

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

FORM 10-Q

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

For the quarterly period ended: **January 31, 2024**

OR

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

For the transition period from _____ to _____

Commission file number: **001-32491**

Coffee Holding Co., Inc.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

11-2238111

(I.R.S. Employer
Identification No.)

3475 Victory Boulevard, Staten Island, New York
(Address of principal executive offices)

10314
(Zip Code)

(718) 832-0800

(Registrant's telephone number including area code)

N/A

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	JVA	The Nasdaq Capital Market

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 period that the registrant was required to submit such files). Yes ☒ No ☐.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

5,708,599 shares of common stock, par value \$0.001 per share, are outstanding at March 17, 2024.

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PART I

ITEM 1 – FINANCIAL STATEMENTS.

COFFEE HOLDING CO., INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
JANUARY 31, 2024 AND OCTOBER 31, 2023

	January 31, 2024 (Unaudited)	October 31, 2023
- ASSETS -		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,407,863	\$ 2,733,977
Accounts receivable, net of allowances of \$144,000 for 2024 and 2023	8,070,427	7,983,032
Receivable from sale of investment	450,000	3,150,000
Inventories	17,012,265	18,986,539
Due from broker	902,120	345,760
Prepaid expenses and other current assets	493,519	413,752
Prepaid and refundable income taxes	310,906	365,876
TOTAL CURRENT ASSETS	29,647,100	33,978,936
Building, machinery and equipment, net	3,347,607	3,494,450
Customer list and relationships, net of accumulated amortization of \$ 318,008 and \$310,383 for 2024 and 2023, respectively	177,125	184,750
Trademarks and tradenames	327,000	327,000
Equity method investments	33,652	39,676
Right of use asset	2,655,799	2,696,159
Deferred income tax assets - net	1,254,056	1,341,407
Deposits and other assets	136,162	129,523
TOTAL ASSETS	\$ 37,578,501	\$ 42,191,901
- LIABILITIES AND STOCKHOLDERS' EQUITY -		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 4,446,339	\$ 5,206,442
Line of credit	4,700,000	9,620,000
Due to broker	1,031,605	292,407
Note payable – current portion	4,200	4,200
Lease liability – current portion	563,474	255,625
TOTAL CURRENT LIABILITIES	10,745,618	15,378,674
Lease liabilities	2,637,535	2,974,579
Note payable – long term	2,071	3,034
Deferred compensation payable	127,162	120,523
TOTAL LIABILITIES	13,512,386	18,476,810
Commitments and Contingencies		
STOCKHOLDERS' EQUITY:		
Coffee Holding Co., Inc. stockholders' equity:		
Preferred stock, par value \$.001 per share; 10,000,000 shares authorized; none issued	-	-
Common stock, par value \$.001 per share; 30,000,000 shares authorized, 6,633,930 shares issued for 2024 and 2023; 5,708,599 shares outstanding for 2024 and 2023	6,634	6,634
Additional paid-in capital	19,094,618	19,094,618
Retained earnings	9,842,885	9,491,861
Less: Treasury stock, 925,331 common shares, at cost for 2024 and 2023	(4,633,560)	(4,633,560)
Total Coffee Holding Co., Inc. Stockholders' Equity	24,310,577	23,959,553
Noncontrolling interest	(244,462)	(244,462)
TOTAL EQUITY	24,066,115	23,715,091
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 37,578,501	\$ 42,191,901

See Notes to Condensed Consolidated Financial Statements

COFFEE HOLDING CO., INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
THREE MONTHS ENDED JANUARY 31, 2024 AND 2023
(Unaudited)

	2024	2023
NET SALES	\$ 19,540,402	\$ 18,326,114
COST OF SALES	16,060,103	16,005,814
GROSS PROFIT	3,480,299	2,320,300
OPERATING EXPENSES:		
Selling and administrative	2,690,047	2,941,437
Officers' salaries	173,341	179,888
TOTAL	2,863,388	3,121,325
INCOME (LOSS) FROM OPERATIONS	616,911	(801,025)
OTHER INCOME (EXPENSE):		
Interest income	7	3,107
Loss from equity method investments	(6,024)	(5,017)
Other income	-	234,041
Interest expense	(117,533)	(130,459)
TOTAL	(123,550)	101,672
INCOME (LOSS) BEFORE INCOME TAX PROVISION (BENEFIT) AND NON-CONTROLLING INTEREST IN SUBSIDIARY	493,361	(699,353)
Income Tax provision (benefit)	142,337	(167,250)
NET INCOME (LOSS) BEFORE ADJUSTMENT FOR NON-CONTROLLING INTEREST IN SUBSIDIARY	351,024	(532,103)
Less: Net income attributable to the non-controlling interest in subsidiary	-	-
NET INCOME (LOSS) ATTRIBUTABLE TO COFFEE HOLDING CO., INC.	\$ 351,024	\$ (532,103)
Basic and diluted earnings (loss) per share	\$ 0.06	\$ (0.09)
Weighted average common shares outstanding:		
Basic and diluted	5,708,599	5,708,599

See Notes to Condensed Consolidated Financial Statements

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COFFEE HOLDING CO., INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
THREE MONTHS ENDED JANUARY 31, 2024 AND 2023
(Unaudited)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings	Non- Controlling Interest	Total
	Shares	Amount	Shares	Amount				
Balance, October 31, 2022	5,708,599	\$ 6,634	925,331	\$(4,633,560)	\$19,094,618	\$10,327,437	\$ (244,462)	\$24,550,667
Net loss						(532,103)		(532,103)
Balance, January 31, 2023	5,708,599	\$ 6,634	925,331	\$(4,633,560)	\$19,094,618	\$ 9,795,334	\$ (244,462)	\$24,018,564
Balance, October 31, 2023	5,708,599	\$ 6,634	925,331	\$(4,633,560)	\$19,094,618	\$ 9,491,861	\$ (244,462)	\$23,715,091
Net income						351,024		351,024
Balance, January 31, 2024	5,708,599	\$ 6,634	925,331	\$(4,633,560)	\$19,094,618	\$ 9,842,885	\$ (244,462)	\$24,066,115

See Notes to Condensed Consolidated Financial Statements

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COFFEE HOLDING CO., INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED JANUARY 31, 2024 AND 2023
(Unaudited)

	2024	2023
OPERATING ACTIVITIES:		

Net income (loss)	\$	351,024	\$	(532,103)
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:				
Depreciation and amortization		154,468		140,188
Unrealized loss (gain) on commodities		182,838		(772,021)
Loss on equity method investments		6,024		5,017
Amortization of right to use asset		82,322		79,663
Deferred income taxes		87,351		(167,250)
Changes in operating assets and liabilities:				
Accounts receivable		2,612,605		915,609
Inventories		1,974,274		2,555,433
Prepaid expenses and other current assets		(79,767)		111,636
Prepaid and refundable income taxes		54,970		-
Lease liability		(71,157)		(67,699)
Deposits and other assets		-		-
Accounts payable and accrued expenses		(760,103)		535,039
Net cash provided by operating activities		<u>4,594,849</u>		<u>2,803,512</u>
INVESTING ACTIVITIES:				
Purchases of machinery and equipment		-		(202,018)
Net cash used in investing activities		<u>-</u>		<u>(202,018)</u>
FINANCING ACTIVITIES:				
Advances under bank line of credit		14,404		914,782
Cash overdraft		-		(876,148)
Principal payments on note payable		(963)		(1,373)
Principal payments under bank line of credit		(4,934,404)		(900,000)
Net cash used in financing activities		<u>(4,920,963)</u>		<u>(862,739)</u>
NET (DECREASE) INCREASE IN CASH		(326,114)		1,738,755
CASH, BEGINNING OF PERIOD		<u>2,733,977</u>		<u>2,515,873</u>
CASH, END OF PERIOD	\$	<u>2,407,863</u>	\$	<u>4,254,628</u>

See Notes to Condensed Consolidated Financial Statements

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COFFEE HOLDING CO., INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED JANUARY 31, 2024 AND 2023
(Unaudited)

	2024	2023
SUPPLEMENTAL DISCLOSURE OF CASH FLOW DATA:		
Interest paid	\$ 141,945	\$ 121,019
Income taxes paid	\$ -	\$ -
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Initial recognition of operating lease right of use asset	\$ 41,962	40,797

See Notes to Condensed Consolidated Financial Statements

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COFFEE HOLDING CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2024
(UNAUDITED)

NOTE 1 - BUSINESS ACTIVITIES:

Coffee Holding Co., Inc. (the "Company") conducts wholesale coffee operations, including manufacturing, roasting, packaging, marketing and distributing roasted and blended coffees for private labeled accounts and its own brands, and it sells green coffee. The Company also manufactures and sells coffee roasters. The Company's core product, coffee, can be summarized and divided into three product categories ("product lines") as follows:

Wholesale Green Coffee: unroasted raw beans imported from around the world and sold to large and small roasters and coffee shop operators;

Private Label Coffee: coffee roasted, blended, packaged and sold under the specifications and names of others, including supermarkets that want to have their own brand name on coffee to compete with national brands; and

Branded Coffee: coffee roasted and blended to the Company's own specifications and packaged and sold under the Company's eight proprietary and licensed brand names in different segments of the market.

The Company's private label and branded coffee sales are primarily to customers that are located throughout the United States with limited sales in Canada and certain countries in Asia. Such customers include supermarkets, wholesalers, and individually-owned and multi-unit retailers. The Company's unprocessed green coffee, which includes over 90 specialty coffee offerings, is sold primarily to specialty gourmet roasters and to coffee shop operators in the United States with limited sales in Australia, Canada, England and China.

The Company's wholesale green, private label, and branded coffee product categories generate revenues and cost of sales individually but incur selling, general and administrative expenses in the aggregate. There are no individual product managers and discrete financial information is not available for any of the product lines. The Company's product portfolio is used in one business and it operates and competes in one business activity and economic environment. In addition, the three product lines share customers, manufacturing resources, sales channels, and marketing support. Thus, the Company considers the three product lines to be one single reporting segment.

On September 29, 2022, the Company entered into a Merger and Share Exchange Agreement (the "Merger Agreement"), by and among the Company, Delta Corp Holdings Limited, a Cayman Islands exempted company ("Pubco"), Delta Corp Holdings Limited, a company incorporated in England and Wales ("Delta"), CHC Merger Sub Inc., a Nevada corporation and wholly owned subsidiary of Pubco ("Merger Sub"), and each of the holders of ordinary shares of Delta as named therein (the "Sellers"). Upon the terms and subject to the conditions set forth in the Merger Agreement, Merger Sub will merge with and into the Company, with the Company surviving as a direct, wholly-owned subsidiary of Pubco (the "Merger"). As a result of the Merger, each issued and outstanding share of the Company common stock, \$0.001 par value per share (the "Common Stock"), will be cancelled and converted for the right of the holder thereof to receive one ordinary share, par value \$0.0001 of Pubco (the "Pubco Ordinary Shares").

Going Concern

As of October 31, 2023, the Company's line of credit of \$ 9.6 million becomes due in June 2024, for which the Company will seek to obtain a renewal of the financing arrangement. There were certain financial covenants that the Company is in violation. The Company has not received a waiver from the lender. The lender has reserved its rights and remedies at any time in its sole discretion. As of January 31, 2024, the Company is back in compliance with those financial covenants, however there are uncertainties surrounding the ability to receive a waiver and extending its line of credit when becomes due. These uncertainties raise substantial doubt as to whether existing cash and cash equivalents will be sufficient to meet its obligations as they become due within twelve months from the date the consolidated financial statements were issued. The current balance outstanding as of March 6, 2024 is \$4.7 million. The Company continues to expand its customer base, which is expected to increase margins and profitability in future periods. However, there can be no assurance of such continued success.

COFFEE HOLDING CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2024
(UNAUDITED)

NOTE 2 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICY :

The Company's fiscal year ends on October 31, of each calendar year. The accompanying interim condensed consolidated financial statements are unaudited and have been prepared on substantially the same basis as our annual consolidated financial statements for the fiscal year ended October 31, 2023. In the opinion of the Company's management, these interim condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair statement of our financial position, results of operations and cash flows for the periods presented. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates. The October 31, 2023 year-end condensed consolidated balance sheet data in this document was derived from audited consolidated financial statements. These condensed consolidated financial statements and notes included in this quarterly report on Form 10-Q does not include all disclosures required by U.S. generally accepted accounting principles ("U.S. GAAP") and should be read in conjunction with the Company's audited consolidated financial statements as of and for the year ended October 31, 2023 and notes thereto included in the Company's fiscal 2023 Annual Report on Form 10-K, filed with the Securities and Exchange Commission ("SEC") on February 9, 2024 (the "2023 10-K"). The results of operations and cash flows for the interim periods included in these condensed consolidated financial statements are not necessarily indicative of the results to be expected for any future period or the entire fiscal year.

The condensed consolidated financial statements include the accounts of the Company, the Company's subsidiaries, Organic Products Trading Company, LLC ("OPTCO"), Sonofresco, LLC ("SONO"), Comfort Foods, Inc. ("CFI") and Generations Coffee Company, LLC ("GCC"), the entity formed as a result of the Company's joint venture with Caruso's Coffee, Inc. The Company owns a 60% equity interest in GCC. All significant inter-company transactions and balances have been eliminated in consolidation.

Significant Accounting Policies

The significant accounting policies used in the preparation of these condensed consolidated financial statements are disclosed in our 2023 10-K, and there have been no changes to the Company's significant accounting policies during the three months ended January 31, 2024.

Revenue Recognition

The Company recognizes revenue in accordance with the five-step model as prescribed by the Financial Accounting Standards Board ("FASB") Accounting Codification ("ASC") Topic 606 ("ASC 606") in which the Company evaluates the transfer of promised goods or services and recognizes revenue when its customer obtains control of promised goods or services in an amount that reflects the consideration which the Company expects to be entitled to receive in exchange for those goods or services. To determine revenue recognition for the arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

COFFEE HOLDING CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2024
(UNAUDITED)

NOTE 2 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICY (cont'd):

Recent Accounting Pronouncements – Adopted

The Company follows the FASB Accounting Standard Update (ASU) 2016-13 Financial Instruments – Credit Losses (Topic 326). This guidance requires entities to use a current expected credit loss impairment model rather than incurred losses. The Company considers factors such as credit quality, age of balances, historical experience and current and future economic conditions that may affect the Company's expectation of collectability in

determining allowance for credit losses. The standard became effective for the Company on November 1, 2023. The adoption of this new guidance did not have a material impact on the Company's consolidated financial statements and related disclosures.

Recent Accounting Pronouncements – Not Yet Adopted

In October 2023, the FASB issued Accounting Standards Update ("ASU") 2023-06, "Disclosure Improvements – Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative." This standard affects a wide variety of Topics in the Codification. The effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective. Early adoption is prohibited. The Company does not expect the adoption of this standard to have a material impact on the Company's consolidated financial statements and related disclosures.

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting – Improving Reportable Segment Disclosures (Topic 280)." The standard is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant expenses. The standard requires disclosure to include significant segment expenses that are regularly provided to the CODM, a description of other segment items by reportable segment, and any additional measures of a segment's profit or loss used by the CODM when deciding how to allocate resources. The standard also requires all annual disclosures currently required by ASC Topic 280 to be included in interim periods. This standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted and requires retrospective application to all prior periods presented in the financial statements. The Company is currently evaluating the impact of this standard on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, "Improvements to Income Tax Disclosures," a final standard on improvements to income tax disclosures. The standard requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The standard is effective for fiscal years beginning after December 15, 2024, with early adoption permitted and should be applied prospectively. The Company is currently evaluating the impact of this standard on its consolidated financial statements and related disclosures.

COFFEE HOLDING CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2024
(UNAUDITED)

NOTE 2 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICY (cont'd):

The following table presents revenues by product line in the three months ended January 31, 2024 and 2023

	January 31, 2024	January 31, 2023
Green	\$ 7,479,202	\$ 7,658,947
Packaged	12,061,200	10,667,167
Totals	<u>\$ 19,540,402</u>	<u>\$ 18,326,114</u>

NOTE 3 - INVENTORIES:

Inventories at January 31, 2024 and October 31, 2023 consisted of the following:

	January 31, 2024	October 31, 2023
Packed coffee	\$ 3,261,524	\$ 3,582,935
Green coffee	11,459,519	13,151,993
Roasters and parts	528,945	537,108
Packaging supplies	1,762,277	1,714,503
Totals	<u>\$ 17,012,265</u>	<u>\$ 18,986,539</u>

NOTE 4 - COMMODITIES HELD BY BROKER:

The Company has used, and intends to continue to use in a limited capacity, short term coffee futures and options contracts primarily for the purpose of partially hedging and minimizing the effects of changing green coffee prices and to reduce cost of sales. The commodities held at broker represent the market value of the Company's trading account, which consists of options and future contracts for coffee held with a brokerage firm. The Company uses options and futures contracts, which are not designated or qualifying as hedging instruments, to partially hedge the effects of fluctuations in the price of green coffee beans. Options and futures contracts are recognized at fair value in the condensed consolidated financial statements with current recognition of gains and losses on such positions. The Company's accounting for options and futures contracts may increase earnings volatility in any particular period. We record all open contract positions on our consolidated balance sheets at fair value in the due from and due to broker line items and typically do not offset these assets and liabilities.

COFFEE HOLDING CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2024
(UNAUDITED)

NOTE 4 - COMMODITIES HELD BY BROKER (cont'd):

The Company classifies its options and future contracts as trading securities and accordingly, unrealized holding gains and losses are included in earnings and not reflected as a net amount as a separate component of stockholders' equity.

The Company recorded realized and unrealized gains and losses respectively, on these contracts as follows:

	Three Months Ended January 31,	
	2024	2023
Gross realized gains	\$ 567,694	\$ 128,925
Gross realized losses	(34,823)	(666,050)

Unrealized gain (loss)	(182,836)	772,021
Total	\$ 350,035	\$ 234,896

NOTE 5 - LINE OF CREDIT:

On April 25, 2017 the Company and OPTCO (together with the Company, collectively referred to herein as the "Borrowers") entered into an Amended and Restated Loan and Security Agreement (the "A&R Loan Agreement") and Amended and Restated Loan Facility (the "A&R Loan Facility") with Sterling National Bank (later acquired by Webster Bank N.A.) ("Sterling"), which consolidated (i) the financing agreement between the Company and Sterling, dated February 17, 2009, as modified, (the "Company Financing Agreement") and (ii) the financing agreement between Company, as guarantor, OPTCO and Sterling, dated March 10, 2015 (the "OPTCO Financing Agreement"), amongst other things.

On March 17, 2022, the Company reached an agreement for a new loan modification agreement and credit facility which extended the maturity date to June 29, 2022. The facility was then approved for a two-year extension. All other terms of the A&R Loan Agreement and A&R Loan Facility remained the same.

On June 28, 2022, the Company reached an agreement for a new loan modification agreement and credit facility with Webster Bank. The terms of the new agreement, among other things: (i) provided for a new maturity date of June 30, 2024, and (ii) changed the interest rate per annum to SOFR plus 1.75% (with such interest rate not to be lower than 3.50%). All other terms of the A&R Loan Agreement and A&R Loan Facility remained the same.

Each of the A&R Loan Facility and A&R Loan Agreement contains covenants, subject to certain exceptions, that place annual restrictions on the Borrowers' operations, including covenants relating to fixed charge coverage ratio, debt to tangible net worth and tangible net worth. The Company, as of January 31, 2024, the Company was in compliance with all covenants. The Company as of October 31, 2023 has failed to comply with one of these covenants and resulted in an event of default under the loan agreement. The lender has various defenses that it can apply against the Company, which includes up to and calling the line of credit. There is no guarantee that the lender will not issue a waiver or not call the line of credit. The outstanding balance on the Company's lines of credit were \$4,700,000 and \$9,620,000 as of January 31, 2024 and October 31, 2023, respectively.

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COFFEE HOLDING CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2024
(UNAUDITED)

NOTE 6 - INCOME TAXES:

The Company accounts for income taxes pursuant to the asset and liability method which requires deferred income tax assets and liabilities to be computed for temporary differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The income tax provision or benefit is the tax incurred for the period plus or minus the change during the period in deferred tax assets and liabilities.

As of January 31, 2024 and October 31, 2023 the Company did not have any unrecognized tax benefits or open tax positions. The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. As of January 31, 2024 and October 31, 2023, the Company had no accrued interest or penalties related to income taxes. The Company currently has no federal or state tax examinations in progress.

The Company files a U.S. federal income tax return and California, Colorado, Connecticut, Florida, Idaho, Illinois, Kansas, Louisiana, Michigan, Massachusetts, Montana, New Jersey, New York, New York City, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas and Virginia state tax returns. The Company's federal income tax return is no longer subject to examination by the federal taxing authority for years before fiscal 2020. The Company's California, Colorado, New Jersey and Texas income tax returns are no longer subject to examination by their respective taxing authorities for the years before fiscal 2020. The Company's Oregon, New York, Kansas, South Carolina, Rhode Island, Connecticut and Michigan income tax returns are no longer subject to examination by their respective taxing authorities for the years before fiscal 2020.

NOTE 7 - EARNINGS PER SHARE:

The Company presents "basic" and "diluted" earnings per common share pursuant to the provisions included in the authoritative guidance issued by FASB, "Earnings per Share," and certain other financial accounting pronouncements. Basic earnings per common share were computed by dividing net income by the sum of the weighted-average number of common shares outstanding. Diluted earnings per common share is computed by dividing the net income by the weighted-average number of common shares outstanding plus the dilutive effect of common shares issuable upon exercise of potential sources of dilution.

The weighted average common shares outstanding used in the computation of basic and diluted earnings per share were 5,708,599 for the three months ended January 31, 2024 and 2023. The Company had granted 1,000,000 options in the second quarter of 2019, which have not been included in the calculation of diluted earnings per share due to their anti-dilutive nature.

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COFFEE HOLDING CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2024
(UNAUDITED)

NOTE 8 - COMMITMENTS AND CONTINGENCIES:

Legal Proceedings

The Company and its subsidiaries are not involved in any pending proceedings other than ordinary routine litigation incidental to their business. Management believes none of these proceedings, if determined adversely, would have a material effect on the business or financial condition of the Company or its subsidiaries.

NOTE 9 - LEASES:

The following summarizes the Company's operating leases:

	2024	2023
Right-of-use operating lease assets	<u>\$ 2,655,799</u>	<u>\$ 2,832,907</u>
Current lease liability	563,474	186,879
Non-current lease liability	2,637,535	3,142,959
Total lease liability	<u>\$ 3,201,009</u>	<u>\$ 3,329,838</u>

The amortization of the right-of-use asset for the three months ended January 31, 2024 and 2023 was \$ 82,322 and \$79,663, respectively.

Weighted average remaining lease term	10.0
Weighted average discount rate	4.9%

Maturities of lease liabilities by year for our operating leases are as follows:

2024	\$ 697,345
2025	400,868
2026	376,683
2027	367,788
2028	305,648
Thereafter	2,027,652
Total lease payments	<u>\$ 4,175,984</u>
Less: imputed interest	(974,975)
Present value of operating lease liabilities	<u>\$ 3,201,009</u>

In December 2023, the Company extended its lease at its subsidiary Sonofresco in Washington through December 2023. As a result, on the date of the modification the Company increased its right-of-use asset and lease liability by \$41,962 as of January 31, 2024.

COFFEE HOLDING CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2024
(UNAUDITED)

NOTE 10 – RELATED PARTY TRANSACTIONS:

The Company has engaged its 40% former partner in GCC as an outside contractor (the “Partner”). Included in contract labor expense are expenses incurred from the Partner during the three months ended January 31, 2024 and 2023 of \$0 and \$56,851, respectively, for the processing of finished goods.

In January 2005, the Company established the “Coffee Holding Co., Inc. Non-Qualified Deferred Compensation Plan.” Currently, there is only one participant in the plan: Andrew Gordon, the CEO. The deferred compensation payable represents the liability due to this employee of the Company upon his retirement. The deferred compensation liability at January 31, 2024 and October 31, 2023 was \$127,162 and \$120,523, respectively. Deferred compensation expenses included in officers’ salaries were \$0 during the quarters ended January 31, 2024 and 2023, respectively as no amounts were contributed to this plan.

NOTE 11 - STOCKHOLDERS’ EQUITY:

- a. *Treasury Stock.* The Company utilizes the cost method of accounting for treasury stock. The cost of reissued shares is determined under the last-in, first-out method. The Company did not purchase any shares during the three months ended January 31, 2024 and the year ended October 31, 2023.
- b. *Stock Options.* The Company has an incentive stock plan, the 2013 Equity Compensation Plan (the “2013 Plan”), and on April 19, 2019, has granted 1,000,000 stock options to employees, officers and non-employee directors from the 2013 Plan each with an exercise price of \$5.43, which expire on April 17, 2029. As of January 31, 2024, there are 942,000 options remaining. Options granted under the 2013 Plan may be Incentive Stock Options or Nonqualified Stock Options, as determined by the Administrator at the time of grant. No options were granted, forfeited or expired during the three months ended January 31, 2024 or for the year ended October 31, 2023.

NOTE 12 – SUBSEQUENT EVENTS:

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the condensed consolidated financial statements.

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

Cautionary Note on Forward-Looking Statements

Some of the matters discussed under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operation,” “Business,” “Risk Factors” and elsewhere in this annual report include forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. We have based these forward-looking statements upon information available to management as of the date of this Form 10-Q and management’s expectations and projections about future events, including, among other things:

- our dependency on a single commodity could affect our revenues and profitability;
- our success in expanding our market presence in new geographic regions;
- the effectiveness of our hedging policy may impact our profitability;
- the success of our joint ventures;
- our success in implementing our business strategy or introducing new products;
- our ability to attract and retain customers;

- our ability to obtain additional financing;
- our ability to comply with the restrictive covenants we are subject to under our current financing;
- the effects of competition from other coffee manufacturers and other beverage alternatives;
- the impact to the operations of our Colorado facility;
- general economic conditions and conditions which affect the market for coffee;
- the potential adverse impact of the COVID-19 pandemic on our operations and results;
- our expectations regarding, and the stability of, our supply chain, including potential shortages or interruptions in the supply or delivery of green coffee;
- the macro global economic environment;
- our ability to maintain and develop our brand recognition;
- the impact of rapid or persistent fluctuations in the price of coffee beans;
- fluctuations in the supply of coffee beans;
- the volatility of our common stock; and
- other risks which we identify in future filings with the Securities and Exchange Commission (the “SEC”).

In some cases, you can identify forward-looking statements by terminology such as “may,” “should,” “could,” “predict,” “potential,” “continue,” “expect,” “anticipate,” “future,” “intend,” “plan,” “believe,” “estimate” and similar expressions (or the negative of such expressions). Any or all of our forward-looking statements in this quarterly report and in any other public statements we make may turn out to be wrong. They can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties. Consequently, no forward-looking statement can be guaranteed. In addition we undertake no responsibility to update any forward-looking statement to reflect events or circumstances that occur after the date of this quarterly report.

Overview

We are an integrated wholesale coffee roaster and dealer in the United States and one of the few coffee companies that offers a broad array of coffee products across the entire spectrum of consumer tastes, preferences and price points. As a result, we believe that we are well-positioned to increase our profitability and endure potential coffee price volatility throughout varying cycles of the coffee market and economic conditions.

Our operations have primarily focused on the following areas of the coffee industry:

- the sale of wholesale specialty green coffee;
- the roasting, blending, packaging and sale of private label coffee;
- the roasting, blending, packaging and sale of our eight brands of coffee; and
- sales of our tabletop coffee roasting equipment.

Our operating results are affected by a number of factors including:

- the level of marketing and pricing competition from existing or new competitors in the coffee industry;
- our ability to retain existing customers and attract new customers;
- our hedging policy;
- fluctuations in purchase prices and supply of green coffee and in the selling prices of our products; and
- our ability to manage inventory and fulfillment operations and maintain gross margins.

Our net sales are driven primarily by the success of our sales and marketing efforts and our ability to retain existing customers and attract new customers. For this reason, we have made, and will continue to evaluate, strategic decisions to acquire and invest in measures that are expected to increase net sales.

Our sales are affected by the price of green coffee. We purchase our green coffee from dealers located primarily within the United States. The dealers supply us with coffee beans from many countries, including Colombia, Mexico, Kenya, Indonesia, Brazil and Uganda. The supply and price of coffee beans are subject to volatility and are influenced by numerous factors which are beyond our control. For example, in Brazil, which produces approximately 40% of the world’s green coffee, the coffee crops are historically susceptible to frost in June and July and drought in September, October and November. However, because we purchase coffee from a number of countries and are able to freely substitute one country’s coffee for another in our products, price fluctuations in one country generally have not had a material impact on the price we pay for coffee. Accordingly, price fluctuations in one country generally have not had a material effect on our results of operations, liquidity and capital resources. Historically, because we generally have been able to pass green coffee price increases through to customers, increased prices of green coffee generally result in increased net sales, irrespective of sales volume.

The supply and price of coffee beans are subject to volatility and are influenced by numerous factors which are beyond our control. Historically, we have used, and intend to continue to use in a limited capacity, short-term coffee futures and options contracts primarily for the purpose of partially hedging the effects of changing green coffee prices. In addition, we acquired, and expect to continue to acquire, futures contracts with longer terms, generally three to four months, primarily for the purpose of guaranteeing an adequate supply of green coffee. Realized and unrealized gains or losses on options and futures contracts are reflected in our cost of sales. Gains on options and futures contracts reduce our cost of sales and losses on options and futures contracts increase our cost of sales. The use of these derivative financial instruments has generally enabled us to mitigate the effect of changing prices. We believe that, in normal economic times, our hedging policies remain a vital element to our business model not only in controlling our cost of sales, but also giving us the flexibility to obtain the inventory necessary to continue to grow our sales while trying to minimize margin compression during a time of historically high coffee prices.

However, no strategy can entirely eliminate pricing risks and we generally remain exposed to losses on futures contracts when prices decline significantly in a short period of time, and we would generally remain exposed to supply risk in the event of non-performance by the counterparties to any of our futures contracts. Although we have had net gains on options and futures contracts in the past, we have incurred significant losses on options and futures contracts during some recent reporting periods. In these cases, our cost of sales has increased, resulting in a decrease in our profitability or increase our losses. Such losses have and could in the future materially increase our cost of sales and materially decrease our profitability and adversely affect our stock price. If our hedging policy is not effective, we may not be able to control our coffee costs, we may be forced to pay greater than market value for green coffee and our profitability may be reduced. Failure to properly design and implement an effective hedging strategy may materially adversely affect our business and operating results. If the hedges that we enter do not adequately offset the risks of coffee bean price volatility or our hedges result in losses, our cost of sales may increase, resulting in a decrease in profitability or increased losses. As previously announced, as a result of the volatile nature of the commodities markets, we have and are continuing to scale back our use of hedging and short-term trading of coffee futures and options contracts, and intend to continue to use these practices in a limited capacity going forward.

Recent Developments

On September 29, 2022, the Company (or "JVA") entered into a Merger and Share Exchange Agreement, as amended and supplemented (the "Merger Agreement"), by and among JVA, Delta Corp Holdings Limited, a Cayman Islands exempted company ("Pubco"), Delta Corp Holdings Limited, a company incorporated in England and Wales ("Delta"), CHC Merger Sub Inc., a Nevada corporation and wholly owned subsidiary of Pubco ("Merger Sub"), and each of the holders of ordinary shares of Delta as named therein (the "Sellers"). Upon the terms and subject to the conditions set forth in the Merger Agreement, Merger Sub will merge with and into JVA, with JVA surviving as a direct, wholly-owned subsidiary of Pubco (the "Merger"). On June 29, 2023, JVA, Pubco, Delta, Merger Sub and the Sellers entered into Amendment 1 to the Merger Agreement (the "First Amendment"). On January 4, 2024, JVA, Pubco, Delta, Merger Sub and the Sellers entered into Amendment 2 to the Merger Agreement (the "Second Amendment").

As a result of the Merger, each issued and outstanding share of JVA common stock, \$0.001 par value per share (the "JVA Common Stock"), will be cancelled and converted for the right of the holder thereof to receive one ordinary share, par value \$0.0001 of Pubco (the "Pubco Ordinary Shares").

As a condition to the Merger, Pubco shall also acquire all of the issued and outstanding Delta securities from the Sellers in exchange for Pubco Ordinary Shares (the "Exchange" and, collectively with the Merger and the other transactions contemplated by the Merger Agreement, the "Transactions"). As a result of the Transactions, JVA and Delta will each become direct, wholly-owned subsidiaries of Pubco, with JVA stockholders receiving approximately \$31.5 million (or 4.79%) worth of Pubco Ordinary Shares (the "Merger Consideration") and Delta stockholders receiving approximately \$625 million (or 95.21%) worth of Pubco Ordinary Shares (the "Exchange Consideration" and collectively with the Merger Consideration, the "Business Combination Consideration"), subject to certain adjustments, at an implied diluted value per share of \$5.50. The Business Combination Consideration may be adjusted if Delta closes certain acquisitions prior to the closing of the Transactions. The Merger Agreement also includes an earn-out to existing stockholders of Delta, consisting of \$50 million of additional Pubco Ordinary Shares, which will be released to Delta stockholders if and when Delta achieves \$70 million or greater of net income for fiscal year ending 2023.

At the effective time of the Merger (the "Merger Effective Time"), each award of options to purchase JVA Common Stock (each, a "JVA Stock Option") that is outstanding, whether vested or unvested, will be cancelled and substituted with option(s) to purchase Pubco Ordinary Shares to be granted under the Pubco equity plan (the "Substituted Options"). The Substituted Options will represent the right to purchase that number of shares of Pubco Ordinary Shares equal to the number of shares of JVA Common Stock underlying such JVA Stock Option immediately prior to the Merger Effective Time with a per-share exercise price of such Substituted Option equal to the exercise price per JVA Common Stock subject to such JVA Stock Option immediately prior to the Merger Effective Time.

Prior to execution of the Merger Agreement, JVA's board of directors (the "Board") unanimously (i) determined that the terms and provisions of the Merger Agreement and the transactions contemplated therein, including the Merger and Transactions, are fair, advisable to and in the best interests of JVA and its stockholders, (ii) approved the Merger Agreement and related Transactions, (iii) directed that the adoption of the Merger Agreement be submitted to a vote at a meeting of the stockholders of JVA, and (iv) resolved to recommend that JVA's stockholders adopt the Merger Agreement.

JVA, Pubco, Delta and the Sellers have made customary representations and warranties in the Merger Agreement and have agreed to customary covenants regarding the operation of their respective businesses prior to the closing of the transactions contemplated thereby. Consummation of the Merger is subject to customary closing conditions, including, without limitation, (i) approval of the Merger Agreement and the transactions contemplated thereunder by a majority of JVA's stockholders (the "JVA Stockholder Approval"), (ii) the absence of any law or order that prevents or prohibits the consummation of the Transaction, (iii) obtaining all requisite governmental authorizations, (iv) effectiveness of the Registration Statement of Pubco on Form F-4, and (v) approval of the listing of Pubco Ordinary Shares on the Nasdaq Capital Market.

From the date of the Merger Agreement until October 19, 2022 (the "Go-Shop Period"), JVA had the right to initiate, solicit, facilitate and encourage any inquiry or the making of any proposals or offers that would constitute an acquisition proposal involving more than fifteen percent (15%) of JVA's assets or outstanding shares of common stock or in which the stockholders of JVA immediately preceding the contemplated transaction would hold less than eighty-five percent (85%) of the voting equity interest of the surviving company (each or any combination of the foregoing, a "Takeover Proposal"), including by way of providing access to non-public information to any third party pursuant to a non-disclosure agreement. Following the expiration of the Go-Shop Period, JVA ceased such activities and be subject to customary "no-shop" restrictions on its ability to solicit a Takeover Proposal from third parties and to provide non-public information to and engage in discussions with a third party in relation to a Takeover Proposal, except that JVA may continue to engage in the aforementioned activities with third parties from whom JVA has received a Takeover Proposal that the Board has determined constitutes or is reasonably likely to lead to a Superior Proposal (as defined below) and has determined that the failure to take such actions would be inconsistent with the Board's fiduciary duties.

Prior to obtaining JVA Stockholder Approval, the Board may change its recommendation that stockholders vote to adopt the Merger Agreement (a "Change in Recommendation") (i) in response to any material event or change in circumstances with respect to JVA that was not actually known or reasonably foreseeable by JVA prior to the date of the Merger Agreement (an "Intervening Event") that the Board determines in good faith (after consultation with its financial advisor and outside legal counsel) that the failure to change its recommendation in such circumstances would be reasonably likely to violate its fiduciary duties to the stockholders of JVA under applicable law or (ii) if JVA has received a Takeover Proposal involving more than fifty percent (50%) of JVA's assets or outstanding shares of common stock or in which the stockholders of JVA immediately preceding the contemplated transaction would hold less than fifty percent (50%) of the voting equity interest of the surviving company, that the Board determines in good faith (after consultation with its financial advisor and outside legal counsel) is reasonably likely to be consummated in accordance with its terms and, among other things, if consummated, would be more favorable from a financial point of view to JVA's stockholders than the Transactions (a "Superior Proposal") (in which case JVA may also terminate the Merger Agreement to enter into such Superior Proposal, subject to certain conditions including payment of the JVA Termination Fee, as described below).

Before the Board may change its recommendation in connection with an Intervening Event or a Superior Proposal, or terminate the Merger Agreement to accept a Superior Proposal, JVA must provide Delta prompt written notice of its decision to make a Change in Recommendation and for at least five (5) business days after such notice, JVA will negotiate with Delta to enable Delta to revise the terms of the Merger Agreement so that the Takeover Proposal no longer constitutes a Superior Proposal. Each time modifications to any material term of such alternative acquisition proposal determined to be a Superior Proposal are made, JVA must notify Pubco of such modification and such five (5) business day period will recommence.

The Merger Agreement may be terminated by each of Delta and of JVA under certain circumstances, including, among others by either Delta or JVA if the Merger has not been consummated by April 1, 2024 (the "Outside Date"). If the Merger Agreement is terminated under certain circumstances, including, among others, as a result of breach by either JVA or Delta of their respective representations, warranties or covenants in the Merger Agreement, whereby JVA or Delta, respectively, may be entitled to a termination fee in the amount of \$750,000 plus disbursements of all documented, out-of-pocket expenses up to \$250,000. In addition, if JVA terminates the Merger Agreement to accept a Takeover Proposal or the Board (i) adversely changes its recommendation to the stockholders of JVA regarding the adoption of the Merger Agreement or (ii) supports the approval of any JVA Takeover Proposal, then Delta shall be entitled to a termination fee of \$1.3 million and plus a disbursement of reasonable expenses up to \$2 million (the "JVA Termination Fee").

The equityholders of Delta and JVA will have certain customary registration rights with respect to the Pubco Ordinary Shares to be received in the transaction pursuant to the terms of a registration rights agreement, dated September 29, 2022 (the "Registration Rights Agreement").

On September 29, 2022, concurrently with the entry into the Merger Agreement, Delta, Pubco and JVA entered into Voting and Support Agreements (the "JVA Voting Agreement") with Andrew Gordon, President and Chief Executive Officer of JVA, and David Gordon, Executive Vice President and Chief Operating Officer of JVA, pursuant to which Messrs. Gordon have agreed to vote in favor of adopting the Merger Agreement and the related transactions as contemplated thereunder. JVA Voting Agreements will terminate upon the earliest to occur of (i) the mutual written consent of each of Delta, Pubco, JVA and Messrs. Gordon, (ii) the Merger Effective Time, and (iii) the date of termination of the Merger Agreement in accordance with its terms.

JVA has scheduled a special meeting of its stockholders, to be held on March 28, 2024, to approve the Merger Agreement and the other related proposals related to the Merger.

The foregoing description of the Merger Agreement, the Registration Rights Agreement and JVA Voting Agreements does not purport to be complete and is qualified in its entirety by reference to the full text of (i) the Merger Agreement, (ii) the Registration Rights Agreement, and (iii) the form of Voting and Support Agreement, copies of which are filed as exhibits to the Company's Annual Report on Form 10-K, filed with the SEC on February 9, 20224.

Critical Accounting Policies and Estimates

There have been no changes to our critical accounting policies during the three months ended January 31, 2024. Critical accounting policies and the significant estimates in accordance with such policies are regularly discussed with our Audit Committee. Those policies are discussed under "Critical Accounting Policies" in "Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" as well as in our consolidated financial statements and footnotes thereto, each included in our annual report on Form 10-K filed with the SEC on February 9, 2024 for the fiscal year ended October 31, 2023.

Three Months Ended January 31, 2024 Compared to the Three Months Ended January 31, 2023

Net Sales. Net sales totaled \$19,540,402 for the three months ended January 31, 2024, an increase of \$1,214,288, or 6.6%, from \$18,326,114 for the three months ended January 31, 2023. The increase in net sales was mostly due to additions of new private label customers partially offset by lower green coffee sales to our green coffee customer base.

Cost of Sales. Cost of sales for the three months ended January 31, 2024 was \$16,060,103, or 82% of net sales, as compared to \$16,005,814, or 87% of net sales, for the three months January 31, 2023. Cost of sales consists primarily of the cost of green coffee and packaging materials and realized and unrealized gains or losses on hedging activity. The decrease in cost of sales was due to higher margins on sales of our roasted and packaged products partially offset by a decrease in sales of green coffee with the net effect of higher gross profit on our total business.

Gross Profit. Gross profit for the three months ended January 31, 2024 amounted to \$3,480,299 or 18% of net sales, as compared to \$2,320,300 or 13% of net sales, for the three months ended January 31, 2023. The increase in gross profits on a percentage basis was attributable to the factors listed above.

Operating Expenses. Total operating expenses decreased by \$257,937 to \$2,863,388 for the three months ended January 31, 2024 from \$3,121,325 for the three months ended January 31, 2023. Selling and administrative expenses decreased by \$251,390 and officers' salaries decreased by \$6,547.

Other Income (Expense). Other expense for the three months ended January 31, 2024 was \$123,550, a decrease of \$225,222 from other income of \$101,672 for the three months ended January 31, 2023. The decrease was attributable to a decrease in other income of \$234,041, a decrease in interest income of \$3,100, an increase in our loss from our equity investments of \$1,007, partially offset by a decrease in our interest expense of \$12,926, during the three months ended January 31, 2024.

Income Taxes. Our provision for income taxes for the three months ended January 31, 2024 totaled \$142,337 compared to a benefit of \$167,250 for the three months ended January 31, 2023. The change was primarily attributable to the difference in the income for the quarter ended January 31, 2024 versus the income in the quarter ended January 31, 2023.

Net Income. We had net income of \$351,024 or \$0.06 per share basic and diluted, for the three months ended January 31, 2024 compared to a net loss of (\$532,103), or (\$0.09) per share basic and diluted for the three months ended January 31, 2023. The increase in net income was due primarily to the reasons described above.

Liquidity, Capital Resources and Going Concern

As of January 31, 2024, we had working capital of \$18,901,482, which represented a \$301,220 increase from our working capital of \$18,600,262 as of October 31, 2023. Our working capital increased primarily due to increases of \$87,395 in accounts receivable, \$556,360 in due from broker, \$79,767 in prepaid expenses and other current assets, decreases of \$760,103 in accounts payable and accrued expenses, \$4,920,000 in our line of credit, partially offset by decreases of \$326,114 in cash, \$2,700,000 in receivable from sale of investment, \$1,974,274 in inventories, \$54,970 in prepaid and refundable taxes, increases of \$739,198 in due to broker and \$307,849 in lease liability – current portion. As of January 31, 2024, the outstanding balance on our line of credit was \$4,700,000 compared to \$9,620,000 as of October 31, 2023.

On April 25, 2017 the Company and OPTCO (together with the Company, collectively referred to herein as the "Borrowers") entered into an Amended and Restated Loan and Security Agreement (the "A&R Loan Agreement") and Amended and Restated Loan Facility (the "A&R Loan Facility") with Sterling National Bank (later acquired by Webster Bank N.A.) ("Sterling"), which consolidated (i) the financing agreement between the Company and Sterling, dated February 17, 2009, as modified, (the "Company Financing Agreement") and (ii) the financing agreement between Company, as guarantor, OPTCO and Sterling, dated March 10, 2015 (the "OPTCO Financing Agreement"), amongst other things.

On March 17, 2022, the Company reached an agreement for a new loan modification agreement and credit facility which extended the maturity date to June 29, 2022. The facility was then approved for a two-year extension. All other terms of the A&R Loan Agreement and A&R Loan Facility remained the same.

On June 28, 2022, the Company reached an agreement for a new loan modification agreement and credit facility with Webster Bank. The terms of the new agreement, among other things: (i) provided for a new maturity date of June 30, 2024, and (ii) changed the interest rate per annum to SOFR plus 1.75% (with such interest rate not to be lower than 3.50%). All other terms of the A&R Loan Agreement and A&R Loan Facility remained the same.

Each of the A&R Loan Facility and A&R Loan Agreement contains covenants, subject to certain exceptions, that place annual restrictions on the

Borrowers' operations, including covenants relating to fixed charge coverage ratio, debt to tangible net worth and tangible net worth. The Company as of October 31, 2023 has failed to comply with one of these covenants and resulted in an event of default under the loan agreement. The lender has various defenses that it can apply against the Company, which includes up to and calling the line of credit. There is no guarantee that the lender will issue a waiver or not call the line of credit. The outstanding balance on the Company's lines of credit were \$4,700,000 and \$9,620,000 as of January 31, 2024 and October 31, 2023, respectively.

For the three months ended January 31, 2024, our operating activities provided net cash of \$4,594,849 as compared to the three months ended January 31, 2023 when operating activities provided net cash of \$2,803,512. The increased cash flow from operations for the three months ended January 31, 2024 was primarily due to our receivable from sale of investment.

For the three months ended January 31, 2024, our investing activities used net cash of \$0 as compared to the three months ended January 31, 2023 when net cash used by investing activities was \$202,018. The decrease in our uses of cash in investing activities was due to our decreased purchases of machinery and equipment during the three months ended January 31, 2024.

For the three months ended January 31, 2024, our financing activities used net cash of \$4,920,963 compared to net cash used by financing activities of \$862,739 for the three months ended January 31, 2023. The change in cash flow from financing activities for the three months ended January 31, 2024 was due to our credit line activity.

We expect to fund our operations, including paying our liabilities, funding capital expenditures and making required payments on our indebtedness, through at least the next twelve months from the date these consolidated financial statements are issued, with cash provided by operating activities and the use of our credit facility. In addition, an increase in eligible accounts receivable and inventory would permit us to make additional borrowings under our line of credit.

As of October 31, 2023, we were not in compliance with the terms of the credit agreement however as of January 31, 2024, the Company was back in compliance with the terms of the credit agreement. The Company did not receive a waiver from the lender when it was not in compliance. The lender has reserved its rights to exercise its rights and remedies at any time at its sole discretion. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Our audited consolidated financial statements do not include any adjustment for the recovery and classification of assets to the amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern. If we are unable to continue as a going concern, our shareholders would likely lose some or all their investment in our securities.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Management, which includes our President, Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based upon that evaluation, our President, Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were not effective due to the existence of material weaknesses in our internal controls over financial reporting.

Material Weakness Over Financial Reporting

During the year ended October 31, 2020, our controls were inadequate to prevent and detect misstatements of stock based compensation awards, quantities of inventory at one of our subsidiaries and inaccurately accounted for certain intercompany eliminations in our consolidated statements of operations. Accordingly, management determined that this control deficiency constituted a material weakness.

During the year ended October 31, 2021, we identified inappropriate system access controls over our financial reporting system. These controls were not designed to prevent or detect unauthorized changes to source information, or implement an appropriate level of segregation of duties. During this same period, we determined that we lacked adequate controls with respect to identifying and accounting for material contracts. This was evidenced by our failure to properly identify and account for a material lease amendment. Accordingly, management determined that the foregoing were control deficiencies that constituted material weaknesses.

Further, during the year ended October 31, 2022, we concluded that we lacked adequate controls with respect to the preparation and review of journal entries and account reconciliations during the year-end financial statement closing process. Accordingly, management has determined that this control deficiency constituted a material weakness.

Further, during the year ended October 31, 2023, we concluded that we lacked adequate controls with respect to recording year end accruals for vendor liabilities and properly calculating required loan covenants. Accordingly, management has determined that this control deficiency constituted a material weakness.

Notwithstanding such material weaknesses, we believe the financial information presented herein is materially correct and fairly presents the financial position and operating results of the quarter ended January 31, 2023 in conformity with U.S. generally accepted accounting principles for interim financial information and in accordance with the rules and regulations of the SEC.

Remediation Plan for the Material Weaknesses

As previously disclosed in Item 9A of our Annual Report on Form 10-K for the fiscal year ended October 31, 2023, management has identified material weaknesses as of that date. A "material weakness" is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. To remediate the material weaknesses identified above, we are initiating controls and procedures in order to:

- educating control owners concerning the principles and requirements of each control, with a focus on those related to user access to our financial reporting systems impacting financial reporting;
- developing and maintaining documentation to promote knowledge transfer upon personnel and function changes;
- developing enhanced controls and reviews related to our financial reporting systems; and
- performing an in-depth analysis of who should have access to perform key functions within our financial reporting system that impact financial reporting and redesigning aspects of the system to better allow the access rights to be implemented.

The material weaknesses identified above will not be considered remediated until our remediation efforts have been fully implemented and we have concluded that these controls are operating effectively.

Management does not expect that our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in a cost-effective control system, no evaluation of internal control over financial reporting can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been or will be detected.

Changes in Internal Control over Financial Reporting

Other than the changes intended to remediate the material weakness as discussed above and in Part II, Item 9A of our Annual Report on Form 10-K for the year ended October 31, 2023, there was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended January 31, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

None.

ITEM 1A. RISK FACTORS.

Our operations and financial results are subject to various risks and uncertainties, including those described in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended October 31, 2023 filed with the Securities and Exchange Commission on February 9, 2024. There have been no material changes to our risk factors since the Company's Annual Report on Form 10-K for the year ended October 31, 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

- | | |
|---------|---|
| 31.1 | <u>Principal Executive Officer and Principal Financial Officer's Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*</u> |
| 32.1 | <u>Principal Executive Officer and Principal Financial Officer's Certification furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**</u> |
| 101.INS | Inline XBRL Instance Document * |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document * |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document * |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document * |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document * |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document * |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document). |

* Filed herewith

** Furnished herewith

Signatures

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

Coffee Holding Co., Inc.

Date: March 18, 2024

By: /s/ Andrew Gordon

Andrew Gordon President

Chief Executive Officer and Chief Financial Officer

CERTIFICATION

I, Andrew Gordon, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended January 31, 2024 of Coffee Holding Co., Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am 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 my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me 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 my 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 my 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. I have disclosed, based on my 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.

Date: March 18, 2024

By: /s/ Andrew Gordon

Andrew Gordon
President, Chief Executive Officer, Chief Financial Officer and
Treasurer (Principal Executive Officer, Principal Financial Officer, Chief
Accounting Officer)

**STATEMENT FURNISHED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350**

The undersigned, Andrew Gordon, is the President, Chief Executive Officer and Chief Financial Officer of Coffee Holding Co., Inc. (the "Company").

This statement is being furnished in connection with the filing by the Company of the Company's Quarterly Report on Form 10-Q for the period ended January 31, 2024 (the "Report").

By execution of this statement, I certify that:

- (A) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
- (B) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods covered by the Report.

This statement is authorized to be attached as an exhibit to the Report so that this statement will accompany the Report at such time as the Report is filed with the Securities and Exchange Commission, pursuant to Section 906 of the Sarbanes- Oxley Act of 2002, 18 U.S.C. Section 1350. It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to Coffee Holding Co., Inc. and will be retained by Coffee Holding Co., Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Date: March 18, 2024

By: /s/ Andrew Gordon

Andrew Gordon
President, Chief Executive Officer, Chief Financial Officer and
Treasurer (Principal Executive Officer, Principal Financial Officer, Chief
Accounting Officer)
