INNOVATIVE FOOD HOLDINGS INC
Form 10-Q
July 31, 2008

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

FORM 10-Q

x Quarterly report pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934.

For the quarterly period ended March 31, 2008

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

Commission File Number: 0-9376

INNOVATIVE FOOD HOLDINGS, INC.
(Exact Name of Registrant as Specified in its Charter)

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

1923 Trade Center Way
Naples, Florida 34109
(Address of Principal Executive Offices)

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

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

YES x NO o

Indicate by check mark whether the issuer is a shell company (as defined in Regulation 12b-2 of the Exchange Act):

YES o NO x

State the number of shares outstanding of each of the issuer's classes of Common equity, as of the latest practicable date:

171,787,638 Common Shares (post-reverse split) outstanding as of April 14, 2008

Transitional Small Business Disclosure Format:

YES o NO x

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

(Check One):

Large Accelerated filer o	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company x

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Innovative Food Holdings, Inc.
Condensed Consolidated Balance Sheet

	March 31, 2008	December 31, 2007
ASSETS	(unaudited)	
Current assets		
Cash and cash equivalents	$ 29,540	$ 74,610
Accounts receivable net	163,400	243,148
Interest receivable	7,147	7,147
Loan receivable, net	285,000	285,000
Prepaid expenses	3,815	7,030
Total current assets	488,902	616,935
Property and equipment, net	73,807	83,823
Total assets	$ 562,709	$ 700,758
LIABILITIES AND (DEFICIENCY IN) STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 625,787	$ 765,614
Accrued interest, net	347,404	316,058
Accrued interest - related parties, net	149,902	142,621
Notes payable , current portion, net of discount	699,436	927,870
Notes payable - related parties, current portion, net of discount	291,500	278,000
Warrant liability	1,199,159	580,648
Conversion option liability	1,324,053	612,429
Penalty for late registration of shares	661,676	330,840
Total current liabilities	5,298,917	3,954,080
Note payable	14,291	16,083
Total liabilities	5,313,208	3,970,163
(Deficiency in) stockholder's equity		
Common stock, $0.0001 par value; 500,000,000 shares authorized 181,787,638 shares issued and 171,787,638 shares outstanding at March 31, 2008 and December 31, 2007	18,179	18,179
Additional paid-in capital	794,089	737,462
Accumulated deficit	(5,562,767)	(4,025,046)
Total (deficiency in) stockholder's equity	(4,750,499)	(3,269,405)
Total liabilities and (deficiency in) stockholders' equity	$ 562,709	$ 700,758

See notes to condensed consolidated financial statements.

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

	For the Three Months Ended March 31 2008	For the Three Months Ended March 31 2007
Revenue	$ 1,603,378	$ 1,600,199
Cost of goods sold	1,286,893	1,145,222
Gross margin	316,485	454,977
Selling, General and administrative expenses	331,077	399,891
Total operating expenses	331,077	399,891
Operating loss	(14,592)	55,086
Other (income) expense:		
Interest (income) expense	116,394	76,274
Cost of penalty for late registration of shares	-	37,432
Change in fair value of warrant liability	364,271	(29,829)
Change in fair value of conversion option liability	711,624	113,003
(Gain) loss from marking to market - registration penalty	330,840	(27,184)
Total other (income) expense	1,523,129	169,696
Loss before income taxes	(1,537,721)	(114,610)
Income tax expense	-	-
Net loss	$ (1,537,721)	$ (114,610)
Loss per share - basic (post reverse-splits)	$ (0.01)	$ (0.00)
Weighted average shares outstanding - basic and diluted (post reverse-splits)	181,787,638	148,524,217

See notes to condensed consolidated financial statements.

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

	For the Three Months Ended March 31 2008	For the Three Months Ended March 31 2007
Cash flows from operating activities:		
Net loss	$ (1,537,721)	$ (114,610)
Adjustments to reconcile net loss to net		
cash used in operating activities:		
Depreciation and amortization	10,016	14,898
Amortization of discount on notes payable and interest on notes payable	77,714	13,500
Cost of penalty due to late registration of shares	-	37,432
Change in fair value of warrant liability	364,271	(29,829)
Change in fair value of conversion option liability	711,624	113,003
(Gain) loss from marking to market-penalty	330,836	(27,184)
Changes in assets and liabilities:		
Accounts receivable, net	79,748	148,876
Prepaids	-	8,355
Accounts payable and accrued expenses	(79,985)	(231,017)
Net cash used in operating activities	(43,497)	(66,576)
Cash flows from investing activities:		
Acquisition of property and equipment	-	(6,989)
Net cash used in investing activities	-	(6,989)
Cash flows from financing activities:		
Principal payments on debt	(1,573)	(1,675)
Net cash used in financing activities	(1,573)	(1,675)
Increase in cash and cash equivalents	(45,070)	(75,240)
Cash and cash equivalents at beginning of period	74,610	118,518
Cash and cash equivalents at end of period	$ 29,540	$ 43,278
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ -	$ -
Taxes	$ -	$ -
Revaluation of conversion option liability	$ 711,624	$ 1,130,063

Revaluation of warrant liability	$	364,271	$	(29,829)
Cost of penalty for late registration of shares	$	-	$	37,432
Revaluation of penalty for late registration of shares	$	330,836	$	(27,184)
Cancellation of shares of common stock	$	-	$	557
Issuance of warrants for the extension of notes payable	$	254,240	$	-

See notes to condensed consolidated financial statements.

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INNOVATIVE FOOD HOLDINGS, INC
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2008
(Unaudited)

1. BASIS OF PRESENTATION AND NATURE OF BUSINESS OPERATIONS

Basis of Presentation

The accompanying unaudited consolidated financial statements of Innovative Food Holdings, Inc., and Food Innovations, Inc. ("FII"), its wholly-owned subsidiary (collectively, the "Company" or "IVFH") have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. They do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for a complete financial statement presentation. U.S. accounting principles also contemplate continuation of the Company as a going concern.

Acquisition and Corporate Restructure

We were initially formed in September 1979 as Alpha Solarco Inc., a Colorado corporation. From September 1979 through February 2004, we were either inactive or involved in discontinued business ventures. In February 2003 we changed our name to Fiber Application Systems Technology, Ltd.

On January 26, 2004, through a share exchange, the shareholders of Food Innovations, Inc. ('FII") converted 10,000 shares (post-reverse split) of FII common stock outstanding into 25,000,000 shares (post-reverse split) of IVFH. On January 29, 2004, in a transaction known as a reverse acquisition, the shareholders of Innovative Food Holdings, Inc. ("IVFH") exchanged 25,000,000 shares (post-reverse split) of IVFH for 25,000,000 shares (post-reverse split) of Fiber Application Systems (formerly known as Alpha Solarco) ("Fiber"), a publicly-traded company. The shareholders of IVFH thus assumed control of Fiber, and Fiber changed its name to IVFH. The 25,000,000 shares (post-reverse split) of IVFH are shown on the Company's balance sheet at December 31, 2003 as shares outstanding. These shares are shown at their par value of $2,500 as a decrease of additional paid-in capital at the acquisition date of January 29, 2004. There were 157,037 shares (post-reverse split) outstanding in Fiber at the time of the reverse acquisition; the par value of these shares, or $16, was transferred from additional paid-in capital at the time of the reverse acquisition.

2. NATURE OF ACTIVITED AND SIGNIFICANT ACCOUNTING POLICIES

Business Activity

FII is in the business of providing premium white tablecloth restaurants with the freshest origin-specific perishables and specialty products direct from its network of vendors to the end users (restaurants, hotels, country clubs, national chain accounts, casinos, and catering houses) within 24-72 hours, except as stated hereafter, eliminating all wholesalers and distributors. We currently sell the majority of our products through a distributor relationship with Next Day Gourmet, L.P., a subsidiary of US Foodservice, Inc. ("USF"), a $20 Billion broadline distributor.

Interim Financial Information

The accompanying unaudited interim consolidated financial statements have been prepared by the Company, in accordance with generally accepted accounting principles pursuant to Regulation S-X of the Securities and Exchange

Commission. Certain information and footnote disclosures normally included in audited financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. Accordingly, these interim financial statements should be read in conjunction with the Company’s financial statements and related notes as contained in form 10-KSB for the year ended December 31, 2007. In the opinion of management, the interim consolidated financial statements reflect all adjustments, including normal recurring adjustments, necessary for fair presentation of the interim periods presented. The results of the operations for the three months ended March 31, 2008 are not necessarily indicative of the results of operations to be expected for the full year.

Reclassification

Certain reclassifications have been made to conform prior periods' data to the current presentation. These reclassifications had no effect on reported income.

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INNOVATIVE FOOD HOLDINGS, INC
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2008
(Unaudited)

Going Concern

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. However, the Company has reported a net loss of $1,537,721for the three months ended March 31, 2008. The Company also had an accumulated deficit of $5,562,767 and a working capital deficiency of $4,810,015 as of March 31, 2008.

The Company cannot be certain that anticipated revenues from operations will be sufficient to satisfy its ongoing capital requirements. Management's belief is based on the Company's operating plan, which in turn is based on assumptions that may prove to be incorrect. If the Company's financial resources are insufficient the Company may require additional financing in order to execute its operating plan and continue as a going concern. The Company cannot predict whether this additional financing will be in the form of equity or debt, or be in another form. The Company may not be able to obtain the necessary additional capital on a timely basis, on acceptable terms, or at all. In any of these events, the Company may be unable to implement its current plans for growth, repay its debt obligations as they become due or respond to competitive pressures, any of which circumstances would have a material adverse effect on its business, prospects, financial condition and results of operations.

Management plans to take the following steps that it believes will be sufficient to provide the Company with the ability to continue as a going concern. Management intends to raise financing through the sale of its stock or debt instruments in private placements to individual investors. Management may raise funds in the public markets, though there currently are no plans to do so. Management believes that with this financing, the Company will be able to generate additional revenues that will allow the Company to continue as a going concern. This will be accomplished by hiring additional personnel and focusing sales and marketing efforts on the distribution of product through key marketing channels currently being developed by the Company. The Company also intends to pursue the acquisition of certain strategic industry partners where appropriate.

Revenue Recognition

The Company recognizes revenue upon shipment of the product from the vendor. Shipping and handling costs incurred by the Company are included in cost of goods sold.

For revenue from product sales, the Company recognizes revenue in accordance with Staff Accounting Bulletin ("SAB") No. 104, "Revenue Recognition," which superseded SAB No. 101, "Revenue Recognition in Financial Statements." SAB No. 104 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the selling price is fixed and determinable; and (4) collectibility is reasonably assured. Determination of criteria (3) and (4) are based on management's judgments regarding the fixed nature of the selling prices of the products delivered and the collectibility of those amounts. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded. The Company defers any revenue for which the product has not been delivered or is subject to refund until such time that the Company and the customer jointly determine that the product has been delivered or no refund will be required. SAB No. 104 incorporates Emerging Issues Task Force ("EITF") No.

00-21, "Multiple-Deliverable Revenue Arrangements." EITF No. 00-21 addresses accounting for arrangements that may involve the delivery or performance of multiple products, services and/or rights to use assets. The effect of implementing EITF No. 00-21 on the Company's consolidated financial position and results of operations was not significant. This issue addresses determination of whether an arrangement involving more than one deliverable contains more than one unit of accounting and how the arrangement consideration should be measured and allocated to the separate units of accounting. EITF No. 00-21 became effective for revenue arrangements entered into in periods beginning after September 15, 2003. For revenue arrangements occurring on or after August 1, 2003, the Company revised its revenue recognition.

Income Taxes

The Company accounts for income taxes using the liability method. Under the liability method, deferred income taxes are determined based on differences between the financial reporting and tax bases of assets and liabilities. They are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company is required to adjust its deferred tax liabilities in the period when tax rates or the provisions of the income tax laws change. Valuation allowances are established to reduce deferred tax assets to the amounts expected to be realized.

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