

**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, 2021

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

(State or Other Jurisdiction of Incorporation or Organization)

20-1167761

(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)

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

Title of each class

N/A

Trading Symbol(s)

N/A

Name of each exchange on which registered

N/A

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

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**

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 35,657,734 shares of common stock outstanding as of May 21, 2021.

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, 2021 (unaudited)	December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,086,086	\$ 5,060,015
Accounts receivable, net	1,844,332	2,380,305
Inventory	2,832,164	3,719,786
Other current assets	516,009	286,815
Total current assets	8,278,591	11,446,921
Property and equipment, net	8,454,849	8,550,401
Investments	286,725	496,575
Right of use assets, operating leases, net	241,622	246,737
Right of use assets, finance leases, net	743,591	776,439
Other amortizable intangible assets, net	97,510	100,380
Goodwill and other unamortizable intangible assets	1,532,822	1,532,822
Total assets	\$ 19,635,710	\$ 23,150,275
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,530,973	\$ 5,098,523
Accrued interest, current portion	17,438	28,873
Deferred revenue	1,133,411	2,917,676
Line of Credit	2,000,000	2,000,000
Notes payable - current portion, net of discount	1,942,021	1,741,571
Lease liability - operating leases, current	86,284	87,375
Lease liability - finance leases, current	145,820	146,004
Contingent liability - current portion	187,000	187,000
Total current liabilities	9,042,947	12,207,022
Accrued interest, long term portion	17,099	-
Lease liability - operating leases, non-current	155,338	159,362
Lease liability - finance leases, non-current	603,253	638,137
Contingent liability - long-term	108,600	116,600
Note payable - long term portion, net	7,516,744	6,151,345
Total liabilities	17,443,981	19,272,466
Commitments & Contingencies (see note 16)	-	-
Stockholders' equity		
Common stock: \$0.0001 par value; 500,000,000 shares authorized; 38,495,314 and 38,209,060 shares issued, and 35,657,734 and 35,371,480 shares outstanding at March 31, 2021 and December 31, 2020, respectively	3,846	3,817
Additional paid-in capital	37,572,917	37,415,155
Treasury stock: 2,623,171 and 2,623,171 shares outstanding at March 31, 2021 and December 31, 2020, respectively.	(1,141,370)	(1,141,370)
Accumulated deficit	(34,243,664)	(32,399,793)
Total stockholders' equity	2,191,729	3,877,809
Total liabilities and stockholders' equity	\$ 19,635,710	\$ 23,150,275

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, 2021	For the Three Months Ended March 31, 2020
Revenue	\$ 12,180,899	\$ 13,305,920
Cost of goods sold	8,878,914	10,192,864
Gross margin	<u>3,301,985</u>	<u>3,113,056</u>
Selling, general and administrative expenses	4,850,828	4,612,761
Impairment of intangible assets	-	1,698,952
Total operating expenses	<u>4,850,828</u>	<u>6,311,713</u>
Operating loss	(1,548,843)	(3,198,657)
Other income (expense):		
Impairment of investment	(209,850)	-
Other leasing income	5,140	10,879
Interest expense, net	(90,318)	(66,420)
Total other (expense)	<u>(295,028)</u>	<u>(55,541)</u>
Net loss before taxes	(1,843,871)	(3,254,198)
Provision for income tax	-	-
Net loss	<u>\$ (1,843,871)</u>	<u>\$ (3,254,198)</u>
Net loss per share - basic	<u>\$ (0.05)</u>	<u>\$ (0.09)</u>
Net loss per share - diluted	<u>\$ (0.05)</u>	<u>\$ (0.09)</u>
Weighted average shares outstanding - basic	<u>35,872,143</u>	<u>34,626,275</u>
Weighted average shares outstanding - diluted	<u>35,872,143</u>	<u>34,626,275</u>

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, 2021	For the Three Months Ended March 31, 2020
Cash flows from operating activities:		
Net loss	\$ (1,843,871)	\$ (3,254,198)
Adjustments to reconcile net loss to net cash used in operating activities:		
Impairment of intangible assets	-	1,698,952
Impairment of investment	209,850	-
Depreciation and amortization	135,854	324,565
Amortization of right-of-use asset	22,929	49,949
Amortization of prepaid loan fees	3,088	3,123
Stock based compensation	157,791	66,041
Provision for doubtful accounts	2,721	223,335
Changes in operating assets and liabilities:		
Accounts receivable, net	533,252	1,226,457
Inventory and other current assets	658,428	(650,741)
Accounts payable and accrued liabilities	(1,561,858)	(177,379)
Deferred revenue	(1,784,265)	(141,320)
Contingent liabilities	(8,000)	(12,000)
Operating lease liability	(22,929)	(49,949)
Net cash used in operating activities	(3,497,010)	(693,165)
Cash flows from investing activities:		
Acquisition of property and equipment	(4,612)	(285,599)
Net cash used in investing activities	(4,612)	(285,599)
Cash flows from financing activities:		
Proceeds from note payable	-	150,786
Proceeds from line of credit	-	2,000,000
Proceeds from Paycheck Protection Program (PPP) Loan	1,669,929	-
Principal payments on debt	(107,168)	(57,775)
Principal payments financing leases	(35,068)	(8,754)
Net cash provided by financing activities	1,527,693	2,084,257
(Decrease) increase in cash and cash equivalents	(1,973,929)	1,105,493
Cash and cash equivalents at beginning of period	5,060,015	3,966,050
Cash and cash equivalents at end of period	<u>\$ 3,086,086</u>	<u>\$ 5,071,543</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	<u>\$ 83,275</u>	<u>\$ 59,373</u>
Taxes	<u>\$ -</u>	<u>\$ -</u>
Non-cash investing and financing activities:		
Increase in right of use assets & liabilities	<u>\$ 17,814</u>	<u>\$ 214,930</u>
Investment in food related company	<u>\$ -</u>	<u>\$ 15,000</u>
Capital lease for purchase of fixed assets	<u>\$ -</u>	<u>\$ 152,548</u>

See notes to these unaudited condensed consolidated financial statements.

Innovative Food Holdings, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(unaudited)

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Treasury Stock</u>		<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Amount</u>	<u>Value</u>		<u>Amount</u>	<u>Value</u>		
Balance - December 31, 2019	37,210,859	\$ 3,718	\$ 36,889,818	2,623,171	\$ (1,141,370)	\$ (24,734,769)	\$ 11,017,397
Fair value of vested stock and stock options issued to management	24,258	2	46,618	-	-	-	46,620
Issuance of shares to employees, previously accrued	498	-	-	-	-	-	-
Fair value of shares issued to employees and service providers	43,705	4	19,417	-	-	-	19,421
Net loss for the three months ended March 31, 2020	-	-	-	-	-	(3,254,198)	(3,254,198)
Balance - March 31, 2020 (unaudited)	<u>37,279,320</u>	<u>\$ 3,724</u>	<u>\$ 36,955,853</u>	<u>2,623,171</u>	<u>\$ (1,141,370)</u>	<u>\$ (27,988,967)</u>	<u>\$ 7,829,240</u>
Balance - December 31, 2020	38,209,060	\$ 3,817	\$ 37,415,155	2,623,171	\$ (1,141,370)	\$ (32,399,793)	\$ 3,877,809
Fair value of vested stock and stock options	286,254	29	157,762	-	-	-	157,791
Net loss for the three months ended March 31, 2021	-	-	-	-	-	(1,843,871)	(1,843,871)
Balance - March 31, 2021 (unaudited)	<u>38,495,314</u>	<u>\$ 3,846</u>	<u>\$ 37,572,917</u>	<u>2,623,171</u>	<u>\$ (1,141,370)</u>	<u>\$ (34,243,664)</u>	<u>\$ 2,191,729</u>

See notes to these unaudited condensed consolidated financial statements.

INNOVATIVE FOOD HOLDINGS, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2021
(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 Specialty Foods, Inc. (“Artisan”), Food Innovations, Inc. (“FII”), Food New Media Group, Inc. (“FNM”), Organic Food Brokers, LLC (“OFB”), Gourmet Food Service Group, Inc. (“GFG”), Gourmet Foodservice Warehouse, Inc. (“GFW”), Gourmating, Inc. (“Gourmating”), The Haley Group, Inc. (“Haley”), Oasis Sales Corp. (“Oasis”), 4 The Gourmet, Inc. (d/b/a For The Gourmet, Inc.), (“Gourmet”), Innovative Food Properties, LLC (“IFP”), Innovative Gourmet, LLC (“Innovative Gourmet” or “igourmet”), Food Funding, LLC (“Food Funding”), Logistics Innovations, LLC (L Innovations”), M Innovations, LLC (“M Innovations”), P Innovations, LLC (“P 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, 2020. 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, 2021 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, FNM, OFB, GFG, GFW, Gourmating, Haley, Oasis, Gourmet, IFP, igourmet, Food Funding, L Innovations, M Innovations, (sometimes referred to herein as “Mouth” or ” Mouth.com”), and P Innovations (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, through 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.forthegourmet.com and through other e-commerce channels, with unique specialty gourmet food products shipped directly from our network of vendors and from our warehouses within 24 – 72 hours.

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.

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GFG is focused on expanding the Company's program offerings to additional specialty foodservice customers.

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.

IFP was formed to hold the Company's real estate holdings including the recently acquired facility in Mountaintop, Pennsylvania.

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 D2C specialty food via e-commerce through its own website at www.igourmet.com and through other channels such as www.amazon.com, www.ebay.com, and www.walmart.com. In addition, [igourmet.com](http://www.igourmet.com) offers a line of B2B specialty foodservice items. Products are primarily shipped directly from [igourmet.com](http://www.igourmet.com)'s approximately 100,000 square feet warehouse in Pennsylvania via [igourmet.com](http://www.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.

P Innovations focus is to leverage acquired assets to expand the Company's subscription-based e-commerce business activities and to launch new businesses leveraging the Company's e-commerce platform.

L Innovations provides 3rd party warehouse and fulfillment services out of its location at the Company's PA facility.

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 and finance 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, GFW, Gourmeting, Haley, Oasis, Innovative Gourmet, Food Funding, IFP, L Innovations, M Innovations, P 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, 2021 and December 31, 2020, trade receivables from the Company's largest customer amounted to 46% and 22%, respectively, of total trade receivables. During the three months ended March 31, 2021 and 2020, sales from the Company's largest customer amounted to 42% and 55% of total sales, respectively.

The Company maintains cash balances in excess of Federal Deposit Insurance Corporation limits. At March 31, 2021 and December 31, 2020, the total cash in excess of these limits was \$1,423,212 and \$3,385,113, respectively.

Leases

The Company accounts for leases in accordance with Financial Accounting Standards Board (“FASB”) ASC 842, “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 consolidated balance sheet. Finance lease ROU assets are presented within other assets, and finance lease liabilities are presented within current and long-term liabilities.

ROU assets represent the right of 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”) Topic 606 “*Revenue from Contracts with Customers*”. A five-step analysis 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.

Warehouse and logistic services revenue primarily comprises of inventory management, order fulfilment and warehousing services. Warehouse & logistics services revenues are recognized at the point in time when the services are rendered to the customer.

Deferred Revenue

Certain customer arrangements in the Company’s business such as gift cards and e-commerce subscription purchases result in deferred revenues when cash payments are received in advance of performance. Gift cards issued by the Company generally have an expiration of five years from date of purchase. 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, 2019	\$	499,776
Cash payments received		200,300
Net sales recognized		(341,620)
Balance as of March 31, 2020 (unaudited)	\$	<u>358,456</u>
Balance as of December 31, 2020	\$	2,917,676
Cash payments received		591,886
Net sales recognized		(2,376,151)
Balance as of March 31, 2021 (unaudited)	\$	<u>1,133,411</u>

Disaggregation of Revenue

The following table represents a disaggregation of revenue for the three months ended March 31, 2021 and 2020:

	Three Months Ended	
	March 31,	
	2021	2020
	(unaudited)	(unaudited)
Specialty foodservice	\$ 6,827,927	\$ 9,912,792
E-Commerce	4,979,938	2,878,026
National Brand Management	225,594	250,665
Logistics	147,440	264,437
Total	\$ 12,180,899	\$ 13,305,920

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.

We have also included all payroll costs as cost of goods sold in our leasing and logistics services business.

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, 2021: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, 2021:

Exercise Price	Number of Options	Weighted Average Remaining Contractual Life (years)
\$ 0.60	50,000	4.75
\$ 0.62	360,000	2.75
\$ 0.85	540,000	2.75
\$ 1.00	50,000	4.75
\$ 1.10	75,000	0.12
\$ 1.20	1,050,000	2.60
\$ 1.50	125,000	0.75
	2,250,000	2.57

The Company charged the amount of \$36,080 to operations in connection with stock options during the three months ended March 31, 2021.

Restricted Stock Awards

At March 31, 2021 there are 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 Grants

During the three months ended March 31, 2021, the Company incurred obligations to issue the following shares of common stock pursuant to compensation agreements: an aggregate total of 50,070 shares of common stock to board members and an aggregate total of 236,184 shares to Executive Officers. Some of these shares or other shares owned by the Company's employees are included in a 10b5-1 plan. The Company charged the amount of \$121,711 to operations in connection with stock grants during the three months ended March 31, 2021.

Dilutive shares at March 31, 2020: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, 2020:

	Exercise Price	Number of Options	Weighted Average Remaining Contractual Life (years)
\$	0.62	360,000	3.75
\$	0.85	540,000	3.75
\$	1.10	75,000	1.12
\$	1.20	950,000	3.68
\$	1.50	125,000	1.75
		<u>2,050,000</u>	<u>3.50</u>

The Company charged the amount of \$34,120 to operations in connection with stock options during the three months ended March 31, 2020.

Restricted Stock Awards

At March 31, 2020 there are 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 grants

During the three months ended March 31, 2020, the Company incurred obligations to issue the following shares of common stock pursuant to compensation agreements: an aggregate total of 24,258 shares of common stock to board members. The Company charged the amount of \$12,500 to operations in connection with stock grants during the three months ended March 31, 2020. The Company also issued 43,705 shares with a fair value of \$19,421 to employees and service providers, and 498 shares which had previously been accrued to an officer of the Company pursuant to his employment agreement.

Significant Recent Accounting Pronouncements

In December 2019, the FASB issued ASU No. 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes ("ASU 2019-12"), which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The Company adopted this standard effective January 1, 2021; we do not expect the adoption to have a material impact on our consolidated financial statements and related disclosures.

In August 2020, the FASB issued ASU 2020-06, “Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity’s Own Equity (Subtopic 815-40)”. This ASU reduces the number of accounting models for convertible debt instruments and convertible Preferred Stock. As well as amend the guidance for the derivatives scope exception for contracts in an entity’s own equity to reduce form-over-substance-based accounting conclusions. In addition, this ASU improves and amends the related EPS guidance. This standard is effective for us on January 1, 2022, including interim periods within such fiscal year. Adoption is either a modified retrospective method or a fully retrospective method of transition. We are currently assessing the impact the new guidance will have on our consolidated financial statements.

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 consolidated financial statements.

3. ACCOUNTS RECEIVABLE

At March 31, 2021 and December 31, 2020, accounts receivable consists of:

	March 31, 2021	December 31, 2020
	(unaudited)	
Accounts receivable from customers	\$ 2,184,799	\$ 2,724,137
Allowance for doubtful accounts	(340,467)	(343,832)
Accounts receivable, net	<u>\$ 1,844,332</u>	<u>\$ 2,380,305</u>

During the three months ended March 31, 2021 and 2020, the Company charged the amount of \$2,721 and \$223,335, respectively, to bad debt expense.

4. INVENTORY

Inventory consists primarily of specialty food products. At March 31, 2021 and December 31, 2020, inventory consisted of the following:

	March 31, 2021	December 31, 2020
	(unaudited)	
Finished Goods Inventory	<u>\$ 2,832,164</u>	<u>\$ 3,719,786</u>

5. 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, National Association (“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 is 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 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.

On November 8, 2019 the Company, through a newly formed wholly-owned subsidiary, purchased a logistics and warehouse facility (the “Facility”) for \$4.5 million. The Facility is approximately 200,000 square feet and is situated on approximately 15 acres in Mountain Top, Pennsylvania. The Facility’s appraised value by a third party appraisal firm in 2021 was \$9,400,000. Related to the Facility purchase, the Company entered into a commercial loan agreement for both the purchase price and planned improvements to the Facility. The amount of the loan was \$5,500,000, of which \$3,600,000 had been utilized at March 31, 2021 in connection with the purchase of the Facility; the lender is Fifth Third Bank and the loan is secured by a mortgage on the property and other Company assets. The interest on the loan is LIBOR plus 2.75%, with interest only payments due through September 30, 2020, thereafter with principal amortized over 20 years with the balance due at maturity on September 2, 2025. Related to Facility purchase, the Company also acquired certain leases from certain tenants of the Facility, all of which were in good standing at the time of purchase. Depreciation on the building began when the Company commenced recognizing revenue from leasing and logistics services associated with the Facility. On October 5, 2020, the Company completed work to upgrade the Facility at a cost of \$2,231,458 in order to better support the Company’s focus on e-commerce and logistics. Of the build out costs, \$1,900,000 was funded by the loan described below (See Note 13).

The following table summarizes property and equipment at March 31, 2021 and December 31, 2020:

	March 31, 2021	December 31, 2020
	(unaudited)	
Land	\$ 1,256,895	\$ 1,256,895
Building	7,191,451	7,191,451
Computer and Office Equipment	582,974	578,362
Warehouse Equipment	373,150	373,150
Furniture and Fixtures	938,471	938,471
Vehicles	109,441	109,441
Total before accumulated depreciation	10,452,382	10,447,770
Less: accumulated depreciation	(1,997,533)	(1,897,369)
Total	<u>\$ 8,454,849</u>	<u>\$ 8,550,401</u>

Depreciation and amortization expense for property and equipment amounted to \$100,164 and \$114,533 for the three months ended March 31, 2021 and 2020, respectively.

6. RIGHT OF USE ASSETS AND LEASE LIABILITIES – 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, 2021 and 2020 was entirely comprised of operating leases and amounted to \$26,855 and \$53,628, respectively. The Company’s ROU asset amortization for the three months ended March 31, 2021 and 2020 was \$22,929 and \$49,949, respectively. The difference between the lease expense and the associated ROU asset amortization consists of interest.

Right of use assets – operating leases are summarized below:

	March 31, 2021	December 31, 2020
	(unaudited)	
Office	\$ 177,276	\$ 186,302
Warehouse equipment	20,041	12,695
Office equipment	479	1,812
Vehicles	43,826	45,928
Right of use assets - operating leases, net	<u>\$ 241,622</u>	<u>\$ 246,737</u>

Operating lease liabilities are summarized below:

	March 31, 2021	December 31, 2020
	(unaudited)	
Office	\$ 177,276	\$ 186,302
Warehouse equipment	20,041	12,695
Office equipment	479	1,812
Vehicles	43,826	45,928
Lease liability	\$ 241,622	\$ 246,737
Less: current portion	(86,284)	(87,375)
Lease liability, non-current	<u>\$ 155,338</u>	<u>\$ 159,362</u>

Maturity analysis under these lease agreements are as follows:

For the period ended March 31, 2022	\$ 99,390
For the period ended March 31, 2023	62,824
For the period ended March 31, 2024	58,611
For the period ended March 31, 2025	49,522
Total	\$ 270,347
Less: Present value discount	(28,725)
Lease liability	<u>\$ 241,622</u>

7. RIGHT OF USE ASSETS – FINANCING LEASES

The Company has financing leases for vehicles and warehouse equipment. See note 14. Right of use asset – financing leases are summarized below:

	March 31, 2021	December 31, 2020
	(unaudited)	
Vehicles	362,358	362,358
Warehouse Equipment	533,531	533,531
Total before accumulated depreciation	895,889	895,889
Less: accumulated depreciation	(152,298)	(119,450)
Total right of use assets - financing leases, net	<u>\$ 743,591</u>	<u>\$ 776,439</u>

Depreciation expense for the three months ended March 31, 2021 and 2020 was \$32,820 and \$0, respectively.

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, 2021 the Company has investments in seven food related companies in the aggregate amount of \$286,725. The Company does not have significant influence over the operations of these companies.

The Company's investments may take the form of debt, equity, or equity in the future including convertible notes and other instruments which provide for future equity under various scenarios including subsequent financings or initial public offerings. The Company has evaluated the guidance in Accounting Standards Codification ("ASC") No. 325-20, "Investments – Other", in determining to account for the investment using the cost method since the equity securities are not marketable and do not give the Company significant influence.

During the three months ended March 31, 2020, the Company converted accounts receivable in the amount of \$15,000 into an equity investment in a food related company. During the three months ended March 31, 2021, the founder of one of the food related companies passed away in an untimely tragic accident, and as a result the food related company ceased operations and the Company recognized an impairment in the amount of \$209,850 in connection with that investment

9. INTANGIBLE ASSETS

The Company acquired certain intangible assets pursuant to the acquisitions through Artisan, Oasis, Innovative Gourmet, OFB, Haley, and M Innovations. These assets include non-compete agreements, customer relationships, trade names, internally developed technology, and goodwill. The Company has also capitalized the development of its website.

As detailed in ASC 350 “Intangibles - Goodwill and Other”, 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 the Company’s 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.

COVID-19 has had a material negative impact on some of the Company’s foodservice customers. In an effort to limit the spread of the virus, federal, state and local governments have implemented measures that have resulted in the closure of non-essential businesses in many of the markets the Company serves, which has forced its customers in those markets to either transition their establishments to take-out service, delivery service or temporarily cease operations. These actions have led to a significant decrease in demand for certain of the Company’s foodservice products. The adverse impact to the Company’s foodservice customer base was a triggering event and accordingly, as required by ASC 350, the Company performed interim goodwill and long-lived asset quantitative impairment tests during the first quarter of 2020. While the triggering event was a result of the negative impact related to foodservice customers, the applicable accounting rules then required an impairment test targeted specifically to any available carrying value of goodwill or intangible assets. During the first quarter of 2020, the Company performed the impairment tests on certain intangible assets and goodwill pursuant to the acquisitions through Artisan, Oasis, Innovative Gourmet and M Innovations.

Goodwill Impairment Test

The Company estimated the fair value of the Company’s reporting unit using an income approach that incorporates the use of a discounted cash flow model that involves many management assumptions that are based upon future growth projections which include estimates of COVID-19’s impact on our business. Assumptions include estimates of future revenues, growth rates which take into account estimated inflation rates, estimates of future levels of gross profit and operating profit, projected capital expenditures and discount rates based upon industry and competitor analyses. As a result of impairment test, it was calculated that the net carrying value of goodwill exceeded the fair value by \$650,243, and the Company was required by ASC 350 to record an impairment charge to operations during the year ended December 31, 2020. At March 31, 2021 and December 31, 2020, the net carrying value of goodwill on the Company’s balance sheet was \$0.

Long-lived Impairment Test

Long-lived assets, including other intangible assets, were tested for recoverability at the asset group level. The Company estimated the net undiscounted cash flows expected to be generated from the asset group over the expected useful life of the asset group’s primary asset. Key assumptions include future revenues, growth rates, estimates of future levels of gross profit and operating profit and projected capital expenditures necessary to maintain the operating capacity of each asset group. As a result of the impairment test, it was calculated that the net carrying values of other intangible assets exceeded the undiscounted cash flows for each of the Company’s asset groups by a total of \$1,048,692, and the Company was required by the applicable accounting rules to record an impairment charge to operations during the year ended December 31, 2020. At March 31, 2021 and December 31, 2020, the net carrying value of other intangible assets on the Company’s balance sheet was \$1,630,332 and \$1,633,202, respectively.

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

	March 31, 2021		
	(unaudited)		
	Gross	Accumulated Amortization and Impairment	Net
Non-Compete Agreement - amortizable	\$ 505,900	\$ (505,900)	\$ -
Customer Relationships - amortizable	3,068,034	(3,068,034)	-
Trade Name	1,532,822	-	1,532,822
Internally Developed Technology - amortizable	875,643	(875,643)	-
Goodwill	650,243	(650,243)	-
Website - amortizable	103,250	(5,740)	97,510
Total	\$ 6,735,892	\$ (5,105,560)	\$ 1,630,332

	December 31, 2020		
	Accumulated Amortization and Impairment		
	Cost	and Impairment	Net
Non-Compete Agreement - amortizable	\$ 505,900	\$ (505,900)	\$ -
Customer Relationships - amortizable	3,068,034	(3,068,034)	-
Trade Name	1,532,822	-	1,532,822
Internally Developed Technology	875,643	(875,643)	-
Goodwill	650,243	(650,243)	-
Website	103,250	(2,870)	100,380
Total	\$ 6,735,892	\$ (5,102,690)	\$ 1,633,202

Total amortization expense for the three months ended March 31, 2021 and 2020 was \$2,870 and \$210,032, respectively.

Total impairment charge for the three months ended March 31, 2021 and 2020 was \$0 and \$1,698,952, respectively.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at March 31, 2021 and December 31, 2020 are as follows:

	March 31,	December 31,
	2021	2020
	(unaudited)	
Trade payables and accrued liabilities	\$ 3,191,566	\$ 4,914,050
Accrued payroll and commissions	339,407	184,473
Total	\$ 3,530,973	\$ 5,098,523

11. ACCRUED INTEREST

At March 31, 2021, accrued interest - current portion on a note outstanding was \$17,438, and accrued interest – long term portion was \$17,099. Accrued interest – long term portion consist of interest accrued on the PPP loans (see note 13).

During the three months ended March 31, 2021, the Company paid cash for interest in the aggregate amount of \$83,275.

At December 31, 2020, accrued interest on a note outstanding was \$28,873. During the three months ended March 31, 2020, the Company paid cash for interest in the aggregate amount of \$59,373.

12. REVOLVING CREDIT FACILITIES

	<u>March 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
	(unaudited)	
Line of credit facility with Fifth Third Bank in the original amount of \$2,000,000 with an interest rate of LIBOR plus 3.25% (the "Fifth Third Bank Line of Credit"). Effective August 1, 2019, this credit facility was extended to August 1, 2021. On March 20, 2020, the Company drew down the amount of \$2,000,000. During the three months ended March 31, 2021 and 2020, the Company paid interest in the amount of \$17,083 and \$3,486, respectively, on the Fifth Third Bank Line of Credit.	\$ 2,000,000	\$ 2,000,000
Total	\$ 2,000,000	\$ 2,000,000

13. NOTES PAYABLE

	<u>March 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
	(unaudited)	
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, 2021, the Company made payments of principal and interest on this note in the amounts of \$13,650 and \$927, respectively; during the three months ended March 31, 2020, the Company made principal and interest payments on this note in the amounts of \$13,650 and \$2,050, respectively.	\$ 109,200	\$ 122,850
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 was originally due May 29, 2020. Effective May 29, 2020, the note was amended and renewed such that principal payments of \$8,303 plus accrued interest were due beginning June 29, 2020 and continuing for sixty months; the entire principal balance and all accrued interest will be due on May 29, 2025. During the three months ended March 31, 2021, the Company made payments of principal and interest on this note in the amounts of \$24,500 and \$3,212, respectively; during the three months ended March 31, 2020, the Company made principal and interest payments in the amounts of \$24,500 and \$6,454, respectively.	424,666	449,166
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. Monthly payments in the amount of \$7,425 including principal and interest commenced in April, 2019. During the year ended December 31, 2019, equipment financed under the Artisan Equipment Loan in the amount of \$33,075 was returned for credit. During the three months ended March 31, 2021, the Company made payments of principal and interest on this loan in the amounts of \$17,313 and \$3,081, respectively; during the three months ended March 31, 2020, the Company made principal and interest payments in the amounts of \$16,429 and \$3,965, respectively.	225,452	242,765
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, 2021, the Company accrued interest in the amount of \$93 on this note; during the three months ended March 31, 2021 and 2020, the Company accrued interest in the amount of \$93 on this note.	20,000	20,000
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% maturing November 5, 2023. During the three months ended March 31, 2021, the Company made principal and interest payments in the amount of \$2,505 and \$360, respectively, on this loan; during the three months ended March 31, 2020, the Company made principal and interest payments in the amount of \$3,196 and \$571, respectively, on this loan.	29,456	32,051

	<u>March 31,</u> <u>2021</u> (unaudited)	<u>December 31,</u> <u>2020</u>
Secured mortgage facility in the amount of \$5,500,000 with Fifth Third Bank for the acquisition of land and building in Mountaintop, Pennsylvania dated November 8, 2019 (the "Fifth Third Mortgage Facility"). The Fifth Third Mortgage Facility is secured by the assets acquired. During the year ended December 31, 2019, the Company drew down \$3,600,000 of this facility. During the year ended December 31, 2020, the Company drew down an additional \$1,900,000 of this facility. The interest rate is LIBOR plus 2.75% with interest only due through September 30, 2020, thereafter with principal amortized at a 20 years amortization rate and the balance due on the maturity date of September 2, 2025. The Company prepaid loan fees in connection with this loan in the amount of \$72,916 which are considered a discount to the loan and are being amortized over the term of the note; \$3,088 and \$3,123 of this discount was amortized to interest expense during the three months ended March 31, 2021 and 2020, respectively. During the three months ended March 31, 2021 the Company made principal and interest payments in the amount of \$49,200 and \$38,980, respectively, on this loan; during the three months ended March 31, 2020 the Company made principal and interest payments in the amount of \$0 and \$27,455, respectively, on this loan. The Company also has in place an interest rate swap agreement (the "Fifth Third Interest Rate Swap") with Fifth Third bank in connection with the Fifth Third Mortgage Facility. Pursuant to the Fifth Third Interest Rate Swap, the Company pays an additional base rate of 0.59% reduced by the difference between an initial LIBOR rate of 0.1513% and the month-end LIBOR rate. During the three months ended March 31, 2021 and 2020, the Company paid additional interest in the amount of \$6,094 and \$0, respectively, pursuant to the Fifth Third Interest Rate Swap.	5,385,200	5,434,400
Loan payable to Fifth Third Bank dated April 21, 2020 pursuant to the Paycheck Protection Program (the "IVFH PPP Loan") established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") in the principal amount of \$1,650,221. The term of the IVFH PPP Loan is two years, and the annual interest rate is 1%. Under the terms of the CARES Act, PPP Loan recipients can apply for, and be granted forgiveness for, all or a portion of loans granted under the Paycheck Protection Program. No assurance is provided that the Company will obtain forgiveness of the IVFH PPP Loan in whole or in part. During the three months ended March 31, 2021, the Company accrued interest in the amount of \$4,069 on the IVFH PPP Loan.	1,650,221	1,650,221
Four loans payable to Fifth Third Bank dated from February 12, 2021 to March 24, 2021 were received by subsidiaries of the Company pursuant to the Paycheck Protection Program (the "Subsidiary PPP Loans") established under the CARES Act in the aggregate principal amount of \$1,669,929. Each of the Subsidiary PPP Loans are due five years from inception and the annual interest rate is 1%. Under the terms of the CARES Act, PPP Loan recipients can apply for, and be granted forgiveness for, all or a portion of loans granted under the Paycheck Protection Program. No assurance is provided that the Company will obtain forgiveness of the Subsidiary PPP Loans in whole or in part. During the three months ended March 31, 2021, the Company accrued interest in the amount of \$1,502 on the Subsidiary PPP Loans.	1,669,929	-
Total	9,514,214	7,951,453
Discount	(55,449)	(58,537)
Net of discount	\$ 9,458,765	\$ 7,892,916
Current portion	\$ 1,997,470	\$ 1,800,108
Long-term maturities	7,516,744	6,151,345
Total	\$ 9,514,214	\$ 7,951,453

Aggregate maturities of long-term notes payable as of March 31, 2021 are as follows:

For the period ended March 31,

2022	\$ 1,997,470
2023	836,438
2024	840,067
2025	759,344
2026	5,080,895
Total	<u>\$ 9,514,214</u>

14. LEASE LIABILITIES - FINANCING LEASES

	<u>March 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Financing lease obligation under a lease agreement for warehouse furniture and equipment truck dated October 14, 2020 in the original amount of \$514,173 payable in sixty monthly installments of \$9,942 including interest at the rate of 6.01%. During the three months ended March 31, 2021, the Company made principal and interest payments on this lease obligation in the amount of \$22,552 and \$7,274, respectively.	\$ 469,405	\$ 491,957
Financing lease obligation under a lease agreement for a truck dated March 31, 2020 in the original amount of \$152,548 payable in eighty-four monthly installments of \$2,188 including interest at the rate of 5.44%. During the three months ended March 31, 2021, the Company made principal and interest payments on this lease obligation in the amounts of \$4,716 and \$1,847, respectively. During the three months ended March 31, 2020, the Company made principal and interest payments on this lease obligation in the amounts of \$1,496 and \$692, respectively.	132,562	137,278
Financing lease obligation under a lease agreement for a truck dated November 5, 2018 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, 2021, the Company made principal and interest payments on this lease obligation in the amounts of \$5,182 and \$1,795, respectively. During the three months ended March 31, 2020, the Company made principal and interest payments on this lease obligation in the amounts of \$4,769 and \$2,208, respectively.	82,732	87,914
Financing lease obligation under a lease agreement for a truck dated August 23, 2019 in the original amount of \$80,413 payable in eighty-four monthly installments of \$1,148 including interest at the rate of 5.0%. During the three months ended March 31, 2021, the Company made principal and interest payments on this lease obligation in the amounts of \$2,618 and \$826, respectively. During the three months ended March 31, 2020, the Company made principal and interest payments on this lease obligation in the amounts of \$2,489 and \$953, respectively.	64,374	66,992
Total	\$ 749,073	\$ 784,141
Current portion	\$ 145,820	\$ 146,004
Long-term maturities	603,253	638,137
Total	\$ 749,073	\$ 784,141

Aggregate maturities of lease liabilities – financing leases as of March 31, 2021 are as follows:

For the period ended March 31,

2022	\$	145,820
2023		143,253
2024		164,417
2025		156,490
2026		109,912
Thereafter		29,181
Total	\$	<u>749,073</u>

15. RELATED PARTY TRANSACTIONS

For the three months ended March 31, 2021:

Vesting of shares to officers

During the three months ended March 31, 2021 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 amount of \$22,500 for the vesting of a total of 50,070 shares of common stock issuable to two of its independent board members, and \$99,211 for the vesting of a total of 236,184 shares of common stock issuable to its Chief Executive Officer and its Director of Strategic Acquisitions pursuant to their employment agreements. The Company also recognized non-cash compensation in the amount of \$36,080 during the three months ended March 31, 2021 in connection with stock options issuable to management and board members.

For the three months ended March 31, 2020:

Vesting of shares to officers

During the three months ended March 31, 2020 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 \$12,500 for the vesting of a total of 24,258 shares of common stock issuable to two of its independent board members. The Company also recognized non-cash compensation in the amount of \$34,120 during the three months ended March 31, 2020 in connection with stock options issuable to management and board members.

The chief executive officer provided a limited waiver through June 29, 2020 of certain rights and benefits contained in his employment agreement following a Change in Control (as defined in the employment agreement).

16. COMMITMENTS AND CONTINGENT LIABILITIES

Contingent Liability

Pursuant to the igourmet Asset Purchase Agreement, 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. During the year ended December 31, 2019, the Company reduced this amount by \$132,300 as the performance goals for the second year were not met. During the year ended December 31, 2019, the Company paid the amount of \$39,000 in connection with the additional liabilities. During the year ended December 31, 2020, the Company paid the amount of \$40,000 in connection with the additional liabilities. During the three months ended March 31, 2021, the Company paid the amount of \$8,000 in connection with the additional liabilities. At March 31, 2021, the amount of \$67,000 remains on the Company's consolidated balance sheet as a current contingent liability, and \$108,600 as a long term contingent liability.

Pursuant to the Mouth Foods LLC Asset Acquisition, the Company recorded contingent liabilities in the amount of \$240,576. 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. During the year ended December 31, 2019, the Company paid the amount of \$120,576 in connection with these liabilities. At March 31, 2021, \$120,000 is classified as a current contingent liability.

[License Agreements](#)

In May 2019, the Company entered into a royalty-based license agreement, through December 31, 2022 with a lifestyle brand, which provides the exclusive right, with certain carve-outs and limitations, to sell and promote branded gift baskets for certain channels including: retail, warehouse club stores, certain of the Company's current e-commerce channels, and other e-commerce channels such as amazon.com (the "May 2019 License Agreement"). Pursuant to the May 2019 License Agreement, the Company paid an initial royalty deposit in the amount of \$50,000 towards the minimum royalty, which is classified as other current assets on the Company's balance sheet at December 31, 2019. Future royalty amounts owed for minimum payments in connection with the May 2019 License Agreement will be deducted from this deposit. The royalty rate is 5% of net sales, and the Company is required, with certain exceptions and exclusions, to make minimum royalty payments of \$100,000 through the end of 2020, \$110,000 in 2021, and \$125,000 in 2022, respectively. As of March 31, 2021, the Company has made the required minimum royalty payments.

[Litigation](#)

On September 16, 2019, an action (the "PA Action") was filed in the Court of Common Pleas of Philadelphia County, Trial Division, against, among others, the Company and its wholly-owned subsidiaries, Innovative Gourmet LLC and Food Innovations, Inc. Since that time, other parties involved in the incident have joined as plaintiffs in the PA Action. The complaint in the PA Action alleges, inter alia, wrongful death and negligence by a driver employed by Innovative Gourmet and indicates a demand and offer to settle for fifty million dollars. We expect that should a settlement occur the amount to resolve the Action would be substantially lower. The Company and its subsidiaries had auto and umbrella insurance policies, among others, that were in effect for the relevant period. While the initial response from the relevant insurance companies has been to provide coverage only under an auto policy (which has been fully tendered) and umbrella policy that covers one of the Company's subsidiaries, we intend to further aggressively pursue the Company's and its subsidiaries' insurance coverage under their umbrella and other available policies. The Company has brought an action for declaratory judgement against one of the insurance companies under which it had an umbrella policy so that the court can compel it to provide liability coverage. In addition, the Company has been defending this action and believes that the likely outcome would result in the liabilities being covered by its insurance carriers. However, if the Company was found responsible for damages in excess of its available insurance coverage, such damages in excess of the coverage could have a material adverse effect on the Company's operations. On July 16, 2020, the court granted the Company's motion to stay the case through the final adjudication of an additional pending legal proceeding against the driver in connection with the events related to the case. It is not anticipated that the Company and its subsidiaries will be a party to any other legal proceedings in connection with this matter.

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, 2021 and December 31, 2020, a total of 2,837,580 shares are deemed issued but not outstanding by the Company. These include 2,623,171 shares of treasury stock.

Three months ended March 31, 2021:

During the three months ended March 31, 2021 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 amount of \$22,500 for the vesting of a total of 50,070 shares of common stock issuable to two of its independent board members, and \$99,211 for the vesting of a total of 236,184 shares of common stock issuable to its Chief Executive Officer and its Director of Strategic Acquisitions pursuant to their employment agreements. The Company also recognized non-cash compensation in the amount of \$36,080 during the three months ended March 31, 2021 in connection with stock options issuable to management and board members.

Three months ended March 31, 2020:

The Company issued 38,943 shares of common stock with a fair value of \$17,135 to an employee as a bonus.

The Company issued 4,762 shares of common stock with a fair value of \$2,286 to a service provider.

The Company charged the amount of \$12,500 in connection with the vesting of 24,258 shares of common stock issuable to board members in connection with their compensation agreements.

The Company charged the amount of \$34,120 in connection with the vesting of stock options to management and board members.

Options

The following table summarizes the options outstanding at March 31, 2021 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
\$ 0.60	50,000	4.75	\$ 0.60	6,250	\$ 0.60
\$ 0.62	360,000	2.75	\$ 0.62	270,000	\$ 0.62
\$ 0.85	540,000	2.75	\$ 0.85	405,000	\$ 0.85
\$ 1.00	50,000	4.75	\$ 1.00	6,250	\$ 1.00
\$ 1.10	75,000	0.12	\$ 1.10	75,000	\$ 1.10
\$ 1.20	1,050,000	2.60	\$ 1.20	825,000	\$ 1.20
\$ 1.50	125,000	0.75	\$ 1.50	125,000	\$ 1.50
	<u>2,250,000</u>	<u>2.57</u>	<u>\$ 1.02</u>	<u>1,712,500</u>	<u>\$ 1.04</u>

Transactions involving stock options are summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Options outstanding at December 31, 2020	2,250,000	\$ 1.02
Granted	-	\$ -
Exercised	-	\$ -
Cancelled / Expired	-	\$ -
Options outstanding at March 31, 2021 (unaudited)	<u>2,250,000</u>	<u>\$ 1.02</u>
Options exercisable at March 31, 2021 (unaudited)	<u>1,712,500</u>	<u>\$ 1.04</u>

Aggregate intrinsic value of options outstanding and exercisable at March 31, 2021 and 2020 was \$0. Aggregate intrinsic value represents the difference between the Company's closing stock price on the last trading day of the fiscal period, which was \$0.43 and \$0.34 as of March 31, 2021 and 2020, respectively, and the exercise price multiplied by the number of options outstanding.

During the three months ended March 31, 2021 and 2020, the Company charged \$36,080 and \$34,120, 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 granted during the three months ended March 31, 2021 and 2020 using the Black-Scholes valuation model utilizing the following variables:

	March 31, 2021	March 31, 2020
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, health pandemics and environmental weather conditions.

We are also subject to other risks detailed from time to time in our other filings with the SEC 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.

Provision for Doubtful Accounts Receivable

The Company maintained an allowance in the amount of \$317,277 for doubtful accounts receivable at March 31, 2021, and \$343,832 at December 31, 2020. 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.

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 Delaware 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, 2019 and 2020 earnout milestones were 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.

Effective July 23, 2019, P Innovations acquired certain assets of GBC Sub, Inc. (d/b/a The GiftBox) (“GiftBox”) (the “GiftBox Asset Purchase Agreement”). GiftBox, a privately held Nevada corporation controlled by David Polinsky, a director of the Company, was in the business of subscription-based ecommerce. The consideration for the assets purchased was a nominal amount of cash. The GiftBox Asset Purchase Agreement also provides the sellers the option to acquire 30% of P Innovations subject to dilution for a period of thirty-six months following the date of the Giftbox Asset Purchase Agreement; the option will only be exercisable if there is a spinoff of P Innovations to Innovative Food Holdings shareholders.

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, 2020 (1) following our discussion of Liquidity and Capital Resources, and (2) in Note 19 to the Consolidated Financial Statements.

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 \$5,165,378 (42% of total sales) and \$7,383,578 (55% of total sales) for the three months ended March 31, 2021 and 2020 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.

During the three months ended March 31, 2021, the world has been in the grip of a coronavirus pandemic which has wreaked havoc on economies worldwide, including in the U.S., which is our primary market. As a result of the pandemic, restaurants, hotels, country clubs, casinos, catering houses and other of our primary customers have either been closed completely or are only partially open with significantly reduced operations. Accordingly, foodservice revenues, which historically have been a significant overall portion of our revenues, have been significantly reduced as most foodservice establishments across the United States closed or had limited operations. As a result, foodservice revenues starting in the second half of March 2020 and continuing through the first quarter of 2021 experienced unprecedented declines. As the pandemic has begun to decline in the United States and establishments have begun to reopen, we have experienced improving foodservice revenues although our revenues have not yet reached its previous historical levels.

Conversely, we have experienced significant growth in our on-line e-commerce revenues as overall e-commerce grew as demand for food products continued across the United States. Accordingly, we have focused our resources on meeting the growth of e-commerce revenues.

Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

Revenue

Revenue decreased by \$1,125,021 or approximately 8.5% to \$12,180,899 for the three months ended March 31, 2021 from \$13,305,920 in the prior year. The decrease in revenues is primarily attributable to a decrease in specialty foodservice revenues which was driven by the nationwide closures of restaurants and other foodservice establishments related to COVID-19. As more foodservice establishments and restaurants have re-opened we have experienced improving foodservice revenues, although revenues still remain below historical levels. The decline in specialty foodservice was partially offset with revenues increases mainly associated with e-commerce revenues. The increases in e-commerce revenues were driven by the Company’s ability to increase sales at its e-commerce properties and convert significant shifts in e-commerce specialty foods, supermarket trends, and e-commerce grocery trends, into e-commerce revenues.

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, 2021 was \$8,878,914, a decrease of \$1,313,950 or approximately 12.9% compared to cost of goods sold of \$10,192,864 for the three months ended March 31, 2020. Cost of goods sold is made up of the following expenses for the three months ended March 31, 2021: cost of goods of specialty, meat, game, cheese, seafood, poultry and other sales categories in the amount of \$5,589,880; shipping, delivery, handling, and purchase allowance expenses in the amount of \$3,102,259; and cost of goods associated with logistics of \$186,775. Total gross margin was approximately 27.1% of sales in 2021 compared to approximately 23.4% of sales in 2020. The decrease in cost of goods sold is attributed both to decreases in revenues and lower product and other costs as a percentage of revenues as compared to 2020. The increase in margins compared to 2020 is primarily attributable to variation in product and revenue mix across our various selling channels and variations in both revenue mix and higher gross margins associated with e-commerce revenues.

In 2021, we continued to price our products in order to increase sales, gain market share and increase the number of our end users and e-commerce customers. We were successful in both increasing sales and increasing market share and increasing the number of our e-commerce customers. We currently expect, if market conditions, overall economic conditions, and our product revenue mix remain constant, that our cost of goods sold may increase and may result in a decrease in profit margin.

Impairment of goodwill and intangible assets

As of March 31, 2020, the Company performed impairment tests of our goodwill and intangible assets that incorporated the use of a discounted cash flow model that involves many management assumptions that are based upon future growth projections which include estimates of COVID-19’s impact on our business. Assumptions include estimates of future revenues, growth rates which take into account estimated inflation rates, estimates of future levels of gross profit and operating profit, projected capital expenditures and discount rates based upon industry and competitor analyses. As a result of impairment tests, the Company was required by applicable accounting rules to record an impairment of goodwill and intangible assets in the aggregate amount of \$1,698,952. At March 31, 2021, the net carrying value of goodwill and other intangible assets on the Company’s balance sheet is \$1,630,332. There was no such comparable charge during the current period.

Selling, general, and administrative expenses

Selling, general, and administrative expenses increased by \$238,067 or approximately 5.2% to \$4,850,828 during the three months ended March 31, 2021 compared to \$4,612,761 for the three months ended March 31, 2020. The increase in selling, general, and administrative expenses was primarily due to increases in payroll and related costs excluding share based compensation of approximately \$448,831 as well as an increase of \$91,749 in share based compensation; an increase in advertising costs of \$221,739; an increase in banking and credit card fees of \$70,104; an increase in insurance costs of \$45,264; an increase in taxes of \$14,457; and an increase in office, facility, and vehicle costs of \$5,690. These increases were partially offset by decreases in bad debt expense of \$220,614; depreciation and amortization of \$188,711; professional and legal fees of \$138,261; travel and entertainment costs of \$78,106; and computer and IT costs of \$28,327. The payroll increases were driven by additional payroll and labor costs associated with demand at our Pennsylvania facility and overall increases in the cost of labor due to COVID-19, including increases in warehouse fulfillment costs associated with COVID-19, increased costs associated with additional personnel associated with marketing, creative and warehouse operations and additional costs related to the transition from the old facility and launch of the new facility, overall employee costs and insurance costs, and increased advertising associated with increased spending in digital marketing related to certain of the Company’s e-commerce websites.

Impairment of investment

During the three months ended March 31, 2021, the Company recognized an impairment on one of our investments in a food related company in the amount of \$209,850. There was no such comparable charge during the prior period.

Other leasing income

During the three months ended March 31, 2021, the Company recognized revenue in the amount of \$5,140 in connection with the lease of space in our Mountaintop warehouse facility, a decrease of \$5,739 or approximately 52.8% compared to \$10,879 during the three months ended March 31, 2020.

Interest expense, net

Interest expense, net of interest income, increased by \$23,898 or approximately 36.0% to \$90,318 during the three months ended March 31, 2021, compared to \$66,420 during the three months ended March 31, 2020. Interest accrued or paid on the Company's commercial loans and notes payable increased by \$23,944 to \$88,923 during the current period, compared to \$64,995 during the prior period, primarily due to interest on the credit line with Fifth Third Bank in the amount of \$17,619 during the three months ended March 31, 2021, compared to \$3,486 during the prior period, and interest on the PPP loans, which was a total of \$5,571 during the three months ended March 31, 2021 compared to \$0 during the prior period.

Net loss

For the reasons above, the Company had a net loss for the three months ended March 31, 2021 of \$1,843,871 which is a decrease of \$1,410,327 or 43.3% compared to a net loss of \$3,254,198 during the three months ended March 31, 2020. The loss for the three months ended March 31, 2021 includes a total of \$509,304 in non-cash charges, including impairment of investment of \$209,850, depreciation and amortization expense of \$135,854, non-cash compensation in the amount of \$157,791, amortization of the discount on notes payable of \$3,088, and provision for doubtful accounts of \$2,721.

The net loss for the three months ended March 31, 2020 includes a total of \$2,316,016 in non-cash charges, including impairment of intangible assets in the amount of \$1,698,952, provision for doubtful accounts of \$223,335, amortization of intangible assets in the amount of \$210,032, depreciation expense of \$114,533, charges for non-cash compensation in the amount of \$66,041, and amortization of the discount on notes payable of \$3,123.

Liquidity and Capital Resources at March 31, 2021

As of March 31, 2021 the Company had current assets of \$8,278,591 consisting of cash and cash equivalents of \$3,086,086, trade accounts receivable of \$1,844,332, inventory of \$2,832,164, and other current assets of \$516,009. Also, at March 31, 2021, the Company had current liabilities of \$9,042,947, consisting of trade payable and accrued liabilities of \$3,530,973, accrued interest – current portion of \$17,348, deferred revenue of \$1,133,411, line of credit of \$2,000,000, lease liabilities – operating leases, current portion of \$86,284, lease liabilities – financing leases, current portion of \$145,820, current portion of contingent liabilities of \$187,000, and current portion of notes payable of \$1,942,021 consisting of \$1,650,221 related to the IVFH PPP loan which is subject to potential forgiveness and other current portion of notes payable of \$291,800.

During the three months ended March 31, 2021, the Company had cash used in operating activities of \$3,497,010. Cash used in operations consisted of the Company's consolidated net loss of \$1,843,871 reduced by non-cash compensation in the amount of \$157,791, depreciation and amortization of \$135,854, amortization of right-of-use asset of \$22,929, amortization of prepaid loan fees of \$3,088, and provision for doubtful accounts of \$2,721. The Company's cash position also decreased due to a change in the components of current assets and liabilities in the amount of \$2,185,372.

The Company had cash used in investing activities of \$4,612 for the three months ended March 31, 2021, which consisted of cash paid for the acquisition of property and equipment.

The Company had cash flow from financing activities of \$1,527,693 for the three months ended March 31, 2021, which consisted of proceeds from the PPP Loans of \$1,669,929, partially offset by principal payments made on notes payable of \$107,168 and principal payments on financing leases of \$35,068.

The Company had a net working capital deficit of \$764,356 as of March 31, 2021. The Company used cash in operations during the three months ended March 31, 2021 in the amount of \$3,497,010. This compares to cash used in operations of \$693,165 during the three months ended March 31, 2020. 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. As of March 31, 2021, we do not have any material long-term obligations other than those described in Notes 6, 13, and 14 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.

2021 Plans

Since 2020 the world has been in the grip of a pandemic which has wreaked havoc on economies world-wide, including in the U.S., which is our primary market. As a result of the pandemic, restaurants, hotels, country clubs, casinos, catering houses and other of our primary customers have either been closed completely or are only partially open with significantly reduced operations. Accordingly, foodservice revenues, which historically have been a significant overall portion of our revenues have been significantly reduced as most foodservice establishments across the United States closed or had limited operations. As a result, foodservice revenue commencing in the second half of March 2020 and continuing throughout the year and into 2021, experienced unprecedented declines. As the pandemic has begun to decline in the United States and foodservice establishments have begun to reopen, we have experienced improving foodservice revenues although our revenues have not yet reached its previous historical levels.

Conversely, we have experienced significant growth in our on-line e-commerce revenues as overall e-commerce grew and as demand for food products continued across the United States. Accordingly, we have focused our resources on meeting the growth of e-commerce revenues. While the percentage increase in e-commerce revenues was strong, the additional e-commerce revenues did not exceed the decrease in foodservice revenues commencing in the second half of March 2020 and continuing through the first quarter of 2021. As a result, overall revenues and profits declined for that time frame.

In April 2020 we applied for and received a loan of approximately \$1.6 million under a program established under a recent congressionally approved program which is administered by the U.S. Small Business Administration. In 2021 we applied for and received \$1,748,414 in new loans (including \$78,485 received in April 2021) under a similar government program administered by the U.S. Small Business Administration. In addition, between the government loans, the potential forgiveness of the government loans, cash on hand and our current expectations of incoming revenues, we believe we have sufficient resources to continue operating for at least the next 12 months. However, as we cannot predict at this time when quarantines, curfews, stay in place orders, and closures of non-essential businesses will end and general economic activity will resume, we cannot predict when our business will return to its pre-pandemic norms and the amount of economic stress we would experience. While we intend to continue to focus on executing on our strategic growth plans, given the current economic conditions, we are not able to determine the exact timeframe in 2021, if at all, that we can then again consider fully implementing portions of the plans described below.

During 2021, we plan to expand our business by expanding our focus to additional specialty foods markets and by leveraging our e-commerce platform to launch and grow, either organically and/or through acquisition, new D2C brands and e-commerce sites within targeted consumer areas, on the Company's e-commerce platform. In addition, we will continue exploring potential acquisition and partnership opportunities with influencers and other celebrities to continue 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 potential sales channel relationships. In addition, we are currently exploring the introduction of, or have introduced into the market, 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 continue to expand its activities in the direct to consumer space and the overall consumer packaged goods (CPG) space through leveraging its overall capabilities in the consumer space, including leveraging its direct to consumer e-commerce platform to reach both additional customers in multiple channels, and to expand availability of its e-commerce capabilities to additional products and markets.

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, 2020 and other of its Current Reports on Form 8-K all of which reports are 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 SEC'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-15(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, 2021 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

On September 16, 2019, an action (the “PA Action”) was filed in the Court of Common Pleas of Philadelphia County, Trial Division, against, among others, the Company and its wholly-owned subsidiaries, Innovative Gourmet LLC and Food Innovations, Inc. Since that time, other parties involved in the incident have joined as plaintiffs in the PA Action. The complaint in the PA Action alleges, inter alia, wrongful death and negligence by a driver employed by Innovative Gourmet and indicates a demand and offer to settle for fifty million dollars. We expect that should a settlement occur the amount to resolve the Action would be substantially lower. The Company and its subsidiaries had auto and umbrella insurance policies, among others, that were in effect for the relevant period. While the initial response from the relevant insurance companies has been to provide coverage only under an auto policy (which has been fully tendered) and umbrella policy that covers one of the Company’s subsidiaries, we intend to further aggressively pursue the Company’s and its subsidiaries’ insurance coverage under their umbrella and other available policies. The Company has brought an action for declaratory judgement against one of the insurance companies under which it had an umbrella policy so that the court can compel it to provide liability coverage. In addition, the Company has been defending this action and believes that the likely outcome would result in the liabilities being covered by its insurance carriers. However, if the Company was found responsible for damages in excess of its available insurance coverage, such damages in excess of the coverage could have a material adverse effect on the Company’s operations. On July 16, 2020, the court granted the Company’s motion to stay the case through the final adjudication of an additional pending legal proceeding against the driver in connection with the events related to the case. It is not anticipated that the Company and its subsidiaries will be a party to any other legal proceedings in connection with this matter.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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).
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.

<u>SIGNATURE</u>	<u>TITLE</u>	<u>DATE</u>
<u>/s/ Sam Klepfish</u> Sam Klepfish	Chief Executive Officer	May 24, 2021
<u>/s/ Richard Tang</u> Richard Tang	Chief Financial Officer	May 24, 2021

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 24, 2021

/s/ Sam Klepfish

Sam Klepfish, Chief Executive Officer

Certifications

I, Richard Tang, 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 24, 2021

/s/ Richard Tang

Richard Tang, Chief Financial Officer

**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, 2021 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 24, 2021

**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, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard Tang, Chief 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/ Richard Tang
Richard Tang
Chief Financial Officer

May 24, 2021