

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

FORM 10-Q

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

For the quarterly period ended **June 30, 2026**

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

For the transition period from _____ to _____

Commission File Number: **000-09376**



INNOVATIVE FOOD HOLDINGS, INC.

(Exact name of Registrant as specified in its charter)

Florida

(State or other jurisdiction of
incorporation or organization)

20-1167761

(IRS Employer
Identification No.)

2528 S. 27th Ave. Broadview, Illinois

(Address of principal executive offices)

60155

(Zip Code)

(239) 596-0204

(Registrant's telephone number, including area code)

N/A

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large Accelerated filer ☐

Non-accelerated filer ☒

Emerging growth company ☐

Accelerated filer ☐

Smaller reporting company ☒

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of August 12, 2026, there were 54,649,479 shares of common stock, par value \$0.0001 per share, issued and outstanding.

INNOVATIVE FOOD HOLDINGS, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Innovative Food Holdings, Inc. Consolidated Balance Sheets

	June 30, 2026	December 31, 2025
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,820,127	\$ 927,468
Cash, restricted	-	507,517
Accounts receivable, net of allowance for doubtful accounts of \$259,446 and \$218,319, respectively	5,301,528	5,300,190
Inventory, net	2,893,036	3,473,604
Other current assets	63,505	144,143
Asset held for sale - discontinued operations	-	6,144,793
Current assets - discontinued operations	20,929	281,699
Total current assets	10,099,125	16,779,414
Property and equipment, net	1,214,231	1,273,310
Right of use assets - operating leases, net	373,416	512,389
Right of use assets - finance leases, net	16,155	205,340
Amortizable intangible assets, net	294,902	338,059
Indefinite-lived intangible assets	217,000	217,000
Other noncurrent assets	40,000	40,000
Noncurrent assets - discontinued operations	-	215,509
Total assets	\$ 12,254,829	\$ 19,581,021
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 2,013,048	\$ 2,456,429
Accrued payroll	219,120	79,559
Accrued liabilities	446,440	499,811
Accrued separation costs - related parties, current portion	425,376	109,236
Stock appreciation rights liability	-	16,143
Notes payable, current portion	68,032	66,026
Lease liability - operating leases, current	302,620	285,534
Lease liability - finance leases, current	-	48,866
Current liabilities - discontinued operations	27,330	8,877,624
Total current liabilities	3,501,966	12,439,228
Note payable non-current	182,242	216,947
Accrued separation costs - related parties, non-current	-	400,000
Lease liability - operating leases, non-current	81,013	234,963
Lease liability - finance leases, non-current	-	52,683
Total liabilities	3,765,221	13,343,821
Commitments & contingencies (see note 18)		-
Stockholders' equity		
Common stock: \$0.0001 par value; 500,000,000 shares authorized; 57,493,776 shares issued, and 54,649,479 shares outstanding at June 30, 2026 and December 31, 2025, respectively	5,746	5,746
Additional paid-in capital	45,695,650	45,647,902
Treasury stock: 2,644,297 shares outstanding at June 30, 2026 and December 31, 2025	(1,141,372)	(1,141,372)
Accumulated deficit	(36,070,416)	(38,275,076)
Total stockholders' equity	8,489,608	6,237,200
Total liabilities and stockholders' equity	\$ 12,254,829	\$ 19,581,021

See condensed notes to these unaudited consolidated financial statements.

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

	For the Three Months Ended June 30, 2026	For the Three Months Ended June 30, 2025	For the Six Months Ended June 30, 2026	For the Six Months Ended June 30, 2025
Revenue	\$ 13,057,122	\$ 16,637,690	\$ 25,233,695	\$ 31,663,705
Cost of goods sold	9,638,652	12,358,878	18,692,604	23,464,629
Gross margin	3,418,470	4,278,812	6,541,091	8,199,076
Selling, general and administrative expenses	3,023,457	3,452,242	5,795,385	7,112,050
Total operating expenses	3,023,457	3,452,242	5,795,385	7,112,050
Operating income	395,013	826,570	745,706	1,087,026
Other income (expense):				
Interest income (expense), net	(630)	(1,014)	(7,932)	(7,651)
Total other income (expense)	(630)	(1,014)	(7,932)	(7,651)
Net income before taxes	394,383	825,556	737,774	1,079,375
Income tax expense	28,391	-	28,391	-
Net income from continuing operations	\$ 365,992	\$ 825,556	\$ 709,383	\$ 1,079,375
Net income (loss) from discontinued operations	\$ (1,608)	\$ (767,046)	\$ 1,495,277	\$ (1,451,301)
Consolidated net income (loss)	<u>\$ 364,384</u>	<u>\$ 58,510</u>	<u>\$ 2,204,660</u>	<u>\$ (371,926)</u>
Net income per share from continuing operations - basic	<u>\$ 0.007</u>	<u>\$ 0.015</u>	<u>\$ 0.013</u>	<u>\$ 0.020</u>
Net income per share from continuing operations - diluted	<u>\$ 0.007</u>	<u>\$ 0.015</u>	<u>\$ 0.013</u>	<u>\$ 0.020</u>
Net income (loss) per share from discontinued operations - basic	<u>\$ (0.000)</u>	<u>\$ (0.014)</u>	<u>\$ 0.027</u>	<u>\$ (0.027)</u>
Net income (loss) per share from discontinued operations - diluted	<u>\$ (0.000)</u>	<u>\$ (0.014)</u>	<u>\$ 0.027</u>	<u>\$ (0.027)</u>
Weighted average shares outstanding - basic	<u>54,649,479</u>	<u>54,785,684</u>	<u>54,649,479</u>	<u>54,376,253</u>
Weighted average shares outstanding - diluted	<u>54,649,479</u>	<u>54,785,684</u>	<u>54,649,479</u>	<u>54,376,253</u>

See condensed notes to these unaudited consolidated financial statements.

Innovative Food Holdings, Inc.
Consolidated Statements of Stockholders' Equity
Three and Six Months Ended June 30, 2026 and 2025
(unaudited)

	Common Stock		Common Stock to be issued		Additional Paid-in Capital	Treasury Stock		Accumulated Deficit	Total
	Shares	Value	Shares	Value		Shares	Value		
Balance - April 1, 2025	56,831,090	\$ 5,680	798,891	\$ 79	\$ 45,621,235	2,644,297	\$ (1,141,372)	\$ (36,640,200)	\$ 7,845,422
Fair value of shares under compensation plan	-	-	-	-	101,201	-	-	-	101,201
Shares issued under compensation plans	365,204	37	(365,204)	(37)	-	-	-	-	-
Net loss for the three months ended June 30, 2025	-	-	-	-	-	-	-	58,510	58,510
Balance - June 30, 2025	<u>57,196,294</u>	<u>\$ 5,717</u>	<u>433,687</u>	<u>\$ 42</u>	<u>\$ 45,722,436</u>	<u>2,644,297</u>	<u>\$ (1,141,372)</u>	<u>\$ (36,581,690)</u>	<u>\$ 8,005,133</u>
Balance - April 1, 2026	57,493,776	\$ 5,746	-	\$ -	\$ 45,671,776	2,644,297	\$ (1,141,372)	\$ (36,434,800)	\$ 8,101,350
Fair value of shares under compensation plan	-	-	-	-	23,874	-	-	-	23,874
Net income for the three months ended June 30, 2026	-	-	-	-	-	-	-	364,384	364,384
Balance - June 30, 2026	<u>57,493,776</u>	<u>\$ 5,746</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 45,695,650</u>	<u>2,644,297</u>	<u>\$ (1,141,372)</u>	<u>\$ (36,070,416)</u>	<u>\$ 8,489,608</u>
Balance - January 1, 2025	56,009,032	5,598	738,032	74	45,520,121	2,644,297	(1,141,372)	(36,209,764)	8,174,657
Fair value of shares under compensation plan	-	-	-	-	202,402	-	-	-	202,402
Shares issued in cashless conversion of options	84,026	8	-	-	(8)	-	-	-	-
Shares earned under compensation plans	-	-	798,891	79	(79)	-	-	-	-
Shares issued under compensation plans	1,103,236	111	(1,103,236)	(111)	-	-	-	-	-
Net income for the six months ended June 30, 2025	-	-	-	-	-	-	-	(371,926)	(371,926)
Balance - June 30, 2025	<u>57,196,294</u>	<u>\$ 5,717</u>	<u>433,687</u>	<u>\$ 42</u>	<u>\$ 45,722,436</u>	<u>2,644,297</u>	<u>\$ (1,141,372)</u>	<u>\$ (36,581,690)</u>	<u>\$ 8,005,133</u>
Balance - January 1, 2026	57,493,776	5,746	-	-	45,647,902	2,644,297	(1,141,372)	(38,275,076)	6,237,200
Fair value of shares under compensation plan	-	-	-	-	47,748	-	-	-	47,748
Net income for the six months ended June 30, 2026	-	-	-	-	-	-	-	2,204,660	2,204,660
Balance - June 30, 2026	<u>57,493,776</u>	<u>\$ 5,746</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 45,695,650</u>	<u>2,644,297</u>	<u>\$ (1,141,372)</u>	<u>\$ (36,070,416)</u>	<u>\$ 8,489,608</u>

See condensed notes to these unaudited consolidated financial statements.

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

	For the Six Months Ended June 30, 2026	For the Six Months Ended June 30, 2025
Cash flows from operating activities:		
Net income (loss)	\$ 2,204,660	\$ (371,926)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Gain on disposition of assets	(2,685,277)	-
Loss on extinguishment of debt	608,539	-
Depreciation and amortization	141,902	218,474
Amortization of right of use asset	138,973	123,972
Amortization of discount on notes payable	-	2,568
Stock based compensation	47,748	202,402
Change in value of stock appreciation rights	(16,143)	(227,263)
Provision for credit losses	15,530	28,310
Changes in assets and liabilities:		
Accounts receivable, net	179,316	2,094,325
Inventory, net	580,568	389,479
Other current assets	80,638	(99,711)
Accounts payable and accrued liabilities	(700,498)	(2,473,041)
Accrued separation costs - related parties	(83,860)	(166,665)
Deferred revenue	-	(3,800)
Operating lease liability	(136,864)	(119,411)
Net cash provided by (used in) operating activities	<u>375,232</u>	<u>(402,287)</u>
Cash flows from investing activities:		
Cash received from sale of land and building, net of costs	8,782,365	-
Cash paid for purchase of property and equipment	(31,183)	(208,886)
Cash received from disposition of asset	10,000	-
Net cash provided by (used in) investing activities	<u>8,761,182</u>	<u>(208,886)</u>
Cash flows from financing activities:		
Principal payments on debt	(8,809,669)	(88,654)
Principal payments on financing leases	(6,189)	(126,813)
Cash received from line of credit	-	500,000
Principal payments on line of credit	-	(500,000)
Net cash used in financing activities	<u>(8,815,858)</u>	<u>(215,467)</u>
Increase (decrease) in cash and cash equivalents, and restricted cash	320,556	(826,640)
Cash and cash equivalents, and restricted cash at beginning of period	<u>1,520,012</u>	<u>2,380,195</u>
Cash and cash equivalents, and restricted cash at end of period - continuing operations	\$ 1,820,127	\$ 1,520,335
Cash and cash equivalents, and restricted cash at end of period - discontinued operations	\$ 20,441	\$ 33,220
Cash and cash equivalents, and restricted cash at end of period	<u>\$ 1,840,568</u>	<u>\$ 1,553,555</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	<u>\$ 197,138</u>	<u>\$ 409,271</u>
Taxes	<u>\$ 28,391</u>	<u>\$ -</u>
Non-cash investing and financing activities:		
Issuance of common stock under compensation plans	\$ -	\$ 74
Issuance of common stock from common stock to be issued	\$ -	\$ 37
Issuance of stock for cashless exercise of options	\$ -	\$ 8
Capitalized interest on financing lease	<u>\$ -</u>	<u>\$ 1,130</u>

See condensed notes to these unaudited consolidated financial statements.

INNOVATIVE FOOD HOLDINGS, INC.
CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2026
(Unaudited)

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited interim consolidated financial statements include those of Innovative Food Holdings, Inc. and all of its wholly-owned subsidiaries (collectively, the “Company”) and have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) pursuant to Regulation S-X of the Securities and Exchange Commission (the “SEC”) and with the instructions to Form 10-Q. Certain information and footnote disclosures normally included in audited consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. Accordingly, these interim financial statements should be read in conjunction with the Company’s audited financial statements and related notes as contained in its Annual Report on Form 10-K for the year ended December 31, 2025. In the opinion of management, the interim unaudited 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 and six months ended June 30, 2026 are not necessarily indicative of the results of operations to be expected for the full year.

Business Activity

The Company provides difficult-to-find specialty foods primarily to both Professional Chefs and Home Gourmets through the Company’s relationships with producers, growers, makers and distributors of these products worldwide. The distribution of these products primarily originates from the Company’s two unified warehouses and those of its drop ship partners, and is driven by its proprietary technology platform. In addition, the Company provides value-added services through its team of food specialists and Chef Advisors who offer customer support, menu ideas, and preparation guidance.

Discontinued Operations

The Company relied on the guidance of Accounting Standards Codification (“ASC”) 205-20, *Presentation of Financial Statements – Discontinued Operations*, in presenting the results of its discontinued operations. During the third quarter of fiscal 2025, the Company committed to a strategic exit of its retail specialty cheese business, which served as the primary component of its national distribution platform. Accordingly, results for this business for all prior periods presented have been retrospectively reclassified to discontinued operations in accordance with ASC 205-20. In connection with this decision, the Company also elected to discontinue its related logistics operations and specialty cheese cutting activities, including igourmet, along with the Company’s logistics subsidiaries (Logistics Innovations LLC (“LII”) and Innovative Food Properties LLC (“IFP”)). During the year ended December 31, 2025, the accounts of the following entities are included in net loss from discontinued operations and in the discontinued operations sections of the Company’s balance sheet: IFP, LII, and the activity of igourmet directly related to its cheese business. See Note 3.

Reclassifications

Certain amounts presented in the financial statements of the prior period have been reclassified to conform with the current period presentation of discontinued operations. See Note 3. In addition, restricted cash has been included with unrestricted cash in the cash totals in the statement of cash flows.

Use of Estimates

The preparation of these unaudited consolidated financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates these estimates, including those related to revenue recognition and concentration of credit risk. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Accounts subject to estimate and judgements are allowance for credit losses, allowance for slow moving and obsolete inventory, income taxes, contingent liabilities, operating and finance right of use assets and liabilities, and equity-based instruments. Actual results may differ from these estimates under different assumptions or conditions. The Company believes its estimates have not been materially inaccurate in past years, and its assumptions are not likely to change in the foreseeable future.

Concentrations of Credit Risk

Financial instruments and related items, which potentially subject the Company to concentrations of credit risk, consist primarily of cash, cash equivalents and trade accounts receivable. The Company places its cash and temporary cash in investments with credit quality institutions. At times, such investments may be in excess of applicable government mandated insurance limit. As of June 30, 2026 and December 31, 2025, trade receivables from the Company's largest customer accounted for approximately 20% and 18%, respectively, of total trade receivables.

The Company maintains cash balances in excess of Federal Deposit Insurance Corporation limits. At June 30, 2026 and December 31, 2025, the total cash exceeding these limits was \$570 and \$261,808, respectively.

Accounts Receivable

The Company's allowance for credit losses estimate is based on historical collections experience, future expected losses, as well as identified customer specific collection issues. Accounts receivable are presented net of an allowance for credit losses of \$259,446 and \$218,319 at June 30, 2026 and December 31, 2025, respectively. It is reasonably possible that the Company's estimate of the allowance for credit losses could change. During the three and six months ended June 30, 2026 and 2025, the Company charged \$7,331 and \$755 and \$15,530 and \$28,310 to provision for credit losses, respectively.

Inventory

Inventory is valued at the lower of cost or net realizable value and is determined by the average cost method. The Company adjusts inventory based upon bi-weekly cycle counts and upon the expiration date of food products. In addition, the Company records a provision for excess, obsolete, and slow-moving inventory. This provision reduces the carrying value of inventory to its net realizable value.

Revenue Recognition

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

For revenue from product sales (i.e., specialty foodservice and e-commerce), the Company recognizes revenue in accordance with FASB ASC Topic 606, *Revenue from Contracts with Customers*. A five-step analysis must be met as outlined in Topic 606: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations, and (v) recognize revenue when (or as) performance obligations are satisfied. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded.

Warehouse and logistics services revenue is primarily comprised of inventory management, order fulfilment and warehousing services. Warehouse and logistics services revenues are recognized at the point in time when the services are rendered to the customer. Warehouse rental services are recognized over the period the service is provided.

Disaggregation of Revenue

The following table represents a disaggregation of revenue for the three and six months ended June 30, 2026 and 2025:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2026	2025	2026	2025
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Digital Channels	\$ 7,058,453	\$ 8,446,427	\$ 13,695,210	\$ 16,235,954
National Distribution	2,780,031	3,958,552	5,258,919	6,761,422
Local Distribution	3,218,638	4,232,711	6,279,566	8,666,329
Total	<u>\$ 13,057,122</u>	<u>\$ 16,637,690</u>	<u>\$ 25,233,695</u>	<u>\$ 31,663,705</u>

Cost of Goods Sold

The Company has included in cost of goods sold all costs which are directly related to the generation of revenue. These costs include primarily the cost of food and raw materials, packing and handling, shipping, and delivery costs. The Company has also included all payroll costs as cost of goods sold in its warehouse and logistics services business.

Basic and Diluted Earnings Per Share (“EPS”)

Basic net EPS is based on the weighted average number of shares outstanding during the period, while fully-diluted net EPS is based on the weighted average number of shares of common stock and potentially dilutive securities assumed to be outstanding during the period using the treasury stock method. Potentially dilutive securities consist of options and restricted stock awards (“RSAs”).

Stock options and warrants for which the exercise price exceeds the average market price over the period have an anti-dilutive effect on earnings per common share and, accordingly, are excluded from the calculation.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Numerator:				
Income from continuing operations	\$ 365,992	\$ 825,556	\$ 709,383	\$ 1,079,375
Denominator:				
Weighted average shares outstanding – basic	54,649,479	54,785,684	54,649,479	54,376,253
Dilutive effect of stock issuable under compensation plan	-	-	-	-
Weighted average shares outstanding - diluted	<u>54,649,479</u>	<u>54,785,684</u>	<u>54,649,479</u>	<u>54,376,253</u>
Income per share from continuing operations - diluted	\$ 0.007	\$ 0.015	\$ 0.013	\$ 0.020

Dilutive Shares at June 30, 2026:

Stock Options

None.

Restricted Stock Awards

At June 30, 2026, there were 300,000 unvested RSAs remaining from grants in a prior year. Those 300,000 RSAs will vest as follows: 125,000 RSAs will vest contingent upon the attainment of a stock price of \$2.00 per share for 20 straight trading days, and an additional 175,000 RSAs will vest contingent upon the attainment of a stock price of \$3.00 per share for 20 straight trading days. At June 30, 2026, none of these RSAs vested as conditions were not satisfied. Accordingly, there was no charge for these RSAs during the three and six months ended June 30, 2026 and 2025.

The Company also has in place Executive Stock Plans for its executive team. See Note 14.

When shares are granted under the Company’s Executive Stock Plans, the Company withholds the number of shares required to satisfy income tax withholding requirements on the award, calculated at the market value of the Company’s stock on the date the award is granted.

Stock-based Compensation

During the three and six months ended June 30, 2026, the Company charged the amount of \$23,874 and \$47,748, respectively, to operations in connection with Executive Stock Plans. See Note 14 for additional information.

At June 30, 2026, there were no shares of common stock which have vested and are issuable pursuant to Executive Stock Plans.

Computation of Basic and Diluted EPS

There are no potentially issuable shares not included in basic earnings per share, and no difference between EPS and fully-diluted EPS for the three and six months ended June 30, 2026.

Dilutive Shares at June 30, 2025:

Stock Options

None.

Restricted Stock Awards

At June 30, 2025, there were 300,000 unvested RSAs remaining from grants in a prior year. Those 300,000 RSAs will vest as follows: 125,000 RSAs will vest contingent upon the attainment of a stock price of \$2.00 per share for 20 straight trading days, and an additional 175,000 RSAs will vest contingent upon the attainment of a stock price of \$3.00 per share for 20 straight trading days. The fair value of these RSAs at the date of the grants will be charged to operations upon vesting. At June 30, 2025, none of these RSAs were vested. There was no charge to operations for these RSAs during the three and six months ended June 30, 2025.

Stock-based Compensation

At June 30, 2025, there were a total of 433,687 shares of common stock potentially issuable to the Company's executive officers pursuant to compensation plans and contingent upon the achievement of certain performance goals (see Note 14). These shares have vested and are included in basic shares outstanding and fully-diluted earnings per share for the three and six months ended June 30, 2025. During the three and six months ended June 30, 2025, the amount of \$101,201 and \$202,402, respectively, was charged to stock-based compensation. See Note 14.

Computation of Basic and Diluted EPS

There are no potentially issuable shares not included in basic earnings per share, and no difference between EPS and fully-diluted EPS for the three and six months ended June 30, 2025.

Recently Adopted Accounting Pronouncements

On July 4, 2025, the One Big Beautiful Bill Act ("OBBBA") was enacted in the U.S. The OBBBA includes significant provisions, such as expensing of U.S. research expenditures and eligible capital expenditures, the permanent extension of certain expiring provisions of the Tax Cuts and Jobs Act, modifications to the international tax framework and the restoration of favorable tax treatment for certain business provisions. The impacts of the OBBBA are reflected in the Company's results for the three and six months ended June 30, 2026, and there was no impact to its income tax expense or effective income tax rate.

In July 2025, the FASB issued 2025-05, *Financial Instruments—Credit Losses (Topic 326) Measurement of Credit Losses for Accounts Receivable and Contract Assets*, which allows companies to elect a practical expedient to assume that the current conditions as of the balance sheet date will remain unchanged for the remaining life of the asset when developing a reasonable and supportable forecast as part of estimating expected credit losses on these assets. The Company adopted ASU 2025-05 effective January 1, 2026, on a prospective basis. The adoption of this accounting standard did not have a material impact on the Company's financial condition, results of operations, or cash flows.

New Accounting Pronouncements

In November 2024, the FASB issued ASU 2024-03, "Disaggregation of Income Statement Expenses (DISE)" which requires disaggregated disclosure of income statement expenses for public business entities. The ASU does not change the expense captions an entity presents on the face of the income statement; rather, it requires disaggregation of certain expense captions into specified categories in disclosures within the footnotes to the financial statements. ASU 2024-03 is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. The Company is evaluating standard and its potential effect on its consolidated financial statements and segment disclosures.

2. REVISION OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

As previously reported in the Annual Report on Form 10-K for the year ended December 31, 2025, the Company revised amounts reported in previously issued financial statements for the periods presented in this Quarterly Report on Form 10-Q related to immaterial errors. The errors relate to certain costs directly related to the revenue generation and cost of goods sold. The costs were not properly categorized in prior periods, which led to an overstatement of revenue and a corresponding overstatement of cost of goods sold. There was no effect to consolidated net income (loss) in any of the revised periods.

The Company evaluated the aggregate effects of the errors to its previously issued financial statements in accordance with SEC Staff Accounting Bulletins No. 99 and No. 108 and, based upon quantitative and qualitative factors, determined that the errors were not material to the previously issued financial statements and disclosures included in its Quarterly Report on Form 10-Q for the quarter ended June 30, 2025.

The following tables present the effects of the aforementioned revisions on the Company's consolidated statements of operations for the quarterly period ended June 30, 2025.

	Three months ended June 30, 2025 (Unaudited)			Six months ended June 30, 2025 (Unaudited)		
	As Reported	Adjustments	As Revised	As Reported	Adjustments	As Revised
Revenue	\$ 21,103,134	\$ (642,097)	\$ 20,461,037	\$ 40,651,700	\$ (1,221,915)	\$ 39,429,785
Cost of goods sold	\$ 16,669,281	\$ (642,097)	\$ 16,027,184	\$ 31,732,040	\$ (1,221,915)	\$ 30,510,125

3. DISCONTINUED OPERATIONS

During the third quarter of fiscal 2025, the Company committed to a strategic exit of its retail specialty cheese business, which served as the primary component of its national distribution platform. In connection with this decision, the Company also elected to discontinue its related logistics operations and specialty cheese cutting activities. As part of this exit, the Company has sold the associated Pennsylvania production and distribution facility.

Accordingly, the operating results and related assets and liabilities of the retail specialty cheese business, including igourmet, along with the Company's logistics subsidiaries (LII and IFP) and specialty cheese cutting operations, have been reclassified to discontinued operations for all periods presented.

The following information presents the major classes of line item of assets and liabilities included as part of discontinued operations in the consolidated balance sheets:

	June 30, 2026 (unaudited)	December 31, 2025
Current assets - discontinued operations:		
Cash	\$ 20,441	\$ 85,027
Accounts receivable	488	196,672
Assets held for sale	-	6,144,793
Total current assets - discontinued operations	\$ 20,929	\$ 6,426,492
Noncurrent assets - discontinued operations:		
ROU assets – financing leases, net	\$ -	\$ 215,509
Property and equipment, net	-	-
Total noncurrent assets - discontinued operations	\$ -	\$ 215,509
Current liabilities - discontinued operations:		
Accounts payable and accrued liabilities	\$ 27,330	\$ 40,884
Deferred revenue	-	342,000
Accrued interest	-	64,084
Notes payable, net	-	8,430,656
Total current liabilities - discontinued operations	\$ 27,330	\$ 8,877,624

The following information presents the major classes of line items constituting the after-tax loss from discontinued operations in the consolidated statements of operations:

	Three Months Ended		Six Months Ended	
	June 30, 2026 (unaudited)	June 30, 2025 (unaudited)	June 30, 2026 (unaudited)	June 30, 2025 (unaudited)
Revenue	\$ -	\$ 3,823,347	\$ -	\$ 7,766,080
Cost of goods sold	-	3,668,306	-	7,045,496
Gross margin	-	155,041	-	720,584
Selling, general, and administrative expenses	(1,608)	(737,074)	(456,047)	(1,786,243)
Gain on sale of assets	-	-	2,685,277	-
Loss on early extinguishment of debt	-	-	(608,539)	-
Other expense	-	(185,013)	(125,414)	(385,642)
Income (loss) from discontinued operations, net of tax	\$ (1,608)	\$ (767,046)	\$ 1,495,277	\$ (1,451,301)

The following information presents the significant items related to discontinued operations in the statement of cash flows:

	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Operating activities:		
Adjustment to reconcile net loss to cash		
Net cash provided by (used in) operating activities		
Gain on sale of assets	\$ (2,685,277)	\$ -
Loss on early extinguishment of debt	608,539	-
Depreciation and amortization	-	75,496
Changes in assets and liabilities:		
Accounts receivable, net	196,184	3,040,874
Inventory	-	2,782,000
Accounts payable and accrued liabilities	13,554	2,178,310
Deferred revenue	342,000	3,799
Investing activities:		
Cash paid for purchase of property and equipment	-	(108,787)
Proceeds from sale of fixed assets	10,000	-
Cash received from sale of land and building, net of costs	8,782,365	-
Financing activities:		
Payments on debt	(8,740,846)	(58,023)
Payments on financing leases	-	(57,749)

4. SALE OF ASSETS

On March 6, 2026, the Company closed the sale of its warehouse and office facility in Mountaintop, Pennsylvania. A gain in the amount of \$2,764,063 was recorded on this transaction. The following table presents components of the sale and gain:

Sales price of land and building	\$ 9,225,000
Assets held-for-sale	(6,144,793)
ROU assets, financing	(215,509)
Deferred revenue	342,000
Legal, title, and other expenses	(442,635)
Gain on sale	<u>\$ 2,764,063</u>

In connection with this transaction, the Company's term loan with Maple Mark Bank was paid off and a loss on the early extinguishment of debt of \$608,539 was recorded.

5. PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2026 and December 31, 2025 is as follows:

	June 30, 2026	December 31, 2025
	(unaudited)	
Land	\$ 208,140	\$ 208,140
Building	951,101	951,101
Computer and Office Equipment	267,157	262,769
Warehouse Equipment	451,432	451,432
Furniture and Fixtures	690,563	694,715
Vehicles	311,659	286,509
Total before accumulated depreciation	2,880,052	2,854,666
Less: accumulated depreciation	(1,665,821)	(1,581,356)
Total	<u>\$ 1,214,231</u>	<u>\$ 1,273,310</u>

Depreciation expense for property and equipment amounted to \$45,936 and \$88,594 for the three months ended June 30, 2026 and 2025, respectively, and \$84,687 and \$175,318 for the six months ended June 30, 2026 and 2025, respectively. Depreciation expense for property and equipment is recorded in selling, general & administrative expenses on the Company's statement of operations. During the six months ended June 30, 2026 and 2025, the Company acquired property and equipment in the amount of \$31,183 and \$208,886, respectively.

6. PROPERTY AND EQUIPMENT CLASSIFIED AS HELD FOR SALE

Assets held for sale include the net book value of property and equipment the Company plans to sell within the next year. Long lived assets that meet the criteria are held for sale and reported at the lower of their carrying value or fair value less estimated cost to sell.

As of December 31, 2025, the Company classified the land and building located at 220 Oak Hill Road, Mountain Top, Pennsylvania, as held for sale. During the year ended December 31, 2025, the Company classified certain leasehold improvements at the Mountain Top property as held for sale. This property was sold during the six months ended June 30, 2026. See Note 4 for additional information.

The net book value of these assets consisted of the following at December 31, 2025:

	December 31, 2025
Equipment	\$ 202,860
Land	871,372
Building	5,070,561
Total	<u>\$ 6,144,793</u>

7. RIGHT OF USE ASSETS AND LEASE LIABILITIES – OPERATING LEASES

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

The Company's lease expense for the three months ended June 30, 2026 and 2025 was entirely comprised of operating leases and amounted to \$77,242 and \$71,566, respectively. The Company's lease expense for the six months ended June 30, 2026 and 2025 was entirely comprised of operating leases and amounted to \$153,118 and \$142,432, respectively.

The Company's ROU asset amortization for the three months ended June 30, 2026 and 2025 was \$70,078 and \$61,469, respectively. The Company's ROU asset amortization for the six months ended June 30, 2026 and 2025 was \$138,973 and \$123,972, respectively. The difference between the lease expense and the associated ROU asset amortization consists of interest.

The weighted-average discount rate for operating leases was 7.00% at June 30, 2026 and December 31, 2025. The weighted-average remaining lease term of operating leases was 1.43 and 2.16 years at June 30, 2026 and December 31, 2025, respectively.

Right of use assets – operating leases are summarized below:

	June 30, 2026	December 31, 2025
	(unaudited)	
Building	\$ 286,219	\$ 411,060
Vehicles	87,197	101,329
Right of use assets, net	<u>\$ 373,416</u>	<u>\$ 512,389</u>

Operating lease liabilities are summarized below:

	June 30, 2026	December 31, 2025
	(unaudited)	
Building	\$ 296,436	\$ 419,168
Vehicles	87,197	101,329
Lease liability	\$ 383,633	\$ 520,497
Less: current portion	(302,620)	(285,534)
Lease liability, non-current	<u>\$ 81,013</u>	<u>\$ 234,963</u>

Maturity analysis under these lease agreements are as follows for the year ending December 31:

2026	\$	159,944
2027		201,164
2028		34,950
2029		8,737
2030		-
Total	\$	404,795
Less: Present value discount		(21,162)
Lease liability	\$	<u>383,633</u>

8. RIGHT OF USE ASSETS – FINANCING LEASES

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

	June 30, 2026	December 31, 2025
	(unaudited)	
Vehicles	\$ 61,857	\$ 404,858
Warehouse equipment	-	200,097
Total before accumulated depreciation	61,857	604,955
Less: accumulated depreciation	(45,702)	(399,615)
Total	<u>\$ 16,155</u>	<u>\$ 205,340</u>

Depreciation expense related to right of use assets for the three months ended June 30, 2026 and 2025 was \$1,518 and \$29,883, respectively. Depreciation expense related to right of use assets for the six months ended June 30, 2026 and 2025 was \$3,036 and \$59,766, respectively.

The weighted-average interest rate for financing leases was 5.77% at December 31, 2025. The weighted-average remaining lease term of financing leases was 2.80 years at December 31, 2025.

There was no accrued interest on financing leases at December 31, 2025.

9. INTANGIBLE ASSETS

The Company acquired certain indefinite intangible assets pursuant to the acquisitions of Artisan Specialty Foods, Inc. (“Artisan”) and Golden Organics, Inc. (“Golden Organics”). These assets include trade names and customer lists.

Other Amortizable Intangible Assets

The following table represents the balances of other amortizable intangible assets as of June 30, 2026 and December 31, 2025:

	June 30, 2026 (unaudited)		
	Cost	Accumulated Amortization	Net
Total Customer lists	\$ 431,565	\$ 136,663	\$ 294,902

	December 31, 2025		
	Gross	Accumulated Amortization	Net
Total Customer lists	\$ 431,565	\$ 93,506	\$ 338,059

Total amortization expense for the three months ended June 30, 2026 and 2025 was \$21,578 and \$21,578, respectively. Total amortization expense for the six months ended June 30, 2026 and 2025 was \$43,157 and \$43,156, respectively.

Remaining amortization expense for intangible assets as of June 30, 2026 is as follows:

For the twelve months ending June 30,	
2027	\$ 86,313
2028	86,313
2029	86,313
2030	35,963
Total	\$ 294,902

Indefinite-lived Intangible Assets

Indefinite-lived intangible assets consist of \$217,000 of indefinite intangible assets held by Artisan.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2026 and December 31, 2025 are as follows:

	June 30, 2026 (unaudited)	December 31, 2025
Trade payables and accrued liabilities	\$ 2,459,488	\$ 2,956,240
Accrued payroll and commissions	219,120	79,559
Total	\$ 2,678,608	\$ 3,035,799

11. ACCRUED SEPARATION COSTS – RELATED PARTIES

On February 3, 2023, the Company entered into a Severance Note, an Agreement and General Release, and a Side Letter thereto (the “SK Agreements”) with Sam Klepfish, its prior Chief Executive Officer (“CEO”), a previous board member and a board observer. The SK Agreements provide, among other things, for Mr. Klepfish’s resignation from all positions with the Company and its subsidiaries on February 28, 2023, except that Mr. Klepfish will remain a director and member of the board of the Company, confidentiality and non-disparagement conditions, nomination of Mr. Klepfish for future election to the board of directors at least through the 2024 general meeting of shareholders based on certain minimum stock ownership and board observer rights when Mr. Klepfish is no longer a director but maintains certain minimum agreed upon stock ownership. The payment terms are \$250,000 upon effectiveness and an additional \$1,000,000 payable in weekly payments of \$6,410.26 from March 8, 2023 through March 6, 2026. The \$250,000 was paid into an escrow account, and was released to Mr. Klepfish on his separation date. The \$1,000,000 portion is in the form of an unsecured, non-interest bearing-note payable to Mr. Klepfish. The SK Agreements also called for the delivery of 400,000 shares of the Company’s common stock valued at \$168,000 based upon the closing price of the Company’s common stock on Mr. Klepfish’s separation date of February 28, 2023, which were delivered to Mr. Klepfish on April 26, 2023; in addition, for delivery on June 1, 2027 of additional shares of the Company’s common stock equal to the greater of (i) the number of shares with an aggregate fair market value of \$400,000 on such date, or (ii) 266,666 shares. The Company also agreed to pay a total of \$1,199 of the Consolidated Omnibus Reconciliation Act (“COBRA”) insurance costs on behalf of Mr. Klepfish over eighteen months. The total amount initially accrued in connection with the SK Agreements was \$1,819,199. During the three months ended June 30, 2026 and 2025, the Company paid cash in the amount of \$0 and \$83,333, respectively, to Mr. Klepfish in connection with the SK Agreements. During the six months ended June 30, 2026 and 2025, the Company paid cash in the amount of \$58,860 and \$166,666, respectively, to Mr. Klepfish in connection with the SK Agreements. As of June 30, 2026, no further cash payments were due under the SK Agreements.

On October 4, 2025, the Company entered into a separation agreement and general release (the “Bennett Separation Agreement”) with Bill Bennett, pursuant to which Mr. Bennett will resign from his position as the CEO of the Company, effective October 3, 2025. Pursuant to the Bennett Separation Agreement, the Company shall (i) pay Mr. Bennett a severance payments consisting of salary and consulting fees through September 30, 2026, in the total gross amount of \$140,501, primarily payable in installments on the Company’s regular payroll dates; and (ii) reimbursement of Mr. Bennett’s group health insurance premiums for the period from November 1, 2025 through September 30, 2026 in the total gross amount of \$32,269. During the three months ended June 30, 2026, the Company paid \$8,333 for salary and consulting fees and \$5,731 for insurance under the Bennett Separation Agreement. During the six months ended June 30, 2026, the Company paid \$30,331 for salary and consulting fees and \$17,193 for insurance under the Bennett Separation Agreement.

The following table represents the amounts accrued, paid, and outstanding on these agreements as of June 30, 2026:

	<u>Total</u>	<u>Paid / Issued</u>	<u>Balance</u>	<u>Current</u>	<u>Non-current</u>
Mr. Klepfish:					
Cash – through March 6, 2026	\$ 1,000,000	\$ (1,000,000)	\$ -	\$ -	\$ -
Cash - upon agreement execution	250,000	(250,000)	-	-	-
Stock - June 1, 2027	400,000	-	400,000	400,000	-
Stock - Issued in April 2023	168,000	(168,000)	-	-	-
COBRA - over eighteen months	1,199	-	1,199	1,199	-
Total – Mr. Klepfish	<u>\$ 1,819,199</u>	<u>\$ (1,418,000)</u>	<u>\$ 401,199</u>	<u>\$ 401,199</u>	<u>\$ -</u>
Mr. Bennett:					
Salary and consulting – through September 30, 2026	\$ 140,501	\$ (125,670)	\$ 14,831	\$ 14,831	\$ -
Insurance – through September 30, 2026	32,269	(22,923)	9,346	9,346	-
Total – Mr. Bennett	<u>\$ 172,770</u>	<u>\$ (148,593)</u>	<u>\$ 24,177</u>	<u>\$ 24,177</u>	<u>\$ -</u>
Total Company	<u>\$ 1,991,969</u>	<u>\$ (1,566,593)</u>	<u>\$ 425,376</u>	<u>\$ 425,376</u>	<u>\$ -</u>

12. STOCK APPRECIATION RIGHTS LIABILITY

Effective May 15, 2023, the Company issued 1,500,000 stock appreciation rights (the “Smallwood SARs”) to Brady Smallwood, its former Chief Operating Officer (“COO”). The Smallwood SARs were valued utilizing the Black-Scholes valuation model, and had an aggregate fair value of \$9,794 upon issuance; this amount was charged to operations and credited to stock appreciation rights liability. The Smallwood SARs are revalued each quarter, and any gain or loss in the fair value is charged to non-cash compensation expense.

During the three months ended June 30, 2026 and 2025, Smallwood SARs decreased in fair value in the amount of \$733 and \$287,858, respectively. During the six months ended June 30, 2026 and 2025, Smallwood SARs decreased in fair value in the amount of \$16,143 and \$227,263, respectively. These amounts were charged to non-cash compensation. At June 30, 2026 and December 31, 2025, the Smallwood SARs had a fair value of \$0 and \$16,143, respectively.

The change in valuation of the Smallwood SARs is summarized in the table below:

May 15, 2023 - fair value	\$ 9,794
Loss on revaluation	245,226
December 31, 2023 -fair value	\$ 255,020
Loss on revaluation	1,098,130
December 31, 2024 - fair value	\$ 1,353,150
Gain on revaluation	(1,337,007)
December 31, 2025 - fair value	\$ 16,143
Gain on revaluation	(15,410)
March 31, 2026 - fair value	\$ 733
Gain on revaluation	(733)
June 30, 2026 - fair value	\$ -

The Smallwood SARs were valued using the Black-Scholes valuation model utilizing the following variables:

	Six Months Ended June 30, 2026	Year Ended December 31, 2025
Volatility	66.47%	77.84-205.63%
Dividends	0%	0%
Risk-free interest rates	3.68%	3.48-4.10%
Term (in years)	-	1.00-2.00

The price of the Company’s common stock on the date of the grant of the Smallwood SARs was \$0.41. The exercise prices at the dates of the grants were \$1.50 and \$2.00. As of June 30, 2026, no SARs were executed and all SARs were expired.

13. NOTES PAYABLE

	June 30, 2026 (unaudited)	December 31, 2025
A note payable in the amount of \$350,000 issued in connection with the Golden Organics Acquisition (the “GO Note”). The GO Note is payable in 60 equal monthly instalments of \$6,766 and bears interest at the rate of 6.0%. During the three months ended June 30, 2026, the Company made principal and interest payments of \$16,381 and \$3,918, respectively. During the six months ended June 30, 2026, the Company made principal and interest payments of \$32,519 and \$8,080, respectively. During the three months ended June 30, 2025, the Company made principal and interest payments of \$15,430 and \$4,870, respectively. During the six months ended June 30, 2025, the Company made principal and interest payments of \$30,631 and \$9,969, respectively.		
Total	\$ 250,274	\$ 282,973
Current portion	\$ 68,032	\$ 66,026
Long-term maturities, net of discount	182,242	216,947
Total	\$ 250,274	\$ 282,973

Aggregate maturities of notes payable as of June 30, 2026 are as follows:

For the period ended December 31,	
2026	\$ 33,507
2027	70,099
2028	74,422
2029	72,246
2030	-
Total	\$ 250,274

14. EQUITY

Common Stock

As of June 30, 2026, total number of shares of common stock issued and total number of shares of common stock outstanding was 57,493,776 and 54,649,479, respectively. As of December 31, 2025, total number of shares of common stock issued and total number of shares of common stock outstanding was 57,493,776 and 54,649,479, respectively. At June 30, 2026 and December 31, 2025, a total of 2,844,297 shares of common stock were deemed issued but not outstanding.

For the six months ended June 30, 2026, the Company did not issue any common stock.

Below is the common stock activity for the six months ended June 30, 2025:

On January 9, 2025, the Company issued 60,000 shares of common stock pursuant to the cashless exercise of options held by an ex-employee to purchase 130,000 shares of common stock at a price of \$1.25 per share and an additional 130,000 shares of common stock at a price of \$1.75 per share. There was no gain or loss recorded on this transaction.

On January 13, 2025, the Company issued 24,026 shares of common stock pursuant to the cashless exercise of options held by an ex-employee to purchase 50,000 shares of common stock at a price of \$1.00 per share. There was no gain or loss recorded on this transaction.

On March 14, 2025, the Company issued the following shares of common stock to its executive officers pursuant to executive compensation plans: 530,665 shares were issued to its CEO; 133,632 shares were issued to its COO; and 73,735 shares were issued to its CFO. These shares were classified as shares to be issued on the Company's balance sheet at December 31, 2024. There was no gain or loss recorded on this transaction.

On June 2, 2025, the Company issued 273,026 shares of common stock to its CEO pursuant to an executive compensation plan. There was no gain or loss recorded on this transaction.

On June 3, 2025, the Company issued 92,168 shares of common stock to its CFO pursuant to an executive compensation plan. There was no gain or loss recorded on this transaction.

Executive Stock Plans

Predecessor CEO Stock Plan

The stock plan with Mr. Bennett (the "Predecessor CEO Stock Plan") had a fair value of \$660,541 at inception (see "Stock Plan Valuation" section below). This amount is being amortized over the 34-month life of the plan. During the years ended December 31, 2025 and 2024, \$232,361 and \$233,132 of this amount was charged to operations, respectively.

During the year ended December 31, 2025, the price targets of \$1.80 and \$2.00 were achieved, and Mr. Bennett became eligible to receive an additional total of 487,566 shares. A total of 1,018,231 shares were issued to Mr. Bennett, net of 444,468 shares withheld for taxes; at December 31, 2025, there are no further shares due to Mr. Bennett pursuant to the Predecessor CEO Stock Plan.

On October 4, 2025, the Company entered into a separation agreement and general release with Mr. Bennett, pursuant to which Mr. Bennett resigned from his position as the CEO of the Company effective October 1, 2025. During the year ended December 31, 2025, the Company charged the unamortized portion of the value of the Predecessor CEO Stock Plan in the amount of \$115,795 to compensation expense and additional paid-in capital.

There are no shares unvested under the Predecessor CEO Stock Plan at June 30, 2026 or December 31, 2025.

COO Stock Plan

On April 14, 2023, the Company entered into an employment agreement with Brady Smallwood to become the Company's COO effective May 15, 2023. Pursuant to this agreement, Mr. Smallwood was provided with an incentive compensation plan (the "COO Stock Plan") whereby Mr. Smallwood would be granted shares of the Company's common stock upon the common stock meeting certain price points at various 60-day volume weighted prices, as described below:

Stock Price Target	Number of Shares Granted - Lower of:		
	Number of Shares Issued and Outstanding on Grant Date Multiplied by:		Maximum Number of Shares
\$ 0.87	0.40%		196,627
\$ 1.16	0.30%		147,470
\$ 1.45	0.20%		98,313
\$ 1.74	0.15%		73,735
\$ 2.03	0.15%		73,735
\$ 2.32	0.10%		49,157
\$ 2.61	0.10%		49,157
\$ 2.90	0.10%		49,157

The COO Stock Plan had a fair value of \$199,951 at inception (see “Valuation of Executive Stock Plans” section below). This amount is being amortized over the 31.5-month life of the plan. During 2026, no expense was incurred as the shares were forfeited as of December 31, 2025. During the three and six months ended June 30, 2025, \$19,043 and \$38,086 was charged to operations, respectively.

On January 14, 2025, the price target of \$1.74 per share under the COO Stock Plan was achieved and 73,735 shares of common stock vested; and on March 7, 2025, the price target of \$2.03 per share under the COO Stock Plan was achieved, and 73,735 shares of common stock vested. The total number of shares vested for achievement of the \$1.74, and \$2.03 price targets was 147,470. These shares were issued during the year ended December 31, 2025. On December 31, 2025, a total of 147,471 unvested shares were forfeited under the COO Stock Plan.

Successor CEO Stock Plan

On October 3, 2025, the Company entered into an employment agreement with Gary Schubert pursuant to which he will serve as the Company’s Chief Executive Officer (the “CEO Employment Agreement”). The CEO Employment Agreement provides for the grant of 1,350,000 shares of the Company’s common stock, subject to a vesting schedule, no later than March 31, 2026 (the “Successor CEO Stock Plan”). As of June 30, 2026, such shares had not yet been granted. The Company and Mr. Schubert are working collaboratively and in good faith to finalize the applicable vesting schedule, performance criteria and related grant documentation, with the objective of completing the grant process by September 30, 2026. The parties have not entered into an amendment to the CEO Employment Agreement, and no waiver of any rights or obligations thereunder has been made. As of the date of this filing, there are no disputes between the Company and Mr. Schubert regarding the Successor CEO Stock Grant, and Mr. Schubert has not delivered any notice of resignation for Good Reason under the CEO Employment Agreement. In the event Mr. Schubert were to deliver such a notice, the CEO Employment Agreement provides the Company with a 60-calendar-day period to cure the circumstances giving rise to such notice, as provided therein. The CEO Employment Agreement and Successor CEO Stock Plan replaced Mr. Schubert’s executive compensation plan that was in place during his role as the Company’s Chief Financial Officer.

Prior CFO Stock Plan

On December 29, 2023, the Company entered into an employment agreement with Gary Schubert to become the Company’s Chief Financial Officer effective January 1, 2024. Pursuant to this agreement, Mr. Schubert was provided with an incentive compensation plan (the “Prior CFO Stock Plan”) whereby Mr. Schubert would be granted shares of the Company’s common stock upon the common stock meeting certain price points at various 60-day volume weighted prices, as described below:

Stock Price Target	Number of Shares Granted - Lower of:	
	Number of Shares Issued and Outstanding on Grant Date Multiplied by:	Maximum Number of Shares
\$ 1.23	0.40%	131,085
\$ 1.63	0.30%	98,313
\$ 2.04	0.20%	65,542
\$ 2.45	0.15%	49,157
\$ 2.86	0.15%	49,157
\$ 3.27	0.10%	32,771
\$ 3.68	0.10%	32,771
\$ 4.08	0.10%	32,771

The Prior CFO Stock Plan had a fair value of \$238,747 at inception (see “Valuation of Executive Stock Plans” section below). This amount is being amortized over the 30-month life of the plan. During the three and six months ended June 30, 2026, the remaining unamortized amount of \$23,874 and \$47,748 was charged to operations, respectively. During the three and six months ended June 30, 2025, \$23,874 and \$47,750 of this amount was charged to operations, respectively.

On March 10, 2025, the price target of \$2.04 per share under the Prior CFO Stock Plan was achieved and 65,542 shares of common stock vested. These shares were issued during the year ended December 31, 2025. On October 3, 2025, a total of 196,627 unvested shares were forfeited under the Prior CFO Stock Plan.

Valuation of Executive Stock Plans

The Company relied upon the guidance of Statement of Financial Account Standards No. 718 Compensation – Stock Compensation (“ASC 718”) in accounting for the Predecessor CEO Stock Plan, the COO Stock Plan, and the Prior CFO Stock Plan (collectively, the Executive Stock Plans). A Monte Carlo market-based performance stock awards model was used in valuing the Executive Stock Plans, with the following assumptions:

- The stock price for each trading day would fluctuate with an estimated projected volatility using a normal distribution. The stock price of the underlying instrument is modeled such that it follows a geometric Brownian motion with constant drift and volatility.
- The Company would award the stock upon triggering the thresholds.
- Annual attrition or forfeiture rates (i.e., pre-vesting forfeiture assumption) are assumed to be zero given the holder’s position with the Company.
- No projected capital events were included in the adjustments to the shares issued and outstanding in the projected simulations.
- Awards/payouts were discounted at the risk-free rate.

Options

For the six months ended June 30, 2026, there was no stock options activity.

Below is the stock option activity for the six months ended June 30, 2025:

On January 9, 2025, the Company issued 60,000 shares of common stock pursuant to the cashless exercise of options held by an ex-employee to purchase 130,000 shares of common stock at a price of \$1.25 per share and an additional 130,000 shares of common stock at a price of \$1.75 per share. There was no gain or loss recorded on this transaction.

On January 13, 2025, the Company issued 24,026 shares of common stock pursuant to the cashless exercise of options held by an ex-employee to purchase 50,000 shares of common stock at a price of \$1.00 per share. There was no gain or loss recorded on this transaction.

As of June 30, 2026 and 2025, there were no options outstanding.

15. SEGMENTS

The Company's Chief Operating Decision Maker ("CODM") is the CEO, Gary Schubert, and he has determined that the Company operates in one reportable segment: the delivery of specialty foods. This determination was made based upon the characteristics of the Company's business and the information used by the CODM in order monitor the business and allocate resources.

The CODM uses consolidated revenue, gross margin percentage and net income to monitor results. The CODM also uses revenue by category to monitor the growth of the business in each of the Company's target markets.

The following table presents the Company's segment results:

	For the Six Months Ended June 30, 2026		For the Six Months Ended June 30, 2025		\$ Change	% Change
	Amount	%	Amount	%		
Revenue:						
Digital Channels	\$ 13,695,210	54.3%	\$ 16,213,095	51.2%	\$ (2,517,885)	-15.5%
National distribution	\$ 5,258,919	20.8%	\$ 6,784,281	21.4%	\$ (1,525,362)	-22.5%
Local distribution	\$ 6,279,566	24.9%	\$ 8,666,329	27.4%	\$ (2,386,763)	-27.5%
Total revenue	\$ 25,233,695	100.0%	\$ 31,663,705	100.0%	\$ (6,430,010)	-20.3%
Cost of sales	\$ 18,692,604	74.1%	\$ 23,464,629	74.1%	\$ (4,772,025)	-20.3%
Gross margin	\$ 6,541,091	25.9%	\$ 8,199,076	25.9%	\$ (1,657,985)	-20.2%
Cash OpEx:						
Payroll & related costs	\$ 3,651,958	14.5%	\$ 4,816,333	15.2%	\$ (1,164,375)	-24.2%
Computer and IT	\$ 307,254	1.2%	\$ 204,377	0.6%	\$ 102,877	50.3%
Office, facility, vehicles	\$ 504,369	2.0%	\$ 650,361	2.1%	\$ (145,992)	-22.4%
Insurance	\$ 325,008	1.3%	\$ 267,240	0.8%	\$ 57,768	21.6%
Travel & entertainment	\$ 37,426	0.1%	\$ 49,595	0.2%	\$ (12,169)	-24.5%
Advertising & marketing	\$ 2,301	0.0%	\$ 6,025	0.0%	\$ (3,724)	-61.8%
Banking and credit card processing	\$ 9,912	0.0%	\$ 23,735	0.1%	\$ (13,823)	-58.2%
Professional fees	\$ 703,597	2.9%	\$ 826,502	2.6%	\$ (122,905)	-14.9%
	\$ 5,541,825	22.0%	\$ 6,844,168	21.6%	\$ (1,302,343)	-19.0%
Non-cash OpEx:						
Credit loss expense	\$ 15,530	0.1%	\$ 9,489	0.0%	\$ 6,041	63.7%
Share based compensation	\$ 31,605	0.1%	\$ (24,861)	-0.1%	\$ 56,466	-227.1%
Depreciation & amortization	\$ 141,902	0.6%	\$ 139,660	0.4%	\$ 2,242	1.6%
Taxes & fees	\$ 64,523	0.2%	\$ 143,594	0.5%	\$ (79,071)	-55.1%
	\$ 253,560	1.0%	\$ 267,882	0.8%	\$ (14,322)	-5.3%
Non-Operating (Income) Expense:						
Interest expense	\$ 7,932	0.0%	\$ 7,651	0.0%	\$ 281	3.7%
Total other (income) expense	\$ 7,932	0.0%	\$ 7,651	0.0%	\$ 281	-3.7%
Income tax expense	28,391	0.1%	-	0.0%	28,391	N/A
Net income (loss) from continuing operations	\$ 709,383	2.8%	\$ 1,079,375	3.4%	\$ (369,992)	-34.3%
Other segment disclosures:						
Segment assets	\$ 12,254,829		\$ 17,307,322			
Expenditures for segment assets	\$ 31,183		\$ 208,886			

	For the Three Months Ended June 30, 2026		For the Three Months Ended June 30, 2025		\$ Change	% Change
	Amount	%	Amount	%		
Revenue:						
Digital Channels	\$ 7,058,453	54.1%	\$ 8,478,401	51.0%	\$ (1,419,948)	-16.7%
National distribution	\$ 2,780,031	21.3%	\$ 3,926,578	23.6%	\$ (1,146,547)	-29.2%
Local distribution	\$ 3,218,638	24.7%	\$ 4,232,711	25.4%	\$ (1,014,073)	-24.0%
Total revenue	\$ 13,057,122	100.1%	\$ 16,637,690	100.0%	\$ (3,580,568)	-21.5%
Cost of sales	\$ 9,638,652	38.2%	\$ 12,358,878	39.0%	\$ (2,720,226)	-22.0%
Gross margin	\$ 3,418,470	26.2%	\$ 4,278,812	25.7%	\$ (860,342)	-20.1%
Cash OpEx:						
Payroll & related costs	\$ 1,797,772	13.8%	\$ 2,535,814	15.3%	\$ (738,042)	-29.1%
Computer and IT	\$ 164,433	1.2%	\$ 102,608	0.6%	\$ 61,825	60.3%
Office, facility, vehicles	\$ 284,733	2.2%	\$ 343,923	2.1%	\$ (59,190)	-17.2%
Insurance	\$ 142,204	1.1%	\$ 154,162	0.9%	\$ (11,958)	-7.8%
Travel & entertainment	\$ 15,156	0.1%	\$ 29,590	0.2%	\$ (14,434)	-48.8%
Advertising & marketing	\$ 750	0.0%	\$ 4,542	0.0%	\$ (3,792)	-83.5%
Banking and credit card processing	\$ 5,688	0.0%	\$ 15,189	0.1%	\$ (9,501)	-62.6%
Professional fees	\$ 454,154	3.5%	\$ 301,053	1.8%	\$ 153,101	50.9%
	\$ 2,864,890	21.9%	\$ 3,486,881	21.0%	\$ (621,991)	-17.8%
Non-cash OpEx:						
Credit loss expense	\$ 7,331	0.1%	\$ 108	0.0%	\$ 7,223	6688.0%
Share based compensation	\$ 23,141	0.2%	\$ (186,657)	-1.1%	\$ 209,798	-112.4%
Depreciation & amortization	\$ 81,572	0.5%	\$ 67,911	0.4%	\$ 13,661	20.1%
Taxes & fees	\$ 46,523	0.4%	\$ 84,000	0.5%	\$ (37,477)	-44.6%
	\$ 158,567	1.2%	\$ (34,638)	-0.2%	\$ 193,205	-557.8%
Non-Operating (Income) Expense:						
Interest expense	\$ 630	0.0%	\$ 1,014	0.0%	\$ (384)	-37.9%
Total other (income) expense	\$ 630	0.0%	\$ 1,014	0.0%	\$ (384)	37.9%
Income tax expense	28,391	0.2%	-	0.0%	28,391	N/A
Net income (loss) from continuing operations	\$ 365,992	2.8%	\$ 825,556	5.0%	\$ (459,564)	-55.7%
Other segment disclosures:						
Segment assets	\$ 12,254,829		\$ 17,307,322			
Expenditures for segment assets	\$ -		\$ 45,520			

16. RELATED PARTY TRANSACTIONS

Payments to Prior Executive Officers under Separation Agreements were as follows:

For the three months ended June 30, 2026

The Company did not make any payments to Mr. Klepfish, its prior CEO, in connection with the SK Agreements.

The Company paid \$8,333 for salary and consulting fees and \$5,731 for insurance to Mr. Bennett, its prior CEO, in connection with the Bennet Separation Agreement.

For the six months ended June 30, 2026

The Company paid cash in the amount of \$58,860 to Mr. Klepfish, its prior CEO, in connection with the SK Agreements.

The Company paid \$30,331 for salary and consulting fees and \$17,193 for insurance to Mr. Bennett, its prior CEO, in connection with the Bennet Separation Agreement.

For the three months ended June 30, 2025

The Company paid cash in the amount of \$83,333 to Mr. Klepfish, its prior CEO, in connection with the SK Agreements.

For the six months ended June 30, 2025

The Company paid cash in the amount of \$166,666 to Mr. Klepfish, its prior CEO, in connection with the SK Agreements.

17. MAJOR CUSTOMERS

During the three months ended June 30, 2026 and 2025, U.S. Foods, Inc. and its affiliates accounted for approximately 40% and 34% of total consolidated sales, respectively. Gate Gourmet accounted for approximately 18 % and 15% of total consolidated sales during the three months ended June 30, 2026 and 2025, respectively.

During the six months ended June 30, 2026 and 2025, U.S. Foods, Inc. and its affiliates accounted for approximately 40% and 34% of total consolidated sales, respectively. Gate Gourmet accounted for approximately 17 % and 14% of total consolidated sales during the six months ended June 30, 2026 and 2025, respectively.

Discontinued operations: Sams Club accounted for approximately 0% and 19% of total consolidated sales during the three months ended June 30, 2026 and 2025, respectively. Sales to Sams Club related entirely to the discontinued Pennsylvania distribution operations and are not expected to continue in future periods. Sams Club accounted for approximately 0% and 19% of total consolidated sales during the six months ended June 30, 2026 and 2025, respectively. Sales to Sams Club related entirely to the discontinued Pennsylvania distribution operations and are not expected to continue in future periods.

18. COMMITMENTS AND CONTINGENCIES

Litigation

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

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

References in this report to “we,” “our,” “us,” or the “Company” refer to Innovative Food Holdings, Inc. and all of its wholly-owned subsidiaries.

FORWARD-LOOKING STATEMENTS

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

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

- Our ability to raise capital necessary to sustain our anticipated operations and implement our business plan,
- Our ability to implement our business plan, including sale and acquisition of certain operations,
- The potential impact on future revenue and operations resulting from changes to our business plan, including our decision to exit certain business lines such as cheese and logistics,
- Our ability to generate sufficient cash to pay our lenders and other creditors,
- Our dependence on two major customers,
- Our ability to employ and retain qualified management and employees,
- Our dependence on the efforts and abilities of our current employees and executive officers,
- Changes in government regulations that are applicable to our current or anticipated business,
- Changes in the demand for our services and different food trends,
- The imposition of tariffs or other trade restrictions that may increase costs or disrupt our supply chain,
- The degree and nature of our competition,
- The lack of diversification of our business plan,
- The general volatility of the capital markets and the establishment of a market for our shares, and
- Disruption in the economic and financial conditions primarily from the impact of past terrorist attacks in the United States, threats of future attacks, police and military activities overseas and other disruptive worldwide political and economic events, health pandemics, rising inflation and energy costs, and environmental weather conditions.

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

Critical Accounting Policy and Estimates

Use of Estimates in the Preparation of Financial Statements

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

Stock Options and Stock Appreciation Rights

The Company accounts for options in accordance with FASB ASC 718-40. Options are valued upon issuance utilizing the Black-Scholes valuation model. Option expense is recognized over the requisite service period of the related option award. The following table illustrates certain key information regarding our options, SARS, and valuation assumptions:

	Six Months Ended June 30, 2026	Year Ended December 31, 2025
Volatility	66.47%	77.84-205.63%
Dividends	0%	0%
Risk-free interest rates	3.68%	3.48-4.10%
Term (in years)	-	1.00-2.00

As of June 30, 2026, no SARs were executed and all SARs were expired.

Allowance for Credit Losses

The Company maintained an allowance in the amount of \$259,446 and \$218,319 for credit losses at June 30, 2026 and December 31, 2025, respectively. The Company has an operational relationship of several years with our major customers, and we believe this experience provides us with a solid foundation from which to estimate our expected losses on accounts receivable. Should our sales mix change or if we develop new lines of business or new customers, these estimates and our estimation process will change accordingly. These estimates have been accurate in the past.

Income Taxes

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

Leases

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

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

Our Business Activities

We build dynamic scalable businesses by selling specialty foods that are difficult to find through traditional channels. Our expertise is forging close relationships with the producers, growers, makers and distributors of specialty products, then carefully selecting our suppliers based on their quality, uniqueness and reliability.

Our team is adept at evaluating and certifying the food safety and supply chain capabilities of small batch producers who do not typically sell through broad-based sales channels. We seek out the freshest, most unique, origin-specific gourmet cheese, meat, produce, and premium ingredients available, and distribute them directly from our robust network of vendors and warehouses within 24 – 72 hours of an order being placed. We also source, package, and brand a meaningful segment of these products ourselves, enabling us to better control the assortment, offer more flexibility and variety to our customers, and capture additional margin.

We leverage this unique, premium assortment to serve the needs of Professional Chefs in settings such as restaurants, hotels, country clubs, national chain accounts, casinos, hospitals and catering houses. We provide these premium customers with products that cannot typically be found through their broadline distributor's warehouse assortment. We distribute these products directly to Professional Chefs in Chicago through our subsidiary, Artisan Specialty Foods, Inc., and nationally through our e-commerce businesses on Amazon.com and our own website. We also drop ship specialty foods to Professional Chefs nationally through the websites of broadline distributors, such as U.S. Foods, Inc. Lastly, we sell these foods to large retailers for resale on their shelves to the end customer. Between this variety of sales channels, we are able to serve our Professional Chef customers wherever they are located.

We operate our airline catering distribution business out of our owned 28,000 square foot facility in the greater Chicago area. Additionally, we operate a warehouse in Denver, Colorado, measuring approximately 20,000 square feet. In March 2026, we sold our facility in Mountain Top, Pennsylvania, which previously supported both our retail and airline catering operations. In connection with this sale, our airline catering operations have been relocated to the Chicago facility, and our retail business is being wound down.

Our facilities have the capabilities to pack and ship frozen, refrigerated, and ambient products, enabling us to offer a broad range of specialty foods. We maintain GFSI/SQF certifications, ensuring compatibility with the highest global standards for food handling and meeting the quality and food safety expectations of our premium customers. These warehouses are equipped to ship packages and pallets of all sizes via overnight carriers. We also utilize our own fleet of trucks to deliver directly to Professional Chef customers within our delivery footprint.

Our proprietary technology platform underpins our entire business, driving transparency and efficiency up and down the supply chain. Orders flow in real time, whether to our warehouses or to our vendor partners, to allow for fast handling and fulfillment. Our picking is enabled by efficient scan-based, handheld devices, ensuring order and inventory accuracy. Our warehouse management software optimizes pick routes for common items and order types, recommends a box size, and calculates the appropriate amount of packaging and ice required based on forecasted temperatures along the delivery route.

We have built a team consisting of passionate, committed, and food-obsessed people: our average tenure (outside of seasonal workers) across the Company is over five years. Our merchandising team has deep connections within the specialty food space around the globe. Our customer service and sales teams, as ex-chefs themselves, go beyond customer service to offer our Professional Chefs customer support, menu ideas, and preparation guidance.

RESULTS OF OPERATIONS

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

Financial highlights for the fiscal quarter ended June 30, 2026: we reported revenue of \$13.1 million, a 21.5% decrease compared to \$16.6 million in 2025.

Three Months Ended June 30, 2026

Revenue Breakdown:

- Digital Channels: Largely comprised of our distributor relationships and supported by our drop-ship model generated \$7.1 million, or 54% of total revenue, in the current period, compared to \$8.5 million in the prior year period, a decrease of approximately 17%. This decrease was primarily driven by continued headwinds in our legacy drop-ship business, where increased competition in online marketplace channels has resulted in lower order volumes and pricing pressure.
- National Distribution: Revenue was \$2.8 million, 21% of total revenue, compared to \$4.0 million in the prior year period. The decrease was primarily driven by stiffer competition and airline menu cycle changes.
- Local Distribution: Consists mainly of local sales team relationships and our local fleet delivering direct from warehouse. This category generated \$3.2 million, or 25% of total revenue, which is a 24% decrease from \$4.2 million in 2025. This decrease was primarily driven by customer attrition following prior year operational transitions; however, these strategic customer attrition efforts have stabilized.

Cost of goods sold for the three months ended June 30, 2026 decreased by approximately 22% to \$9.6 million compared to \$12.4 million in the prior year period, which is primarily due to a 21.5% decrease in revenue. Gross profit declined by 20.1% to \$3.4 million, while gross margin increased to 26.2% from 25.7%.

Operating Expenses

Total operating expenses decreased by \$429 thousand, or 12.4%, primarily due to the factors described below:

- Payroll and related costs decreased by \$738 thousand to \$1.8 million. This decrease was primarily due to a reduction in headcount from organizational restructuring, largely at the executive level.
- Professional fees increased by \$153 thousand to \$454 thousand primarily due to consulting fees associated with our back-office transformation efforts.
- Share-based compensation increased by \$210 thousand to \$23 thousand, due to revaluation of stock options and other equity-based incentives offered to attract and retain key personnel.

Six Months Ended June 30, 2026

Revenue Breakdown:

- Digital Channels: Largely comprised of our distributor relationships and supported by our drop-ship model generated \$13.7 million, or 54% of total revenue, in the current period, compared to \$16.2 million in the prior year period, a decrease of approximately 15%. This decrease was primarily driven by continued headwinds in our legacy drop-ship business, where increased competition in online marketplace channels has resulted in lower order volumes and pricing pressure.
- National Distribution: Revenue was \$5.3 million, 21% of total revenue, compared to \$6.8 million in the prior year period. The decrease was primarily driven by stiffer competition and airline menu cycle changes.
- Local Distribution: Consists mainly of local sales team relationships and our local fleet delivering direct from warehouse. This category generated \$6.3 million, or 25% of total revenue, which is a 28% decrease from \$8.7 million in 2025. This decrease was primarily driven by customer attrition following prior year operational transitions; however, these strategic customer attrition efforts have stabilized.

Cost of goods sold for the six months ended June 30, 2026 decreased by approximately 20% to \$18.7 million compared to \$23.5 million in the prior year period, which is primarily due to a 21% decrease in revenue. Gross margin remained flat at approximately 26%.

Operating Expenses

Total operating expenses decreased by \$1.3 million, or 18.5%, primarily due to the factors described below:

- Payroll and related costs decreased by \$1.2 million to \$3.7 million. This decrease was primarily due to a reduction in headcount from organizational restructuring, largely at the executive level.
- Professional fees decreased by \$123 thousand to \$704 thousand primarily due to the discontinuation of strategic growth initiatives that did not yield desired results.
- Share-based compensation increased by \$56 thousand to \$32 thousand, due to revaluation of stock options and other equity-based incentives offered to attract and retain key personnel.

Liquidity and Capital Resources at June 30, 2026

As of June 30, 2026, we had current assets of \$10.1 million and current liabilities of \$3.5 million. Net working capital was \$6.6 million.

We believe we have sufficient liquidity to fund operations for at least the next twelve months. With the sale of the Pennsylvania facility, operating cash flows are expected to continue to improve as facility costs and lower margin product sales roll off. We do not anticipate the need to raise additional capital. We are exploring new credit facility options to provide working capital flexibility. Remaining severance obligations are not expected to be material, and staffing levels are being managed to align with current business needs.

Cash Flow Analysis:

- Net cash provided by operating activities was \$375 thousand, primarily due to net income of \$2.2 million, a decrease in inventory of \$581 thousand primarily due to lowered cheese inventory balances associated with the wind down Pennsylvania of the facility, partially offset by the gain on disposition of assets of \$2.7 million, a \$609 thousand loss on the early extinguishment of debt, a decrease of \$179 thousand primarily due to the collection of receivables related to discontinuing the cheese business, and a \$700 thousand decrease in accounts payable and accrued liabilities primarily due to the sale of the Pennsylvania facility.
- Net cash provided by investing activities was \$8.8 million which was primarily due to cash received for the sale of the Pennsylvania land and building for \$8.8 million, offset by the purchase of property and equipment for \$31 thousand.
- Net cash used in financing activities was \$8.8 million, due to the payments on debt and financing leases.

Transactions with Major Customers

During the three months ended June 30, 2026 and 2025, U.S. Foods, Inc. and its affiliates accounted for approximately 40% and 34% of total revenue, respectively. Gate Gourmet accounted for approximately 18% and 15% of total revenue, respectively, during the three months ended June 30, 2026 and 2025.

During the six months ended June 30, 2026 and 2025, U.S. Foods, Inc. and its affiliates accounted for approximately 40% and 34% of total revenue, respectively. Gate Gourmet accounted for approximately 17% and 14% of total revenue, respectively, during the six months ended June 30, 2026 and 2025.

Off-Balance Sheet Arrangements

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

Inflation

In the opinion of management, inflation has had a material effect on the Company's financial condition and results of its operations. The Company has seen the impact of inflation across its costs for fuel, shipping, cost of goods, and marketing. Balancing the management of these increases with the willingness of our customers to pay higher prices will continue to be a key focus for the Company this year. However, no assurance can be given that we will be successful and inflationary pressure on our profits will likely continue through 2026.

RISK FACTORS

The Company's business and success is subject to numerous risk factors as detailed in its Annual Report on Form 10-K for the year ended December 31, 2025 and its Current Reports on Form 8-K, all of which reports are available at no cost at www.sec.gov.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information otherwise required under this Item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Under the supervision and with the participation of our management, including our principal executive and financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this report. Based on this evaluation, and because of the material weaknesses in internal control over financial reporting described below, management concluded that the Company's disclosure controls and procedures were not effective as of June 30, 2026.

Material Weaknesses in Internal Control Over Financial Reporting

A material weakness is 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 the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

During management's evaluation of internal control of financial reporting, management identified material weaknesses related to information technology general controls over certain applications that support the Company's financial reporting processes. Specifically, management identified deficiencies associated with (a) effective user access controls to appropriately segregate duties and adequately restrict user and privileged access, (b) effective controls to monitor, document and approve application changes, and (c) effective controls related to monitoring of critical jobs. As a result of these deficiencies and certain account reconciliation and review controls that were not effectively designed in fully mitigating the related risks, automated process- level and manual controls within the financial reporting cycles that rely on information generated from such financially relevant systems were not considered effective.

Notwithstanding the identified material weaknesses, management, including our principal executive, financial and accounting officer, concluded the consolidated financial statements included in this report fairly represent in all material respects our results of operations, financial condition, and cash flows at and for the periods presented in accordance with U.S. GAAP.

As disclosed in Part II, Item 9A of the Annual Report on Form 10-K for the year ended December 31, 2025, management concluded that the aforementioned material weaknesses in internal control existed for the Company. Management concluded that these material weaknesses still existed as of June 30, 2026.

Remediation Plan

Management has begun implementing measures designed to remediate the material weaknesses described above. These remediation efforts include:

- Formalizing information technology governance procedures related to user access administration, periodic access reviews, and application change management for systems supporting financial reporting;
- Enhancing documentation, approval, testing, and tracking procedures for application changes;
- Reviewing user roles and access permissions within relevant applications and implementing additional role-based access governance procedures, as appropriate;
- Enhancing the documentation, retention, and review of system change logs and other relevant system activity logs; and
- Strengthening documentation of existing monitoring controls related to system interfaces, application functionality, and data validation processes.

Management will continue to evaluate the design and operating effectiveness of these remediation efforts. The material weaknesses will not be considered remediated until the applicable controls have been fully implemented, tested, and determined to be operating effectively for a sufficient period of time.

Changes in Internal Control Over Financial Reporting

Other than as discussed above, during the period covered by this report, there has been no change in our internal control over financial reporting 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

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

Item 1A. Risk Factors

As a smaller reporting company under Rule 12b-2 of the Exchange Act, we are not required to include risk factors in report. However, for detailed descriptions of the risks relating to our Company, see the section titled “Risk Factors” contained in our Annual Report for the year ended December 31, 2025. Any of these factors could result in a significant or material adverse effect on our results of operations or financial condition. We may disclose changes to such risk factors or disclose additional risk factors from time to time in our future filings with the SEC.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Trading Arrangements

During the quarterly period ended June 30, 2026, none of our directors or officers (as defined in Rule 16a-1(f) promulgated under the Exchange Act) adopted or terminated any “Rule 10b5-1 trading arrangement” or any “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408 of Regulation S-K.

Annual Stockholders Meeting Results

On May 19, 2026, the Company held its 2026 Annual Meeting of Stockholders (the “Annual Meeting”). At the Annual Meeting, the Company’s stockholders voted on the following three proposals:

Proposal 1 - Election of Directors

James C. Pappas, Mark Schmulen, Denver J. Smith, Loukas D. Kozonis and Gary Schubert were each elected to serve on the Board for a one-year term that expires at the 2027 Annual Meeting of Stockholders, or until their earlier death, resignation or removal and their successors are elected and qualified. The final results of the voting were as follows:

Director Nominee	Votes For	Votes Against	Abstentions	Broker Non-Votes
James C. Pappas	32,141,895	833,394	20,000	11,437,467
Mark Schmulen	32,185,359	789,250	20,680	11,437,467
Denver J. Smith	32,029,206	833,394	132,689	11,437,467
Loukas D. Kozonis	32,144,020	830,589	20,680	11,437,467
Gary Schubert	32,189,443	785,846	20,000	11,437,467

Brady Smallwood was not nominated to stand for reelection as a director of the Company at the Annual Meeting. Accordingly, Mr. Smallwood retired as a director of the Company effective May 19, 2026.

Proposal 2 - Ratification of Auditors

The Company’s stockholders ratified the previous appointment by the Board of CBIZ CPAs P.C. as the Company’s independent registered public accounting firm for the current fiscal year. The final results of the voting were as follows:

Votes For	Votes Against	Abstentions	Broker Non-Votes
43,683,536	432,524	316,696	-

Proposal 3 - Say-on-Pay

The Company’s executive compensation, by non-binding advisory vote, was approved. The final results of the voting were as follows:

Votes For	Votes Against	Abstentions	Broker
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Non-Votes			
32,523,581	379,428	92,280	11,437,467

Item 6. Exhibits

3.1	<u>Articles of Incorporation (incorporated by reference to Exhibit 3.1 of the Company's Annual Report on Form 10-KSB for the year ended December 31, 2004 filed with the Securities and Exchange Commission on September 28, 2005).</u>
3.2	<u>Amended Bylaws of the Company (incorporated by reference to Exhibit 3.2 of the Company's Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC on March 16, 2011).</u>
3.3	<u>Amended Bylaws of the Company (incorporated by reference to Exhibit 3.1 of the Company's Current Report Form 8-K filed with the SEC on January 31, 2012).</u>
3.4	<u>Amended Bylaws of the Company (incorporated by reference to Exhibit 3.2 of the Company's Current Report Form 8-K filed with the SEC on January 23, 2018).</u>
3.5	<u>Amended Bylaws of the Company (incorporated by reference to Exhibit 3.1 of the Company's Current Report Form 8-K filed with the SEC on September 14, 2021).</u>
3.6	<u>Amended Bylaws of the Company (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed with the SEC on March 13, 2023).</u>
3.7	<u>Amended Bylaws of the Company (incorporated by reference to Exhibit 3.1 of the Company's Current Report Form 8-K filed with the SEC on May 23, 2023).</u>
31.1*	<u>Certification of the Principal Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2*	<u>Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1**	<u>Certification of the Principal Executive and Financial Officer pursuant to 18 U.S.C. 1350, as adopted 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
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* 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.

INNOVATIVE FOOD HOLDINGS, INC.

Date: August 14, 2026

By: /s/ Gary Schubert
Name: Gary Schubert
Title: Chief Executive Officer
(Principal Executive Officer and Principal Financial
and Accounting Officer)

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) AND RULE 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Gary Schubert, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Innovative Food Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. 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 controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. 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 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: August 14, 2026

/s/ Gary Schubert

Gary Schubert

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a) AND RULE 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Gary Schubert, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Innovative Food Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. 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 controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. 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 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: August 14, 2026

/s/ Gary Schubert

Gary Schubert

Chief Executive Officer

(Principal Financial and Accounting Officer)

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE AND FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES OXLEY ACT OF 2002**

In connection with the Quarterly Report of Innovative Food Holdings, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2026 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Gary Schubert, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Gary Schubert

Gary Schubert

Chief Executive Officer

(Principal Executive Officer and Principal Financial and
Accounting Officer)

Date: August 14, 2026