated fair value of the intangible assets is based on a third party valuation expert and also includes additional analysis by management based on a subsequent analysis of the transaction and adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Going forward, adjustments to assets acquired or liabilities assumed subsequent to the purchase price allocation period will be made in our operating results in the period in which the adjustments are determined.

Pro forma results

The following table sets forth the unaudited pro forma results of the Company as if the iGourmet APA was effective on the first day of the March 31, 2018 three month period presented. These combined results are not necessarily indicative of the results that may have been achieved had the companies always been combined.

		Three months ended March 31, 2018
		(unaudited)
Revenues	$	11,293,194
Net Income	$	337,227
Basic net income per share	$	0.010
Diluted net income per share	$	0.010
Weighted average shares – basic		33,710,609
Weighted average shares – diluted		33,725,720

Oasis Sales and Marketing, LLC

Pursuant to the Oasis Asset Purchase Agreement, effective January 1, 2017, the Company, through its wholly-owned subsidiary, Oasis Sales Corp., purchased certain assets of Oasis Sales and Marketing, L.L.C., a California limited liability company. The purchase price consisted of $300,000 cash; a two-year promissory note in the amount of $100,000, and a structured equity instrument (the "SEI") in the amount of $200,000. In addition, the Company is contingently liable for certain performance-based payments over the twenty-four months following the acquisition date up to a maximum of $400,000 ("Earnout Payments"). On May 23, 2018, the Company paid the amount of $189,000 related to the Earnout Payment, and recorded a gain in the amount of $11,000. The amount of $200,000 related to the second Earnout Payment is carried as a current liability on the Company's balance sheet at December 31, 2018. The second Earnout Payment has been earned and is expected to be paid in the second quarter of 2019.

The SEI was payable in cash or shares of the Company's stock at the Company's option, at any time, or is automatically payable via the issuance of 200,000 shares of the Company's stock if the Company's shares close above $1.00 for ten consecutive days. This requirement was met on November 28, 2017, and on that date the $200,000 SEI liability was converted to 200,000 shares of common stock.

At the time of acquisition, the Company believed it likely that the Earnout Payments would be made, and accordingly recorded the entire amount of $400,000 as a contingent liability on its balance sheet as of the acquisition date. The amount of $800,000 was allocated to customer lists, an intangible asset with a useful life of 60 months; and the amount of $200,000 was allocated to a non-compete agreement, an intangible asset with a useful life of 48 months. A total of $52,500 was amortized to operations during each of the three month periods ended March 31, 2019 and 2018.

4. ACCOUNTS RECEIVABLE

At March 31, 2019 and December 31, 2018, accounts receivable consists of:

	March 31, 2019	December 31, 2018
Accounts receivable from customers	$ 3,402,865	$ 3,194,932
Allowance for doubtful accounts	(154,346)	(155,176)
Accounts receivable, net	$ 3,248,519	$ 3,039,756

5. INVENTORY

Inventory consists primarily of specialty food products. At March 31, 2019 and December 31, 2018, inventory consisted of the following:

	March 31, 2019	December 31, 2018
Finished Goods Inventory	$ 2,123,330	$ 2,301,377

6. PROPERTY AND EQUIPMENT

Acquisition of Building

The Company owns a building and property located at 28411 Race Track Road, Bonita Springs, Florida 34135. The property consists of approximately 1.1 acres of land and approximately 10,000 square feet of combined office and warehouse space, and was purchased as part of a bank short sale. The Company moved its operations to these premises on July 15, 2013. The purchase price of the property was $792,758.

On May 14, 2015, the Company purchased a building and property located at 2528 S. 27th Avenue, Broadview, Illinois 60155. The property consists of approximately 1.33 acres of land and approximately 28,711 square feet of combined office and warehouse space. The purchase price of $914,350 was initially financed primarily by a draw-down of $900,000 on the Company's credit facility with Fifth Third Bank. On May 29, 2015, a permanent financing facility was provided by Fifth Third Bank in the form of a loan in the amount of $980,000. $900,000 of this amount was used to pay the balance of the credit facility; the additional $80,000 was used for refrigeration and other improvements at the property. The interest on the loan is at the LIBOR rate plus 3.0%. The building is used for office and warehouse space primarily for the Company's Artisan subsidiary. We have also recently completed an additional property improvement and upgrade buildout at the Artisan building which include a fully functional commercial test kitchen and training center and conference room. The test kitchen and training room will be used by Artisan and other subsidiaries of the Company for the purposes of new product testing and development and approval, Quality Assurance and Quality Control as well as sales presentations and customer demonstrations. In addition, we recently added a packaging room to the Artisan building, which is built to FDA, FSMA and SQF food safety standards and purchased new, technologically advanced semi-automated fillers for the packaging room. The packaging room addition will allow for expansion of private label product lines as well as packing of organic, non GMO, diet specific and other specialty foods. The test kitchen, packaging room and additional improvements were financed by a loan from Fifth Third Bank.

Depreciation on the building and the related improvements, furniture, fixtures, and equipment began when the Company occupied the facility in October, 2015.

A summary of property and equipment at March 31, 2019 and December 31, 2018, was as follows:

	March 31, 2019	December 31, 2018
Land	$ 385,523	$ 385,523
Building	1,326,165	1,326,165
Computer and Office Equipment	523,853	523,853
Warehouse Equipment	283,265	302,622
Furniture, Fixtures	891,778	889,073
Vehicles	92,225	220,812
Total before accumulated depreciation	3,502,809	3,648,048
Less: accumulated depreciation	(1,249,585)	(1,191,438)
Total	$ 2,253,224	$ 2,456,610

Depreciation and amortization expense for property and equipment amounted to $76,075 and $49,267 for the three months ended March 31, 2019 and 2018, respectively.

7. RIGHT TO USE ASSETS AND LEASE LIABILITY – OPERATING LEASES

The Company has operating leases for offices, warehouses, vehicles, and office equipment. The Company's leases have remaining lease terms of 1 year to 3 years, some of which include options to extend.

The Company's lease expense for the three months ended March 31, 2019 was entirely comprised of operating leases and amounted to $46,871. The difference between the ROU asset amortization of $42,619 and the associated lease expense of $46,871 consists of interest.

Right to use assets – operating leases are summarized below:

	March 31, 2019
Warehouse	$ 114,543
Warehouse equipment	7,298
Office equipment	49,907
Vehicles	124,214
Right to use assets, net	$ 295,962

Operating lease liabilities are summarized below:

		March 31, 2019
Warehouse	$	114,543
Warehouse equipment		7,298
Office equipment		49,907
Vehicles		124,214
Lease liability	$	295,962
Less: current portion		(135,991)
Lease liability, non-current	$	159,971

Maturity analysis under these lease agreements are as follows:

Nine months ended December 31, 2019	$	146,310
Year ended December 31, 2020		127,148
Year ended December 31, 2021		35,754
Year ended December 31, 2022		2,982
Total	$	312,194
Less: Present value discount		(16,232)
Lease liability	$	295,962

8. INVESTMENTS

The Company has made investments in certain early stage food related companies which it expects can benefit from synergies with the Company's various operating businesses. At March 31, 2019 the Company has investments in five food related companies in the aggregate amount of $355,025. The Company does not have significant influence over the operations of these companies.

9. INTANGIBLE ASSETS

The Company acquired certain intangible assets pursuant to the acquisitions through Artisan, Oasis (see note 3), Innovative Gourmet (see note 3), OFB, Haley, and M Innovations. The following is the net book value of these assets:

	March 31, 2019					
		Gross		Accumulated Amortization		Net
Non-Compete Agreement - amortizable	$	505,900	$	(380,570)	$	125,330
Customer Relationships - amortizable		3,068,043		(1,955,641)		1,112,402
Trade Name		1,532,822		-		1,532,822
Internally Developed Technology		875,643		(184,007)		691,636
Goodwill		650,243		-		650,243
Total	$	6,632,651	$	(2,520,218)	$	4,112,433

	December 31, 2018					
		Gross		Accumulated Amortization		Net
Non-Compete Agreement - amortizable	$	505,900	$	(362,913)	$	142,987
Customer Relationships - amortizable		3,068,043		(1,783,598)		1,284,445
Trade Name		1,532,822		-		1,532,822
Internally Developed Technology		875,643		(144,577)		731,066
Goodwill		650,243		-		650,243
Total	$	6,632,651	$	(2,291,088)	$	4,341,563

Total amortization expense for the three months ended March 31, 2019 and 2018 was $229,130 and $189,146, respectively.

The trade names are not considered finite-lived assets, and are not being amortized. The non-compete agreement is being amortized over a period of 48 months. The customer relationships acquired in these transactions are being amortized over periods of 24 to 36 months. The internally developed technology is being amortized over 60 months.

As detailed in ASC 350, the Company tests for goodwill impairment in the fourth quarter of each year and whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its fair value and may not be recoverable. As detailed in ASC 350-20-35-3A, in performing its testing for goodwill impairment, management has completed a qualitative analysis to determine whether it was more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. To complete this review, management followed the steps in ASC 350-20-35-3C to evaluate the fair value of goodwill and considered all known events and circumstances that might trigger an impairment of goodwill. The analysis completed in 2018 determined that there was no impairment to goodwill assets.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at March 31, 2019 and December 31, 2018 are as follows:

	March 31, 2019	December 31, 2018
Trade payables	$ 1,913,895	$ 3,425,178
Accrued payroll and commissions	171,569	264,690
Total	$ 2,085,464	$ 3,689,868

11. ACCRUED INTEREST

At March 31, 2019, accrued interest on notes outstanding was $18,285. During the three months ended March 31, 2019, the Company paid cash for interest in the aggregate amount of $27,693.

At December 31, 2018, accrued interest on a note outstanding was $16,402. During the twelve months ended December 31, 2018, the Company paid cash for interest in the aggregate amount of $122,232.

12. REVOLVING CREDIT FACILITIES

	March 31, 2019	December 31, 2018
On March 23, 2018, the Company entered into a Master Loan & Security Agreement that provided for the advance of funds in connection with a $500,000 Draw Promissory Note. in order to finance certain equipment acquisitions (“Artisan Equipment Loan”); On December 21, 2018, the Company advanced $391,558 under the $500,000 Draw Promissory Note. This loan is secured by the Company’s tangible and intangible personal property and bears interest at the rate of 5.20%. As of December 31, 2018, there was $108,422 remaining to be drawn on the Artisan Equipment Loan. On March 27, 2019, an amendment was made to the Draw Promissory Note to extend the draw period to December 31, 2019. On March 27, 2019, a Promissory Note was made for the amounts advanced in the amount of $391,558 to convert to a Term Loan. (see note 13).	$ -	$ -
Line of credit facility with Fifth Third Bank in the original amount of $1,000,000 with an interest rate of LIBOR plus 3.25%. In August 2015, the amount of the credit facility was increased to $1,500,000 and the due date was extended to August 1, 2016. In August 2016, this credit facility was extended to August 1, 2017. On August 1, 2017 this credit facility was increased to $2,000,000 and the due date was extended to August 1, 2018. In August 2018, this credit facility was extended to August 1, 2019.	$ -	$ -
Total	$ -	$ -

13. NOTES PAYABLE AND NOTES PAYABLE TO RELATED PARTIES

	March 31, 2019	December 31, 2018
Term loan dated as of August 5, 2016 in the original amount of $1,200,000 payable to Fifth Third Bank. This loan is secured by the Company's tangible and intangible personal property and bears interest at the rate of LIBOR plus 4.5%. Principal payments in the amount of $66,667 are due monthly along with accrued interest beginning September 5, 2016. The entire principal balance and all accrued interest was due and was paid on the maturity date of February 5, 2018. See note 20. During the twelve months ended December 31, 2016, the Company transferred principal in the amount of $1,200,000 from the line of credit facility with Fifth Third Bank into this term loan. During the twelve months ended December 31, 2018, the Company made principal and interest payments on this loan in the amounts of $114,033 and $829, respectively.	$ -	$ -
Secured mortgage note payable for the acquisition of land and building in Bonita Springs, Florida in the amount of $546,000. Principal payments of $4,550 plus interest at the rate of Libor plus 3% are due monthly. The balance of the principal amount was originally due February 28, 2018. On March 23, 2018 and effective February 26, 2018, this note was amended and renewed in the amount of $273,000, with monthly payments of principal and interest of $4,550 payable through the maturity date of February 28, 2023. During the three months ended March 31, 2019, the Company made payments of principal and interest on this note in the amounts of $13,650 and $3,130, respectively.	218,400	232,050
Secured mortgage note payable for the acquisition of land and building in Broadview, Illinois in the amount of $980,000. Principal payments of $8,167 plus interest at the rate of LIBOR plus 2.75% are due monthly through April 2020, the remaining principal balance in the amount of $490,000 will be due May 29, 2020. During the three months ended March 31, 2019, the Company made payments of principal and interest on this note in the amounts of $24,500 and $8,215, respectively.	604,333	628,833
Term loan dated March 28, 2018 in the original amount of $1,500,000 payable to Fifth Third Bank. This loan is secured by the Company's tangible and intangible personal property and bears interest at the rate of LIBOR plus 4.25%. Principal payments in the amount of $83,333 are due monthly along with accrued interest beginning March 28, 2018. The entire principal balance and all accrued interest is due on the maturity date of August 28, 2019. During the three months ended March 31, 2019, the Company made payments of principal and interest on this note in the amounts of $249,999 and $9,975, respectively.	416,667	666,670
Promissory note dated March 22, 2019 in the original amount of $391,558 (the "Artisan Equipment Loan") payable to Fifth Third Bank. This loan is secured by the Company's tangible and intangible personal property and bears interest at the rate of 5.20%. The entire principal balance and all accrued interest is due on the maturity date of March 21, 2024. (see note 11). Monthly payments in the amount of $7,425 including principal and interest will commence in April, 2019.	391,558	391,558
A note payable in the amount of $20,000. The Note was due in January 2006 and the Company is currently accruing interest on this note at 1.9%. During the three months ended March 31, 2019, the Company accrued interest in the amount of $93 on this note.	20,000	20,000

	March 31, 2019		December 31, 2018	
Unsecured promissory note in the amount of $100,000 dated January 1, 2017 bearing interest at the rate of 2.91% per annum issued in connection with the Oasis acquisition. Payments in the amount of $4,297 consisting of principal and interest are to be made monthly beginning February 15, 2017 for twenty-four months until paid in full. During the three months ended March 31, 2019, the Company made principal and interest payments on this note in the amount of $4,291 and $2, respectively.		-		4,291
This obligation was reclassified as a Lease Liability - Financing Lease in connection with the Company's adoption of ASU 2016-02 on January 1, 2019; see note 14.				5,661
Vehicle acquisition loan dated December 6, 2018 in the original amount of $51,088, payable in sixty monthly installments of $955 including interest at the rate of 4.61%. During the three months ended March 31, 2019, the Company made principal and interest payments in the amount of $2,295 and $571, respectively, on this loan.		48,035		50,328
This obligation was reclassified as a Lease Liability - Financing Lease in connection with the Company's adoption of ASU 2016-02 on January 1, 2019; see note 14.		-		125,711
Total	$	1,698,993	$	2,125,102
Current portion	$	668,833	$	928,857
Long-term maturities		1,030,160		1,196,245
Total	$	1,698,993	$	2,125,102

Aggregate maturities of long-term notes payable as of March 31, 2019 are as follows:

For the period ended March 31,

2020	$	650,895
2021		643,779
2022		141,852
2023		146,467
2024		116,000
Thereafter		-
Total	$	1,698,993

14. LEASE LIABILITIES - FINANCING LEASES

Financing lease obligation under a lease agreement for a forklift payable in thirty-six monthly installments of $579 including interest at the rate of 4.83%. During the three months ended March 31, 2019, the Company made principal and interest payments on this lease obligation in the amounts of $1,675 and $62, respectively.	3,986	-
Financing lease obligations under a lease agreement for a truck in the original amount of $128,587 payable in seventy monthly installments of $2,326 including interest at the rate of 8.33%. During the three months ended March 31, 2019, the Company made principal and interest payments on this lease obligation in the amounts of $4,388 and $2,588, respectively.	121,323	-
Total	$ 125,309	$ -
Current portion	$ 22,481	$ -
Long-term maturities	102,828	-
Total	$ 125,309	$ -

Aggregate maturities of lease liabilities – financing leases as of March 31, 2019 are as follows:

For the period ended March 31,

2020	$ 22,481
2021	20,096
2022	21,836
2023	23,726
2024	25,780
Thereafter	11,390
Total	$ 125,309

15. RELATED PARTY TRANSACTIONS

For the three months ended March 31, 2019:

During the three months ended March 31, 2019 in connection with stock based compensation based upon the terms of employment agreements with its employees and compensation agreements with the Company's independent board members, the Company charged to operations the aggregate total amount of $54,036 for the vesting of a total of 97,084 shares of common stock issuable to its Chief Executive Officer ,its Director of Strategic Acquisitions and to its two independent board members.

In January 2019, the Company awarded the following to each of its two independent directors: (i) a cash retainer in the amount of $45,000, which was paid in January 2019; and (ii) cash retainers in the amount of $30,000 per year, to be paid quarterly.

In January 2019, the Company awarded the following stock options to each of its four directors:

- (i) five-year options to purchase 90,000 shares of common stock at a price of $0.62 per share, vesting quarterly over a three year period;
- (ii) five-year options to purchase 135,000 shares of common stock at a price of $0.85 per share, vesting quarterly over a three year period;
- (iii) five-year options to purchase 225,000 shares of common stock at a price of $1.20 per share, vesting quarterly over a three year period

The Company recognized non-cash compensation in the amount of $38,550 during the three months ended March 31, 2019 in connection with these options.

For the three months ended March 31, 2018:

In December 2017, the Company's Chief Executive Officer exercised 100,000 options at a price of $0.35 per share and an additional 100,000 options at a price of $0.57 per share. The date for payment of the exercise price of these options was extended to April 26, 2018. 55,192 shares of common stock were deemed issued on March 5, 2018, which number of shares represents a net amount after a cash payment of $45,000 which was a portion of the difference between the exercise price of the options and the market price of the stock on the date of purchase, and taxes.

In December 2017, the Company's President exercised 100,000 options at a price of $0.35 per share and an additional 100,000 options at a price of $0.57 per share. The date for payment of the exercise price of these options was extended to April 26, 2018. 60,749 shares of common stock were deemed issued on March 5, 2018, which number of shares represents a net amount after a cash payment of $45,000 which was a portion of the difference between the exercise price of the options and the market price of the stock on the date of purchase, and taxes.

In December 2017, a Board Member exercised 100,000 options at a price of $0.35 per share. The date for payment of the exercise price of these options was extended to April 26, 2018. In March 2018 the Company made a payment of $77,000 which is the difference between the exercise price of the options and the market price of the stock on the date of purchase.

16. COMMITMENTS AND CONTINGENT LIABILITIES

Contingent Liability

Pursuant to the iGourmet Asset Purchase Acquisition, the Company recorded contingent liabilities in the original amount of $787,800. This amount relates to certain performance based payments over the twenty-four months following the acquisition date as well as to certain additional liabilities that the Company has evaluated and has recorded on a contingent basis. During the year ended December 31, 2018, the Company reduced this amount by $392,900 as the performance goals for the first year were not met. At March 31, 2019, the amount of $132,300 remains on the Company's balance sheet as a current contingent liability, and $257,600 as a long term contingent liability.

Pursuant to the Oasis acquisition, the Company had a contingent liability in the amount of $400,000 on connection with performance-based bonus obligations. During the year ended December 31, 2018, the company paid the amount of $189,000 related to these obligations, and recorded a gain in the amount of $11,000. At March 31, 2019, the Company has the amount of $200,000 on its balance sheet as a current contingent liability in connection with the second year performance based bonus payment.

Pursuant to the Mouth Foods LLC Asset Acquisition, the Company recorded contingent liabilities in the amount of $240,576. $115,269 is classified as a current contingent liability and $100,000 is classified as a non-current contingent liability at March 31, 2019. These amounts relate to the estimate of certain performance based payments following the acquisition date as well as to certain additional liabilities that the Company has evaluated and has recorded on a contingent basis.

Litigation

From time to time, the Company has become and may become involved in certain lawsuits and legal proceedings which arise in the ordinary course of business, or as the result of current or previous investments, or current or previous subsidiaries, or current or previous employees, or current or previous directors, or as a result of acquisitions and dispositions or other corporate activities. The Company intends to vigorously defend its positions. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our financial position or our business and the outcome of these matters cannot be ultimately predicted.

17. EQUITY

Common Stock

At March 31, 2019 and December 31, 2018, a total of 2,520,912 shares are deemed issued but not outstanding by the Company. These include 2,306,503 shares of treasury stock.

Three months ended March 31, 2019:

The Company issued a total of 131,136 shares of common stock to seven employees for previously accrued bonuses in the amount of $93,666.

The Company accrued the amount of $61,594 in connection with the vesting of 110,980 shares of common stock issuable to board members and employees in connection with their employment agreements.

Three months ended March 31, 2018:

The Company issued 100,000 shares of common stock for cash of $35,000 pursuant to the exercise of options.

In December 2017, the Company's Chief Executive Officer exercised 100,000 options at a price of $0.35 per share and an additional 100,000 options at a price of $0.57 per share. The date for payment of the exercise price of these options was extended to April 26, 2018. 55,192 shares of common stock were deemed issued on March 5, 2018, which number of shares represents a net amount after a cash payment of $45,000 which was a portion of the difference between the exercise price of the options and the market price of the stock on the date of purchase, and taxes.

In December 2017, the Company's President exercised 100,000 options at a price of $0.35 per share and an additional 100,000 options at a price of $0.57 per share. The date for payment of the exercise price of these options was extended to April 26, 2018. 60,749 shares of common stock were deemed issued on March 5, 2018, which number of shares represents a net amount after a cash payment of $45,000 which was a portion of the difference between the exercise price of the options and the market price of the stock on the date of purchase, and taxes.

The Company recognized the fair value of stock options vested to management in the amount of $8,787 during the three month ended March 31, 2018.

Warrants

There were no warrants outstanding at March 31, 2019 or December 31, 2018.

Options

The following table summarizes the options outstanding at March 31, 2019 and the related prices for the options to purchase shares of the Company's common stock issued by the Company:

Range of exercise Prices	Number of options Outstanding	Weighted average Remaining contractual life (years)	Weighted average exercise price of outstanding Options	Number of options Exercisable	Weighted average exercise price of exercisable Options
$ 0.62	360,000	4.76	$ 0.62	30,000	$ 0.62
$ 0.75	50,000	2.76	$ 0.75	-	$ 0.75
$ 0.85	540,000	4.76	$ 0.85	45,000	$ 0.85
$ 0.95	50,000	2.76	$ 0.95	-	$ 0.95
$ 1.10	75,000	2.12	$ 1.10	75,000	$ 1.10
$ 1.20	900,000	4.76	$ 1.20	75,000	$ 1.20
$ 1.38	100,000	0.67	$ 1.38	100,000	$ 1.38
$ 1.50	125,000	2.76	$ 1.50	-	$ 1.50
$ 1.90	100,000	0.42	$ 1.90	100,000	$ 1.90
$ 2.00	125,000	2.76	$ 2.00	-	$ 2.00
$ 2.50	125,000	2.76	$ 2.50	-	$ 2.50
$ 3.00	125,000	2.76	$ 3.00	-	$ 3.00
	2,675,000	3.92	$ 1.26	425,000	$ 1.31

Transactions involving stock options are summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Options outstanding at December 31, 2018	1,050,000	$ 1.80
Granted	1,800,000	$ 0.98
Exercised	-	$ -
Cancelled / Expired	(175,000)	$ 1.53
Options outstanding at March 31, 2019	2,675,000	$ 1.26

Aggregate intrinsic value of options outstanding and exercisable at March 31, 2019 and 2018 was $0 and $12,250, respectively. Aggregate intrinsic value represents the difference between the Company's closing stock price on the last trading day of the fiscal period, which was $0.45 and $1.06 as of March 31, 2019 and 2018, respectively, and the exercise price multiplied by the number of options outstanding.

During the three months ended March 31, 2019 and 2018, the Company charged $38,550 and $8,787, respectively, to operations to recognized stock-based compensation expense for employee stock options.

Accounting for warrants and stock options

The Company valued warrants and stock options during the three months ended March 31, 2019 using the Black-Scholes valuation model utilizing the following variables:

	March 31, 2019
Volatility	59.4%
Dividends	$ -
Risk-free interest rates	2.49%
Term (years)	5.00

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

FORWARD LOOKING STATEMENTS

The following discussion should be read in conjunction with the consolidated financial statements and the related notes thereto, as well as all other related notes, and financial and operational references, appearing elsewhere in this document.

Certain information contained in this discussion and elsewhere in this report may include "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, and is subject to the safe harbor created by that act. The safe harbor created by the Private Securities Litigation Reform Act will not apply to certain "forward looking statements" because we issued "penny stock" (as defined in Section 3(a)(51) of the Securities Exchange Act of 1934 and Rule 3(a)(51-1) under the Exchange Act) during the three year period preceding the date(s) on which those forward looking statements were first made, except to the extent otherwise specifically provided by rule, regulation or order of the Securities and Exchange Commission. We caution readers that certain important factors may affect our actual results and could cause such results to differ materially from any forward-looking statements which may be deemed to have been made in this Report or which are otherwise made by or on our behalf. For this purpose, any statements contained in this report that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, words such as "may", "will", "expect", "believe", "explore", "consider", "anticipate", "intend", "could", "estimate", "plan", "propose" or "continue" or the negative variations of those words or comparable terminology are intended to identify forward-looking statements. Factors that may affect our results include, but are not limited to, the risks and uncertainties associated with:

- Our ability to raise capital necessary to sustain our anticipated operations and implement our business plan,
- Our ability to implement our business plan,
- Our ability to generate sufficient cash to pay our lenders and other creditors,
- Our dependence on one major customer,
- Our ability to employ and retain qualified management and employees,
- Our dependence on the efforts and abilities of our current employees and executive officers,
- Changes in government regulations that are applicable to our current or anticipated business,
- Changes in the demand for our services and different food trends,
- The degree and nature of our competition,
- The lack of diversification of our business plan,
- The general volatility of the capital markets and the establishment of a market for our shares, and
- Disruption in the economic and financial conditions primarily from the impact of past terrorist attacks in the United States, threats of future attacks, police and military activities overseas and other disruptive worldwide political and economic events and environmental weather conditions.

We are also subject to other risks detailed from time to time in our other filings with Securities and Exchange Commission and elsewhere in this report. Any one or more of these uncertainties, risks and other influences could materially affect our results of operations and whether forward-looking statements made by us ultimately prove to be accurate. Our actual results, performance and achievements could differ materially from those expressed or implied in these forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether from new information, future events or otherwise.

Critical Accounting Policy and Estimates

Use of Estimates in the Preparation of Financial Statements

The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. These estimates include certain assumptions related to doubtful accounts receivable, stock-based services, valuation of financial instruments, operating right of use assets and liabilities, and income taxes. On an on-going basis, we evaluate these estimates, including those related to revenue recognition and concentration of credit risk. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Accounts subject to estimate and judgements are accounts receivable reserves, income taxes, intangible assets, contingent liabilities, and equity based instruments. Actual results may differ from these estimates under different assumptions or conditions. We believe our estimates have not been materially inaccurate in past years, and our assumptions are not likely to change in the foreseeable future.

Doubtful Accounts Receivable

The Company maintained an allowance in the amount of $154,346 for doubtful accounts receivable at March 31, 2019, and $155,176 at December 31, 2018. The Company has an operational relationship of several years with our major customers, and we believe this experience provides us with a solid foundation from which to estimate our expected losses on accounts receivable. Should our sales mix change or if we develop new lines of business or new customers, these estimates and our estimation process will change accordingly. These estimates have been accurate in the past.

Fair Value of Financial Instruments

The Company measures its financial assets and liabilities in accordance with accounting principles generally accepted in the United States of America. The estimated fair values approximate their carrying value because of the short-term maturity of these instruments or the stated interest rates are indicative of market interest rates. These fair values have historically varied due to the market price of the Company’s stock at the date of valuation. Generally, these liabilities increased as the price of the Company’s stock increased (with resultant gain), and decreased as the Company’s stock decreased (yielding a loss). In December 2012, the Company removed these liabilities from its balance sheet by reclassifying them as equity.

Income Taxes

The Company uses the liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. The measurement of deferred tax assets and liabilities is based on provisions of applicable tax law. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance based on the amount of tax benefits that, based on available evidence, is not expected to be realized.

Leases

The Company determines if an arrangement is a lease at inception. Operating lease right-of-use assets (“ROU assets”) and short-term and long-term lease liabilities are included on the face of the condensed consolidated balance sheet. Finance lease ROU assets are presented within other assets, and finance lease liabilities are presented within accrued liabilities.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company’s leases do not provide an implicit rate, the Company uses an incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also excludes lease incentives. The Company’s lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company has lease agreements with lease and non-lease components, which are accounted for as a single lease component. For lease agreements with terms less than 12 months, the Company has elected the short-term lease measurement and recognition exemption, and it recognizes such lease payments on a straight-line basis over the lease term.

Background

We were initially formed in June 1979 as Alpha Solarco Inc., a Colorado corporation. From June 1979 through February 2003, we were either inactive or involved in discontinued business ventures. We changed our name to Fiber Application Systems Technology, Ltd in February 2003. In January 2004, we changed our state of incorporation by merging into Innovative Food Holdings, Inc. (IVFH), a Florida corporation formed for that purpose. As a result of the merger, we changed our name to that of Innovative Food Holdings, Inc. In January 2004, we also acquired Food Innovations, Inc. ("FII" or "Food Innovations"), a Florida corporation, for 500,000 shares of our common stock.

On November 2, 2012, the Company entered into an asset purchase agreement (the "Haley Acquisition") with The Haley Group, LLC whereby we acquired all existing assets of The Haley Group, LLC and its customers. The Haley Acquisition was valued at a total cost of $119,645. On June 30, 2014, pursuant to a purchase agreement, the Company purchased 100% of the membership interest of Organic Food Brokers, LLC, a Colorado limited liability company ("OFB"), for $300,000, 100,000 four year options at a price of $1.46 per share, and up to an additional $225,000 in earn-outs if certain milestones are met. Pursuant to an Asset Purchase Agreement dated as of January 1, 2017 the Company's wholly-owned subsidiary, Oasis Sales Corp. ("Oasis"), purchased substantially all of the assets of Oasis Sales and Marketing, L.L.C. for $300,000 cash; a $200,000 structured equity instrument which can be paid in cash or shares of the Company stock at the Company's option, anytime under certain conditions, or is automatically payable via the issuance of 200,000 shares if the Company's shares close above $1.00 for ten consecutive days; a $100,000 note; and up to an additional $400,000 in earn-outs over two years if certain milestones are met. The Agreement also contains claw-back provisions if certain revenue conditions are not met.

On August 15, 2014, pursuant to a merger agreement, the Company acquired The Fresh Diet, Inc. ("FD"). Effective February 23, 2016, the Company closed a transaction to sell 90% of our ownership in FD for consideration consisting primarily of a restructuring of our loans, which includes the ability to convert to additional amounts of FD under certain circumstances. There is no continuing cash inflows or outflows from or to the discontinued operations.

Effective January 24, 2018, pursuant to an asset acquisition agreement (the "iGourmet Asset Acquisition Agreement"), our wholly-owned subsidiary, Innovative Gourmet, LLC acquired substantially all of the assets and certain liabilities of iGourmet LLC and iGourmet NY LLC, privately-held New York limited liability companies located in West Pittston, Pennsylvania and engaged in the sale, marketing, and distribution of specialty food and specialty food items through www.igourmet.com, online marketplaces, additional direct-to-consumer platforms, distribution to foodservice, retail stores and other wholesale accounts, pursuant to the terms of an Asset Purchase Agreement. The consideration for and in connection with the acquisition consisted of: (i) $1,500,000, which satisfied or reduced secured, priority and administrative debt of Sellers; (ii) in connection with and prior to the acquisition, our wholly-owned subsidiary, Food Funding, LLC ("Food Funding"), funded advances of $325,000 to Sellers on a secured basis, pursuant to certain loan documents and as bridge loans, which loans were reduced by the proceeds of the Asset Purchase Agreement; (iii) the purchase for $200,000 of certain debt owed by Sellers, to be paid out of, if available, Innovative Gourmet's cash flow; (iv) potential contingent liability allocation for a percentage of Sellers' approximately $2,300,000 of certain debt, not purchased or assumed by Innovative Gourmet, which under certain circumstances, Innovative Gourmet may determine to pay; and (v) additional purchase price consideration of (a) up to a maximum of $1,500,000, if EBITDA of Innovative Gourmet reaches $800,00 in 2018, (b) up to a maximum of $1,750,000, if EBITDA of Innovative Gourmet in 2019 exceeds its EBITDA in 2018 by at least 20% and if its EBITDA reaches $5,000,000; and (c) up to a maximum of $2,125,000, if EBITDA of Innovative Gourmet in 2020 exceeds its EBITDA in 2019 by at least 20% and if its EBITDA reaches $8,000,000. The EBITDA based earnout shall be paid 37.5% in cash, 25% in IVFH shares valued at the time of the closing of this transaction and 37.5%, at Innovative Gourmet's option, in IVFH shares valued at the time of the payment of the earnout or in cash. The 2018 earnout milestone was not met. In connection with the acquisition, our wholly-owned subsidiary, Food Funding, purchased Seller's senior secured note at a price of approximately $1,187,000, pursuant to the terms of a Loan Sale Agreement with UPS Capital Business Credit. That note was reduced by the proceeds of the Asset Purchase Agreement. See Item (i) above.

Effective July 6, 2018, pursuant to an asset purchase agreement between Mouth Foods, Inc. ("Mouth") and our wholly-owned subsidiary M Innovations LLC ("M Innovations")(the "MFI APA"), the Company acquired certain assets of Mouth from MFI (assignment for the benefit of creditors), LLC, in connection with a Delaware assignment proceeding. The MFI APA was accounted for as an acquisition of an ongoing business where the Company was treated as the acquirer and the acquired assets and assumed liabilities were recorded by the Company at their preliminary estimated fair values. Mouth, a privately held New York company operating out of Brooklyn, was an expert curator and online retailer of high quality specialty foods from small-batch makers in the US.

The consideration for and in connection with the acquisition consisted of (i) closing related cash payments of $208,355; (ii) additional revenue-based contingent liabilities valued by management at $100,000 related to certain future sales of purchased assets payable under the following terms: payment of 5% of certain revenues, with no payments on the first $500,000 of revenues and no payments on revenues after June 30, 2020; (iii) additional revenue based contingent liabilities of up to $185,000 associated with the purchase of certain debt of the seller; and (iv) additional contingent liability consideration valued by management at approximately $20,000.

Transactions With a Major Customer

Transactions with a major customer and related economic dependence information is set forth immediately below and above in Note 2 to the Condensed Consolidated Financial Statements and also in our Annual Report on Form 10-K for the year ended December 31, 2018 (1) following our discussion of Liquidity and Capital Resources, (2) Concentrations of Credit Risk in Note 17 to the Consolidated Financial Statements, and (3) as the fourth item under Risk Factors.

Relationship with U.S. Foods

We have historically sold the majority of our products through a distributor relationship between FII and Next Day Gourmet, L.P., a subsidiary of U.S. Foods, a leading broadline distributor. These sales amounted to $7,541,296 (59% of total sales) and $7,083,672 (65% of total sales) for the three months ended March 31, 2019 and 2018 respectively. On January 26, 2015 we executed a contract between Food Innovations, Inc., our wholly-owned subsidiary, and U.S. Foods, Inc. The term of the Agreement is from January 1, 2015 through December 31, 2016 and provides for a limited number of automatic annual renewals thereafter if no party gives the other 30 days' notice of its intent not to renew. Based on the terms, the Agreement was extended through 2018. Effective January 1, 2018 the Agreement was further amended to remove the cap on renewals, and provide for an unlimited number of additional 12-month terms unless either party notifies the other in writing, 30 days prior to the end date, of its intent not to renew.

RESULTS OF OPERATIONS

This discussion may contain forward looking-statements that involve risks and uncertainties. Our future results could differ materially from the forward looking-statements discussed in this report. This discussion should be read in conjunction with our consolidated financial statements, the notes thereto and other financial information included elsewhere in the report.

Three Months Ended March 31, 2019 Compared to Three Months Ended March 31, 2018

Revenue

Revenue increased by $1,942,671 or approximately 17.8% to $12,859,215 for the three months ended March 31, 2019 from $10,916,544 in the prior year. The increase in revenues was attributable to an increase in revenues associated with foodservice and ecommerce offset partially by a decrease in revenues associated with national brand management.

We continue to assess the potential of new revenue sources from the manufacture and sale of proprietary food products, private label products and additional sales channel opportunities in both the foodservice and consumer space and will implement a strategy which based on our analysis provides the most beneficial opportunity for growth.

Any changes in the food distribution and specialty foods operating landscape that materially hinders our current ability and/or cost to deliver our products to our customers could potentially cause a material impact on our net revenue and gross margin and, therefore, our profitability and cash flows could be adversely affected.

Currently, a small portion of our revenues comes from imported products or international sales. Our current sales from such markets may be hampered and negatively impacted by any economic tariffs that may be imposed in the United States or in foreign countries.

See "Transactions with Major Customers" and the Securities and Exchange Commission's ("SEC") mandated FR-60 disclosures following the "Liquidity and Capital Resources" section for a further discussion of the significant customer concentrations, loss of significant customer, critical accounting policies and estimates, and other factors that could affect future results.

Cost of goods sold

Our cost of goods sold for the three months ended March 31, 2019 was $8,881,380, an increase of $1,443,949 or approximately 19.4% compared to cost of goods sold of $7,437,431 for the three months ended March 31, 2018. Cost of goods sold is made up of the following expenses for the three months ended March 31, 2019: cost of goods of specialty, meat, game, cheese, seafood, poultry and other sales categories in the amount of $6,248,748; and shipping, delivery, handling, and purchase allowance expenses in the amount of $2,632,632. Total gross margin was approximately 30.9% of sales in 2019 compared to approximately 31.9% of sales in 2018. The increase in cost of goods sold is primary attributable to an increase in sales. The decrease in gross margins from 2018 are primarily attributable to variation in product and revenue mix across our various selling channels including a decrease in higher gross margin revenues associated with National Brand Management.

In 2019, we continued to price our products in order to increase sales, gain market share and increase the number of our end users and ecommerce customers. We were successful in both increasing sales and increasing market share and increasing the number of our ecommerce customers. We currently expect, if market conditions and our product revenue mix remain constant, that our cost of goods sold may increase.

Selling, general, and administrative expenses

Selling, general, and administrative expenses increased by $785,180 or approximately 26.1% to $3,788,997 during the three months ended March 31, 2019 compared to $3,003,817 for the three months ended March 31, 2018. The increase in selling, general, and administrative expenses was primarily due to an increase in payroll and related costs of approximately $634,125 (including an increase in non-cash compensation in the amount of $91,357), an increase in depreciation and amortization of $66,792, an increase in advertising and marketing of $66,060, an increase in travel and entertainment of $65,522, and an increase in computer and IT costs in the amount of $37,024. Professional fees decreased by $172,532 during the three months ended March 31, 2019 compared to the three months ended March 31, 2018 primarily due to a decrease in acquisition activity in the current period compared to the three months ended March 31, 2018. The increase in payroll and related costs were driven mainly by increases associated with Mouth, which was acquired in 2019 and increases in payroll at Innovative Gourmet The increases in payroll expenses at Innovative Gourmet were driven mainly by an increase in the time periods incorporating payroll expenses compared to the prior year as well as additional personnel added to support Innovative Gourmet sales growth.

Interest expense, net

Interest expense, net of interest income, decreased by $1,270 or approximately 4.7% to $25,478 during the three months ended March 31, 2019, compared to $26,748 during the three months ended March 31, 2018. Interest accrued or paid on the Company’s commercial loans and notes payable decreased by $2,936 to $26,996 during the current period, compared to $29,932 during the prior year; interest income decreased by $1,666 to $1,518 during the current period compared to $3,184 during the prior period.

Net income

For the reasons above, the Company had net income for the three months ended March 31, 2019 of $163,360 which is a decrease of approximately $285,188 or 63.6% compared to a net income of $448,548 during the three months ended March 31, 2018. The income for the three months ended March 31, 2019 includes a total of $405,349 in non-cash charges, including amortization of intangible assets in the amount of $229,130, depreciation expense of $76,075, and charges for non-cash compensation in the amount of $100,144. The income for the three months ended March 31, 2018 includes a total of $247,200 in non-cash charges, including amortization of intangible assets in the amount of $189,146, depreciation expense of $49,267, charges for non-cash compensation in the amount of $8,787.

Liquidity and Capital Resources at March 31, 2019

As of March 31, 2019, the Company had current assets of $8,678,873, consisting of cash and cash equivalents of $3,140,799; trade accounts receivable of $3,248,519; inventory of $2,123,330; and other current assets of $166,225. Also at March 31, 2019, the Company had current liabilities of $3,644,024, consisting of trade payables and accrued liabilities of $2,098,702; accrued interest of $18,285; deferred revenue of $264,157; lease liabilities – operating leases, current portion of $135,991; lease liabilities – financing leases, current portion of $22,481; current portion of notes payable of $668,833; and current portion of contingent liability of $447,569.

During the three months ended March 31, 2019, the Company had cash used in operating activities of $1,315,513. Cash used in operations consisted of the Company's consolidated net income of $163,360 plus non-cash compensation in the amount of $100,144; and depreciation and amortization of $305,205. These amounts were partially offset by a decrease in provision for doubtful accounts of $830 and by a change in the components of current assets and liabilities in the amount of $1,922,145.

The Company had cash used in investing activities of $2,705 for the three months ended March 31, 2019, which consisted of cash paid in the for the acquisition of property and equipment.

The Company had cash used in financing activities of $300,800 for the three months ended March 31, 2019, which consisted of principal payments made on notes payable of $294,734 and principal payments on financing leases of $6,066.

The Company had net working capital of $5,034,849 as of March 31, 2019. The Company had cash used by operations during the three months ended March 31, 2019 in the amount of $1,315,513. This compares to cash generated from operating activities of $870,396 during the three months ended March 31, 2018. The Company intends to continue to focus on increasing market share and cash flow from operations by focusing its sales activities on specific market segments and new product lines. Currently, we do not have any material long-term obligations other than those described in Note 12 to the financial statements included in this report. As we seek to increase our sales of new items and enter new markets, acquire new businesses as well as identify new and other consumer and food service oriented products and services, we may use existing cash reserves, long-term financing, or other means to finance such diversification.

If the Company's cash flow from operations is insufficient to fully implement its business plan, the Company may require additional financing in order to execute its operating plan. The Company cannot predict whether this additional financing will be in the form of equity or debt, or be in another form. The Company may not be able to obtain the necessary additional capital on a timely basis, on acceptable terms, or at all.

In any of these events, the Company may be unable to implement its current plans for expansion, repay its debt obligations as they become due or respond to competitive pressures, any of which circumstances would have a material adverse effect on its business, prospects, financial condition and results of operations.

2019 Plans

During 2019, in addition to our efforts to increase sales in our existing foodservice operations we plan to attempt to expand our business by expanding our focus to additional specialty foods markets in both the consumer and foodservice sector, exploring potential acquisition and partnership opportunities and continuing to extend our focus in the specialty food market through the growth of the Company's existing sales channels and through a variety of additional sales channel relationships which are currently being explored. In addition, we are currently exploring the introduction of a variety of new product categories and new product lines, including private label products and proprietary branded products to leverage our existing foodservice and consumer customer base.

Furthermore, the Company intends to expand its activities in the direct to consumer space and the overall consumer packaged goods (CPG) space through leveraging the assets acquired from iGourmet LLC and Mouth Foods, Inc. and through leveraging its overall capabilities in the consumer space.

No assurances can be given that any of these plans will come to fruition or that if implemented that they will necessarily yield positive results.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues, or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Inflation

In the opinion of management, inflation has not had a material effect on the Company's financial condition or results of its operations.

RISK FACTORS

The Company's business and success is subject to numerous risk factors as detailed in its Annual Report on Form 10-K for the year ended December 31, 2018 which is available at no cost at www.sec.gov.

ITEM 4 - CONTROLS AND PROCEDURES

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit pursuant to the requirements of the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, among other things, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive and financial officers, as appropriate, to allow timely decisions regarding required disclosure.

(a) Evaluation of disclosure controls and procedures

Our Principal Executive Officer and Principal Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined as defined in Rule 13a-15(f) and 15d-(f) under the Exchange Act.) as of the end of the period covered by this Quarterly Report, have identified a control deficiency regarding the integration of two acquisitions in 2018 and as a result management has concluded our internal control over financial reporting was ineffective at March 31, 2019 at the reasonable assurance level. Management of the Company believes that this deficiency is primarily due to the smaller size of the company's accounting staff in relation to certain continued system integrations related to the 2018 acquisitions of certain assets of iGourmet LLC and Mouth Foods, Inc. To address this matter, we have expanded our accounting staff and we expect to retain additional qualified personnel to continue to remediate this control deficiency in the future.. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework (2013).

(b) Changes in internal control over financial reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Exchange Act Rules 13a-15(d) and 15d-15 that occurred during the period covered by this Quarterly Report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, the Company has become and may become involved in certain lawsuits and legal proceedings which arise in the ordinary course of business, or as the result of current or previous investments, or current or previous subsidiaries, or current or previous employees, or current or previous directors, or as a result of acquisitions and dispositions or other corporate activities. The Company intends to vigorously defend its positions. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our financial position or our business and the outcome of these matters cannot be ultimately predicted.

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

The Company issued the following shares of common stock during the three months ended March 31, 2019:

The Company issued 131,136 shares of common stock to employees for bonuses previously accrued in the amount of $93,666.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

3.1	Articles of Incorporation (incorporated by reference to exhibit 3.1 of the Company's annual report on Form 10-KSB for the year ended December 31, 2004 filed with the Securities and Exchange Commission on September 28, 2005).
3.2	Amended Bylaws of the Company (incorporated by reference to exhibit 3.2 of the Company's annual report Form 10-K for the year ended December 31, 2010 filed with the Securities and Exchange Commission on March 16, 2011).
4.1	Form of Convertible Note (incorporated by reference to exhibit 4.1 of the Company's annual report on Form 10-KSB for the year ended December 31, 2004 filed with the Securities and Exchange Commission on September 28, 2005).
4.2	Form of Convertible Note (incorporated by reference to exhibit 4.2 of the Company's annual report on Form 10-KSB for the year ended December 31, 2004 filed with the Securities and Exchange Commission on September 28, 2005).
4.3	Form of Warrant - Class A (incorporated by reference to exhibit 4.3 of the Company's annual report on Form 10-KSB for the year ended December 31, 2004 filed with the Securities and Exchange Commission on September 28, 2005).
4.4	Form of Warrant - Class B (incorporated by reference to exhibit 4.4 of the Company's annual report on Form 10-KSB for the year ended December 31, 2004 filed with the Securities and Exchange Commission on September 28, 2005).
4.5	Form of Warrant - Class C (incorporated by reference to exhibit 4.5 of the Company's annual report on Form 10-KSB for the year ended December 31, 2004 filed with the Securities and Exchange Commission on September 28, 2005).
4.6	Secured Convertible Promissory Note dated December 31, 2008 in favor of Alpha Capital Anstalt (incorporated by reference to exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 7, 2009).
4.7	Class B Common Stock Purchase Warrant dated December 31, 2008 in favor of Alpha Capital Anstalt (incorporated by reference to exhibit 10.2 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 7, 2009).
4.8	Subscription Agreement between the Registrant and Alpha Capital Anstalt dated December 31, 2008 (incorporated by reference to exhibit 10.3 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 7, 2009).
4.9	Amendment, Waiver, and Consent Agreement effective January 1, 2009 between the Registrant and Alpha Capital Anstalt (incorporated by reference to exhibit 10.4 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 7, 2009).
10.1	Employment Agreement with Justin Wiernasz dated as of January 28, 2019 (incorporated by reference to exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2019).
10.2	Employment Agreement with Sam Klepfish dated as of January 28, 2019 (incorporated by reference to exhibit 10.2 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2019).
10.3	Form of Director Agreement (incorporated by reference to exhibit 10.3 of the Company's (incorporated by reference to exhibit 10.3 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2019).
31.1	Section 302 Certification
31.2	Section 302 Certification
32.1	Section 906 Certification
32.2	Section 906 Certification
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

SIGNATURES

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

SIGNATURE	TITLE	DATE
/s/ Sam Klepfish Sam Klepfish	Chief Executive Officer	May 20, 2019
/s/ John McDonald John McDonald	Principal Accounting Officer	May 20, 2019

EXHIBIT 31.1

Certifications

I, Sam Klepfish, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Innovative Food Holdings, 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 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls 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 caused 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 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 and I have disclosed, based on our most recent evaluation of 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 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 a significant role in the registrant's internal control over financial reporting.

Date: May 20, 2019

/s/ Sam Klepfish
Sam Klepfish, Chief Executive Officer

EXHIBIT 31.2

Certifications

I, John McDonald, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Innovative Food Holdings, 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 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls 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 caused 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 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 and I have disclosed, based on our most recent evaluation of 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 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 a significant role in the registrant's internal control over financial reporting.

Date: May 20, 2019

/s/ John McDonald
John McDonald, Principle Accounting Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES OXLEY ACT OF 2002
CERTIFICATION

In connection with the Quarterly Report of Innovative Food Holdings, Inc. and Subsidiaries (the “Company”) on Form 10-Q for the period ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Sam Klepfish, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Sam Klepfish
Sam Klepfish
Chief Executive Officer and Director

May 20, 2019

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES OXLEY ACT OF 2002
CERTIFICATION

In connection with the Quarterly Report of Innovative Food Holdings, Inc. and Subsidiaries (the “Company”) on Form 10-Q for the period ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John McDonald, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ John McDonald
John McDonald
Principal Accounting Officer

May 20, 2019