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DELTA REPORT

10-K

BRFH - BARFRESH FOOD GROUP INC.

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

TOTAL DELTAS	1180
CHANGES	147
DELETIONS	509
ADDITIONS	524

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2022 2023**

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____________ to ______________

Commission File Number: **001-41228**

BARFRESH FOOD GROUP INC.
(Exact name of registrant as specified in its charter)

Delaware	**27-1994406**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3600 Wilshire BoulevardSuite 1720 Los Angeles, California	**90010**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code **310-598-7113**

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.000001 par value	BRFH	Nasdaq Capital Market

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act by the registered public accounting firm that prepared or issued its audit report.☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☒

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates (excluding voting shares held by officers and directors) as of June 30, 2022 June 30, 2023 was $27,160,839 5,105,383.

As of February 24, 2023 March 18, 2024, there were 12,971,330 14,507,146 outstanding shares of common stock of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required by Part III of this Annual Report on Form 10-K is incorporated by reference from portions of the registrant's definitive proxy statement relating to its 2023 2024 annual meeting of stockholders to be filed pursuant to Regulation 14A within 120 days of December 31, 2022 December 31, 2023. Other items incorporated by reference are listed in the Exhibit Index of this Annual Report on Form 10-K 10-K..

BARFRESH FOOD GROUP INC.

FORM 10-K

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

This Annual Report on Form 10-K ("Annual Report"), the other reports, statements, and information that we have previously filed or that we may subsequently file with the Securities and Exchange Commission ("SEC") and public announcements that we have previously made or may subsequently make include, may include, incorporate by reference or may incorporate by reference certain statements that may be deemed to be forward-looking statements. The forward-looking statements included or incorporated by reference in this Annual Report and those reports, statements, information and announcements address activities, events or developments that Barfresh Food Group Inc., a Delaware corporation (hereinafter referred to as "we". "us", "our", "Company" or "Barfresh") expects or anticipates will or may occur in the future. Any statements in this document about expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and are forward-looking statements. These statements are often, but not always, made through the use of words or phrases such as "may", "should", "could", "predict", "potential", "believe", "will likely result", "expect", "will continue", "anticipate", "seek", "estimate", "intend", "plan", "projection", "would", "outlook" and similar expressions. Accordingly, these statements involve estimates, assumptions and uncertainties, which could cause actual results to differ materially from those expressed in them. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this document. All forward-looking statements concerning economic conditions, rates of growth, rates of income or values as may be included in this document are based on information available to us on the dates noted, and we assume no obligation to update any such forward-looking statements.

Management cautions that forward-looking statements are qualified by their terms and/or important factors, many of which are outside of our control, involve a number of risks, uncertainties and other factors that could cause actual results and events to differ materially from the statements made, including, but not limited to, the following risk factors. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements.

Certain risks and uncertainties could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by us, and you should not place undue reliance on any such forward-looking statements. Actual results or outcomes may differ materially from those expressed in any forward-looking statements made by us, and you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made and we do not undertake any obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict which will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. See "Risk Factors" set forth in Item 1A.

AVAILABLE INFORMATION

We are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and we file quarterly reports on Form 10-Q, Annual Reports on Form 10-K, Current Reports on Form 8-K, proxy statements and other required information and reports with the SEC.

You can read our SEC filings, including the registration statement, over the Internet at the SEC's website at www.sec.govat no cost. You may also request a copy of these filings, at no cost, by writing us at 3600 Wilshire Boulevard, Suite 1720, Los Angeles, 90010 or calling us at (310) 598-7113.

We also maintain a website at www.barfresh.com/us/, at which you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. Information contained on or accessible through our website is not a part of this report, and the inclusion of our website address in this report is an inactive textual reference only.

PART I

Item 1. Business.

Corporate History and Background

The Company is engaged in the manufacturing and distribution of ready-to-drink and ready-to-blend frozen beverages, including smoothies, shakes and frappes. The current operation was established following a 2012 reverse merger into an inactive Delaware corporation, formed on February 25, 2010. We have two direct subsidiaries: Barfresh Corporation, Inc. (formerly known as Smoothie, Inc.) and Barfresh, Inc. Our corporate office is located at 3600 Wilshire Boulevard Suite 1720, Los Angeles, 90010. Our telephone number is (310) 598-7113 and our website is www.barfresh.com.

Business Overview

Barfresh is a leader in the creation, manufacturing and distribution of ready-to-drink and ready-to-blend frozen beverages. The current portfolio of products includes smoothies, shakes and frappes.

Some of the key benefits of the products for the end consumers that drink the products include:

- From as little as 125-130 calories (per serving)
- Real fruit in every smoothie
- Dairy free options
- Kosher approved
- Gluten Free

Products

Products are packaged in three distinct formats.

The Company's ready-to-drink smoothie, "Twist & Go"™, has initially been focused towards the USDA national school meal program, including the School Breakfast Program, the National School Lunch Program and Smart Snacks in Schools Program. This sweet fruit and creamy yogurt smoothie contains four ounces of yogurt and a half-cup of fruit/fruit juice and comes in three different flavors: strawberry banana, peach and mango pineapple. The product was originally launched in a bottled packaging format. The Company introduced Twist & Go™ cartons in 2022. Twist & Go™ contains no added sugars, preservatives, artificial flavors or colors. At only 125 -130 calories and with 5 grams of protein, it makes the perfect start to any day or on-the-go snack.

The Company's bulk "Easy Pour" format, which contains all the ingredients necessary to make the beverage, is packaged in gallon containers in a concentrated formula that is mixed in beverage dispensing equipment 1:1 with water. The Company has a "no sugar added" version of the bulk "Easy Pour" format WHIRLZ 100% Juice Concentrate, that is specifically targeted for the aforementioned USDA national school meal programs. In addition, the Company received approval from the United States Defense Logistics Agency ("DLA") to sell its smoothie products into all branches of the U.S. Armed Forces and is currently in contract with and selling its bulk Easy Pour products into over one hundred military bases in the United States and abroad. Additionally, the Company offers WHIRLZ 100% Juice concentrate, which is sold at ambient temperatures and mixed in beverage dispensing equipment on a 5:1 ratio.

The Company's single serve single-serve format features portion controlled and ready-to-blend beverage ingredient packs or "beverage packs". The beverage packs contain all the ingredients necessary to make the beverage, including the base (either sorbet, frozen yogurt, or ice cream), real fruit pieces, juices, and ice – five ounces of water are added before blending.

Distribution

The Company conducts sales through several channels, including National Accounts, Regional Accounts, and Broadline Distributors.

On October 26, 2015, Barfresh signed a five-year agreement with PepsiCo North America Beverages, a division of PepsiCo, to become its exclusive sales representative within the food service channel to present Barfresh's line of ready-to-blend smoothies and frozen beverages throughout the United States and Canada. In February 2023, Barfresh terminated the agreement. Such termination is not anticipated to have a significant impact on sales.

Manufacturing

Barfresh utilizes contract manufacturers to manufacture all of its products in the United States.

Research and Development

The Company incurred approximately $382,000 $115,000 and $245,000, $382,000 in research and development expenses for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. The increase in Research and Development expenses was in 2022 were primarily attributable to the launch of the Company's Twist & Go™ Go™ cartons, as well as costs incurred to investigate the quality issues experienced with the Manufacturer, more fully described in Item 7, 7.

Competition

There is significant competition in the smoothie market at both the institutional and consumer purchasing level.

The Company distributes products institutionally primarily through distributors to school districts. The Company has recently launched its Twist & Go ready-to-drink smoothie as well as a "no sugar added" version of the bulk "Easy Pour" format, WHIRLZ 100% Juice Concentrates, both of which are specifically targeted for the USDA national school meal program, including the School Breakfast Program, the National School Lunch Program, and Smart Snacks in Schools Program. At the institutional level, the Company competes with other food and beverage manufacturers, many of which have significantly greater financial resources and distribution reach.

The competition at the consumer level is primarily between specialized juice bars (e.g. Jamba Juice) and major fast casual and fast food fast-food restaurant chains (such as McDonalds). Barfresh does not compete specifically at this level but intends to supply its product to customers that fall within these segments to enable them to compete for consumer demand. The Company believes that its single serve products afford a very significant competitive advantage based on ease of use, portion control, premium quality, and minimal capital investment required to enable a customer to begin to carry Barfresh beverage products. The Company also believes that its bulk "Easy Pour" product represents an attractive alternative delivery method for customers that serve high volume locations, where speed of service over extended periods is a critical requirement.

There may also be new entrants to the smoothie market that may alter the current competitor landscape.

Intellectual Property

Barfresh owns the domestic and international property rights to its products' sealed pack of ingredients used in its single serve products.
In November 2011, the Company acquired patent applications filed Patents in the United States (Patent Application number 11/660415) and Canada (Patent Application number 2577163) from certain related parties. The United States patent was originally filed on December 4, 2007 and it was granted during August of 2017. The Canadian patent was originally filed on August 16, 2005 and it was granted on May 27, 2014. Australia are in effect through 2025.

On October 15, 2013, the Company acquired all of the related international patent rights, which were filed pursuant to the Patent Cooperation Treaty, have been granted in 13 jurisdictions and are pending in the remainder of the jurisdictions that have signed the PCT. In addition, the Company purchased all of the trademarks related to the patented products.

Governmental Approval and Regulation

While the Company is not aware of the need for any governmental approvals to manufacture or distribute its products, manufacturing products which meet the criteria of the USDA'S national school meal program and USDLA is critical to the Company's business plan.

The Company utilizes contract manufacturers. Before entering into any manufacturing contracts, the Company determines that the manufacturer meets all government requirements.

Environmental Laws

The Company does not believe that it is subject to any environmental laws, either state or federal. Compliance with any laws concerning manufacturing is the responsibility of the contract manufacturer.

Employees

As of March 1, 2023 March 18, 2024, the Company has 13 10 employees and 3 consultants.

Item 1A. Risk Factors

An investment in the Company's securities involves significant risks, including the risks described below. The risks included below are not the only ones that the Company faces. Additional risks presently unknown to us or that we currently consider immaterial or unlikely to occur could also impair our operations. If any of the risks or uncertainties described below or any such additional risks and uncertainties actually occur, our business, prospects, financial condition or results of operations could be negatively affected.

The Beginning in March 2020, the COVID-19 pandemic had a significant impact of COVID-19 on the Company is constantly evolving. The direct impact to our operations had begun to take effect at the close of the first quarter ended March 31, 2020. Company. Specifically, our business was impacted by dining bans targeted at restaurants to reduce the size of public gatherings. Such bans precluded our single serve single-serve products from being served at those establishments for a number of weeks, and in some instances, resulted in abandoned product launches. Furthermore, many school districts closed regular attendance for a period of time thereby disrupting sales of product into that channel. More recently, In 2022 and 2023, we have experienced a disruption in the supply chain interruptions and inflation for manufacturing our products due to COVID-19. The developments surrounding COVID-19 remain fluid component and dynamic, and consequently, transportation costs. We believe that the impact of the pandemic has substantially abated, but will require the Company to continue to monitor news headlines from government and health officials, as well as, the business community. assess developments.

__Risks Related to Our Business__

We have a history of operating losses.

We have a history of operating losses and may not achieve or sustain profitability. These operating losses have been generated while we market to potential customers. We cannot guarantee that we will become profitable. Even if we achieve profitability, given the competitive and evolving nature of the industry in which we operate, we may be unable to sustain or increase profitability and our failure to do so would adversely affect the Company's business, including our ability to raise additional funds.

If we continue to suffer losses from operations, our working capital may be insufficient to support our ability to expand our business operations as rapidly as we would deem necessary at any time, unless we are able to obtain additional financing. There can be no assurance that we will be able to obtain such financing on acceptable terms, or at all. If adequate funds are not available or are not available on acceptable terms, we may not be able to pursue our business objectives and would be required to reduce our level of operations, including reducing infrastructure, promotions, sales and marketing programs, personnel and other operating expenses. These events could adversely affect our business, results of operations and financial condition. If adequate funds are not available or if they are not available on acceptable terms, our ability to fund the growth of our operations, take advantage of opportunities, develop products or services or otherwise respond to competitive pressures, could be significantly limited.

Issues with a manufacturer have resulted in a significant loss for 2022 and 2023, as well as other negative impacts.

As described more fully in Item 7, we experienced product quality issues with a contract manufacturer (the “Manufacturer”) that provided approximately 52% and 42% of our products in the years year ended December 31, 2022 and 2021. . Complaints from customers led us to withdraw product from the market and destroy existing inventory. The results for 2022 reflect the estimated accounting impact of these actions, including $493,000 in refunds and administrative fees due to customers and $932,000 to dispose of unsaleable inventory.

In addition to the accounting impact, we must obtain suitable replacement contract manufacturers and regain the confidence of our customers and investing public, all while seeking a resolution with the Manufacturer. These tasks require have required substantial amounts of personnel and capital resources. As of the filing of this report, we are unable to predict the impact on our results for the resources in 2023 fiscal year. with ongoing activities expected in 2024.

We may need additional financing in the future, which may not be available when needed or may be costly and dilutive.

We may require additional financing to support our working capital needs in the future. The amount of additional capital we may require, the timing of our capital needs and the availability of financing to fund those needs will depend on a number of factors, including our strategic initiatives and operating plans, the performance of our business and the market conditions for debt or equity financing. Additionally, the amount of capital required will depend on our ability to meet our case sales goals and otherwise successfully execute our operating plan. We believe it is imperative to meet these sales objectives in order to lessen our reliance on external financing in the future. Although we believe various debt and equity financing alternatives will be available to us to support our working capital needs, financing arrangements on acceptable terms may not be available to us when needed. Additionally, these alternatives may require significant cash payments for interest and other costs or could be highly dilutive to our existing shareholders. Any such financing alternatives may not provide us with sufficient funds to meet our long-term capital requirements. If necessary, we may explore strategic transactions that we consider to be in the best interest of the Company and our shareholders, which may include, without limitation, public or private offerings of debt or equity securities, and other strategic alternatives; however, these options may not ultimately be available or feasible.

A worsening of economic conditions or a decrease in consumer spending may adversely impact our ability to implement our business strategy.

Our success depends to a significant extent on discretionary consumer spending, which is influenced by general economic conditions and the availability of discretionary income. There is no certainty regarding economic conditions in the United States, and credit and financial markets and confidence in economic conditions could deteriorate at any time. Accordingly, we may experience declines in revenue during economic turmoil or during periods of uncertainty. uncertainty including uncertainty resulting from war, terrorism or contagious disease. Any material decline in the amount of discretionary spending, leading cost-conscious consumers to be more selective in restaurants visited, could have a material adverse effect on our revenue, results of operations, business and financial condition.

The challenges of competing with the many food services businesses may result in reductions in our revenue and operating margins.

We compete with many well-established companies, food service and otherwise, on the basis of taste, quality and price of product offered, customer service, atmosphere, location and overall guest experience. Our success depends, in part, upon the popularity of our products and our ability to develop new menu items that appeal to consumers across all four day parts. Shifts in consumer preferences away from our products, our inability to develop new menu items that appeal to consumers across all day parts, or changes in our menu that eliminate items popular with some consumers could harm our business. We compete with other smoothie and juice bar retailers, specialty coffee retailers, yogurt and ice cream shops, bagel shops, fast-food restaurants, delicatessens, cafés, take-out food service companies, supermarkets and convenience stores. Our competitors change with each of the four day parts, ranging from coffee bars and bakery cafés to casual dining chains. Many of our competitors or potential competitors have substantially greater financial and other resources than we do, which may allow them to react to changes in the market quicker than we can. In addition, aggressive pricing by our competitors or the entrance of new competitors into our markets, could reduce our revenue and operating margins. We also compete with other employers in our markets for workers and may become subject to higher labor costs as a result of such competition.

It is difficult to predict the timing and amount of our sales because our distributors and national accounts may not be required to place minimum orders with us.

Our distributors are not required to place minimum monthly or annual orders for our products. Accordingly, we cannot predict the timing or quantity of purchases by any of our independent distributors or whether any of our distributors will continue to purchase products from us in the same frequencies and volumes as they may have done in the past. Additionally, our larger distributors and partners may make orders that are larger than we have historically been required to fill. Shortages in inventory levels, supply of raw materials or other key supplies could negatively affect us.

The recent global coronavirus outbreak could harm our business and results of operations.
In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including ours. This outbreak could decrease spending, adversely affect demand for our product and harm our business and results of operations. It is not possible for us to predict the duration or magnitude of the adverse results of the outbreak and its effects on our business or results of operations at this time.

Disruption within our supply chain, contract manufacturing or distribution channels could have an adverse effect on our business, financial condition and results of operations.

Our ability, through our suppliers, business partners, contract manufacturers, independent distributors and retailers, to produce, transport, distribute and sell products is critical to our success.

Damage or disruption to our suppliers or to manufacturing or distribution capabilities due to weather, natural disaster, fire or explosion, terrorism, pandemics such as COVD-19 and influenza, labor strikes or other reasons, could impair the manufacture, distribution and sale of our products. Many of these events are outside of our control. Failure to take adequate steps to protect against or mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, could adversely affect our business, financial condition and results of operations.
During the fourth quarter of 2023, the beverage industry began experiencing a shortage of 4-ounce and 8-ounce cartons, directly impacting our “Twist & Go”™ product. As of the date of this report, the shortage is continuing and could impair the ability of our manufacturers to fulfill orders that we place with them and/or increase our costs. If we are unable to pass on any increased costs, our gross margin will decrease.

Our experience with the Manufacturer demonstrates how our reliance on a limited number of manufacturers and suppliers further increases this risk. Most of our suppliers and manufacturers produce similar products for other companies, and our products may represent a small portion of their businesses. Further, it takes a newly engaged manufacturer typically up to nine months of retrofitting/ preparation before it can begin producing our products. We have contracts in place to produce sufficient units to meet projected demand; however, if one of our manufacturers fails to perform, we would be faced with a significant interruption in our supply chain. If one of our manufacturers or suppliers fails to perform or deliver products, for any reason, our sales and results of operations could be adversely affected. Furthermore, if we are unable to meet our customers’ demands due to a disruption in our supply chain, we may lose that customer which could adversely affect our business, financial condition and results of operations.

Our dependence on independent contract manufacturers could make management of our manufacturing and distribution efforts inefficient or unprofitable.

We are expected to arrange for our contract manufacturing needs sufficiently in advance of anticipated requirements, which is customary in the contract manufacturing industry for comparably sized companies. Based on the cost structure and forecasted demand for the particular geographic area where our contract manufacturers are located, we continually evaluate which of our contract manufacturers to use. To the extent demand for our products exceeds available inventory or the production capacity of our contract manufacturing arrangements, or orders are not submitted on a timely basis, we will be unable to fulfill distributor orders on demand. Conversely, we may produce more product inventory than warranted by the actual demand for it, resulting in higher storage costs and the potential risk of inventory spoilage. Our failure to accurately predict and manage our contract manufacturing requirements and our inventory levels may impair relationships with our independent distributors and key accounts, which, in turn, would likely have a material adverse effect on our ability to maintain effective relationships with those distributors and key accounts. At present, we must replace the Manufacturer with one or more new contract manufacturers and/or arrange for increased production from our existing contract manufacturers, all of which require several months to implement.

If we do not adequately manage our inventory levels, our operating results could be adversely affected.

We need to maintain adequate inventory levels to be able to deliver products to distributors on a timely basis. Our inventory supply depends on our ability to correctly estimate demand for our products. Our ability to estimate demand for our products is imprecise, particularly for new products, seasonal promotions and new markets. If we materially underestimate demand for our products or are unable to maintain sufficient inventory, of raw materials, we might not be able to satisfy demand on a short-term basis. If we overestimate distributor or retailer demand for our products, we may end up with too much inventory, resulting in higher storage costs, increased trade spending and the risk of inventory spoilage. If we fail to manage our inventory to meet demand, we could damage our relationships with our distributors and retailers and could delay or lose sales opportunities, which would unfavorably impact our future sales and adversely affect our operating results. In addition, if the inventory of our products held by our distributors and retailers is too high, they will not place orders for additional products, which would also unfavorably impact our sales and adversely affect our operating results.

Increases in costs of packaging, ingredients and contract manufacturing tolling fees may have an adverse impact on our gross margin.

Packaging costs such as paper and aluminum cans have experienced industry wide price increases in the past and there is always the risk that the Company's contract manufacturers increase their toll rates based on increases in their fixed and variable costs. If the Company is unable to pass on these costs, the gross margin will be significantly impacted.

Fluctuations in various food and supply costs, particularly fruit and dairy, could adversely affect our operating results.

Supplies and prices of the various ingredients that we are going to use to can be affected by a variety of factors, such as weather, seasonal fluctuations, demand, politics and economics in the producing countries.

These factors subject us to shortages or interruptions in product supplies, which could adversely affect our revenue and profits. In addition, the prices of fruit and dairy, which are the main ingredients in our products, can be highly volatile. The fruit of the quality we seek tends to trade on a negotiated basis, depending on supply and demand at the time of the purchase. An increase in pricing of any fruit that we are going to use in our products could have a significant adverse effect on our profitability. We cannot assure you that we will be able to secure our fruit supply.

Our business depends substantially on the continuing efforts of our senior management and other key personnel, and our business may be severely disrupted if we lose their services.

Our future success heavily depends on the continued service of our senior management and other key employees. If one or more of our senior executives is unable or unwilling to continue to work for us in his or her present position, we may have to spend a considerable amount of time and resources searching, recruiting, and integrating a replacement into our operations, which would substantially divert management's attention from our business and severely disrupt our business. This may also adversely affect our ability to execute our business strategy.

We may be unable to attract and retain qualified, experienced, highly skilled personnel, which could adversely affect the implementation of our business plan.

Our success depends to a significant degree upon our ability to attract, retain and motivate skilled and qualified personnel. As we become a more mature company in the future, we may find recruiting and retention efforts more challenging. If we do not succeed in attracting, hiring and integrating excellent personnel, or retaining and motivating existing personnel, we may be unable to grow effectively. Our inability to attract highly skilled personnel with sufficient experience in our industries could harm our business.

Product liability exposure may expose us to significant liability.

We may face an inherent business risk of exposure to product liability and other claims and lawsuits in the event that the development or use of our technology or prospective products is alleged to have resulted in adverse effects. We may not be able to avoid significant liability exposure. Although we believe our insurance coverage to be adequate, we may not have sufficient insurance coverage, and we may not be able to obtain sufficient coverage at a reasonable cost. An inability to obtain product liability insurance at acceptable cost or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of our products. A product liability claim could hurt our financial performance. Even if we ultimately avoid financial liability for this type of exposure, we may incur significant costs in defending ourselves that could hurt our financial performance and condition.

Litigation or legal proceedings could expose us to significant liabilities and damage our reputation.

We may become party to litigation claims and legal proceedings. Litigation involves significant risks, uncertainties and costs, including distraction of management attention away from our business operations. We evaluate litigation claims and legal proceedings to assess the likelihood of unfavorable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, we establish reserves and disclose the relevant litigation claims or legal proceedings, as appropriate. These assessments and estimates are based on the information available to management at the time and involve a significant amount of management judgment. Actual outcomes or losses may differ materially from those envisioned by our current assessments and estimates. Our policies and procedures require strict compliance by our employees and agents with all U.S. and local laws and regulations applicable to our business operations, including those prohibiting improper payments to government officials. Nonetheless, our policies and procedures may not ensure full compliance by our employees and agents with all applicable legal requirements. Improper conduct by our employees or agents could damage our reputation or lead to litigation or legal proceedings that could result in civil or criminal penalties, including substantial monetary fines, as well as disgorgement of profits.

While the litigation with the Manufacturer has been voluntarily moved from the court system, there is no assurance that we will be able to reach a suitable resolution with the Manufacturer and not be forced to refile our case with the court.

We have identified a material weakness in our disclosure controls and procedures and internal control over financial reporting. If not remediated, our failure to establish and maintain effective disclosure controls and procedures and internal control over financial reporting could result in material misstatements in our financial statements and a failure to meet our reporting and financial obligations, each of which could have a material adverse effect on our financial condition and the trading price of our common stock.

Maintaining effective internal control over financial reporting and effective disclosure controls and procedures are necessary for us to produce reliable financial statements. As discussed in Item 9A – "Controls and Procedures" of this Form 10-K, we have re-evaluated our internal control over financial reporting and our disclosure controls and procedures and concluded that they were not effective as of December 31, 2022.

A material weakness is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Management has concluded that there is a material weakness due to the control environment. The control environment is impacted due to the Company's inadequate segregation of duties.

The Company is committed to remediating its material weaknesses as promptly as possible. Implementation of the Company's remediation plans has commenced , including adding appropriate staffing and implementing an improved information system. Remediation is being overseen by the audit committee. However, there can be no assurance as to when these material weaknesses will be remediated or that additional material weaknesses will not arise in the future. Even effective internal control can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. Any failure to remediate the material weaknesses or the development of new material weaknesses in our internal control over financial reporting, could result in material misstatements in our financial statements, which in turn could have a material adverse effect on our financial condition and the trading price of our common stock and we could fail to meet our financial reporting obligations.

Fluctuations in various food and supply costs, particularly fruit and dairy, could adversely affect our operating results.

Supplies and prices of the various ingredients that we are going to use to can be affected by a variety of factors, such as weather, seasonal fluctuations, demand, politics and economics in the producing countries.

These factors subject us to shortages or interruptions in product supplies, which could adversely affect our revenue and profits. In addition, the prices of fruit and dairy, which are the main ingredients in our products, can be highly volatile. The fruit of the quality we seek tends to trade on a negotiated basis, depending on supply and demand at the time of the purchase. An increase in pricing of any fruit that we are going to use in our products could have a significant adverse effect on our profitability. We cannot assure you that we will be able to secure our fruit supply.

Our business depends substantially on the continuing efforts of our senior management and other key personnel, and our business may be severely disrupted if we lose their services.

Our future success heavily depends on litigation with Manufacturer was voluntarily withdrawn from the continued service court system in January 2023 and refiled in August 2023, as we were unable to reach a suitable resolution. While we believe that that our claims have merit, there is no assurance of our senior management and other key employees. If one or more of our senior executives is unable or unwilling a favorable outcome to continue to work for us in his or her present position, we may have to spend a considerable amount of time and resources searching, recruiting, and integrating a replacement into our operations, which would substantially divert management's attention from our business and severely disrupt our business. This may also adversely affect our ability to execute our business strategy.

this case.

We may be unable to attract and retain qualified, experienced, highly skilled personnel, which could adversely affect the implementation of our business plan.

Our success depends to a significant degree upon our ability to attract, retain and motivate skilled and qualified personnel. As we become a more mature company in the future, we may find recruiting and retention efforts more challenging. If we do not succeed in attracting, hiring and integrating excellent personnel, or retaining and motivating existing personnel, we may be unable to grow effectively. The loss of any key employee, including members of our senior management team, and our inability to attract highly skilled personnel with sufficient experience in our industries could harm our business.

Product liability exposure may expose us to significant liability.

We may face an inherent business risk of exposure to product liability and other claims and lawsuits in the event that the development or use of our technology or prospective products is alleged to have resulted in adverse effects. We may not be able to avoid significant liability exposure. Although we believe our insurance coverage to be adequate, we may not have sufficient insurance coverage, and we may not be able to obtain sufficient coverage at a reasonable cost. An inability to obtain product liability insurance at acceptable cost or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of our products. A product liability claim could hurt our financial performance. Even if we ultimately avoid financial liability for this type of exposure, we may incur significant costs in defending ourselves that could hurt our financial performance and condition.

Our inability to protect our intellectual property rights may force us to incur unanticipated costs.

Our success will depend, in part, on our ability to obtain and maintain protection in the United States and internationally for certain intellectual property incorporated into our products. Our intellectual property rights may be challenged, narrowed, invalidated or circumvented, which could limit our ability to prevent competitors from marketing similar solutions that limit the effectiveness of our patent protection and force us to incur unanticipated costs. In addition, existing laws of some countries in which we may provide services or solutions may offer only limited protection of our intellectual property rights.

Our products may infringe the intellectual property rights of third parties, and third parties may infringe our proprietary rights, either of which may result in lawsuits, distraction of management and the impairment of our business.

As the number of patents, copyrights, trademarks and other intellectual property rights in our industry increases, products based on our technology may increasingly become the subject of infringement claims. Third parties could assert infringement claims against us in the future. Infringement claims with or without merit could be time consuming, result in costly litigation, cause product shipment delays or require us to enter into royalty or licensing agreements. Royalty or licensing agreements, if required, might not be available on terms acceptable to us, or at all. We may initiate claims or litigation against third parties for infringement of our proprietary rights or to establish the validity of our proprietary rights. Litigation to determine the validity of any claims, whether or not the litigation is resolved in our favor, could result in significant expense to us and divert the efforts of our technical and management personnel from productive tasks. If there is an adverse ruling against us in any litigation, we may be required to pay substantial damages, discontinue the use and sale of infringing products and expend significant resources to develop non-infringing technology or obtain licenses to infringing technology. Our failure to develop or license a substitute technology could prevent us from selling our products.

We will continue to incur increased costs as a result of operating as a public company, and our management will be required to devote substantial time to compliance initiatives and corporate governance practices.

As a public company, we will continue to incur significant legal, accounting and other expenses. The Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act and other applicable securities rules and regulations impose various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Our management and other personnel will need to continue to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and make some activities more time-consuming and costly.

We cannot predict or estimate the amount of additional costs we may incur to continue to operate as a public company, nor can we predict the timing of such costs. These rules and regulations are often subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

We have identified a material weakness in our disclosure controls and procedures and internal control over financial reporting. If not remediated, our failure to establish and maintain effective disclosure controls and procedures and internal control over financial reporting could result in material misstatements in our financial statements and a failure to meet our reporting and financial obligations, each of which could have a material adverse effect on our financial condition and the trading price of our common stock.

Maintaining effective internal control over financial reporting and effective disclosure controls and procedures are necessary for us to produce reliable financial statements. As discussed in Item 9A – "Controls and Procedures" of this Form 10-K, we have re-evaluated our internal control over financial reporting and our disclosure controls and procedures and concluded that they were not effective as of December 31, 2023.

A material weakness is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Management has concluded that there is a material weakness due to the control environment. The control environment is impacted due to the Company's inadequate segregation of duties.

The Company is committed to remediating its material weaknesses as promptly as possible. Implementation of the Company's remediation plans has commenced , including adding appropriate staffing and implementing an improved information system. Remediation is being overseen by the audit committee. However, there can be no assurance as to when these material weaknesses will be remediated or that additional material weaknesses will not arise in the future. Even effective internal control can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. Any failure to remediate the material weaknesses or the development of new material weaknesses in our internal control over financial reporting, could result in material misstatements in our financial statements, which in turn could have a material adverse effect on our financial condition and the trading price of our common stock and we could fail to meet our financial reporting obligations.

Failure to comply with the United States Foreign Corrupt Practices Act could subject us to penalties and other adverse consequences.

As a Delaware corporation, we are subject to the United States Foreign Corrupt Practices Act, which generally prohibits United States companies from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. Some foreign companies, including some that may compete with our Company, may not be subject to these prohibitions. Corruption, extortion, bribery, pay-offs, theft and other fraudulent practices may occur from time-to-time in countries in which we conduct our business. However, our employees or other agents may engage in conduct for which we might be held responsible. If our employees or other agents are found to have engaged in such practices, we could suffer severe penalties and other consequences that may have a material adverse effect on our business, financial condition and results of operations.

It is difficult Our use of information technology and third-party service providers exposes us to predict the timing cybersecurity breaches and amount of our sales because our distributors and national accounts may not be required to place minimum orders with us. other business disruptions.

We use information technology and third-party service providers to support our business processes and activities, including supporting critical business operations such as manufacturing and distribution; communicating with our suppliers, customers and employees; maintaining effective accounting processes and financial and disclosure controls; executing corporate transactions; conducting research and development activities; and meeting regulatory, legal and tax requirements. Shared service centers managed by third parties provide an increasing number of services important to conducting our business, including accounting, internal control, human resources and computing functions.

Continuity of business applications and services has been, and may in the future be, disrupted by events such as infection by viruses or malware; other cybersecurity attacks; issues with or errors in systems' maintenance or security; power outages; hardware or software failures; denial of service attacks; telecommunication failures; natural disasters; terrorist attacks; and other catastrophic occurrences. Our distributors use of new and emerging technologies such as cloud-based services and mobile applications continues to evolve, presenting new and additional risks in managing access to our data, relying on third parties to manage and safeguard data, ensuring access to our systems and availability of third-party systems. In addition, we are not required experiencing new and more frequent attempts by third parties to place minimum monthly or annual orders for gain access to our products. Accordingly, we cannot predict the timing or quantity of purchases by any systems, such as through increased email phishing of our independent distributors workforce.

We leverage third parties for various technology and business services who may experience cybersecurity breaches, whether from circumvention of security systems, denial-of-service attacks or whether any other cyberattacks such as hacking, phishing attacks, computer viruses, ransomware or malware, cyber extortion, employee or insider error, malfeasance, social engineering, physical breaches or other actions or attempts to exploit vulnerabilities may cause confidential information or Personally Identifiable Information belonging to us or our employees, customers, consumers, partners, suppliers, or governmental or regulatory authorities to be misused or breached. These risks could be magnified since the number of employees, contractors and others working outside of offices increased since the COVID-19 pandemic. Additionally, continued geopolitical turmoil, including the ongoing war in Ukraine, has heightened the risk of cyberattacks. When risks such as these materialize, the need for us to coordinate with various third-party service providers and for third-party service providers to coordinate amongst themselves might increase challenges and costs to resolve related issues. Our information security program includes capabilities designed to evaluate and mitigate cyber risks arising from third-party service providers. Cyber threats to externally-hosted technology and business services are beyond our control. Additionally, new initiatives, such as those related to digital commerce and direct sales, that increase the amount of confidential information that we process and maintain increase our potential exposure to a cybersecurity breach. Furthermore, the rapid evolution and increased adoption of artificial intelligence technologies may intensify our cybersecurity risks. If our controls, disaster recovery and business continuity plans or those of our distributors will continue third-party providers do not effectively respond to purchase products from us or resolve the issues related to any such disruptions in the same frequencies a timely manner, our product sales, financial condition, results of operations and volumes as they stock price may have done be materially and adversely affected, and we might experience delays in the past. Additionally, reporting our larger distributors financial results, loss of intellectual property and partners may make orders that are larger than we have historically been required damage to fill. Shortages in inventory levels, supply of raw materials our reputation or other key supplies could negatively affect us. brands.

Risks Related to Ownership of Our Common Stock

If we are unable to adequately fund our operations, we may be forced to voluntarily file for deregistration of our common stock with the SEC.

Compliance with the periodic reporting requirements required by the SEC consumes a considerable amount of both internal, as well external, resources and represents a significant cost for us. If we are unable to continue to devote adequate funding and the resources needed to maintain such compliance, while continuing our operations, we could be forced to deregister with the SEC. After the deregistration process, our common stock would only be tradable on the "Pink Sheets" and could suffer a decrease in or absence of liquidity.

We may not be able to continue to comply with Nasdaq listing standards.

In May 2023, we received a letter from Nasdaq indicating that we were not in compliance with Nasdaq Listing Rule 5550(b)(1), which requires companies listed on The Nasdaq Stock Market to maintain a minimum of $2,500,000 in stockholders' equity for continued listing. In our quarterly report on Form 10-Q for the period ended March 31, 2023, we reported stockholders' equity of $1,845,000, thereby failing to satisfy Listing Rule 5550(b)(1). While we recently regained compliance with this Rule, our stockholders' equity at December 31, 2023 was only $2,503,000. Incurring net losses going forward may cause us to fail to meet Nasdaq listing standards and result in our common stock only being tradable in the over-the-counter markets.

Our use of information technology and third-party service providers exposes us to cybersecurity breaches and other business disruptions.

We use information technology and third-party service providers to support our business processes and activities, including supporting critical business operations such as manufacturing and distribution; communicating with our suppliers, customers and employees; maintaining effective accounting processes and financial and disclosure controls; executing corporate transactions; conducting research and development activities; and meeting regulatory, legal and tax requirements. Shared service centers managed by third parties provide an increasing number of services important to conducting our business, including accounting, internal control, human resources and computing functions.

Continuity of business applications and services has been, and may in the future be, disrupted by events such as infection by viruses or malware; other cybersecurity attacks; issues with or errors in systems' maintenance or security; power outages; hardware or software failures; denial of service attacks; telecommunication failures; natural disasters; terrorist attacks; and other catastrophic occurrences. Our use of new and emerging technologies such as cloud-based services and mobile applications continues to evolve, presenting new and additional risks in managing access to our data, relying on third parties to manage and safeguard data, ensuring access to our systems and availability of third-party systems. In addition, we are experiencing new and more frequent attempts by third parties to gain access to our systems, such as through increased email phishing of our workforce.

We leverage third parties for various technology and business services who may experience cybersecurity breaches, whether from circumvention of security systems, denial-of-service attacks or other cyberattacks such as hacking, phishing attacks, computer viruses, ransomware or malware, cyber extortion, employee or insider error, malfeasance, social engineering, physical breaches or other actions or attempts to exploit vulnerabilities may cause confidential information or Personally Identifiable Information belonging to us or our employees, customers, consumers, partners, suppliers, or governmental or regulatory authorities to be misused or breached. These risks could be magnified since the number of employees, contractors and others working outside of offices increased since the COVID-19 pandemic. Additionally, continued geopolitical turmoil, including the ongoing war in Ukraine, has heightened the risk of cyberattacks. When risks such as these materialize, the need for us to coordinate with various third-party service providers and for third-party service providers to coordinate amongst themselves might increase challenges and costs to resolve related issues. Our information security program includes capabilities designed to evaluate and mitigate cyber risks arising from third-party service providers. Cyber threats to externally-hosted technology and business services are beyond our control. Additionally, new initiatives, such as those related to digital commerce and direct sales, that increase the amount of confidential information that we process and maintain increase our potential exposure to a cybersecurity breach. Furthermore, the rapid evolution and increased adoption of artificial intelligence technologies may intensify our cybersecurity risks. If our controls, disaster recovery and business continuity plans or those of our third-party providers do not effectively respond to or resolve the issues related to any such disruptions in a timely manner, our product sales, financial condition, results of operations and stock price may be materially and adversely affected, and we might experience delays in reporting our financial results, loss of intellectual property and damage to our reputation or brands.

If securities or industry analysts do not publish research, or publish inaccurate or unfavorable research, about our business, our share price and trading volume could decline.

The trading market for our common stock may be impacted, in part, by the research and reports that securities or industry analysts publish about our business or us. There can be no assurance that analysts will cover us, continue to cover us or provide favorable coverage. If one or more analysts downgrade our stock or change their opinion of our stock, our share price may decline. In addition, if one or more analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

Because we became public by means of a "reverse merger", we may not be able to attract the attention of major brokerage firms.

Additional risks may exist since we became public through a "reverse merger". Securities analysts of major brokerage firms may not provide coverage of us since there is little incentive to brokerage firms to recommend the purchase of our common stock. We cannot assure you that brokerage firms will want to conduct any secondary offerings on behalf of our Company in the future.

Future sales of our common stock in the public market could lower the price of our common stock and impair our ability to raise funds in future securities offerings.

Future sales of a substantial number of shares of our common stock in the public market, or the perception that such sales may occur, could adversely affect the then prevailing market price of our common stock and could make it more difficult for us to raise funds in the future through a public offering of our securities.

Our common stock is subject to price volatility unrelated to our operations.

The market price of our common stock could fluctuate substantially due to a variety of factors, including market perception of our ability to achieve our planned growth, quarterly operating results of other companies in the same industry, trading volume in our common stock, changes in general conditions in the economy and the financial markets or other developments affecting the Company's competitors or the Company itself.

Because we do not intend to pay dividends, shareholders will benefit from an investment in our common stock only if it appreciates in value.

We have never declared or paid any cash dividends on our preferred stock or common stock. For the foreseeable future, it is expected that earnings, if any, generated from our operations will be used to finance the growth of our business, and that no dividends will be paid to holders of the Company's common stock. As a result, the success of an investment in our common stock will depend upon any future appreciation in its value. There can be no guarantee that our common stock will appreciate in value.

The price of our common stock may become volatile, which could lead to losses by investors and costly securities litigation.

The trading price of our common stock is likely to be highly volatile and could fluctuate in response to factors such as:

- actual or anticipated variations in our operating results;
- announcements of developments by us or our competitors;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- adoption of new accounting standards affecting our industry;
- additions or departures of key personnel;
- introduction of new products by us or our competitors;
- sales of our common stock or other securities in the open market; and
- other events or factors, many of which are beyond our control.

The stock market is subject to significant price and volume fluctuations. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been initiated against such a company. Litigation initiated against us, whether or not successful, could result in substantial costs and diversion of our management's attention and Company resources, which could harm our business and financial condition.

Investors may experience dilution of their ownership interests because of future issuances of additional shares of our common stock.

We intend to continue to seek financing through the issuance of equity or convertible securities to fund our operations. In the future, we may also issue additional equity securities resulting in the dilution of the ownership interests of our present shareholders. We may also issue additional shares of our common stock or other securities that are convertible into or exercisable for our common stock in connection with hiring or retaining employees, future acquisitions or for other business purposes. The future issuance of any such additional shares of common stock will result in dilution to our shareholders and may create downward pressure on the trading price of our common stock.

Provisions in our Company charter documents and under Delaware law could make an acquisition of our company, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove our current management.

Provisions in our certificate of incorporation and our bylaws may discourage, delay or prevent a merger, acquisition or other change in control of our Company that stockholders may consider favorable, including transactions in which they might otherwise receive a premium for their shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, because our board of directors is responsible for appointing the members of our management team, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibits a person who owns in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner.

Our board of directors controls the majority of the outstanding shares of voting stock.

At present, members of our board of directors and/or their affiliated entities control over 60% of the outstanding shares of voting stock, and therefore have the power to control all matters requiring the approval of our stockholders, including the election of directors and the approval of mergers and other significant corporate transactions.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 1C. Cybersecurity.

We are committed to our goal to protect sensitive business-related and personal information, as well as our information systems. Although the size and scope of our operations is limited compared to larger global operations, we are subject to numerous and evolving cybersecurity risks that could adversely and materially affect our business, financial condition and results of operations. In that regard, we have increased our investment in information systems by hiring a Director of Technology in 2024 to replace limited outsourced services previously utilized.

Our Management Leadership Team, with oversight from the Board of Directors, plans to implement a comprehensive cybersecurity program, including incident response process, aligned with the National Institute of Standards and Technology (NIST) Cybersecurity Framework and NIST Computer Security Incident Handling Guide (NIST SP 800-61) to assess, identify, address and manage risks from cybersecurity threats that may result in material adverse effects on the confidentiality, integrity and availability of our business and information systems.

Our Director of Technology reports to our Chief Financial Officer and has operational responsibility for our information security programs, protections, and efforts, along with leading efforts for implementing, monitoring, and maintaining cybersecurity and data security strategy, policy, standards, architecture, and practices across our business. We anticipate that our Director of Technology will update the Chief Financial Officer and Chief Executive Officer on these matters and work closely with these Senior Executives to oversee compliance with legal, regulatory, and contractual security requirements with the guidance of outside counsel.

We anticipate that our Board, in coordination with the Audit Committee, will oversee the Company's enterprise risks arising from cybersecurity threats and will periodically review the measures we have implemented to identify and mitigate data protection and cybersecurity risks. We do not currently have a Cybersecurity Incident Response Plan ("CSIRP") to provide the organizational and operational structure, processes, and procedures for investigating, containing, documenting and mitigating cybersecurity incidents. We expect to implement a risk-based approach to identifying, preventing and mitigating cybersecurity threats and incidents, while also implementing controls and procedures that provide for the prompt escalation of certain cybersecurity incidents so that decisions regarding the public disclosure and reporting of such incidents can be made by management in a timely manner.

We also rely on information technology and third-party vendors to support our operations, including our secure processing of personal, confidential, sensitive, proprietary and other types of information. Despite ongoing efforts to continuously improve our and our vendors' ability to protect against cyber incidents, we may not be able to protect all information systems, and such incidents may lead to reputational harm, revenue and customer loss, legal actions, statutory penalties, among other consequences. While we have not experienced any material cybersecurity threats or incidents in recent years, there can be no guarantee that we will not be the subject of future threats or incidents. Additional information on cybersecurity risks we face can be found in Item 1A, *Risk Factors*, which should be read in conjunction with the foregoing information.

Item 2. Properties.

Our principal executive offices are located at 3600 Wilshire Boulevard Suite 1720, Los Angeles, 90010. Beginning in April 2019, we leased this office space pursuant to a direct lease for approximately $80,000 annually through March 31, 2023. The Company extended its lease multiple times, most recently through June 2023 September 2024, while management evaluates options for renewal or relocation.

Item 3. Legal Proceedings. Proceedings

Other than as disclosed below, neither As described in Note 7, the Company nor its subsidiaries are party has an on-going dispute with the Manufacturer, the outcome of which cannot be predicted at this time.

From time to or have property that time, various lawsuits and legal proceedings may arise in the ordinary course of business. However, litigation is the subject of any material pending legal proceedings. We may be subject to ordinary legal proceedings incidental to our business inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm our business. We are not required currently the defendant in one legal proceeding for an amount less than $100,000. Our legal counsel and management believe a material unfavorable outcome to be disclosed under this Item 3.

On November 10, 2022, we filed a complaint in the United States District Court for the Central District of California, Western Division, against Schreiber Foods, Inc. claiming a breach of the supply agreement and seeking economic damages. On January 20, 2023, the Company filed a voluntary dismissal of the complaint which allows the parties to reach a potential resolution outside of the court system. Further information is included in Item 7 and Notes 1 and 9 of our financial statements.remote.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock is currently traded on the Nasdaq's Capital Market under the symbol "BRFH". Our common stock had been quoted on the Nasdaq's Capital Market since January 20, 2022. Prior to January 20, 2022, our common stock was quoted on the OTCQB. Effective December 29, 2021, we effected a 1-for-13 reverse stock split. The following table sets forth the range of high and low bid quotations for the applicable periods, as adjusted for the reverse stock split. These quotations as reported by the Nasdaq Capital Market reflect inter-dealer prices without retail mark-up, markdown or commissions and may not necessarily represent actual transactions.

	Bid Quotation	
Financial Quarter Ended	High ($)	Low ($)
December 31, 2022	3.09	1.00
September 30, 2022	5.89	2.62
June 30, 2022	7.64	4.67
March 31, 2022	8.00	3.86
December 31, 2021	7.15	3.12
September 30, 2021	8.45	4.68
June 30, 2021	8.45	4.96
March 31, 2021	7.15	3.90

Holders

On February 24, 2023 March 18, 2024, there were 12,971,330 14,507,146 shares of our common stock outstanding. Our shares of common stock are held by 82 89 stockholders of record. The number of record holders was determined from the records of our transfer agent and does not include beneficial owners of common stock whose shares are held in the names of various security brokers, dealers and registered clearing agencies.

Recent Sales of Unregistered Securities

During On October 9, 2023, the fourth quarter Company drew down $1,390,000 in convertible debt and converted a total of 2022, there were no sales $1,207,000 of unregistered securities. principal into 820,160 shares of common stock. Additionally, on December 19, 2023, the Company drew down $470,000 in convertible debt and converted a total of $653,000 of principal and $4,000 of accrued interest into 495,331 shares of common stock.

The registrant relied upon the exemption from registration contained in Rule 506(b) and Section 4(a)(2) of the Securities Act, and corresponding provisions of state securities laws, on the basis that (i) offers were made to a limited number of prospective investors and existing debt holders, (ii) each offer was made through direct communication with the offerees by the registrant, (iii) each of the offerees had the requisite sophistication and financial ability to bear risks of investing in the registrant's common stock, (iv) the registrant provided extensive disclosure to the offerees, and (v) there was no general solicitation and no commission or remuneration was paid in connection with the offers.

Purchases of Equity Securities by the Company

There were no purchases of equity securities made by the Company in the period covered by this report.

Securities Authorized for Issuance Under Equity Compensation Plans

For equity compensation plan information, refer to Item 12. Security Ownership of Certain Beneficial Owners and Related Stockholder Matters of this Annual Report on Form 10-K.

Transfer Agent

Our transfer agent, Securities Transfer Corporation, is located at 2901 N. Dallas Parkway, Suite 380, Plano, Texas 75093, and its telephone number is (469) 633-0101.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The information and financial data discussed below is derived from the audited financial statements of Barfresh for its fiscal years ended December 31, 2022 December 31, 2023 and 2021. 2022. The financial statements of Barfresh were prepared and presented in accordance with generally accepted accounting principles in the United States. The information and financial data discussed below is only a summary and should be read in conjunction with the historical financial statements and related notes of Barfresh contained elsewhere in this Annual Report. This discussion and analysis may contain forward-looking statements based on assumptions about our future business. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors. See "Cautionary Note Regarding Forward Looking Statements" above for a discussion of forward-looking statements and the significance of such statements in the context of this Annual Report.

Overview

The Company's products are packaged in three distinct formats.

The Company's ready-to-drink smoothie, Twist & Go™, has initially been focused towards the USDA national school meal program, including the School Breakfast Program, the National School Lunch Program and Smart Snacks in Schools Program. This sweet fruit and creamy yogurt smoothie contains four ounces of yogurt and a half-cup of fruit/fruit juice and comes in three different flavors: strawberry banana, peach and mango pineapple. "Twist & Go"™ contains no added sugars, preservatives, artificial flavors or colors. At only 125 -130 calories and with 5 grams of protein, it makes the perfect start to any day or on-the-go snack.

The Company’s bulk “Easy Pour” format, which contains all the ingredients necessary to make the beverage, is packaged in gallon containers in a concentrated formula that is mixed 1:1 with water. The Company has a “no sugar added” version of the bulk “Easy Pour” format that is specifically targeted for the aforementioned USDA national school meal programs. In addition, the Company received approval from the United States Defense Logistics Agency (“DLA”) to sell its smoothie products into all branches of the U.S. Armed Forces and is currently in contract with and selling its bulk Easy Pour products into over one hundred military bases in the United States and abroad.

The Company’s single-serve format features portion controlled and ready-to-blend beverage ingredient packs or “beverage packs”. The beverage packs contain all the ingredients necessary to make the beverage, including the base (either sorbet, frozen yogurt, or ice cream), real fruit pieces, juices, and ice – five ounces of water are added before blending.

Domestic and international patents and patents pending are owned by Barfresh, as well as related trademarks for all of the single serve products. Patent rights have been granted in 13 jurisdictions including the United States. In addition, the Company has purchased all of the trademarks related to the patented products.

The Company conducts sales through several channels, including National Accounts, Regional Accounts, and Broadline Distributors.

On October 26, 2015, Barfresh signed a five-year agreement with PepsiCo North America Beverages, a division of PepsiCo, to become its exclusive sales representative within the food service channel to present the Barfresh line of ready-to-blend smoothies and frozen beverages throughout the United States and Canada. In February 2023, Barfresh terminated the agreement. Such termination is not anticipated to have a significant impact on sales.
Currently we have 13 10 employees and 3 consultants.

Barfresh utilizes contract manufacturers to manufacture all of the products in the United States.

Recent developments
Our products are produced to specifications through several contract manufacturers. One of our contract manufacturers (the “Manufacturer”) has provided approximately 52% and 42% of our products in the years ended December 31, 2022 and 2021, respectively, under a Supply Agreement with an initial term through September 2025.
Over the course of 2022, we experienced numerous quality issues with the case packaging utilized by the Manufacturer. In addition, in July of 2022, we began receiving customer complaints about the texture of our smoothie products produced by the Manufacturer. In response, we withdrew product from the market and destroyed on-hand inventory, withholding $499,000 in payments due to the Manufacturer. The results reflect the estimated accounting impact of such actions, including an estimated product return allowance of $330,000 and total product returns reducing revenue by $493,000 as of and for the year ended December 31, 2022, and $932,000 in cost of revenue to dispose of unsaleable inventory.
We attempted to resolve the issues based on the contractual procedures described in the Supply Agreement. However, on November 4, 2022, in response to a formal proposal of alternate resolutions, we received notification from the Manufacturer that it denied any responsibility for the defective manufacture of the product. In response, on November 10, 2022, we filed a complaint in the United States District Court for the Central District of California, Western Division (the “Complaint”), claiming that the Manufacturer has not met its obligations under the Supply Agreement, and seeking economic damages. In response, the Manufacturer terminated the Supply Agreement. On January 20, 2023, we filed a voluntary dismissal of the Complaint which allows the parties to reach a potential resolution outside of the court system. However, if the parties are once again unable to come to an agreement, we have the right to refile the Complaint in California State Court.
Due to the uncertainties surrounding the claim, we are not able to predict either the outcome or a range of reasonably possible recoveries that could result from its actions against the Manufacturer, and no gain contingencies have been recorded. The disruption in supply resulting from the dispute will adversely impact its results of operations and cash flow until a suitable resolution is reached or new sources of reliable supply at sufficient volume can be identified and developed, the timing of which is uncertain.

Critical Accounting Policies

Our financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Revenue Recognition

In accordance with ASC 606, "Revenue from Contracts with Customers", revenue is recognized when a customer obtains ownership of promised goods. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these goods. The Company applies the following five steps:

1) *Identify the contract with a customer*

   A contract with a customer exists when (i) the Company enters into an enforceable contract with a customer that defines each party's rights, (ii) the contract has commercial substance and, (iii) the Company determines that collection of substantially all consideration for goods or services that are transferred is probable. For the Company, the contract is the approved sales order, which may also be supplemented by other agreements that formalize various terms and conditions with customers.

2) *Identify the performance obligation in the contract*

   Performance obligations promised in a contract are identified based on the goods or that will be transferred to the customer. For the Company, this consists of the delivery of frozen beverages, which provide immediate benefit to the customer.

3) *Determine the transaction price*

   The transaction price is determined based on the consideration to which the Company will be entitled in exchange for transferring goods and is generally stated on the approved sales order. Variable consideration, which typically includes rebates or discounts, are estimated utilizing the most likely amount method. Provisions for refunds and other adjustments are generally provided for in the period the related sales are recorded, based on management's assessment of historical and projected trends.

4) *Allocate the transaction price to performance obligations in the contract*

   Since our contracts contain a single performance obligation, delivery of frozen beverages, the transaction price is allocated to that single performance obligation.

5) *Recognize Revenue when or as the Company satisfies a performance obligation*

   The Company recognizes revenue from the sale of frozen beverages when title and risk of loss passes and the customer accepts the goods, which generally occurs at the time of delivery to a customer warehouse. Customer sales incentives such as volume-based rebates or discounts are treated as a reduction of sales at the time the sale is recognized. Shipping and handling costs are treated as fulfilment costs and presented in distribution, selling and administrative costs.

Stock-based Compensation

We account for share-based employee compensation plans under the fair value recognition and measurement provisions in accordance with applicable accounting standards, which require all share-based payments to employees, including grants of stock options and restricted stock units (RSUs) and performance stock units (PSUs), to be measured based on the grant date fair value of the awards, with the resulting expense generally recognized on a straight-line basis over the period during which the employee is required to perform service in exchange for the award. Expense for PSUs is recognized based on expected performance against targets.

Results of Operations

Revenue and cost of revenue

Revenue increased $2,462,000, or 37%, from $6,700,000 was $8,127,000 in 2021 2023 compared to $9,162,000 in 2022. The overall revenue for 2022, a decrease of $1,035,000, or 11%. Revenue in 2022 was significantly higher due to growing Twist & Go™revenue prior to our product withdrawal negatively impacted by the $630,000 claims estimate resulting from the quality complaints with market withdrawal of product purchased from the Manufacturer. As a result of Excluding the withdrawal, we recorded a reserve for anticipated sales refund claims estimate, revenue was $9,655,000 in 2022 and administrative fees of $493,000. We anticipate that our therefore decreased by $1,528,000 in 2023, or 16% based on product shipped. Our revenues will be have been adversely impacted as a result of lost customers and supply constraints resulting from the product issues and related dispute unless with the Manufacturer. While the introduction of our carton packaging format has mitigated the loss of supply, the product offering has not been accepted by some customers or as a substitute for the bottle product in all use cases. Further, as discussed in Item 1A, *Risk Factors*, we may be adversely affected by a carton shortage currently impacting the beverage industry. We have identified and until new sources of reliable supply at sufficient volume are actively working to develop additional smoothie bottle manufacturing capacity. We had expected expanded capacity to become available in early 2024, but were unable to complete the contracting process with the potential partner that had been identified. We believe we will expand capacity in 2024, however, there can be identified no assurances regarding our ability to identify and developed, the timing of which is uncertain.contract with a suitable partner.

Cost of revenue for was $5,243,000 in 2023 compared to $7,722,000 in 2022, a decrease of $2,479,000, or 32%. Cost of revenue in 2022 was $7,722,000 as compared negatively impacted by the $932,000 inventory write-off related to $4,193,000 the product withdrawal. Excluding the inventory write-off, cost of revenue was $6,790,000 in 2021. 2022, and therefore decreased by $1,547,000 in 2023, or 23% based on product shipped. Excluding the impact of the product withdrawal, cost of revenue declined due to lower revenue, and lower product cost due to a shift in product mix resulting from the limited supply of smoothie bottles.

Our gross profit was $2,884,000 (36%) and $1,440,000 (16%) for 2023 and $2,507,000 (37%) 2022, respectively. Adjusted for the product withdrawal, our 2022 gross profit was $2,865,000 (30%). Adjusted comparative gross margin improvement is a result of favorable product mix, pricing actions, and 2021, respectively. Cost a slight improvement in the cost of revenue was adversely impacted by the completed and anticipated disposals of Twist & Go™ product purchased from the Manufacturer, resulting in a charge of $932,000. Depreciation from manufacturing equipment was $29,000 and $18,000 for December 31, 2022 and 2021, respectively. supply chain components.

Selling, marketing and distribution expense

	Year ended December 31, 2022	Year ended December 31, 2021	Change	Percent	Year ended December 31, 2023	Year ended December 31, 2022	Change	Percent
Sales and marketing	$ 1,394,000	$ 756,000	$ 638,000	84 %	$ 1,336,000	$ 1,394,000	$ (58,000)	-4 %
Storage and outbound freight	1,467,000	1,054,000	413,000	39 %	1,278,000	1,467,000	(189,000)	-13 %
	$ 2,861,000	$ 1,810,000	$ 1,051,000	58 %	$ 2,614,000	$ 2,861,000	$ (247,000)	-9 %

Sales, Selling, marketing and distribution expense increased decreased approximately $1,051,000 (58% $247,000 (-9%) from approximately $1,810,000 in 2021 to $2,861,000 in 2022. 2022 to $2,614,000 in 2023.

Sales and marketing expense increased decreased approximately $638,000 (84% $58,000 (4%) from approximately $756,000 in 2021 to $1,394,000 in 2022. The increase 2022 to $1,336,000 in 2023. We reduced labor costs in 2023. These reductions were partially offset by additional expense for product sampling of smoothie carton products, equipment maintenance incurred to relaunch bulk product sales and marketing expense was primarily the in locations that had been non-operational as a result of the retention of new employees COVID shutdowns and outside service providers subsequent labor shortages, and broker commissions as we engaged numerous regional K-12 specialists to assist with sales and initiatives, including, beginning expand our geographic reach in the third quarter of 2022, brokers specializing and thus incurred a full year of expense in the school market. Additionally, the Company increased its participation in education nutrition trade shows 2023 compared to a partial year in 2022.

Storage and outbound freight expense increased decreased approximately $413,000 (39% $189,000 (-13%) from approximately $1,054,000 $1,467,000 in 2021 2022 to $1,467,000 $1,278,000. Adjusted for freight cost related to aforementioned product withdrawal credit memos, freight expense was $1,274,000 in 2022. The increase volume-related decrease in expense from the decline in revenue was primarily a result of the 37% increase in revenue. offset by higher costs resulting from product mix and inefficiencies due to production transitions.

General and administrative expense

	Year ended December 31, 2022	Year ended December 31, 2021	Change	Percent	Year ended December 31, 2023	Year ended December 31, 2022	Change	Percent
Personnel costs	$ 1,340,000	$ 830,000	$ 510,000	61 %	$ 1,199,000	$ 1,340,000	$ (141,000)	-11 %
Stock-based compensation and payment for outside services	559,000	281,000	278,000	99 %	543,000	559,000	(16,000)	-3 %
Legal, professional and consulting fees	499,000	396,000	103,000	26 %	310,000	499,000	(189,000)	-38 %
Director fees paid in cash	100,000	100,000	-	0 %	-	100,000	(100,000)	-100 %
Research and development	382,000	245,000	137,000	56 %	115,000	382,000	(267,000)	-70 %
Other general and administrative expenses	669,000	318,000	351,000	110 %	527,000	669,000	(142,000)	-21 %
	$ 3,549,000	$ 2,170,000	$ 1,379,000	64 %	$ 2,694,000	$ 3,549,000	$ (855,000)	-24 %

General and administrative expense increased decreased approximately $1,379,000 (64% $855,000 (-24%) from approximately $2,170,000 in 2021 to $3,549,000 in 2022. 2022 to $2,694,000 in 2023.

Personnel cost represents the cost of employees including salaries, bonuses, employee benefits and employment taxes and continues to be our largest cost. Personnel cost increased decreased by approximately $510,000 (61% $141,000 (-11%) from approximately $830,000 $1,340,000 in 2022 to $1,340,000. $1,199,000 in 2023. The increase decrease in personnel cost was resulted primarily from the confirmation and recognition of our 2021 COVID-related tax credit, partially offset by bonus expense from the 2023 decision to cash settle a portion of the 2022 performance stock units. Additionally, salaries were lower due to a decrease in consulting fees as we choose to hire permanent staff as the critical stages of the COVID-19 pandemic waned, rather than rely on consultants and temporary staff.

Stock-based compensation is used as an incentive to attract and compensate employees and other service providers. Stock-based compensation includes stock issued and options granted to employees and non-employees. Stock-based compensation for the year ended December 31, 2022 was approximately $559,000 compared to $281,000 for the year ended December 31, 2021 due to the aforementioned increase in staffing, and the institution of our performance-based stock compensation program in the third quarter of 2022. Stock-based compensation in 2021 benefited from forfeiture credits due to the departure of two key employees. headcount.

Legal, professional and consulting fees increased approximately $103,000 (26% decreased by $189,000 (-38%) from approximately $396,000 . We reduced outside services in 2021 an effort to $499,000 in 2022. The increase was primarily due to the dispute and litigation with the Manufacturer and corporate development activities. conserve working capital.

Research and development expense increased decreased approximately $137,000 (56% $267,000 (-70%) from approximately $245,000 in 2021 to $382,000 in 2022. The increase is primarily due 2022 to materials consumed $115,000 in 2023. Expense was elevated in 2022 as we incurred pre-production runs at a new contract manufacturer that provided expense related to the launch of our Twist & Go™ product in carton format, starting while 2023 expense was limited as activities were minimized to conserve working capital.
Certain director fees previously paid in the fourth quarter of 2022. Additionally, we incurred costs investigating the quality issue that occurred with the Manufacturer. cash were paid in stock in 2023 in order to conserve working capital.

Other expense increased general and administrative expenses decreased approximately $351,000 (110% $142,000 (-21%) from approximately $318,000 in 2021 to $669,000 in 2022. In 2022 we incurred approximately $175,000 to $527,000 in one-time 2023 primarily as a result of non-recurring costs related to the uplist of our common stock uplisting to the NASDAQ Stock Market. Additionally, we experienced maintenance cost increases related to equipment loaned to our bulk product customers, stock exchange in 2022, partially offset by licensing and an increase in annual meeting costs. development costs for information technology improvements.

Asset Impairment

We evaluate the recoverability of property and equipment and finite-lived intangible assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. The evaluation is performed at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Recoverability of these assets is measured by a comparison of the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If such review indicates that the carrying amount of property and equipment and intangible assets is not recoverable, the carrying amount of such assets is reduced to fair value. We In 2022, we recorded impairment charges of $746,000 related to idle equipment resulting from overcapacity for single-serve products and equipment that is held at the Manufacturer. No impairment charges were recorded in 2023.

Operating loss

We had operating losses of approximately $6,219,000 and $2,095,000 for the years ended December 31, 2022 and 2021, respectively. The increase of approximately $4,124,000 or 196%, was primarily due to $1,425,000 in charges related to the aforementioned product quality issue and withdrawal, the asset impairment of $746,000 and other increases in operating expense.

Other income and expense

The change in the value of the derivative liability is based upon the Black-Scholes model from one period to another. The gain of approximately $16,000 for the year ended December 31, 2021 was a result of the change in components of the Black-Scholes model. The derivative liability was settled upon conversion and repayment of the convertible notes in the second quarter of 2021, which resulted in an extinguishment loss of $194,000.

We recorded a gain on extinguishment of Covid-19 related Paycheck Protection Program (“PPP”) loan of $1,136,000 in the year ended December 31, 2021.

Interest expense was approximately $128,000 for the year ended December 31, 2021. Interest related to convertible debt that was converted and repaid in 2021. We did not incur any interest expense for the year ended December 31, 2022.

Net loss

We had net losses of approximately $6,219,000 $2,824,000 and $1,265,000 in $6,134,000 for the years ended December 31, 2022 December 31, 2023 and 2021, respectively, an increase 2022, respectively. The decrease in net loss of $4,954,000 due primarily to approximately $3,296,000, was the $1,425,000 charges related to result of the non-recurrence of the estimated refund claims and inventory disposal costs associated with the product withdrawal, improved margins, and a reduction of approximately $1,106,000 in operating expenses due to cost saving measures, reduced volume of product shipped, and the asset impairment recognition of $746,000 in 2022, increases in operating expense our COVID-related tax credit and the $1,136,000 gain on forgiveness non-recurrence of the PPP loan in 2021. $746,000 asset impairment.

Liquidity and Capital Resources

As of December 31, 2022 On October 23, 2023, we had working capital drew down $1,390,000 in convertible debt and converted a total of $1,801,000 compared with $6,172,000 at December 31, 2021. The decrease $1,207,000 of principal into 820,160 shares of common stock. Additionally, on December 19, 2023, we drew down $470,000 in working capital is primarily due to convertible debt and converted a total of $653,000 of principal and $4,000 of accrued interest into 495,331 shares of common stock, settling all debt. Debt drawdowns included the operating loss non-cash settlement of $6,219,000, partially offset by non-cash expenses of $1,834,000. $30,000 in accounts payable.

During the year ended December 31, 2022 December 31, 2023, we used $2,648,000 $2,958,000 in operations and $13,000 operations. As of December 31, 2023, we had working capital of $1,846,000 compared with $1,801,000 at December 31, 2022. Cash received from our debt issuance of $1,830,000 offset our operating loss of $1,848,000, net of $990,000 in non-cash expenses. Our cash balance declined by $1,128,000 as receivables rebounded to reflect the 34% increase in revenue for the purchase of equipment.
The impact of COVID-19 on the Company is constantly evolving. The direct impact to our operations had begun to take effect at the close of the first quarter ended March 31, 2020. Specifically, our business was impacted by dining bans targeted at restaurants December 31, 2023 compared to reduce the size of public gatherings. Such bans precluded our single serve products from being served at those establishments for a number of weeks, and in some instances, resulted in abandoned product launches. Furthermore, many school districts closed regular attendance for a same period of time thereby disrupting sales 2022, in addition to the settlement of product into that channel. More recently, we have experienced a disruption in the supply chain for manufacturing our products due to COVID-19. The developments surrounding COVID-19 remain fluid and dynamic, and consequently, will require the Company to continue to monitor news headlines from government and health officials, as well as the business community.
In each of the years ended December 31, 2021 and 2020, the Company was granted a $568,000 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loans were forgiven, and the Company recorded a gain of $1,136,000 upon being legally released credit memo reserves resulting from the loan obligations during 2022 product withdrawal. Additionally, we settled accrued payroll, with the year ended December 31, 2021.
On June 1, 2021, the Company completed a private placement of 1,282,051 shares of its common repayment reinvested by management in our debt offering, and reduced liabilities for cash director fees and franchise taxes associated with our 2021 reverse split. We intend to compensate directors in stock at $4.68 per share, resulting in gross proceeds of $6,000,000. In addition, holders of debt converted a total of $399,000 in principal or options until our liquidity and $234,000 in interest into 133,991 shares of common stock and debt in the amount of $840,000 was retired, leaving the Company with no debt.
We have entered into a direct lease covering the period April 1, 2019 to March 31, 2023. The aggregate minimum requirements under the non-cancellable direct lease as of December 31, 2022 is approximately $20,000. The Company extended its lease through June 2023 while management evaluates options for renewal or relocation. financial position improve.

Our liquidity needs will depend on how quickly we are able to profitably ramp up sales, as well as our ability to control and reduce variable operating expenses, and to continue to control and reduce fixed overhead expense. Our recent business developments with the Manufacturer impact our supply chain and will result in increased legal cost and are expected to have a negative impact on our financial position, results of operations and cash flow.

Our operations to date have been financed by the sale of securities, the issuance of convertible debt and the issuance of short-term debt, including related party advances. If we are unable to generate sufficient cash flow from operations with the capital raised we will be required to raise additional funds either in the form of equity or in the form of debt. There are no assurances that we will be able to generate the necessary capital to carry out our current plan of operations.

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 are material to stockholders.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable because we are a smaller reporting company.

Item 8. Financial Statements and Supplementary Data.

Our consolidated financial statements are included beginning immediately following the signature page to this report. See Item 15 for a list of the consolidated financial statements included herein.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Management's Annual Report on Internal Control over Financial Reporting

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Securities and Exchange Act of 1934 Rule 13a-15(e). Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that the Company's disclosure controls and procedures were not effective as of December 31, 2022, due to inadequate segregation of duties. December 31, 2023.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act, for the Company.

Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of its management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Our management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2022 December 31, 2023. The framework used by management in making that assessment was the criteria set forth in the document entitled "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013.

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Securities and Exchange Act of 1934 Rule 13a-15(e). Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that the Company's disclosure controls and procedures were not effective as of December 31, 2022 December 31, 2023.

Management has identified the following material weakness in our internal control over financial reporting:

Management has concluded that there is a material weakness due to the control environment. The control environment is impacted due to the Company's inadequate segregation of duties, including information technology control activities.
Since the assessment of the effectiveness of our internal control over financial reporting did identify material weaknesses, management considers its internal control over financial reporting to be ineffective.

Management recognizes that there are inherent limitations in the effectiveness of any system of internal control, and accordingly, even effective internal control can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect material misstatements. In addition, effective internal control at a point in time may become ineffective in future periods because of changes in conditions or due to deterioration in the degree of compliance with our established policies and procedures.

In an effort to remediate the identified material weakness and enhance our internal control over financial reporting, we have hired additional financial information technology personnel to help ensure that we are able to properly implement internal control procedures.

This report shall not be deemed to be filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Changes in Internal Control over Financial Reporting

None

Item 9B. Other Information.

None

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

None

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Information required by this Item regarding our directors and executive officers, corporate governance, including our audit committee and code of ethics, and compliance with Section 16(a) of the Exchange Act is incorporated by reference to our proxy statement to be filed with the SEC in connection with our 2023 2024 Annual Meeting of Stockholders (the "Proxy Statement").

Item 11. Executive Compensation.

Information required by this Item regarding executive compensation is incorporated by reference to our Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information required by this Item regarding executive compensation is incorporated by reference to our Proxy Statement.
Information required by this item regarding securities authorized for issuance under our equity compensation plans is incorporated by reference to the information set forth under the caption "Executive Compensation" in our Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information required by this Item regarding executive compensation is incorporated by reference to our Proxy Statement.

Item 14. Principal Accounting Fees and Services.

Information required by this Item regarding executive compensation is incorporated by reference to our Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statements.

(a) 1. Financial Statements

See Index to Financial Statements in Item 8 of this Annual Report on Form 10-K, which is incorporated herein by reference.

2. Financial Statement Schedules

All other financial statement schedules have been omitted because they are either not applicable or the required information is shown in the financial statements or notes thereto.

3. Exhibits

See the Exhibit Index, which follows the signature page of this Annual Report on Form 10-K, which is incorporated herein by reference.

(b) Exhibits

See Item 15(a) (3) above.

(c) Financial Statement Schedules

See Item 15(a) (2) above.

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

BARFRESH FOOD GROUP INC.

Date: March 2, 2023 March 22, 2024

By: */s/ Riccardo Delle Coste*
Riccardo Delle Coste
Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Capacity	Date
/s/ Riccardo Delle Coste Riccardo Delle Coste	Chief Executive Officer and Director (Principal Executive Officer	March 2, 2023 22, 2024
/s/ Lisa Roger Lisa Roger	Chief Financial Officer (Principal Financial Officer)	March 2, 2023 22, 2024
/s/ Steven Lang Steven Lang	Director	March 2, 2023 22, 2024
/s/ Arnold Tinter Arnold Tinter	Director	March 2, 2023 22, 2024
/s/ Joseph M. Cugine Joseph M. Cugine	Director	March 2, 2023 22, 2024
/s/ Isabelle Ortiz-Cochet Isabelle Ortiz-Cochet	Director	March 2, 2023 22, 2024
/s/ Alexander Ware Alexander Ware	Director	March 2, 2023 22, 2024
/s/ Justin Borus Justin Borus	Director	March 2, 2023 22, 2024

Exhibit Index

Exhibit Number	Description
3.1	Certificate of Incorporation of Moving Box Inc. dated February 25, 2010 (incorporated by reference to Exhibit 3.1 to Form S-1 (Registration No. 333-168738) as filed August 11, 2010)
3.2	Amended and Restated Bylaws of Barfresh Food Group Inc. (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K as filed August 4, 2014)
3.3	Certificate of Amendment of Certificate of Incorporation of Moving Box Inc. dated February 13, 2012 (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K as filed February 17, 2012)
3.4	Certificate of Amendment of Certificate of Incorporation of Smoothie Holdings Inc. dated February 16, 2012 (incorporated by reference to Exhibit 3.2 to Current Report on Form 8-K as filed February 17, 2012)
3.5	Certificate of Amendment of Certificate of Incorporation of Barfresh Food Group Inc. dated December 17, 2021 (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K as filed December 29, 2021)
3.6	Certificate of Amendment of Certificate of Incorporation of Barfresh Food Group Inc. dated August 1, 2022 (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K as filed August 2, 2022)
4.1	Description of Securities Registered Under Section 12 of the Securities Exchange Act of 1934, as amended (incorporated by reference to Exhibit 4.20 to Annual Report on Form 10-K for the year ended December 31, 2019, as filed April 13, 2020)
4.2	Form of Series O Warrant (incorporated by reference to Exhibit 4.21 to Annual Report on Form 10-K for the year ended December 31, 2019, as filed April 13, 2020)
10.1	Barfresh Food Group, Inc. 2015 Equity Incentive Plan (incorporated by reference to Exhibit 10.10 to Annual Report Form 10-K filed July 7, 2015)+
10.2	Barfresh Food Group, Inc. 2023 Equity Incentive Plan (incorporated by reference to Exhibit 4.5 to Registration Statement on Form S-8 filed August 14, 2023)+
10.3	Executive Employment Agreement by and between Smoothie, Inc. and Riccardo Delle Coste dated April 27, 2015 (incorporated by reference to Exhibit 10.11 to Annual Report Form 10-K filed July 7, 2015)+
10.3 10.4	Form of Securities Purchase Agreement dated March 15, 2020 by and between Barfresh Food Group, Inc. and certain investors together with form of Convertible Promissory Note (incorporated by reference to Exhibit 10.14 to Annual 10.1 from the Quarterly Report on 10-K for the year ended December 31, 2019, Form 10-Q filed April 13, 2020 October 26, 2023)
21.1	Subsidiaries (incorporated by reference to Exhibit 21.1 to Annual Report on Form 10-K for the year ended December 31, 2019, filed April 13 2020)
23.2	Consent of Independent Registered Public Accounting Firm Firm*
31.1	Rule 13a-14(a) Certification of Principal Executive Officer*
31.2	Rule 13a-14(a) Certification of Principal Financial Officer Officer*
32.1	Certification Pursuant to 18 U.S.C. Section 1350*
32.2	Certification Pursuant to 18 U.S.C. Section 1350 1350*
97.1	Compensation Recovery Policy*
101.INS	Inline XBRL INSTANCE.
101.XSD	InlineXBRL SCHEMA.
101.PRE	Inline XBRL PRESENTATION.
101.CAL	Inline XBRL CALCULATION.
101.DEF	Inline XBRL DEFINITION.

101.LAB	Inline XBRL LABEL.
104	
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

*	Filed herewith
+	Compensatory plan

In accordance with SEC Release 33-8238, Exhibit 32.1 is being furnished and not filed.

Furnished herewith. XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

Barfresh Food Group Inc.

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Barfresh Food Group, Inc.
Los Angeles, California

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Barfresh Food Group, Inc. (the "Company") as of December 31, 2022 December 31, 2023 and 2021, 2022, and the related consolidated statements of operations,, stockholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Barfresh Food Group, Inc. as of December 31, 2022 December 31, 2023 and 2021, 2022, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Correction of Error

As discussed in Note 2 to the consolidated financial statements, the 2022 financial statements have been restated to correct a misstatement.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to Barfresh Food Group, Inc. in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Barfresh Food Group Inc. is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risk of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which they relate.

<u>Valuation of Convertible Debt and Related Conversion</u>
Estimated Product Return Allowance

As discussed in Note 16 to the consolidated financial statements, in 2022 2023 the Company experienced product quality issues stemming from executed subscription agreements for $1,880,000 of a single co-manufacturer, resulting in customer complaints and product returns. $2,000,000 privately placed convertible debt offering. The Company has an estimated product return allowance of $330,000 and total product returns reducing revenue of $493,000, as of and for the year ended December 31, 2022. The determination complexity of the estimated product return allowance accounting treatment (especially the derivative considerations related to the conversion) requires management to make significant estimates judgements which impacts the overall calculation and assumptions related to estimating product returns that will occur in 2023 relating to 2022 product sales. conversion of the debt.

We identified the estimated product return allowance valuation of the convertible debt and related conversion as a critical audit matter. Auditing the complex judgments and assumptions involves especially challenging auditor judgment due to the nature and extent of audit evidence and effort required to address these matters.

The primary procedures we performed to address this critical audit matter included:

- · We obtained ● Gaining an understanding of management's process processes, controls and methodology related to develop the estimates. convertible debt issued and related derivative considerations.
- · We obtained an understanding ● Testing the completeness, accuracy and relevance of the internal controls relating to underlying data which includes the methodology, reliability principal, interest, and accuracy volume weighted average stock price (conversion price) used in determining the proper accounting treatment of the information used in the calculation convertible debt and management's review and approval for the transactions. related issuance of common stock.
- · We examined communications with distributors. ● Testing cash receipts related to the issuance of the convertible debt.

· We tested product returns ● Testing common stock issued in 2022. relation to the conversion of the convertible debt.

· We evaluated the completeness and accuracy of the information provided and reasonableness of the inputs and assumptions used by management in developing the estimate.

· ● We evaluated Evaluating the adequacy of the disclosures disclosure related to the estimate. convertible debt and related equity.

/s/ Eide Bailly LLP

We have served as Barfresh Food Group Inc.'s auditor since 2012.

/s/ Eide Bailly LLP

Denver, Colorado
March 2, 2023 22, 2024

Barfresh Food Group Inc.
Consolidated Balance Sheets

	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022 (restated)
Assets				
Current assets:				
Cash	$ 2,808,000	$ 5,533,000	$ 1,891,000	$ 2,808,000
Restricted cash	211,000	142,000	-	211,000
Trade accounts receivable, net	126,000	1,223,000	821,000	126,000
Other receivables	101,000	-	160,000	101,000
Inventory, net	1,048,000	705,000	1,214,000	1,048,000
Prepaid expenses and other current assets	79,000	64,000	67,000	79,000
Total current assets	4,373,000	7,667,000	4,153,000	4,373,000
Property, plant and equipment, net of depreciation	389,000	1,588,000	409,000	801,000
Operating lease right-of-use assets, net	18,000	87,000	-	18,000
Intangible assets, net of amortization	306,000	370,000	241,000	306,000
Deposits	7,000	7,000	7,000	7,000
Total assets	$ 5,093,000	$ 9,719,000	$ 4,810,000	$ 5,505,000
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable	$ 1,534,000	$ 974,000	$ 1,670,000	$ 1,534,000
Disputed co-manufacturer accounts payable (Notes 1, 9)	499,000	-		
Disputed co-manufacturer accounts payable (Note 7)			499,000	499,000
Accrued expenses	286,000	228,000	85,000	286,000
Accrued payroll and employee related	233,000	212,000	53,000	233,000
Lease liability	20,000	81,000	-	20,000
Total current liabilities	2,572,000	1,495,000	2,307,000	2,572,000
Long term liabilities:				
Accrued interest	-	34,000		
Lease liability, net of current portion	-	14,000		
Total liabilities	2,572,000	1,543,000	2,307,000	2,572,000
Commitments and contingencies (Note 9)				
Commitments and contingencies (Note 7)				
Stockholders' equity:				

Preferred stock, $0.000001 par value, 400,000 shares authorized, none issued or outstanding	-	-	-	-
Common stock, $0.000001 par value; 23,000,000 shares authorized; 12,934,741 and 12,905,112 shares issued and outstanding at December 31, 2022 and December 31, 2021, respectively	-	-		
Common stock, $0.000001 par value; 23,000,000 shares authorized; 14,420,105 and 12,934,741 shares issued and outstanding at December 31, 2023 and December 31, 2022, respectively			-	-
Additional paid in capital	60,905,000	60,341,000	63,299,000	60,905,000
Accumulated deficit	(58,384,000)	(52,165,000)	(60,796,000)	(57,972,000)
Total stockholders' equity	2,521,000	8,176,000	2,503,000	2,933,000
Total liabilities and stockholders' equity	$ 5,093,000	$ 9,719,000	$ 4,810,000	$ 5,505,000

See the accompanying notes to the consolidated financial statements

Barfresh Food Group Inc.
Consolidated Statements of Operations
For the years ended December 31, 2022 December 31, 2023 and 2021 2022

			2023	2022
				(restated)
	2022	2021		
Revenue	$ 9,162,000	$ 6,700,000	$ 8,127,000	$ 9,162,000
Cost of revenue	7,722,000	4,193,000	5,243,000	7,722,000
Gross profit	1,440,000	2,507,000	2,884,000	1,440,000
Operating expenses:				
Selling, marketing and distribution	2,861,000	1,810,000	2,614,000	2,861,000
General and administrative	3,549,000	2,170,000	2,694,000	3,549,000
Depreciation and amortization	503,000	622,000	400,000	418,000
Impairment of long-lived assets	746,000	-	-	746,000
Total operating expenses	7,659,000	4,602,000	5,708,000	7,574,000
Operating loss	(6,219,000)	(2,095,000)		
Other (income)/expenses				
Gain from derivative liability	-	(16,000)		
Gain from debt extinguishment - Paycheck Protection Program	-	(1,136,000)		
Loss on debt extinguishment	-	194,000		
Interest	-	128,000		
Total other income	-	(830,000)		
Net loss	$ (6,219,000)	$ (1,265,000)	$ (2,824,000)	$ (6,134,000)
Per share information - basic and fully diluted:				
Weighted average shares outstanding	12,924,000	12,070,000	13,359,000	12,924,000
Net loss per share	$ (0.48)	$ (0.10)	$ (0.21)	$ (0.47)

See the accompanying notes to the consolidated financial statements

Barfresh Food Group Inc.
Consolidated Statements of Stockholders' Equity
For the years ended December 31, 2022 December 31, 2023 and 2021 2022

	Common Stock Shares	Common Stock Amount	Additional paid in Capital	Accumulated (Deficit)	Total
Balance December 31, 2020	11,471,797	$ -	$ 53,224,000	$ (50,900,000)	$ 2,324,000
Issuance of stock for capital raise	1,282,051	-	6,000,000	-	6,000,000
Conversion of debt and accrued interest	114,614	-	685,000	-	685,000
Interest paid in shares	19,377	-	151,000	-	151,000
Issuance of stock and options for services	17,273	-	189,000	-	189,000
Equity based compensation	-	-	92,000	-	92,000
Net loss	-	-	-	(1,265,000)	(1,265,000)
Balance December 31, 2021	12,905,112	-	60,341,000	(52,165,000)	8,176,000
Shares issued for warrant exercise	986	-	5,000	-	5,000
Equity based compensation	5,000	-	386,000	-	386,000
Issuance of stock and options for services	23,643	-	173,000	-	173,000
Net loss	-	-	-	(6,219,000)	(6,219,000)
Balance December 31, 2022	12,934,741	$ -	$ 60,905,000	$ (58,384,000)	$ 2,521,000

	Common Stock Shares	Common Stock Amount	Additional paid in Capital	Accumulated (Deficit) (restated)	Total
Balance December 31, 2021 (as restated)	12,905,112	$ -	$ 60,341,000	$ (51,838,000)	$ 8,503,000
Shares issued for warrant exercise	986	-	5,000	-	5,000
Issuance of stock and options for services	23,643	-	173,000	-	173,000
Equity-based compensation	5,000	-	386,000	-	386,000
Net loss	-	-	-	(6,134,000)	(6,134,000)
Balance December 31, 2022	12,934,741	-	60,905,000	(57,972,000)	2,933,000
Equity-based compensation	165,779	-	544,000	-	544,000
Cash settlement of equity-based compensation			(24,000)		(24,000)
Issuance of stock and options for services	4,094	-	11,000	-	11,000
Conversion of debt and interest (Note 6)	1,315,491	-	1,863,000	-	1,863,000
Net loss	-	-	-	(2,824,000)	(2,824,000)
Balance December 31, 2023	14,420,105	$ -	$ 63,299,000	$ (60,796,000)	$ 2,503,000

See the accompanying notes to the consolidated financial statements.

Barfresh Food Group Inc.
Consolidated Statements of Cash Flows
For the years ended December 31 2022 2023 and 2021 2022

	2022	2021	2023	2022 (restated)
Net loss	$ (6,219,000)	$ (1,265,000)	$ (2,824,000)	$ (6,134,000)
Adjustments to reconcile net loss to net cash used in operating activities				
Asset impairment	746,000	-	-	746,000
Loss on asset disposal			18,000	-
Depreciation and amortization	529,000	639,000	403,000	444,000
Stock-based compensation	386,000	92,000	544,000	386,000
Stock and options issued for services	173,000	188,000	11,000	173,000
Loss on debt extinguishment	-	194,000		
Interest expense related to debt discount	-	56,000		
Gain on debt extinguishment - Paycheck Protection Program	-	(1,136,000)		
Gain on derivative	-	(16,000)		
Changes in assets and liabilities				
Accounts receivable	1,097,000	(798,000)	(695,000)	1,097,000
Other receivables	(101,000)	-	(59,000)	(101,000)
Inventories	(343,000)	165,000	(166,000)	(343,000)
Prepaid expenses and other assets	(20,000)	(17,000)	10,000	(20,000)
Accounts payable	560,000	585,000	202,000	560,000
Disputed accounts payable	499,000	-	-	499,000
Accrued expenses	79,000	(219,000)	(402,000)	45,000
Advanced payments	-	(401,000)		
Accrued interest	(34,000)	72,000		
Net cash used in operating activities	(2,648,000)	(1,861,000)	(2,958,000)	(2,648,000)
Investing activities				
Purchase of property and equipment	(13,000)	(151,000)	-	(13,000)
Net cash used in investing activities	(13,000)	(151,000)	-	(13,000)
Financing activities				
Proceeds from issuance of stock	5,000	6,000,000	-	5,000
Proceeds from note payable	-	568,000		
Repayment of convertible notes	-	(840,000)		
Proceeds from convertible notes			1,830,000	-
Net cash from financing activities	5,000	5,728,000	1,830,000	5,000
Net change in cash and restricted cash	(2,656,000)	3,716,000	(1,128,000)	(2,656,000)
Cash and restricted cash, beginning of year	5,675,000	1,959,000	3,019,000	5,675,000

Cash and restricted cash, end of year	$ 3,019,000	$ 5,675,000	$ 1,891,000	$ 3,019,000

See the accompanying notes to the consolidated financial statements.

Barfresh food Group Inc.
Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Barfresh Food Group Inc., ("we," "us," "our," and the "Company") was incorporated on February 25, 2010 in the State of Delaware. The Company is engaged in the manufacturing and distribution of ready-to-drink and ready-to-blend beverages, particularly, smoothies, shakes and frappes.

Recent Business Developments

The Company's products are produced to its specifications through several contract manufacturers. One of the Company's contract manufacturers (the "Manufacturer") has provided approximately 52% and 42% of the Company's products in the years ended December 31, 2022 and 2021, respectively, under a Supply Agreement with an initial term through September 2025.

Over the course of 2022, the Company experienced numerous quality issues with the case packaging utilized by the Manufacturer. In addition, in July of 2022, the Company began receiving customer complaints about the texture of the Company's smoothie products produced by the Manufacturer. In response, the Company withdrew product from the market and destroyed on-hand inventory, withholding $499,000 in payments due to the Manufacturer. The results reflect the estimated accounting impact of such actions, including an estimated product return allowance of $330,000 and total product returns reducing revenue by $493,000 as of and for the year ended December 31, 2022, and $932,000 in cost of revenue to dispose of unsaleable inventory.

The Company attempted to resolve the issues based on the contractual procedures described in the Supply Agreement. However, on November 4, 2022, in response to a formal proposal of alternate resolutions, the Company received notification from the Manufacturer that it was denying any responsibility for the defective manufacture of the product. In response, on November 10, 2022, the Company filed a complaint in the United States District Court for the Central District of California, Western Division (the "Complaint"), claiming that the Manufacturer has not met its obligations under the Supply Agreement, and seeking economic damages. In response, the Manufacturer terminated the Supply Agreement. On January 20, 2023, the Company filed a voluntary dismissal of the Complaint which allows the parties to reach a potential resolution outside of the court system. However, if the parties are once again unable to come to an agreement, the Company has the right to refile the Complaint in California State Court.

Due to the uncertainties surrounding the claim, the Company is not able to predict either the outcome or a range of reasonably possible recoveries that could result from its actions against the Manufacturer, and no gain contingencies have been recorded. The disruption in its supply resulting from the dispute will adversely impact its results of operations and cash flow until a suitable resolution is reached or new sources of reliable supply at sufficient volume can be identified and developed, the timing of which is uncertain.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Principles of Consolidation

The consolidated financial statements include the financial statements of the Company and our wholly owned subsidiaries, Barfresh Inc. and Barfresh Corporation Inc. (formerly known as Smoothie, Inc.). All inter-company balances and transactions among the companies have been eliminated upon consolidation.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the balance sheets and revenues and expenses during the years reported. Actual results may differ from these estimates.

Concentration of Credit Risk

The amount of cash on deposit with financial institutions exceeds the $250,000 federally insured limit at December 31, 2022 December 31, 2023 and 2021. 2022. However, we believe that cash on deposit that exceeds $250,000 in the financial institutions is financially sound and the risk of loss is minimal.

The following customers accounted for 10% or more of the Company's accounts receivable balance at December 31:
Finished Goods

	2022	2021	2023	2022
Customer A	31 %	36 %	25 %	3 %
Customer B	24 %	11 %	16 %	31 %
Customer C	23 %	5 %	11 %	24 %
Customer D	3 %	11 %	10 %	23 %

Restricted Cash

At December 31, 2022 and 2021, , the Company had $211,000 and $142,000, respectively, in restricted cash related to a contract manufacturing agreement. The restricted cash was released in 2023.

Fair Value Measurement

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820"), provides a comprehensive framework for measuring fair value and expands disclosures which are required about fair value measurements. Specifically, ASC 820 sets forth a definition of fair value and establishes a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable value inputs. ASC 820 defines the hierarchy as follows:

> Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reported date. The types of assets and liabilities included in Level 1 are highly liquid and actively traded instruments with quoted prices, such as equities listed on the New York Stock Exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets but are either directly or indirectly observable as of the reported date. The types of assets and liabilities in Level 2 are typically either comparable to actively traded securities or contracts or priced with models using highly observable inputs.

Level 3 – Significant inputs to pricing that are unobservable as of the reporting date. The types of assets and liabilities included in Level 3 are those with inputs requiring significant management judgment or estimation, such as complex and subjective models and forecasts used to determine the fair value of financial transmission rights.

Financial Instruments

Our financial instruments consist of cash, restricted cash, accounts receivable and accounts payable. The carrying value of our financial instruments approximates their fair value.

Accounts Receivable

Accounts receivable from customers are typically unsecured. The Company's credit policy calls for payment generally within 30 days. The credit worthiness of a customer is evaluated prior to a sale. Accounts receivable totaled $126,000, $1,223,000 821,000 and $425,000 126,000 as of December 31, 2022, 2021 December 31, 2023 and 2020, 2022, respectively. Allowances for credit losses are considered when an undisputed balance is greater than 90 days past due. There was no allowance for doubtful accounts credit losses as of December 31, 2022. As of December 31, 2021, the Company's allowance for doubtful accounts was $121,000. December 31, 2023 and 2022. There was no bad debtcredit loss expense for the year years ended December 31, 2022, December 31, 2023 and ($7,000) of bad debt recoveries recorded for the year ended December 31, 2021. The allowance was applied to certain receivable accounts which are over 95 days. 2022.

Inventory

Inventory consists of finished goods and is carried at the lower of cost or net realizable value on a first in first out basis. The Company monitors the remaining useful life of its inventory and establishes a reserve of obsolescence where appropriate.

Intangible Assets

Intangible assets are comprised of patents, net of amortization and trademarks. The patent costs are being amortized over the life of the patent, which is twenty years from the date of filing the patent application. In accordance with ASC Topic 350 *Intangibles – Goodwill and Other* ("ASC 350"), the costs of internally developing other intangible assets, such as patents, are expensed as incurred. However, as allowed by ASC 350, costs associated with the acquisition of patents from third parties, legal fees and similar costs relating to patents have been capitalized.

In accordance with ASC 350 legal costs related to trademarks have been capitalized. We have determined that trademarks have an indeterminable life and therefore are not being amortized.

Long-Lived Assets and Other Acquired Intangible Assets

We evaluate the recoverability of property and equipment and finite-lived intangible assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. The evaluation is performed at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Recoverability of these assets is measured by a comparison of the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If such review indicates that the carrying amount of property and equipment and intangible assets is not recoverable, the carrying amount of such assets is reduced to fair value. We recorded impairment charges of $746,000 related to idle equipment resulting from overcapacity for single-serve products and equipment that is held at the Manufacturer in 2022. There was no impairment in 2021. 2023.

Property, Plant, and Equipment

Property, plant, and equipment is stated at cost less accumulated depreciation and accumulated impairment loss, if any. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are being amortized over the shorter of the useful life of the asset or the lease term that includes any expected renewal periods that are deemed to be reasonably assured. The estimated useful lives used for financial statement purposes are:

Furniture and fixtures	5 years
Manufacturing equipment and customer equipment	3 years to 7 years
Vehicles Customer equipment	5 7 years

Revenue Recognition

In accordance with ASC 606, Revenue from Contracts with Customers, revenue is recognized when a customer obtains ownership of promised goods. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these goods. The Company applies the following five steps:

1) *Identify the contract with a customer*

   A contract with a customer exists when (i) the Company enters into an enforceable contract with a customer that defines each party’s rights, (ii) the contract has commercial substance and, (iii) the Company determines that collection of substantially all consideration for goods or services that are transferred is probable. For the Company, the contract is the approved sales order, which may also be supplemented by other agreements that formalize various terms and conditions with customers.

2) *Identify the performance obligation in the contract*

Performance obligations promised in a contract are identified based on the goods or services that will be transferred to the customer. For the Company, this consists of the delivery of frozen beverages, which provide immediate benefit to the customer.

3) *Determine the transaction price*

The transaction price is determined based on the consideration to which the Company will be entitled in exchange for transferring goods and is generally stated on the approved sales order. Variable consideration, which typically includes rebates or discounts, are estimated utilizing the most likely amount method. Provisions for refunds are generally provided for in the period the related sales are recorded, based on management's assessment of historical and projected trends.

4) *Allocate the transaction price to performance obligations in the contract*

Since the Company's contracts contain a single performance obligation, delivery of frozen beverages, the transaction price is allocated to that single performance obligation.

5) *Recognize revenue when or as the Company satisfies a performance obligation*

The Company recognizes revenue from the sale of frozen beverages when title and risk of loss passes and the customer accepts the goods, which generally occurs at the time of delivery to a customer warehouse. Customer sales incentives such as volume-based rebates or discounts are treated as a reduction of sales at the time the sale is recognized. Shipping and handling costs are treated as fulfilment costs and presented in distribution, selling and administrative costs.

Payments that are received before performance obligations are recorded are shown as current liabilities.

The Company evaluated the requirement to disaggregate revenue and concluded that substantially all of its revenue comes from a single product, frozen beverages.

Research and Development

Expenditures for research activities relating to product development and improvement are charged to expense as incurred. The Company incurred $382,000 115,000 and $245,000 382,000, in research and development expenses for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Storage and Shipping Costs

Storage and outbound freight costs are included in selling, marketing and distribution expense. For the years ended December 31, 2022 December 31, 2023 and 2021, 2022, storage and outbound freight amounted to $1,467,000 1,278,000 and $1,054,000 1,467,000, respectively.

Leases

We determine if an arrangement is a lease upon inception. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right to control the use of an asset includes the right to obtain substantially all of the economic benefits of the underlying asset and the right to direct how and for what purpose the asset is used. Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease expense is recognized on a straight-line basis over the lease term. As a lessee, the Company leases office space.

Income Taxes

The provision for income taxes is determined in accordance with the provisions of ASC Topic 740, *Accounting for Income Taxes* ("ASC 740"). Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Any effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

ASC 740 prescribes a comprehensive model for how companies should recognize, measure, present, and disclose in their financial statements, uncertain tax positions taken or expected to be taken on a tax return. Under ASC 740, tax positions must initially be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions must initially and subsequently be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts.

ASC 740 requires a valuation allowance to reduce the deferred tax assets reported if, based on the weight of evidence, it is more than likely than not that some portion or all of the deferred tax assets will not be recognized.

For the years ended December 31, 2022 December 31, 2023 and 2021 2022 we did not have any interest and penalties or any significant unrecognized uncertain tax positions.

Derivative Liability

The Company evaluates its convertible instruments, options, warrants or other contracts to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for under ASC Topic 815, "Derivatives and Hedging." The result of this accounting treatment is Company determined that the fair value of its convertible instruments issued in 2023 did not include any derivative is marked-to-market each balance sheet date and recorded as a liability. In the event embedded derivatives that the fair value is recorded as a liability, the change in fair value is recorded in the statement of operations as gain/loss from derivative liability. Upon conversion or exercise of a derivative instrument, the instrument is marked to fair value at the conversion date and then that fair value is reclassified to equity. We analyzed the derivative financial instruments in accordance with ASC 815. The objective is to provide guidance for determining whether an equity-linked financial instrument is indexed to an entity's own stock. This determination is needed for a scope exception which would enable a derivative instrument to be accounted for under the accrual method. The classification of a non-derivative instrument that falls within the scope of ASC 815-40-05 "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock" also hinges on whether the instrument is indexed to an entity's own stock. A non-derivative instrument that is not indexed to an entity's own stock cannot be classified as equity and must be accounted for as a liability. There is a two-step approach in determining whether an instrument or embedded feature is indexed to an entity's own stock. First, the instrument's contingent exercise provisions, if any, must be evaluated, followed by an evaluation of the instrument's settlement provisions. The Company utilized the fair value standard set forth by the Financial Accounting Standards Board, defined as the amount at which the assets (or liability) could be bought (or incurred) or sold (or settled) in a current transaction between willing parties, that is, other than in a forced or liquidation sale. require bifurcation.

The Company's derivative instruments were settled in 2021, and there were no outstanding derivatives as of December 31, 2021 or 2022.

Earnings Loss per Share

We calculate net loss per share in accordance with ASC Topic 260, *Earnings per Share*. Basic net loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding for the period, and diluted earnings per share is computed by including common stock equivalents outstanding for the period in the denominator. At December 31, 2022 December 31, 2023 and 2021 2022 any equivalents would have been anti-dilutive as we had losses for the years then ended.

Debt Extinguishment

The Company evaluates its convertible instruments in accordance with ASC 470-50, "Debt Modifications and Extinguishments." For all extinguishments of debt, ASC 470-50 requires the difference between the reacquisition price (including any premium) and the net carrying amount of the debt being extinguished (including any deferred debt issuance costs) to be recognized as a gain or loss when the debt is extinguished. Accordingly, the Company recorded a net loss of $194,000 on extinguishment of debt in its statement of operations for the year ended December 31, 2021. There were no debt extinguishments in the year ended December 31, 2022.

Stock Based Compensation

The Company calculates stock compensation in accordance with ASC Topic 718, *Compensation-Stock Based Compensation* ("ASC 718"). ASC 718 requires that the cost resulting from all share-based payment transactions be recognized in the financial statements and establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires all entities to apply a fair-value-based measurement method in accounting for share-based payment transactions with employees.

Reclassifications

Certain reclassifications have been made to the 2021 financial statements to conform to the 2022 presentation, namely the presentation of selling and marketing expense apart from general and administrative expense in the consolidated statement of operations.

Recent pronouncements

From time to time, new accounting pronouncements are issued that we adopt as of the specified effective date. We have not determined if the impact of recently issued standards that are not yet effective will have an impact on our results of operations and financial position.

Subsequent events

None.

Note 2.Restatement of Prior Financial Information

This Company's previously filed audited balance sheet and statement of operations and cash flow statement have been restated to correct errors in calculating depreciation. From a quantitative and qualitative perspective, the Company determined that correcting the previously filed financial statements would not require amendment to its previously filed reports on Form 10-Q and 10-K. The restatement reduced the accumulated deficit by $327,000 as of December 31, 2021. The effect of the correction of previously issued financial statements is summarized below:

	December 31, 2022		
	As Previously Reported	Adjustment	Restated
Consolidated Balance Sheet			
Property, plant and equipment, net of depreciation	$ 389,000	$ 412,000	$ 801,000
Total assets	$ 5,093,000	$ 412,000	$ 5,505,000
Accumulated deficit	$ (58,384,000)	$ 412,000	$ (57,972,000)
Total stockholders' equity	$ 2,521,000	$ 412,000	$ 2,933,000
Total liabilities and stockholders' equity	$ 5,093,000	$ 412,000	$ 5,505,000
	Year ended December 31, 2022		
	As Previously Reported	Adjustment	Restated
Consolidated Statement of Operations			
Depreciation and amortization	$ 503,000	$ (85,000)	$ 418,000
Total operating expenses	$ 7,659,000	$ (85,000)	$ 7,574,000
Net loss	$ (6,219,000)	$ 85,000	$ (6,134,000)
Consolidated Statement of Cash Flows			
Net loss	$ (6,219,000)	$ 85,000	$ (6,134,000)
Depreciation and amortization	$ 529,000	$ (85,000)	$ 444,000
Net cash used in operating activities	$ (2,648,000)	$ -	$ (2,648,000)

Note 3. Inventory

Inventory consists of the following at December 31:

	2022	2021	2023	2022
Raw materials	$ 65,000	$ 105,000	$ 28,000	$ 65,000
Finished goods	983,000	600,000	1,186,000	983,000
Inventory, net	$ 1,048,000	$ 705,000	$ 1,214,000	$ 1,048,000

Note 3. 4. Property Plant and Equipment

Major classes of property and equipment consist of the following at December 31:

Net

	2022	2021
Manufacturing and customer equipment	$ 3,637,000	$ 3,800,000
Other property	69,000	36,000
	3,706,000	3,836,000
Less: accumulated depreciation	(3,317,000)	(2,894,000)
	389,000	942,000
Equipment not yet placed in service	-	646,000
Property and equipment, net of depreciation	$ 389,000	$ 1,588,000

	2023	2022 (restated)
Manufacturing equipment	$ 1,546,000	$ 1,618,000
Customer equipment	1,410,000	1,417,000
	2,956,000	3,035,000
Less: accumulated depreciation	(2,547,000)	(2,234,000)
Property and equipment, net of depreciation	$ 409,000	$ 801,000

We recorded depreciation expense related to these assets of $467,000 339,000 and $557,000 380,000 for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. Depreciation expense in cost of revenue was $29,000 18,000 and $18,000 29,000 for the years ended December 31, 2022 December 31, 2023 and 2021 2022 respectively.

Note 4. 5. Intangible Assets

Intangible assets consist of the following at December 31:

	2022	2021	2023	2022
Patent costs, subject to amortization	$ 768,000	$ 768,000	$ 768,000	$ 768,000
Less: accumulated amortization	(586,000)	(522,000)	(651,000)	(586,000)
Patent costs, net	182,000	246,000	117,000	182,000
Trademarks, not subject to amortization	124,000	124,000	124,000	124,000
Total	$ 306,000	$ 370,000	$ 241,000	$ 306,000

The amounts carried on the balance sheet represent cost to acquire, legal fees and similar costs relating to the patents incurred by the Company. Amortization is calculated through the expiration date of the patent. The amount charged to expenses for amortization of the patent costs was $64,000 for each of the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Estimated future amortization expense related to patents as of December 31, 2022 December 31, 2023, is as follows:

		Total Amortization	Total Amortization
Years ending December 31,			
	2023	$ 64,000	
	2024	64,000	$ 64,000
	2025	49,000	49,000
	2026	5,000	4,000
Intangible asset, net of amortization		$ 182,000	$ 117,000

Note 5. Related Parties

Members of management and directors invested in the Company's convertible notes (Note 7).

Note 6. Paycheck Protection Program (PPP) Loan Convertible Notes

From July to October of 2023, the Company executed subscription agreements for $1,880,000 of a $2,000,000 privately placed convertible debt offering. The PPP was established debt may be drawn in 25% increments, matures on the anniversary of the draw, bears interest at 10% per annum for the term, regardless of earlier payment or conversion, and is mandatorily convertible as to provide federally guaranteed, uncollateralized loans principal and interest into shares of the Company's common stock at any time prior to assist businesses during maturity at the Covid-10 pandemic. PPP loans are administered by a Small Business Administration (SBA) approved partners. greater of $1.20 or 85% of the volume-weighted average price of the common stock for the ten trading days immediately preceding the written notice of the conversion (the "Conversion Price"). If the Company has not exercised the mandatory conversion, the holder of the debt has the option after six months and on up to four occasions to convert all or any portion of the principal and interest into shares of the Company's common stock at the Conversion Price.

On May 7, 2020 the Company was granted October 23, 2023, we drew down $1,390,000 in convertible debt and converted a total of $568,000 1,207,000 loan which was to mature in of principal into two years 820,160. On January 27, 2021 shares of common stock. Additionally, on December 19, 2023, the Company was granted drew down $470,000 in convertible debt and converted a second $568,000 loan which was to mature in five years. The Company was eligible for loan forgiveness of up to 100% of the loans, upon meeting certain requirements.

On May 20, 2021 and December 22, 2021, respectively, the loans were legally released and forgiven by the SBA. Loan forgiveness income total of $1,136,000 653,000 has been recorded for the year ended December 31, 2021.

Note 7. Convertible Notes (Related of principal and Unrelated Party) $4,000

of accrued interest into

In 2018, the Company issued Milestone I and Milestone II Convertible Notes.

During the year ended December 31, 2021, the Company settled all remaining Milestone I Convertible Notes by issuing 89,173 495,331 shares of common stock, in exchange for settling all debt. Debt drawdowns included the non-cash settlement of $231,000 ($30,000 related party) and $193,000 ($38,000 related party) in principal and interest, respectively, and repaying $840,000 ($180,000 related party) in cash. Additionally, the Company settled all remaining amounts due under Milestone II Convertible Notes by issuing 44,818 shares of common stock in exchange for $168,000 and $42,000 of principal and interest, respectively. In accordance with ASC 470-50, the Company recorded a loss of $194,000 upon extinguishment of the Milestone I and Milestone II Convertible Notes. accounts payable.

Note 8. Derivative Liabilities

Milestone II Convertible Notes (Note 7) contained variable conversion provisions based on the future price of the Company's common stock, resulting in the potential issuance of an indeterminate number of shares of common stock upon conversion. The Company measured the fair value of the derivative resulting from the variable conversion provisions each reporting period. The change in fair value was recorded in the accompanying consolidated statements of operations.

On May 26, 2021, the Milestone II Convertible Notes were settled. Upon extinguishment, the derivative liability was revalued to $25,000, which resulted in a gain of $16,000 for the year ended December 31, 2021.

The fair value of the derivative liabilities for Milestone II Convertible Notes was calculated using the Black-Scholes model using the following assumptions:

	26-May-21	31-Dec-20
Expected life	0.46	0.92
Volatility (based on comparable company)	101.32 %	120.38 %
Risk free interest rate	0.04 %	0.1 %
Dividend yield	-	-

The following table provides a reconciliation of the beginning and ending balances for the Company's derivative liabilities measured at fair value on a recurring basis using Level 3 inputs:

Fair value, December 31, 2020	$	41,000
Extinguishment of derivative upon debt settlement		(25,000)
Net gain from change in fair value		(16,000)
Fair value, December 31, 2021	$	-

Note 9. 7. Commitments and Contingencies

Lease Commitments

The Company leases office space under a non-cancelable operating lease which expires expired on March 31, 2023 and has been extended multiple times, most recently through September 30, 2024. The Company incurred lease expense of $80,000 for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. Due to the short-term nature of the extensions, there is no right of use asset or related liability as of December 31, 2023. As of December 31, 2022, the right of use asset and related liability were $18,000 and $20,000, respectively.

In determining the present value of our operating lease right-of-use asset and liability, we used a 10% discount rate (which approximates our borrowing rate). The remaining term on the lease is 0.25 years. The Company expects to extend the lease on a short-term basis.

Legal Proceedings

As*Schreiber Dispute*

The Company's products are produced to its specifications through several contract manufacturers. One of the Company's contract manufacturers (the "Manufacturer") provided approximately 52% and 42% of the Company's products in the years ended December 31, 2022 and 2021, respectively, under a Supply Agreement with an initial term through September 2025.

Over the course of 2022, the Company experienced numerous quality issues with the case packaging utilized by the Manufacturer. In addition, in July of 2022, the Company began receiving customer complaints about the texture of the Company's smoothie products produced by the Manufacturer. In response, the Company withdrew product from the market and destroyed on-hand inventory, withholding $499,000 in payments due to the Manufacturer.

The Company attempted to resolve the issues based on the contractual procedures described in Note 1, the Supply Agreement. However, on November 4, 2022, in response to a formal proposal of alternate resolutions, the Company received notification from the Manufacturer that it was denying any responsibility for the defective manufacture of the product. In response, on November 10, 2022, the Company filed a complaint in the United States District Court for the Central District of California, Western Division (the "Complaint"), claiming that the Manufacturer had not met its obligations under the Supply Agreement, and seeking economic damages. In response, the Manufacturer terminated the Supply Agreement. On January 20, 2023, the Company filed a voluntary dismissal of the Complaint which allowed the parties to reach a potential resolution outside of the court system. However, as the parties were once again unable to come to an agreement, the Company re-filed the Complaint in California State Court in August 2023 and continues to progress through the court system.

Due to the uncertainties surrounding the claim, the Company is not able to predict either the outcome or a range of reasonably possible recoveries that could result from its actions against the Manufacturer, and no gain contingencies have been recorded. The disruption in its supply resulting from the dispute has an on-going dispute and will continue to adversely impact the Company's results of operations and cash flow until a suitable resolution is reached or new sources of reliable supply at sufficient volume can be identified and developed, the timing of which is uncertain. The Company has mitigated the impact of the supply disruption with the Manufacturer, introduction of its single-serve smoothie cartons; however the outcome of which cannot be predicted at this time. product format has not been accepted by some customers or as a substitute for the bottle product in all use cases.

Other legal matters

From time to time, various lawsuits and legal proceedings may arise in the ordinary course of business. 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 business. We are currently the defendant in one legal proceeding for an amount less than $100,000. Our legal counsel and management believe a material unfavorable outcome to be remote.

Note 10. 8. Stockholders' Equity

On June 1, 2021, the Company completed a private placement of 1,282,051 shares of its common stock at $4.68 per share, resulting in gross proceeds of $6,000,000.

In 2021, holders of debt converted a total of $399,000 in principal and $234,410 in interest into 133,991 shares of common stock, and debt in the amount of $840,000 was retired (Note 7).

In 2021, the Company issued 17,273 shares of common stock, valued between $4.94 - $10.15 per share, for services rendered.

In 2021, the Company issued a warrant to purchase 10,550 shares of common stock at exercise prices ranging from $3.25 - $5.46 (weighted average $4.15) in exchange for services rendered.

In 2022, the Company issued 23,643 shares of common stock, valued between $5.00 - $5.16 per share, for services rendered. Additionally, 5,000 fully vested shares of common stock were granted and issued for equity-based compensation at a value of $4.50 per share.

In 2022, the Company issued 986 shares of common stock due to the exercise of a warrant at an exercise price of $5.07.

In 2023, the Company issued 1,315,491 shares of common stock pursuant to the conversion of debt and accrued interest, as more fully described in Note 6.

In 2023, the Company issued 165,779 shares of common stock for equity-based compensation. Additionally, 4,094 shares of common stock valued between $1.45 - $4.00 were issued for services.

Warrants

The following is a summary of changes in warrants outstanding for the years ended December 31, 2022 December 31, 2023 and 2021: 2022:

	Number of warrants
Outstanding at December 31,2020	2,204,303
Issued	10,550
Expired	(927,449)
Outstanding at December 31, 2021 31,2021	1,287,404
Exercised	(986)
Expired	(106,228)
Outstanding at December 31, 2022	1,180,190
Expired	(936,375)
Outstanding at December 31, 2023	243,815

The following is a summary of all outstanding warrants as of December 31, 2022 December 31, 2023:

Warrant issuance event	Number of warrants	Weighted average exercise price	Exercise price per share	Remaining term in years	Intrinsic value at date of grant	Number of warrants	Weighted average exercise price	Exercise price per share	Remaining term in years	Intrinsic value at date of grant
Private placements of common stock	818,683	$ 6.03	$ 5.85 – 6.89	0.28	$ -					
Private placement of notes	117,692	$ 5.85	$ 5.85	0.22	$ -					
Settlement of deferred compensation	243,815	$ 6.32	$ 3.51 - 9.10	1.74	$ -	243,815	$ 6.32	$ 3.51 - 9.10	0.74	$ -
	1,180,190	$ 6.07	$ 3.51 - 9.10	0.58	$ -					

Equity Incentive Plan

Under Through 2022, the Company issued equity incentive awards under the 2015 Equity Incentive Plan (the “2015 Plan”) and outside the Plan. In June 2023, the Company’s stockholders adopted the 2023 Equity Incentive Plan (the “2023 Plan”), the Company has reserved reserving 1,153,846 650,000 shares for equity incentive awards for issuance future issuance. The Board of Directors discontinued further grants under the 2015 Plan.
Awards may be granted to employees, members of the board Board of directors Directors and other service providers. Awards consultants, and may take the form of options, restricted stock, restricted stock units, performance shares and stock appreciation rights. The Company has issued options with no intrinsic value, stock awards and stock units through December 31, 2022 December 31, 2023, and issues new shares upon exercise of options or vesting of stock awards and stock units.
The Company has reserved approximately 493,000 and 43,000 respectively for awards outstanding under the 2015 Plan and 2023 Plan, and 162,000 shares for equity awards issued outside either of the Company’s equity incentive plans. As of December 31, 2022 December 31, 2023, there were 354,000 607,000 shares remain available for the issuance of awards under the 2015 2023 Plan. The Company has Total shares reserved approximately for awards that are outstanding and expected to vest or available for issuance is 30,000 1,305,000 shares for equity awards issued outside as of the 2015 Plan. December 31, 2023.

Stock-Based Compensation

The total amount of equity-based compensation included in general and administrative expense in the accompanying consolidated statements of operations was $386,000 290,000 and $92,000 386,000 for the years ended December 31, 2022 December 31, 2023 and 2021. 2022.

As of December 31, 2022 December 31, 2023, the Company has $281,000 93,000 of total unrecognized share-based compensation expense related to unvested options, stock awards and stock units, which is expected to be amortized over the remaining weighted average period of 1.9 1.3 years.

Stock Options

The following is a summary of stock option activity:

	Number of Options	Weighted average exercise price per share	Remaining term in years	Number of Options	Weighted average exercise price per share	Remaining term in years
Outstanding on December 31, 2020	614,271	$ 7.61	3.8			
Issued	65,805	$ 5.63				
Cancelled/expired	(44,187)	$ 5.08				
Outstanding on December 31, 2021	635,889	$ 7.41	3.8	635,889	$ 7.41	3.8
Issued	64,672	$ 5.72		64,672	$ 5.72	8.0
Cancelled/expired	(17,622)	$ 5.08		(17,622)	$ 5.08	
Outstanding on December 31, 2022	682,939	$ 7.30	3.2	682,939	$ 7.30	3.2
Issued				65,468	$ 1.50	8.0
Cancelled/expired				(161,316)	$ 7.92	
Outstanding on December 31, 2023				587,091	$ 6.50	3.6
Exercisable, December 31, 2022	595,829	$ 7.54	2.7			
Exercisable, December 31, 2023				526,389	$ 6.73	3.2

The fair value of the options issued was calculated using the Black-Sholes option pricing model, based on the criteria shown below:

	2022	2021	2023	2022
Expected term (in years)	5.5 - 8	5.5 - 8	8	5.5 - 8
Expected volatility	82.8% - 85.7%	85.0% - 89.4%		
Risk-free interest rate	1.5% - 3.9%	0.7% - 1.3%		
Weighted average expected volatility			84.4%	82.8% - 85.7%
Weighted average risk-free interest rate			3.7%	1.5% - 3.9%
Expected dividends	$ -	$ -	$ -	$ -
Weighted average grant date fair value per share	$ 4.53	$ 4.04	$ 1.21	$ 4.53

Restricted Stock

The following is a summary of restricted stock award and restricted stock unit activity:

	Number of shares	Weighted average grant date fair value	Number of shares	Weighted average grant date fair value
Unvested at January 1, 2021	-	$ -		
Unvested at January 1, 2022	-	$ -	-	$ -
Granted	46,554	$ 4.96	46,554	$ 4.96
Forfeited	(4,631)	$ 5.38	(4,631)	$ 5.38
Unvested at December 31, 2022	41,923	$ 4.91	41,923	$ 4.92
Granted			5,000	$ 1.25
Vested			(4,386)	$ 5.06
Forfeited			(9,931)	$ 3.33
Unvested at December 31, 2023			32,606	$ 4.82

Performance Stock Units

During 2023 and 2022, the Company issued performance share units ("PSUs") that represent shares potentially issuable based upon achievement of Company and individual performance targets in 2022. targets. The grantees have the ability to earn 0% - and, in some cases, up to 200% of the PSU target award. The awards also included a various time-based service requirement through March 2023. requirements.

The following is a summary of PSU activity:

	Number of shares	Weighted average grant date fair value	Number of shares	Weighted average grant date fair value
Unvested at January 1, 2022	-	$ -	-	$ -
Granted	123,512	$ 4.50	123,512	$ 4.50
Forfeited	(105,834)	$ 4.50	(105,834)	$ 4.50
Unvested at December 31, 2022	17,678	$ 4.50	17,678	$ 4.50
Cash settled			(17,678)	$ 4.50
Granted			288,469	$ 1.70
Forfeited			(179,330)	$ 1.67
Unvested and expected to vest at December 31, 2023			63,888	$ 1.84

In February 2023, the awards granted for 2022 were modified to pay the original grant-date fair value of the shares expected to vest in cash. Additionally, the Company performance targets were modified to allow approximately 77,000 shares to vest that would have otherwise been forfeited. forfeited, and were not included in the total unvested at December 31, 2022. As a result of the modifications, the Company expects to record recorded an additional $218,000 in compensation expense primarily in 2023.

Note 11. 9. Income Taxes

Income tax provision (benefit) for the years ended December 31, 2022 December 31, 2023 and 2021 2022 is summarized below:

	2022	2021	2023	2022
Current:				
Federal	$ -	$ -	$ -	$ -
State	-	-	-	-
Total	-	-	-	-
Deferred:				
Federal	(956,000)	(1,002,000)	(464,000)	(956,000)
State	(323,000)	(322,000)	(155,000)	(323,000)
Change in valuation allowance	1,279,000	1,324,000	619,000	1,279,000
Total	-	-	-	-
Provision for income taxes	$ -	$ -	$ -	$ -

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate before provision for income taxes. The sources and tax effect of the differences are as follows:

	2022	2021	2023	2022
Statutory federal income tax rate	21%	21%	21%	21%
State tax	7	7	7	7
Permanent differences	-	(15)		
Change in valuation allowance	(28)	(13)	(28)	(28)
	-%	-%	-%	-%

Components of the net deferred income tax assets at December 31, 2022 December 31, 2023 and 2021 2022 were as follows:

	2022	2021	2023	2022
Net operating loss carryover	$ 13,948,000	$ 12,669,000	$ 14,567,000	$ 13,948,000
Valuation allowance	(13,948,000)	(12,669,000)	(14,567,000)	(13,948,000)
	$ -	$ -	$ -	$ -

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ASC 740 requires a valuation allowance to reduce the deferred tax assets reported if, based on the weight of evidence, it is more than likely than not that some portion or all of the deferred tax assets will not be recognized. After consideration of all the evidence, both positive and negative, management has determined that a $13,948,000 14,567,000 and $12,669,000 13,948,000 allowance at December 31, 2022 December 31, 2023 and 2021, 2022, respectively, is necessary to reduce the deferred tax assets to the amount that will more likely than not be realized. The increase in the valuation allowance for the current period is $1,279,000 619,000 resulting for from current year tax losses. losses net of adjustments to finalize the 2022 tax loss upon filing the tax returns.

As of December 31, 2022 December 31, 2023, the Company has a net operating loss carry forward to offset future taxable income of approximately $49,843,000 52,056,000, $28,482,000 of which begins to expire in 2033. Net operating loss carry forwards of $21,361,000 23,574,000 may be carried forward indefinitely. The Company may have experienced an ownership change that could limit its ability to utilize its operating loss carryforward to offset taxable income in future years. An analysis will be required to determine whether such change has occurred, the outcome of which could impact the Company's operating results and cash flow if and when it achieves profitability in taxable jurisdictions.

CARES Act

On March 27, 2020, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") to provide certain relief as a result of the COVID-19 pandemic. The CARES Act provides tax relief, along with other stimulus measures, including a provision for an Employee Retention Credit ("ERC"), which allows for employers to claim a refundable tax credit against the employer share of Social Security tax equal to 70% of the qualified wages paid to employees from the start of the COVID-19 pandemic through September 30, 2021. The ERC was designed to encourage businesses to keep employees on the payroll during the COVID-19 pandemic.

As there is no authoritative guidance under U.S. GAAP on accounting for government assistance to for-profit business entities, the Company accounts for the ERC by analogy to International Accounting Standard ("IAS") 20, Accounting for Government Grants and Disclosure of Government Assistance. In accordance with IAS 20, management determined based upon receipt of confirmation of the claim made by its co-employment partner and review of the calculations provided that it has reasonable assurance for receipt of the ERC and recorded the ERC benefit of $92,000 within general and administrative expenses in the accompanying consolidated statement of operations for the year ended December 31, 2023. The Company recorded a corresponding receivable for the benefit expected to be received within other receivables on the consolidated balance sheet as of December 31, 2023. The Company received the refund in March 2024.

ERC claims can be made in a variety of circumstances with varying degrees of subjectivity and clear authoritative guidance. Paid claims are subject to IRS inspection which may occur prior to expiration of the statute of limitations. The Company's ERC claim was based on objectively calculated declines in revenue using methods that are clearly defined in the CARES Act and various regulations and interpretations thereof.

Note 12. 10. Business Segments and Customer Concentrations

The Company operates in one business segment. Sales to the following customers represented more than 10% of total sales for the years ended December 31, 2022 December 31, 2023 and 2021: 2022:

	2022	2021	2023	2022
Customer A	20%	21%	15%	20%
Customer B	20%	9%	14%	20%
Customer C	16%	20%	14%	16%
Customer D			11%	5%

Note 13. 11. Supplemental Cash Flow Information

Supplemental cash flow information is as follows:

		2023		2022
Cash paid during the year for:				
Amounts included in the measurement of lease liabilities	$	20,000	$	78,000
Non-cash financing and investing activities:				
Convertible note issued in exchange for trade payables	$	30,000	$	-
Conversion of debt and interest to equity	$	1,863,000	$	-
Value of shares relinquished in modification of stock-based compensation awards (Note 8)	$	24,000	$	-

		2022		2021
Cash paid during the year for:				
Amounts included in the measurement of lease liabilities	$	78,000	$	78,000

Non-cash financing and investing activities:				
Net carrying value of convertible notes and accrued interest extinguished through issuance of stock	$	-	$	467,000
Accrued interest paid in stock	$	-	$	151,000
Equipment included in accounts payable and accrued liability	$	-	$	90,000
Extinguishment of derivative liability	$	-	$	25,000

Note 14. 12. Liquidity

During the years ended December 31, 2022 December 31, 2023 and 2021, 2022, the Company used cash for operations of $2,648,000 2,958,000 and $1,861,000 2,648,000, respectively. The Company has a history of operating losses and negative cash flow, which were expected to improve with growth, offset by working capital required to achieve such growth. As described more fully in Note 1, 7, the litigation against the Manufacturer has resulted in uncertainty around our ability to procure product, which in turn may inhibit our ability to achieve positive cash flow. Additionally, management has considered that dispute resolution, including litigation, is costly and will require the outlay of cash.

However, as of December 31, 2022 December 31, 2023, we have $3,019,000 1,891,000 of cash and restricted cash and even though we have identified certain indicators, these indicators do not raise substantial doubt regarding the Company's ability to continue as a going concern. However, we cannot predict, with certainty, the outcome of its potential actions to generate liquidity, including the availability of additional financing, or whether such actions would generate the expected liquidity as planned.

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated March 2, 2023 March 22, 2024, with respect to the consolidated financial statements included in the Annual Report of Barfresh Food Group, Inc. on Form 10-K for the year ended December 31, 2022 December 31, 2023. We consent to the incorporation by reference of said report in the Registration Statement of Barfresh Food Group, Inc. on Form Forms S-8 (File No. 333-264539) 333-264539 and 333-273971) and on Form S-3 (File No. 333-275185).

/s/ Eide Bailly

Denver, Colorado
March 2, 2023 22, 2024

Exhibit 31.1

RULE 13a-14(a) CERTIFICATION

I, Riccardo Delle Coste, certify that:

1. I have reviewed this annual report on Form 10-K of Barfresh Food Group Inc., a Delaware corporation;

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(s) 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 control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or 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(s) 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 over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 2, 2023 22, 2024

By:	*/s/ Riccardo Delle Coste*
Name:	Riccardo Delle Coste
Title:	Principal Executive Officer

Exhibit 31.2

RULE 13a-14(a) CERTIFICATION

I, Lisa Roger, certify that:

1. I have reviewed this annual report on Form 10-K of Barfresh Food Group Inc., a Delaware corporation;

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(s) 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 control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or 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(s) 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 over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 2, 2023 22, 2024

By:	*/s/ Lisa Roger*
Name:	Lisa Roger
Title:	Principal Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Annual Report of Barfresh Food Group Inc., a Delaware corporation, on Form 10-K for the year ended December 31, 2022 December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Annual Report"), I, Riccardo Delle Coste, 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:

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

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

Date: March 2, 2023 March 22, 2024

/s/ Riccardo Delle Coste
Riccardo Delle Coste
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Annual Report of Barfresh Food Group Inc., a Delaware corporation, on Form 10-K for the year ended December 31, 2022 December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Annual Report"), I, Lisa Roger, 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:

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

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

Date: March 2, 2023 March 22, 2024

/s/ Lisa Roger
Lisa Roger
Chief Financial Officer

Exhibit 97.1

BARFRESH FOOD GROUP INC.
COMPENSATION RECOVERY POLICY
(Adopted and approved on November 15, 2023, and effective as of October 2, 2023)

1. Purpose. Barfresh Food Group Inc. (collectively with its subsidiaries, the "***Company***") is committed to promoting high standards of honest and ethical business conduct and compliance with applicable laws, rules and regulations. As part of this commitment, the Company has adopted this Compensation

Recovery Policy (this "***Policy***"). This Policy is designed to comply with Section 10D of the Securities Exchange Act of 1934, as amended (the "***Exchange Act***") and explains when the Company will be required to seek recovery of Incentive Compensation awarded or paid to a Covered Person. Please refer to Exhibit A attached hereto (the "***Definitions Exhibit***") for the definitions of capitalized terms used throughout this Policy.

2. Miscalculation of Financial Reporting Measure Results. In the event of a Restatement, the Company will seek to recover, reasonably promptly, all Recoverable Incentive Compensation from a Covered Person. Such recovery, in the case of a Restatement, will be made without regard to any individual knowledge or responsibility related to the Restatement. Notwithstanding the foregoing, if the Company is required to undertake a Restatement, the Company will not be required to recover the Recoverable Incentive Compensation if the Compensation Committee determines it Impracticable to do so, after exercising a normal due process review of all the relevant facts and circumstances. If such Recoverable Incentive Compensation was not awarded or paid on a formulaic basis, the Company will seek to recover the amount that the Compensation Committee determines in good faith should be recouped.

3. Other Actions. The Compensation Committee may, subject to applicable law, seek recovery in the manner it chooses, including by seeking reimbursement from the Covered Person of all or part of the compensation awarded or paid, by electing to withhold unpaid compensation, by set-off, or by rescinding or canceling unvested stock. In the reasonable exercise of its business judgment under this Policy, the Compensation Committee may in its sole discretion determine whether and to what extent additional action is appropriate to address the circumstances surrounding a Restatement to minimize the likelihood of any recurrence and to impose such other discipline as it deems appropriate.

4. No Indemnification or Reimbursement. Notwithstanding the terms of any other policy, program, agreement or arrangement, in no event will the Company or any of its affiliates indemnify or reimburse a Covered Person for any loss under this Policy and in no event will the Company or any of its affiliates pay premiums on any insurance policy that would cover a Covered Person's potential obligations with respect to Recoverable Incentive Compensation under this Policy.

5. Administration of Policy. The Compensation Committee will have full authority to administer this Policy. The Compensation Committee will, subject to the provisions of this Policy and Rule 10D-1 of the Exchange Act, and the Company's applicable exchange listing standards, make such determinations and interpretations and take such actions in connection with this Policy as it deems necessary, appropriate or advisable. All determinations and interpretations made by the Compensation Committee will be final, binding and conclusive.

6. Other Claims and Rights. The remedies under this Policy are in addition to, and not in lieu of, any legal and equitable claims the Company or any of its affiliates may have or any actions that may be imposed by law enforcement agencies, regulators, administrative bodies, or other authorities. Further, the exercise by the Compensation Committee of any rights pursuant to this Policy will not impact any other rights that the Company or any of its affiliates may have with respect to any Covered Person subject to this Policy.

7. Acknowledgement by Covered Persons; Condition to Eligibility for Incentive Compensation. The Company will provide notice and seek acknowledgement of this Policy from each Covered Person, provided that the failure to provide such notice or obtain such acknowledgement will have no impact on the applicability or enforceability of this Policy. After the Effective Date, the Company must be in receipt of a Covered Person's acknowledgement as a condition to such Covered Person's eligibility to receive Incentive Compensation. All Incentive Compensation subject to this Policy will not be earned, even if already paid, until the Policy ceases to apply to such Incentive Compensation and any other vesting conditions applicable to such Incentive Compensation are satisfied.

8. Amendment; Termination. The Board or the Compensation Committee may amend or terminate this Policy at any time.

9. Effectiveness. Except as otherwise determined in writing by the Compensation Committee, this Policy will apply to any Incentive Compensation that is Received by a Covered Person on or after the Effective Date. This Policy will survive and continue notwithstanding any termination of a Covered Person's employment with the Company and its affiliates.

10. Successors. This Policy shall be binding and enforceable against all Covered Persons and their successors, beneficiaries, heirs, executors, administrators, or other legal representatives.

Exhibit A
BARFRESH FOOD GROUP INC.
COMPENSATION RECOVERY POLICY
DEFINITIONS EXHIBIT

"***Applicable Period***" means the three completed fiscal years of the Company immediately preceding the earlier of (i) the date the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes (or reasonably should have concluded) that a Restatement is required or (ii) the date a court, regulator, or other legally authorized body directs the Company to prepare a Restatement. The "Applicable Period" also includes any transition period (that results from a change in the Company's fiscal year) within or immediately following the three completed fiscal years identified in the preceding sentence.

"***Board***" means the Board of Directors of the Company.

"***Compensation Committee***" means the Company's committee of independent directors responsible for executive compensation decisions, or in the absence of such a committee, a majority of the independent directors serving on the Board.

"***Covered Person***" means any person who is, or was at any time, during the Applicable Period, an Executive Officer of the Company. For the avoidance of doubt, a Covered Person may include a former Executive Officer that left the Company, retired, or transitioned to an employee role (including after serving as an Executive Officer in an interim capacity) during the Applicable Period.

*"**Effective Date**"* means October 2, 2023

"***Executive Officer***" means the Company's president, principal executive officer, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person (including an officer of the Company's parent(s) or subsidiaries) who performs similar policy-making functions for the Company.

"***Financial Reporting Measure***" means a measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements (including but not limited to, "non-GAAP" financial measures, such as those appearing in the Company's earnings releases or Management Discussion and Analysis), and any measure that is derived wholly or in part from such measure. Stock price and total shareholder return (and any measures derived wholly or in part therefrom) shall be considered Financial Reporting Measures.

“***Impracticable.***” The Compensation Committee may determine in good faith that recovery of Recoverable Incentive Compensation is “Impracticable” if: (i) pursuing such recovery would violate home country law of the jurisdiction of incorporation of the Company where that law was adopted prior to November 28, 2022 and the Company provides an opinion of home country counsel to that effect acceptable to the Company’s applicable listing exchange; (ii) the direct expense paid to a third party to assist in enforcing this Policy would exceed the Recoverable Incentive Compensation and the Company has (A) made a reasonable attempt to recover such amounts and (B) provided documentation of such attempts to recover to the Company’s applicable listing exchange; or (iii) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Internal Revenue Code of 1986, as amended.

“***Incentive Compensation***” means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure. Incentive Compensation does not include any base salaries (except with respect to any salary increases earned wholly or in part based on the attainment of a Financial Reporting Measure performance goal); bonuses paid solely at the discretion of the Compensation Committee or Board that are not paid from a “bonus pool” that is determined by satisfying a Financial Reporting Measure performance goal; bonuses paid solely upon satisfying one or more subjective standards and/or completion of a specified employment period; non-equity incentive plan awards earned solely upon satisfying one or more strategic measures or operational measures; and equity awards that vest solely based on the passage of time and/or attaining one or more non-Financial Reporting Measures.

“***Received.***” Incentive Compensation is deemed “Received” in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive Compensation award is attained, even if the payment or grant of the Incentive Compensation occurs after the end of that period.

“***Recoverable Incentive Compensation***” means the amount of any Incentive Compensation (calculated on a pre-tax basis) Received by a Covered Person during the Applicable Period that is in excess of the amount that otherwise would have been Received if the calculation were based on the Restatement. For the avoidance of doubt Recoverable Incentive Compensation does not include any Incentive Compensation Received by a person (i) before such person began service in a position or capacity meeting the definition of an Executive Officer, (ii) who did not serve as an Executive Officer at any time during the performance period for that Incentive Compensation, or (iii) during any period the Company did not have a class of its securities listed on a national securities exchange or a national securities association. For Incentive Compensation based on (or derived from) stock price or total shareholder return where the amount of Recoverable Incentive Compensation is not subject to mathematical recalculation directly from the information in the applicable Restatement, the amount will be determined by the Compensation Committee based on a reasonable estimate of the effect of the Restatement on the stock price or total shareholder return upon which the Incentive Compensation was Received (in which case, the Company will maintain documentation of such determination of that reasonable estimate and provide such documentation to the Company’s applicable listing exchange).

“***Restatement***” means an accounting restatement of any of the Company’s financial statements filed with the Securities and Exchange Commission under the Exchange Act, or the Securities Act of 1933, as amended, due to the Company’s material noncompliance with any financial reporting requirement under U.S. securities laws, regardless of whether the Company or Covered Person misconduct was the cause for such restatement. “Restatement” includes any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (commonly referred to as “Big R” restatements), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (commonly referred to as “little r” restatements).

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