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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2020

or

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

For the transition period from ___________ to ___________

Commission File Number: 000-55131

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

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

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

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

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

Title of each class
common stock, $0.000001 par value

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

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

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 [X] 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 [X] No [ ]

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

Large Accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [ ] Smaller reporting company [X]
Emerging Growth Company [ ]

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act by the registered public accounting firm that prepared or issued its audit report. [ ]

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates (excluding voting shares held by officers and directors) as of June 30, 2020 was $25,051,007

As of March 15, 2021, there were 149,133,372 outstanding shares of common stock of the registrant.

BARFRESH FOOD GROUP INC.

FORM 10-K

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

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

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

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

AVAILABLE INFORMATION

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

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

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

PART I

Item 1. Business.

Business Overview

Barfresh is a leader in the creation, manufacturing and distribution of ready to blend frozen beverages. The current portfolio of products includes smoothies, shakes and frappes. Products are packaged in four distinct formats.

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

The Company's bulk "Easy Pour" format also contains all of the solid ingredients necessary to make the beverage, packaged in gallon containers in a concentrated formula that is mixed "one to one" with water. The Company has a "no sugar added" version of the bulk "Easy Pour" format that is specifically targeted for the USDA national school meal program, including the School Breakfast Program, the National School Lunch Program, and Smart Snacks in Schools Program. The Company is currently in contract to sell its bulk Easy Pour products into over three hundred schools. In addition, the Company received approval from the United States Defense Logistics Agency ("DLA") to sell its smoothie products into all branches of the U.S. Armed Forces, and is currently in contract with and selling its bulk Easy Pour products into over one hundred military bases in the United States and abroad.

The Company's new WHIRLZ 100% Juice Concentrates. The new 5:1 juice concentrates will initially target elementary and secondary schools and are a perfect complement to the company's current existing 1:1 bulk Easy Pour products used in beverage dispensing equipment. The 100% juice concentrates offer a more affordably priced product that responds to the need of the schools to have a wider range of options at various price points. The products are USDA Reimbursable, Smart Snack Compliant for schools in the United States, a good source of Vitamin C, contain no added sugars and come in fun, great-tasting flavors. WHIRLZ 100% Juice Concentrates will come in the following 10 exciting flavors: Mango (a first to market flavor), Fruit Punch, Pink Lemonade, Cherry Limeade, Coco Breeze, Blue Raspberry, Green Watermelon, Cherry, Sour Apple, and Strawberry Kiwi.

The Company's new ready-to-drink bottled smoothie, "Twist & Go"™, which will initially be focused towards the school system channel. This sweet fruit and creamy yogurt smoothie contains four ounces of yogurt and a half-cup of fruit/fruit juice and comes in two different flavors: strawberry banana and peach. "Twist & Go"™ contains no added sugars, no preservatives, artificial flavors or colors. At only 125 -130 calories and with 5 grams of protein, they make the perfect start to any day or on-the-go snack.

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

The Company conducts sales through several channels, including National Accounts, Regional Accounts, and Broadline Distributors. Barfresh's primary broadline distribution arrangement is through an exclusive nationwide agreement with Sysco Corporation ("Sysco"), the U.S.'s largest broadline distributor, which was entered into in July 2014.

Pursuant to that agreement, all Barfresh products are included in Sysco's national core selection of beverage items, making Barfresh its exclusive single-serve, pre-portioned beverage provider. The agreement is mutually exclusive; however, Barfresh may also sell the products to other foodservice distributors, but only to the extent required for such foodservice distributors to service multi-unit chain operators with at least 20 units and where Sysco is not such multi- unit chain operator's nominated distributor for our products. On October 2, 2019, the exclusive distribution agreement with Sysco expired, opening the possibility to expand distribution with other distributors outside of the Sysco system.

During 2016 and 2017 the Company announced that it had signed supply agreements with several of the major global on-site foodservice operators. On March 8, 2018, the Company announced that it had signed a new supply agreement with one of the largest of these foodservice operators, for exclusive distribution of four of Barfresh's single serve SKUs. On November 14, 2018, the Company announced that it had received approval for multiple products to be rolled out to a national restaurant chain with over 2,500 locations.

On October 26, 2015, Barfresh signed a five year agreement with PepsiCo North America Beverages, a division of PepsiCo, to become its exclusive sales representative within the food service channel to present Barfresh's line of ready-to-blend smoothies and frozen beverages throughout the United States and Canada. Through this agreement, Barfresh' products are included as part of PepsiCo's offerings to its significant customer base. The agreement facilitates access to potential National customer accounts, through introductions provided by PepsiCo's one-thousand plus person foodservice sales team. Barfresh products have become part of PepsiCo's customer presentations at national trade shows and similar venues. On May 30, 2019, the Company amended its agreement with Pepsi which included a reduction in the commission fee and a clause which allows either party the right to terminate the agreement upon 90 days written notice. Neither party has exercised its right to terminate the agreement.

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

Our corporate office is located at 3600 Wilshire Boulevard Suite 1720, Los Angeles, 90010. Our telephone number is (310) 598-7113 and our website is www.barfresh.com.

Corporate History and Background

The Company, which was incorporated in Delaware on February 25, 2010, was originally formed to produce movies. As the result of a reverse merger transaction in 2012, the Company is now engaged in the manufacturing and distribution of ready to blend frozen beverages, including smoothies, shakes and frappes. We have two direct subsidiaries: Barfresh Corporation, Inc. (formerly known as Smoothie, Inc.) and Barfresh, Inc.

Products

The Company's products are made in four formats. The first is in portion controlled single serving beverage ingredient packs, suitable for smoothies, shakes and frappes that can also be utilized for cocktails and mocktails. These packs contain all of the ingredients necessary to make a smoothie, shake or frappe, including the ice. Simply add water, empty the packet into a blender, blend and serve. The second format is the bulk "Easy Pour" format. The Company's bulk "Easy Pour" format also contains all of the solid ingredients necessary to make the beverage, packaged in gallon containers in a concentrated formula that is mixed "one to one" with water. The third format is the Company's new WHIRLZ 100% Juice Concentrates. These new 5:1 juice concentrates are a perfect complement to the company's current existing 1:1 bulk Easy Pour products used in beverage dispensing equipment. The fourth format is the Company's new ready-to-drink bottled smoothie, "Twist & Go"™, This sweet fruit and creamy yogurt smoothie contains four ounces of yogurt and a half-cup of fruit/fruit juice and comes in two different flavors.

THE barfresh PROCESS:
FROM FROZEN PACK:
1
Tear open frozen pack and pour ingredients into blender bowl
11oz. single serve pack
+
2
Add 5 ounces of water to blender bowl
5 oz.
water
+
3
Blend and serve
15 seconds in a blender
=
Whirl Class 16 oz. Blended Beverage
NO FREEZER ON THE LINE? NO PROBLEM:
1
Thaw frozen pack of ingredients in refrigerator. Once thawed, tear and pour liquid ingredients into blender bowl (use liquid within 3 days of thawing pack)
11oz. single serve pack
+
2
Add ¾ cup of ice (6.5 oz. weighted) to blender bowl
+
3
Blend and serve
15 seconds in a blender
=
Whirl Class 16 oz. Blended Beverage
BARFRESH BULK SOLUTION:
1
1 gallon of concentrate
+
1:1 ratio
2
1 gallon of water
+
3
=
Any Size Finished Smoothie
3

The following flavors are available as part of our standard portfolio of single serve products:

The following flavors are available as part of our standard portfolio of bulk products:

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

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

Customer Marketing Material

A wide range of consumer marketing materials has been created to assist customers in selling blended beverages.

Research and Development

The Company incurred research and development expenses for the year ended December 31, 2020 in the amount of $515,145 and for the year ended December 31, 2019 in the amount of $538,391. The decrease in Research and Development expenses was primarily attributable to reduced activity in creating unique flavors for potential customers in our national account pipeline.

Competition

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

The competition at the consumer level is primarily between specialized juice bars (e.g. Jamba Juice) and major fast casual and fast food restaurant chains (such as McDonalds). Barfresh does not compete specifically at this level but intends to supply its product to customers that fall within these segments to enable them to compete for consumer demand.

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

The existing competition from a product perspective can be separated into three categories:

- Specialized juice bar products: The product is made in-store and each ingredient is added separately.
- Syrup based products: The fruit puree is supplied in bulk and not portion controlled for each smoothie. These types of products still require the addition of juice, milk or water and/or yogurt and ice. While there are a number of competitors for this style of product, the two dominant competitors are Island Oasis and Minute Maid.
- Portion pack products: These products contain only the fruit and yogurt and require the addition of juice or milk and ice. The dominant competitor is General Mills' Yoplait Smoothies.

The Company believes that its single serve products afford a very significant competitive advantage based on ease of use, portion control, premium quality, and minimal capital investment required to enable a customer to begin to carry Barfresh beverage products. The Company also believes that its bulk "Easy Pour" product represents an attractive alternative delivery method for customers that serve high volume locations, where speed of service over extended periods is a critical requirement. The Company has recently launched a "no sugar added" version of the bulk "Easy Pour" format, WHIRLZ 100% Juice Concentrates as well as Twist & Go a new ready to drink smoothie that is specifically targeted for the USDA national school meal program, including the School Breakfast Program, the National School Lunch Program, and Smart Snacks in Schools Program.

Intellectual Property

Barfresh owns the domestic and intellectual property rights to its products' sealed pack of ingredients used in its single serve products.

In November 2011, the Company acquired patent applications filed in the United States (Patent Application number 11/660415) and Canada (Patent Application number 2577163) from certain related parties. The United States patent was originally filed on December 4, 2007 and it was granted during August of 2017. The Canadian patent was originally filed on August 16, 2005 and it was granted on May 27, 2014.

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

Governmental Approval and Regulation

The Company is not aware of the need for any governmental approvals of its products.

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

Environmental Laws

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

Employees

As of March 15, 2021, the Company has 12 employees and 3 consultants.

Item 1A. Risk Factors

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

The impact of COVID-19 on the Company is constantly evolving on a daily and weekly basis. The direct impact to our operations had begun to take effect at the close of the first quarter ended March 31, 2020. Specifically, our business has been impacted by dining bans targeted at restaurants to reduce the size of public gatherings. We have noted restaurant chains have closed operations and furloughed employees which would preclude our single serve products from being served at those establishments for a number of weeks. Furthermore, many school districts have closed regular attendance which could conceivably last to the end of the school year. This has directly impacted the sales of our Bulk Product into that sales channel. We are beginning to experience a disruption in the supply chain for manufacturing our products due to COVID-19. The developments surrounding COVID-19 remain fluid and dynamic, and consequently, will require the Company to continue to monitor news headlines from government and health officials, as well as, the business community.

Risks Related to Our Business

We have a history of operating losses.

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

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

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

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

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

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

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

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

The recent global coronavirus outbreak could harm our business and results of operations.

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

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

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

Damage or disruption to our suppliers or to manufacturing or distribution capabilities due to weather, natural disaster, fire or explosion, terrorism, pandemics such as COVD-19 and influenza, labor strikes or other reasons, could impair the manufacture, distribution and sale of our products. Many of these events are outside of our control. Failure to take adequate steps to protect against or mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, could adversely affect our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

Maintaining effective internal control over financial reporting and effective disclosure controls and procedures are necessary for us to produce reliable financial statements. As discussed in Item 9A – "Controls and Procedures" of this Form 10-K, we have re-evaluated our internal control over financial reporting and our disclosure controls and procedures and concluded that they were not effective as of December 31, 2020.

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

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

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

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

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

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

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

Our senior management's limited experience managing a publicly traded company may divert management's attention from operations and harm our business.

Our senior management team has relatively limited experience managing a publicly traded company and complying with federal securities laws, including compliance with recently adopted disclosure requirements on a timely basis. Our management will be required to design and implement appropriate programs and policies in responding to increased legal, regulatory compliance and reporting requirements, and any failure to do so could lead to the imposition of fines and penalties and harm our business.

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

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

Product liability exposure may expose us to significant liability.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Risks Related to Ownership of Our Common Stock</u>

Our common stock is quoted on the OTCQB, which may have an unfavorable impact on our stock price and liquidity.

Our common stock is quoted on the OTCQB, which is a significantly more limited trading market than the New York Stock Exchange, or the NASDAQ Stock Market. The quotation of the Company's shares on the OTCQB may result in a less liquid market available for existing and potential shareholders to trade shares of our common stock, could depress the trading price of our common stock and could have a long-term adverse impact on our ability to raise capital in the future.

There is limited liquidity on the OTCQB, which may result in stock price volatility and inaccurate quote information.

When fewer shares of a security are being traded on the OTCQB, price volatility may increase and price movement may outpace the ability to deliver accurate quote information. Due to lower trading volumes in shares of our common stock, there may be a lower likelihood of one's orders for shares of our common stock being executed, and current prices may differ significantly from the price one was quoted at the time of one's order entry.

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

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

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

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

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

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

Our common stock is thinly traded, so you may be unable to sell at or near asking prices or at all if you need to sell your shares to raise money or otherwise desire to liquidate your shares.

Currently, the Company's common stock is quoted in the OTCQB and future trading volume may be limited by the fact that many major institutional investment funds, including mutual funds, as well as individual investors follow a policy of not investing in OTCQB stocks and certain major brokerage firms restrict their brokers from recommending OTCQB stocks because they are considered speculative, volatile and thinly traded. The OTCQB market is an inter-dealer market much less regulated than the major exchanges and our common stock is subject to abuses, volatility and shorting. Thus, there is currently no broadly followed and established trading market for the Company's common stock. An established trading market may never develop or be maintained. Active trading markets generally result in lower price volatility and more efficient execution of buy and sell orders. Absence of an active trading market reduces the liquidity of the shares traded there.

The trading volume of our common stock has been and may continue to be limited and sporadic. As a result of such trading activity, the quoted price for the Company's common stock on the OTCQB may not necessarily be a reliable indicator of its fair market value. Further, if we cease to be quoted, holders would find it more difficult to dispose of our common stock or to obtain accurate quotations as to the market value of the Company's common stock and as a result, the market value of our common stock likely would decline.

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

The market price of our common stock could fluctuate substantially due to a variety of factors, including market perception of our ability to achieve our planned growth, quarterly operating results of other companies in the same industry, trading volume in our common stock, changes in general conditions in the economy and the financial markets or other developments affecting the Company's competitors or the Company itself. In addition, the OTCQB is subject to extreme price and volume fluctuations in general. This volatility has had a significant effect on the market price of securities issued by many companies for reasons unrelated to their operating performance and could have the same effect on our common stock.

We are subject to penny stock regulations and restrictions and you may have difficulty selling shares of our common stock.

Our common stock is currently quoted on the OTCQB. Our common stock is subject to the requirements of Rule 15(g)-9, promulgated under the Securities Exchange Act as long as the price of our common stock is below $5.00 per share. Under such rule, broker-dealers who recommend low-priced securities to persons other than established customers and accredited investors must satisfy special sales practice requirements, including a requirement that they make an individualized written suitability determination for the purchaser and receive the purchaser's consent prior to the transaction. The Securities Enforcement Remedies and Penny Stock Reform Act of 1990 also requires additional disclosure in connection with any trades involving a stock defined as a penny stock. Generally, the Commission defines a penny stock as any equity security not traded on a national exchange that has a market price of less than $5.00 per share. The required penny stock disclosures include the delivery, prior to any transaction, of a disclosure schedule explaining the penny stock market and the risks associated with it. Such requirements could severely limit the market liquidity of the securities and the ability of purchasers to sell their securities in the secondary market.

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

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

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

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

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

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

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

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

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

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

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

Our principal executive offices are located at 3600 Wilshire Boulevard Suite 1720, Los Angeles, 90010. Beginning in April 2019, we leased this office space pursuant to a direct lease for $6,457 per month through March 31, 2023.

Item 3. Legal Proceedings.

Neither the Company nor its subsidiaries are party to or have property that is the subject of any material pending legal proceedings. We may be subject to ordinary legal proceedings incidental to our business from time to time that are not required to be disclosed under this Item 3.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

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

Market Information

Our common stock is currently traded on the OTCQB under the symbol “BRFH”. Our common stock had been quoted on the OTC Bulletin Board since July 27, 2011 under the symbol MVBX. Effective February 29, 2012, our symbol changed to BRFH based on the forward split and name change. On March 21, 2012, our common stock was delisted to Pink Sheets. On January 21, 2014, we registered our common stock under Section 12(g) of the Exchange Act. The following table sets forth the range of high and low bid quotations for the applicable period. These quotations as reported by the OTCQB reflect inter-dealer prices without retail mark-up, markdown or commissions and may not necessarily represent actual transactions.

	Bid Quotation	
Financial Quarter Ended	High ($)	Low ($)
December 31, 2020	0.48	0.17
September 30, 2020	0.42	0.24
June 30, 2020	0.55	0.29
March 31, 2020	0.41	0.21
December 31, 2019	0.35	0.26
September 30, 2019	0.45	0.44
June 30, 2019	0.68	0.40
March 31, 2019	0.70	0.58

Holders

At March 15, 2021, there were 149,133,372 shares of our common stock outstanding. Our shares of common stock are held by 99 stockholders of record. The number of record holders was determined from the records of our transfer agent and does not include beneficial owners of common stock whose shares are held in the names of various security brokers, dealers and registered clearing agencies.

Recent Sales of Unregistered Securities

There were no sales of equity securities during the period covered by this Annual Report that were not registered under the Securities Act that were not included in a Quarterly Report on Form 10Q or a Current Report on Form 8-K.

Purchases of Equity Securities by the Company

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

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information, as of December 31, 2020, with respect to equity securities authorized for issuance under our equity compensation plans:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in Column (a))(c)
Equity compensation plans approved by security holders	7,640,959	$ 0.60	7,359,041
Equity compensation plans not approved by security holders	-	$ -	-
TOTAL	7,640,959	$ 0.60	7,359,041

Transfer Agent

Our transfer agent, Action Stock Transfer, is located at 2469 E. Fort Union Blvd, Suite 214, Salt Lake City, Utah 84121, and its telephone number is (801) 274-1088.

Item 6. Selected Financial Data.

Not applicable because we are a smaller reporting company.

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

The information and financial data discussed below is derived from the audited financial statements of Barfresh for its fiscal year ended December 31, 2020 and for the fiscal year ended December 31, 2019. The financial statements of Barfresh were prepared and presented in accordance with generally accepted accounting principles in the United States. The information and financial data discussed below is only a summary and should be read in conjunction with the historical financial statements and related notes of Barfresh contained elsewhere in this Annual Report. This discussion and analysis may contain forward-looking statements based on assumptions about our future business. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors. See "Cautionary Note Regarding Forward Looking Statements" above for a discussion of forward-looking statements and the significance of such statements in the context of this Annual Report.

The Company's products are made in four formats. The first is in portion controlled single serving beverage ingredient packs, suitable for smoothies, shakes and frappes that can also be utilized for cocktails and mocktails. These packs contain all of the ingredients necessary to make a smoothie, shake or frappe, including the ice. Simply add water, empty the packet into a blender, blend and serve. The second format is the bulk "Easy Pour" format. The Company's bulk "Easy Pour" format also contains all of the solid ingredients necessary to make the beverage, packaged in gallon containers in a concentrated formula that is mixed "one to one" with water. The third format is the Company's new WHIRLZ 100% Juice Concentrates. These new 5:1 juice concentrates are a perfect complement to the company's current existing 1:1 bulk Easy Pour products used in beverage dispensing equipment. The fourth format is the Company's new ready-to-drink bottled smoothie, "Twist & Go"™, This sweet fruit and creamy yogurt smoothie contains four ounces of yogurt and a half-cup of fruit/fruit juice and comes in two different flavors.

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

The Company conducts sales through several channels, including National Accounts, Regional Accounts, and Broadline Distributors. Barfresh's primary broadline distribution arrangement is through an exclusive nationwide agreement with Sysco Corporation ("Sysco"), the U.S.'s largest broadline distributor, which was entered into during July 2014. Pursuant to that agreement, all Barfresh products are included in Sysco's national core selection of beverage items, making Barfresh its exclusive single-serve, pre-portioned beverage provider. The agreement is mutually exclusive; however, Barfresh may also sell the products to other foodservice distributors, but only to the extent required for such foodservice distributors to service multi-unit chain operators with at least 20 units and where Sysco is not such multi- unit chain operator's nominated distributor for our products. On October 2, 2019, the exclusive distribution agreement with Sysco expired, opening the possibility to expand distribution with other distributors outside of the Sysco system.

During 2016 and 2017 the Company announced that it had signed supply agreements with several of the major global on-site foodservice operators. On March 8, 2018, the Company announced that it had signed a new supply agreement with one of the largest of these foodservice operators, for exclusive distribution of four Barfresh single serve skus. On November 14, 2018, the Company announced that it had received approval for multiple products to be rolled out to a national restaurant chain with over 2,500 locations.

On October 26, 2015, Barfresh signed a five-year agreement with PepsiCo North America Beverages, a division of PepsiCo, to become its exclusive sales representative within the food service channel to present the Barfresh line of ready-to-blend smoothies and frozen beverages throughout the United States and Canada. Through this agreement, Barfresh' products are included as part of PepsiCo's offerings to its significant customer base. The agreement facilitates access to potential National customer accounts, through introductions provided by PepsiCo's one thousand plus person foodservice sales team. Barfresh products have become part of PepsiCo's customer presentations at national trade shows and similar venues. On May 30, 2019, the Company amended its agreement with Pepsi which included a reduction in the commission fee and a clause which allows either party the right to terminate the agreement upon 90 days written notice. Neither party has exercised its right to terminate the agreement.

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

During November 2016, the Company received an equity investment from Unibel, the majority shareholder of the Bel Group ("Unibel"). The Bel Group is headquartered in Paris, France, with global operations in 33 countries, 30 production sites on 4 continents and nearly 12,000 employees. Its many branded products, including The Laughing Cow®, Mini Babybel® and Boursin®, are sold in over 130 countries around the world. Pursuant to the securities purchase agreement, Unibel purchased 15,625,000 shares of common stock at $0.64 per share ("Shares") and warrants to purchase 7,812,500 shares of common stock ("Warrants") for aggregate gross proceeds to Barfresh of $10 million. The Warrants are exercisable for a term of five years at a per share price of $.88 for cash. Pursuant to the Investor Rights agreement, Barfresh has registered the Shares and the Warrants, and Unibel was granted a seat on the Barfresh Board. This strategic investment provided Barfresh with necessary capital while leveraging Unibel's more than 150 years of industrial expertise, innovative capabilities, world-class marketing and branding expertise to accelerate our growth in new and existing markets and product channels.

On February 14, 2018, the Company announced the private placement of convertible notes with gross proceeds of $4.1 million The closing of the first 60% of this amount occurred between March 12 and 22, 2018, after notice was issued by the Company that it had entered into a material agreement or series of related agreements with a national account for the sale of its products into approximately 1,000 new locations. The remaining 40% of the principal amount was to be received upon achieving a second milestone, which is entering into a material agreement or series of related agreements with a national account for the sale of its products into approximately 2,500 new locations. During November of 2018 the Company and several of the Convertible Note investors agreed to amend the definition of Milestone 2 to allow for the funding the remaining 40% of the principal amount upon the Company receiving approval from a National Restaurant Chain with over 2,500 for the rollout of its products. Such approval was received during the fourth quarter of 2018, and the Company received an additional $1.4 million of convertible note proceeds.

The convertible notes are unsecured and have (i) a two-year term, (ii) a 10% annual coupon to be paid in cash or stock at the Company's discretion at a conversion price equal to 85% of the average closing bid prices of the Common Stock over the twenty (20) consecutive trading day period immediately preceding the payment date, but in no event lower than sixty cents ($0.60) per share of Common Stock. The investor's may elect to convert their principal into common stock at a conversion price equal to the lower of: (i) $0.88 per share of Common Stock, or (ii) 85% of the average closing bid prices of the Common Stock over the twenty (20) consecutive trading day period immediately preceding the date of investor's election to convert; but in no event lower than $0.60 per share of Common Stock. Investors also received warrant coverage of 25% of the number of shares that would be issuable upon a full conversion of the principal amount at an average of the twenty consecutive trading day period immediately preceding the applicable closing date. If any principal amount remains outstanding after the one-year anniversary of the closing, investors will be granted an additional warrant with identical terms. The warrants are exercisable for a period of three years for cash at the greater of 120% of the closing price or $0.70 per share of common stock. After the initial private placement, investors were offered the opportunity to accelerate the issuance of the additional warrant by increasing their convertible note investment by 10% to 20%. After the close of the first quarter 2018, a number of investors took advantage of this acceleration opportunity, resulting in an increase in the amount of the total convertible note by $177,300 and the issuance of 930,332 additional warrants. During the fourth quarter 2018, four of the convertible note investors elected to convert their notes into stock, with a total of $453,000 of convertible debt, plus accrued interest being converted into stock.

During the fourth quarter of 2018, one investor exercised 833,333 N warrants for cash, at $0.45 per share. $221,918 of the proceeds of that transaction were used to pay down a short term note payable, held by the same investor, in the amount of $200,000, plus accrued interest. The balance of the proceeds of the N warrant exercise, in the amount of $153,082 were received by the Company.

During the first quarter of 2019, the Company completed additional funding, including a Private Placement Offering for common shares priced at $0.60 per share, resulting in the receipt of capital investment in the amount of $2.4 million and the issuance of 4,000,000 shares. In addition, during the first quarter of 2019 the Company offered to reduce the exercise price on its I Warrants from $1 to $0.60, for a limited time. During the time this offer was open, I Warrant holders converted 2,841,454 warrants at $0.60, resulting in the receipt of capital investment in the amount of $1.7 million. In addition, during the first quarter of 2019, one investor exercised G series warrants, resulting in the receipt of capital investment in the amount of $180,000, and the issuance of 300,000 shares. In total, during the first quarter of 2019 the Company raised $4.3 million and issued 7,141,454 shares, and no additional warrants were issued.

On March 23, 2020, the Company completed additional funding, including a Private Placement Offering for common shares priced at $0.50 per share (subject to adjustment) resulting in the receipt of proceeds in the amount of $3,825,000 million and the issuance of 7,650,000 shares. The investors of this Private Placement Offering were granted O warrants which are eligible to purchase an additional 0.50 shares for every share issued to each purchaser, exercisable for a period of 3 years at an exercise price of $0.60 per share (subject to adjustment). If the volume-weighted average trading price for the 20 consecutive trading days that conclude upon 6 months after the initial closing (the "Six Month Price") exceeds or equals $0.50 per share (the "Target Price"), the per share purchase price will not be adjusted. If the Six Month Price is less than the Target Price, the per share purchase price will be automatically reduced to the Six Month Price, but in no event less than $0.35 per share, in which case the Company shall issue to each investor, pro-rata based on such investor's investment: (a) shares in a quantity that equals the difference between the number of shares issued to such purchaser at closing and the number of shares that would have been issued to such purchaser at closing at the Six Month Price; and (b) a warrant for a number of shares of common stock equal to 50% of the difference between the number of shares issued to such investor at closing and the number of shares that would have been issued to such investor at closing at the Six Month Price, with an exercise price equal to the sum of $0.10 per share and the Six Month Price, but in no eventless than $0.45 per share. The exercise price per share for each warrant will automatically adjust to the sum of $0.10 per share and the Six-Month Price, but in no event less than $0.45 per share. On September 28, 2020, the Company determined the volume-weighted average price was below the $0.35 per share and consequently issued 5,322,868 additional shares in accordance with provisions of the Private Placement Offering. Similarly, the Company issued an additional 2,652,868 Warrants to investors that contributed capital or exercised the conversion of their convertible note. Lastly, the Company issued an additional 459,000 Warrants for convertible noteholders that extended their convertible notes.

In addition, the Company obtained a 24 month extension on $1,071,000 in principal, and conversion of $720,000 of principal of the Milestone I Convertible Notes at a conversion price of $0.50 per share. The remaining $110,166 was extended for thirty days. The interest rate on the principal balance of the extended Milestone I Convertible Notes was amended to 15%. Furthermore, the Company obtained a 12 month extension on $168,000 in principal, and conversion of $1,128,000 in principal of the Milestone II Convertible Notes. The Convertible Noteholders of the Milestone I and II Convertible Notes were granted additional interest depending upon their election to convert or extend their Convertible Notes.

Currently we have 12 employees and 3 consultants.

Critical Accounting Policies

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

Revenue Recognition

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

1) *Identify the contract with a customer*

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

2) *Identify the performance obligation in the contract*

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

3) *Determine the transaction price*

   The transaction price is determined based on the consideration to which the Company will be entitled in exchange for transferring goods and is generally stated on the approved sales order. Variable consideration, which typically includes volume-based rebates or discounts, are estimated utilizing the most likely amount method.

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

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

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

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

Stock-based Compensation

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

Convertible Notes

We issue debt that may have separate warrants, conversion features, or no equity-linked attributes. When we issue debt with warrants, we determine the value of the warrants using the Black-Scholes Option Pricing Model ("Black-Scholes") using the stock price on the date of issuance, the risk free interest rate associated with the life of the debt, and the estimated volatility of our stock. When we issue debt with a conversion feature, we must first assess whether the conversion feature meets the requirements to be treated as a derivative. If the conversion feature within convertible debt meets the requirements to be treated as a derivative, we estimate the fair value of the convertible debt derivative using Black-Scholes upon the date of issuance, using the stock price on the date of issuance, the risk free interest rate associated with the life of the debt, and the estimated volatility of our stock. If the conversion feature is not treated as a derivative, we assess whether it is a beneficial conversion feature ("BCF'). A BCF exists if the conversion price of the convertible debt instrument is less than the stock price on the commitment date. This typically occurs when the conversion price is less than the fair value of the stock on the date the instrument was issued. The value of a BCF is equal to the intrinsic value of the feature, the difference between the conversion price and the common stock into which it is convertible.

Derivative Liability

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

Results of Operations

Revenue and cost of revenue

Revenue decreased $1,739,238, or -40%, from $4,306,785 in 2019 to $2,567,547 in 2020. The overall revenue for 2020 was lower due to decreased sales of both single serve and bulk product which was directly impacted by COVID-19.

Cost of revenue for 2020 was $1,784,537 as compared to $1,928,210 in 2019. Our gross profit was $764,072 (30%) and $2,313,209 (54%) for 2020 and 2019, respectively. This decline was mainly driven by the COVID 19 pandemic in 2020. In addition, gross margins were lower due to product mix which included the launch of the new 8oz bottle and 5:1 juice concentrate. Also contributing to the lower gross profit were inventory price and quantity adjustments along with higher customer rebates. Depreciation from manufacturing equipment was $18,938 and $65,366 for December 31, 2020 and 2019, respectively.

Operating expenses

Our operations were primarily directed towards increasing sales and expanding our distribution network.

Our general and administrative expenses decreased $2,470,590 (36%) from $6,850,566 in 2019 to $4,379,976 in 2020, with the improvement driven by lower personnel expenses resulting from reduced headcount, reduced marketing and selling expense from a renegotiated distribution agreement. The following is a breakdown of our general and administrative expenses for the years 2020 and 2019.

	Year ended December 31, 2020	Year ended December 31, 2019	Change	Percent
Personnel costs	1,581,414	2,837,685	(1,256,271)	-44%
Stock based compensation/options	276,641	225,026	51,615	23%
Legal and professional fees	300,047	305,155	(5,108)	-2%
Travel	86,569	358,455	(271,886)	-76%
Rent	82,194	92,608	(10,414)	-11%
Marketing and selling	205,050	568,107	(363,057)	-64%
Consulting fees	75,890	118,971	(43,081)	-36%
Director fees	187,500	245,386	(57,886)	-24%
Research and development	515,145	538,391	(23,246)	-4%
Shipping and storage	488,465	751,237	(262,772)	-35%
Other expenses	581,061	809,545	(228,485)	-28%
	4,379,976	6,850,566	(2,470,590)	-36%

Personnel cost represents the cost of employees including salaries, bonuses, employee benefits and employment taxes for the years 2020 and 2019 and continues to be our largest cost. Personnel cost decreased $1,256,271 (44%) from $2,837,685 to $1,581,414. At year end 2019 we had 17 full time employees, and we currently have 12 full time employees.

Stock based compensation is used as an incentive to attract new employees and to compensate existing employees. Stock based compensation includes stock issued and options granted to employees. Stock compensation for the year ended December 31, 2020 was $276,641, an increase of $51,615, or 23%, from the year ended December 31, 2019 expense of $225,026. The increase is primarily due to changes in our workforce and the timing of equity grants. The Company issues additional stock options to its employees from time to time under its Equity Compensation Plan.

Legal and professional fees decreased 2%, or $5,108, from $305,155 in 2019 to $300,047 in 2020. The decrease was primarily due to reduced legal services required. We anticipate legal fees related to our business and financing activities to decrease as we have renegotiated arrangements with existing service providers.

Travel expenses decreased $271,886 (76%) from $358,455 in 2019 to $86,569 in 2020. The decrease is primarily due to reduced travel associated with terminated employees and COVID restrictions. We anticipate that travel expenses for 2021 will increase compared to the current year as business resume after COVID restriction lifted.

Rent expense decreased $10,414 (11%), from $92,608 in 2019, to $82,194 in 2020. Rent expense is primarily for our location in Los Angeles, California. Rent expense for the Los Angeles office is approximately $6,500 per month. We lease office space at 3600 Wilshire Boulevard, Los Angeles, California pursuant to a new lease that commenced on April 1, 2019 and expires March 31, 2023.

Marketing and selling expenses decreased $363,057 (64%) from $568,107 in 2019 to $205,050 in 2020. Lower marketing and selling expenses were primarily due to lower percentage commission associated with a renegotiated distribution agreement.

Consulting fees decreased $43,081 (36%), from $118,971 in 2019, to $75,890 in 2020. The decrease was due primarily to services related to consulting to improve sales operations. Our consulting fees vary based on needs. We engaged consultants in the areas of sales operations during both 2020 and 2019. The need for future consulting services will be variable.

Director fees decreased $57,886, or 24%, from $245,386 in 2019 to $187,500 in 2020 due to director and officer insurance premiums. Annual director fees are anticipated at $50,000 per non-employee director.

Research and development expenses decreased $23,246 (4%) from $538,391 in 2019 to $515,145 in 2020 due to reduced product development activity with national accounts and fewer market tests. These expenses relate to the services performed by our Director of Manufacturing and Product Development, and consultants supporting that employee. These activities are primarily directed towards to development of new products.

Shipping and storage expense decreased $262,772 (35%) from $751,237 in 2019 to $488,465 in 2020. This improvement is primarily due to the growth of the scale of our business, and the corresponding cost savings associated with freight movement. We anticipate that shipping and storage expense as a percentage of sales will continue to reduce in the future, as the Company continues to take advantage of more efficient distribution arrangements.

Other expenses consist of ordinary operating expenses such as investor relations, office, telephone, insurance, and stock related costs. Other expense decreased $228,485, from $809,545 in 2019 to $581,061 in 2020, driven mainly by equipment repair, recruiting, and insurance expense.

Other (income)/expenses

Interest expense decreased $734,119 (60%) from $1,213,263 in 2019 to $479,144 in 2020. This decrease is due to the conversion and repayment of $2,005,366 of convertible notes during 2020.

The change in fair value of the derivative liability resulted in gains of $156,540 and $1,114,625 for the years ended December 31, 2020 and 2019, respectively. The gain was driven by the decrease in the stock price of the Company.

We recorded a net gain on extinguishment of debt of $379,200 which was comprised of a gain of $437,201, offset by a loss of $58,001. The gain of $437,201 related to the portion of convertible notes that were converted to common stock on March 20, 2020. The loss on extinguishment of debt of $58,001 related to the portion of convertible notes that were extended by either 24 months for Milestone I, or 12 months for Milestone II.

The warrant modification was revalued at February 22, 2019 with a value of $849,505. The difference in fair value immediately before and after the modification of the warrant resulted in a loss of $307,460. There was no warrant modification in 2020.

We had net losses of $4,152,506 and $5,593,302 for the years 2020 and 2019, respectively. This reduction in net loss, in the amount of $1,440,796, or 26%, is primarily attributable to the same factors that drove the improvement in operating losses, partially offset by certain non-cash charges, including higher interest, warrant modification, and gain from derivative liability, in 2019. Also due to COVID-19, there were reductions in personnel, travel, marketing and selling costs.

Liquidity and Capital Resources

As of December 31, 2020, we had a working capital surplus of $1,196,741 as compared with a working capital surplus of $146,337 at December 31, 2019. The increase in working capital surplus is primarily due to higher available cash with the issuance of stock for capital raise of $3,825,000 and the Paycheck Protection Program loan proceeds of $568,131, and increased accrued expenses, offset by higher inventory and account receivables.

The Company was granted a $568,131 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan, which matures in two years, is uncollateralized and is fully guaranteed by the Federal government. The Company is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Company has recorded a note payable and will record the forgiveness upon being legally released from the loan obligation by the SBA. No forgiveness income has been recorded for the year ended December 31, 2020. The Company will be required to repay any remaining balance, plus interest accrued at 1 percent, in monthly payments commencing upon notification that the loan will not be forgiven or only partially forgiven. Subsequent to December 31, 2020 the Company received an addition loan of $568,131 which is not reflected in our consolidated financial statements.

During the year ended December 31, 2020, we used cash of $3,197,782 in operations, $59,662 for the purchase of equipment, and $14,526 for patents and trademarks. The Company received $3,797,800 in cash for issuance of stock, $568,131 for an SBA PPP loan, and paid $56,692 in operating leases, $12,008 in debt issuance costs, and $157,366 in short term debt.

Our liquidity needs will depend on how quickly we are able to profitably ramp up sales, as well as our ability to control and reduce variable operating expenses, and to continue to control and reduce fixed overhead expense.

During the first quarter of 2019, the Company completed additional funding including a Private Placement Offering for common shares priced at $0.60 per share, resulting in the receipt of capital investment in the amount of $2.4 million and the issuance of 4,000,000 shares. In addition, during the first quarter of 2019 the Company offered to reduce the exercise price on its I Warrants from $1 to $0.60, for a limited time. During the time this offer was open, I Warrant holders converted 2,841,454 warrants at $0.60, resulting in the receipt of capital investment in the amount of $1.7 million. In addition, during the first quarter of 2019, one investor exercised G series warrants, resulting in the receipt of capital investment in the amount of $180,000, and the issuance of 300,000 shares. In total, during the first quarter of 2019 the Company has raised $4.3 million and issued 7,141,454 shares, and no additional warrants.

On March 23, 2020, the Company completed additional funding, including a Private Placement Offering for common shares priced at $0.50 per share (subject to adjustment) resulting in the receipt of proceeds in the amount of $3.825 million and the issuance of 7,650,000 shares. The investors of this Private Placement Offering were granted O warrants which are eligible to purchase an additional 0.50 shares for every share issued to each purchaser, exercisable for a period of 3 years at an exercise price of $0.60 per share (subject to adjustment). If the volume-weighted average trading price for the 20 consecutive trading days that conclude upon 6 months after the initial closing (the "Six Month Price") exceeds or equals $0.50 per share (the "Target Price"), the per share purchase price will not be adjusted. If the Six Month Price is less than the Target Price, the per share purchase price will be automatically reduced to the Six Month Price, but in no event less than $0.35 per share, in which case the Company shall issue to each investor, pro-rata based on such investor's investment: (a) shares in a quantity that equals the difference between the number of shares issued to such purchaser at closing and the number of shares that would have been issued to such purchaser at closing at the Six Month Price; and (b) a warrant for a number of shares of common stock equal to 50% of the difference between the number of shares issued to such investor at closing and the number of shares that would have been issued to such investor at closing at the Six Month Price, with an exercise price equal to the sum of $0.10 per share and the Six Month Price, but in no eventless than $0.45 per share. The exercise price per share for each warrant will automatically adjust to the sum of $0.10 per share and the Six-Month Price, but in no event less than $0.45 per share. On September 28, 2020, the Company determined the volume-weighted average price was below the $0.35 per share and consequently issued 5,322,868 additional shares in accordance with provisions of the Private Placement Offering. Similarly, the Company issued an additional 2,652,868 Warrants to investors that contributed capital or exercised the conversion of their convertible note. Lastly, the Company issued an additional 459,000 Warrants for convertible noteholders that extended their convertible notes.

In addition, the Company obtained a 24 month extension on $1,071,000 in principal, and conversion of $720,000 of principal of the Milestone I Convertible Notes at a conversion price of $0.50 per share. The remaining $110,166 was extended for thirty days. The interest rate on the principal balance of the extended Milestone I Convertible Notes was amended to 15%. Furthermore, the Company obtained a 12 month extension on $168,000 in principal, and conversion of $1,128,000 in principal of the Milestone II Convertible Notes. The remaining $67,200 was extended for thirty days. The Convertible Noteholders of the Milestone I and II Convertible Notes were granted additional interest depending upon their election to convert or extend their Convertible Notes.

The impact of COVID-19 on the Company is evolving rapidly with events unfolding on a daily and weekly basis. The direct impact to our operations began to take effect at the close of the first quarter ended March 31, 2020. Specifically, our business was impacted by the dining bans targeted at restaurants to reduce the size of public gatherings. We note that restaurant chains have closed operations and furloughed employees which precluded our single serve products from being served at those establishments for extended periods of time throughout 2020 and still in part in many locations. Furthermore, many school districts closed regular attendance for most of the school year. This directly impacted the sales of our Bulk Product into that sales channel. We have begun to see various channels begin to open up at varying degrees due to local restrictions, although it is still a long way from pre-COVID levels of operation. As the market begins to come back online, we are beginning to experience some disruption in the supply chain and freight for manufacturing and distribution of our products. The developments surrounding COVID-19 remain fluid and dynamic, and consequently, will require the Company to continue to monitor news headlines from government and health officials, as well as the business community.

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

We have entered into a direct lease for new premises covering the period April 1, 2019 to March 31, 2023. The aggregate minimum requirements under the non-cancellable direct lease as of December 31, 2020 is $178,620.

Off-Balance Sheet Arrangements

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

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

Not applicable because we are a smaller reporting company.

Item 8. Financial Statements and Supplementary Data.

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

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

None.

Item 9A. Controls and Procedures.

Management's Annual Report on Internal Control over Financial Reporting

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer (who is presently also serving as our interim principal financial officer) and our Controller, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Securities and Exchange Act of 1934 Rule 15(d)-15(e). Based on this evaluation, our Chief Executive Officer and our Controller concluded that the Company's disclosure controls and procedures were not effective as of December 31, 2020, due to inadequate segregation of duties.

Management's Annual Report on Internal Control over Financial Reporting

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

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

Our management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2020. The framework used by management in making that assessment was the criteria set forth in the document entitled "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013.

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Controller, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Securities and Exchange Act of 1934 Rule 15(d)-15(e). Based on this evaluation, our Chief Executive Officer and our Controller concluded that the Company's disclosure controls and procedures were not effective as of December 31, 2020.

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

Management has concluded that there is a material weakness due to the control environment. The control environment is impacted due to the company's inadequate segregation of duties.

Since the assessment of the effectiveness of our internal control over financial reporting did identify material weaknesses, management considers its internal control over financial reporting to be ineffective.

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

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

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

Changes in Internal Control over Financial Reporting

In addition, we note that a different person was identified as our principal financial officer in each of our last three annual reports on Form 10-K. This lack of continuity and institutional knowledge has also affected internal control over financial reporting.

Item 9B. Other Information.

None

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Directors and Executive Officers

The following sets forth information about our directors and executive officers as of the date of this Report:

Name	Age	Position
Riccardo Delle Coste	42	President, Chief Executive Officer and Chairman
Steven Lang	68	Director
Arnold Tinter	75	Secretary and Director
Joseph M. Cugine	60	Director
Isabelle Ortiz-Cochet	59	Director
Alexander H. Ware	59	Director
Justin Borus	44	Director

Riccardo Delle Coste has been the Chairman of our board of directors, President and Chief Executive Officer since January 10, 2012. He has also been the President and Chief Executive Officer of Barfresh Inc., a Nevada corporation and our wholly owned subsidiary ("Barfresh NV"), since its inception. Mr. Delle Coste is the inventor of the patented technology and the creator of Barfresh. Mr. Delle Coste developed a unique system using controlled pre-packaged portions to deliver a freshly made smoothie that is quick, cost efficient, healthy and with no waste. In building the business, he is responsible for securing new business and maintaining key client relationships. He is also responsible for the development of new product from testing to full-scale production, establishment of the manufacturing facilities that have all necessary accreditations, technology development, product improvement and research and development with new product launches. Mr. Delle Coste also has over five years of investment banking experience. Mr. Delle Coste attended Macquarie University, Sydney, Australia while studying for a Bachelor of Commerce for 3.5 years but left to pursue business interests before receiving a degree.

Qualifications: Mr. Delle Coste has 17 years of experience within retail, hospitality and dairy manufacturing.

Steven Lang was appointed as Director of the Company on January 10, 2012. He has also served as Secretary of Barfresh NV since its inception. Prior to joining Barfresh NV, from 2003 to 2007, Mr. Lang was a director of Vericap Finance Limited, a company that specializes in providing advice to and investing in Australian companies with international growth potential. From 1990 to 1999, he served as a director of Babcock & Brown's Australian operations where he was responsible for international structured finance transactions. Mr. Lang received a Bachelor of Commerce and a Bachelor of Laws from the University of New South Wales in 1976 and a Master of Laws from the University of Sydney in 1984. He has been a member of the Institute of Chartered Accountants in Australia and was licensed to practice foreign law in New York.

Qualifications: Mr. Lang has over 40 years of experience in business, accounting, law and finance and served as Chairman of an Australian public company.

Arnold Tinter was appointed as Director, Chief Financial Officer and Secretary of the Company on January 10, 2012. Mr. Tinter resigned his position as Chief Financial Officer on May 18, 2015, and served temporarily as Principal Accounting Officer. Mr. Tinter founded Corporate Finance Group, Inc., a consulting firm located in Denver, Colorado, in 1992, and is its President. Corporate Finance Group, Inc., is involved in financial consulting in the areas of strategic planning, mergers and acquisitions and capital formation. He has been the chief financial officer and a director of other public companies In all of the companies his responsibilities included oversight of all accounting functions, including SEC reporting, strategic planning and capital formation. Since May 2015, he has served as chief financial officer of Bambu Franchising LLC, LLC, a privately held company that is a franchisor of Vietnamese-themed shoppes that serve drinks and desserts. Prior to 1990, Mr. Tinter was chief executive officer of Source Venture Capital, a holding company with investments in the gaming, printing and retail industries. Mr. Tinter received a B.S. degree in Accounting in 1967 from C.W. Post College, Long Island University, and is licensed as a Certified Public Accountant in Colorado.

Qualifications: Mr. Tinter has over 45 years of experience as a Certified Public Accountant and a financial consultant. During his career he served as a director of numerous public companies.

Joseph M. Cugine was appointed as Director of the Company on July 29, 2014 and on April 27, 2015, was appointed president of our wholly owned subsidiary, Barfresh Corporation, Inc. Mr. Cugine is the owner and president of Cugine Foods and JC Restaurants, a franchisee of Taco Bell and Pizza Hut in New York. He is also president and owner of Restaurant Consulting Group LLC. Prior to owning and operating his own firms, Mr. Cugine held a series of leadership roles with PepsiCo, lastly as chief customer officer and senior vice president of PepsiCo's Foodservice division. Mr. Cugine also serves on the board of directors of The Chef's Warehouse, Inc., a publicly traded specialty food products distributor in the U.S., as well as Ridgefield Playhouse and R4 Technology. He received his B.S. degree from St. Joseph's University in Philadelphia.

Qualifications: Mr. Cugine's career in sales, marketing, operations and supply chain spans more than 25 years. He has extensive industry contacts and proven experience leading and advising numerous successful food distribution companies.

Isabelle Ortiz-Cochet was appointed as director of the Company on December 16, 2016. She is the Chief Investment Officer for Unibel, parent company of Bel Group. Bel is an international France-based group, a world leader in branded cheese business and fruit pouches, with brands such as Laughing Cow, Mini-Babybel, Boursin or GoGo Squeez. In that position since January 2016, Ms. Ortiz-Cochet drives Unibel diversification strategy, and leads the investment portfolio development. She was previously VP Strategic Development at Bel Group Form September 2013 to December 2015. From 2007 to 2013, based out of Bel's New York office, Ms. Ortiz-Cochet led the development of long term strategies in North and South America, as well as Marketing strategy in the region. Prior to that position, she held a number of leadership positions in marketing and global strategy at Bel out of the Paris office, at French, European and corporate levels. Isabelle began her career with Kimberly Clark in France. Isabelle earned a master's degree from ESSEC Business School in France, and an executive MBA from HEC Business School, France**.**

Pursuant to the investor rights agreement between Barfresh and Unibel dated November 23, 2016, Unibel is entitled to appoint one director to the board of directors of Barfresh, which director is entitled to sit on each committee of the board of directors selected by the Unibel, unless Unibel has beneficial ownership of less than: (i) 75.0% of its Shares; and (ii) 5.0% of the company's issued and outstanding common stock. Unibel has designated Isabelle Ortiz-Cochet as its board designee. Barfresh has agreed to call shareholder meetings whenever necessary to ensure Unibel's designee is elected as a director. At any time that Unibel's designee is not a director, Unibel's designee will be entitled to be a board observer. Riccardo Delle Coste, Steven Lang and their respective affiliates have agreed to vote their shares in favor of Unibel's designee.

Alexander H. Ware was appointed as director of the company on July 13, 2016. Since September 2018, Mr. Ware has served as President of Foodsby, Inc., a fast-growing meal ordering platform for office buildings. Previously, he served as Interim President, Executive Vice President and Chief Financial Officer of Buffalo Wild Wings from October 2016 to 2018. From 2012 through 2016, Mr. Ware was Executive Chairman of MStar Holding Corporation (MicroStar), and had served as Interim Chief Executive Officer in 2013. Prior to MicroStar, he served as a Senior Advisor and previously as Executive Vice President of Strategic Development of Pohlad Companies, a family office, from 2010 to 2015. Starting in 1994, he served in increasing capacities at PepsiCo, then PepsiAmericas, Inc. culminating as Executive Vice President and Chief Financial Officer from 2005 to 2010. Previously, he was a Senior Associate at Booz Allen Hamilton, Inc. from 1990 to 1994. Mr. Ware received his Bachelor of Arts degree in Economics from Hampden-Sydney College and his Master of Business Administration from the Darden Graduate School of Business at University of Virginia. In addition to Barfresh, Mr. Ware currently serves on the board of MStar Holding Corporation and on the advisory board of Stonearch Capital.

Qualifications: Mr. Ware has specific and relevant industry experience in the production and marketing of beverages as well as the operations and management of restaurants. In addition, Mr. Ware has knowledge in the areas of strategic and financial planning, corporate development, personnel management, resource allocation and distribution.

Justin Borus was appointed as a Director of the Company on April 29, 2020. Mr. Borus has approximately 20 years of capital markets expertise. He has been the Chief Investment Officer of Ibex Investors, LLC, a firm focused on niche, differentiated strategies including microcap companies for over 10 years. Prior to joining Ibex, he worked in both the private equity and investment banking groups at Bear, Stearns & Co. Inc. in New York and London. Mr. Borus has served on the Board of Directors of several non-profits including the Anti-Defamation League and Colorado Public Radio.

Qualifications: Mr. Borus brings over 20 years of capital markets expertise.

Term of Office

Directors are appointed for a one-year term to hold office until the next annual general meeting of shareholders or until removed from office in accordance with our bylaws. Our officers are appointed by our board of directors and hold office until the earlier of resignation or removal.

Director Independence

We use the definition of “independence” standards as defined in the NASDAQ Stock Market Rule 5605(a)(2) provides that an “independent director” is a person other than an officer or employee of the Company or any other individual having a relationship, which, in the opinion of the Company’s board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. We have determined that four of our seven directors are independent, which constitutes a majority.

Board Committees

We currently have an audit committee, a compensation committee and a nominating and governance committee. The members of the audit committee are Arnold Tinter, Steven Lang and Alexander Ware. The audit committee is primarily responsible for reviewing the services performed by our independent auditors and evaluating our accounting policies and our system of internal controls. Steven Lang, Arnold Tinter, and Alexander Ware are independent members of the audit committee, as defined below. The members of the compensation committee are Arnold Tinter, Joe Cugine, and Riccardo Delle Coste. The compensation committee is primarily responsible for reviewing and approving our salary and benefits policies (including stock options) and other compensation of our executive officers. The members of the nominating committee are Arnold Tinter, Steven Lang, and Isabelle Ortiz-Cochet. The nominating and governance committee is primarily responsible for overseeing corporate governance and for identifying, evaluating and recommending individuals to serve as directors of the company.

Legal Proceedings

To the best of our knowledge, none of our executive officers or directors are parties to any material proceedings adverse to the Company, have any material interest adverse to the Company or have been subject to legal, administrative or judicial orders, proceedings or decrees required to be disclosed.

Code of Ethics

Our Chief Executive Officer, and our Controller are bound by a Code of Ethics that complies with Item 406 of Regulation S-K of the Exchange Act.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) requires our directors and executive officers and beneficial holders of more than 10% of our common stock to file with the SEC initial reports of ownership and reports of changes in ownership of our equity securities.

To our knowledge, based solely upon a review of Forms 3 and 4 and amendments thereto furnished to Barfresh under 17 CFR 240.16a-3(e) during our most recent fiscal year and Forms 5 and amendments thereto furnished to Barfresh with respect to our most recent fiscal year, we believe that during the fiscal year ended December 31, 2020 our directors, executive officers and persons who own more than 10% of our common stock complied with all Section 16(a) filing requirements with the exception of the following:

- Joseph Cugine, late filing of Form 4
- Isabelle Ortiz-Cochet, late filing of Form 4
- Alexander H. Ware, late filing of Form 4
- Steve Lang, late filing of Form 4
- Riccardo Delle Coste, late filing of Form 4

Each late filing reported one transaction unless otherwise indicated. None of our officers or directors submitted Form 5 filings.

Item 11. Executive Compensation.

The following table sets forth information about the remuneration of our principal executive officer for services rendered during our fiscal years ended December 31, 2020 and 2019, and our other executive officers that had total compensation of $100,000 or more for our last completed full fiscal year (the “Named Officers”). Certain tables and columns have been omitted as no information was required to be disclosed under those tables or columns.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($)	Option awards ($)	All other compensation ($)	Total ($)
Riccardo Delle Coste,	2020	350,000(1)	67,500(2)	10,800(3)	428,300
Chief Executive Officer	2019	350,000(1)	82,500(4)	10,800(3)	443,300
Raffi Loussararian,	2020	175,000	24,000(5)	-0-	199,000
Vice President Finance	2019	74,936	51,000(6)	-0-	125,936

(1) Of the salary earned in 2020, $213,648 was paid and $136,352 was deferred. In 2019 $232,835 was paid and $117,165 was deferred.

(2) Represents a stock option grant of 250,000 option shares issued 04/27/2020 with an exercise price of $0.38, which vests in equal increments on each of the first, second and third anniversaries of the date of grant.

(3) Represents the car allowance paid to Mr. Delle Coste.

(4) Represents a stock option grant of 250,000 options shares issued 5/20/19 with an exercise price of $0.45, which vests in equal increments on each of the first, second and third anniversaries of the date of grant.

(5) Represents a stock option grant of 100,000 shares issued 01/06/2020 with an exercise price of $0.37, which vests 3 years after the date of grant (cliff vesting).

(6) Represents a stock option grant of 150,000 shares issued 7/29/19 with an exercise price of $0.45 which vests ratably according to the option schedule on each anniversary over the next three years and are exercisable until 7/29/27.

Employment Agreements

On April 27, 2015, Smoothie, Inc. entered into an executive employment agreement with Riccardo Delle Coste, its Chief Executive Officer and director. Mr. Delle Coste is also the Chief Executive Officer and Chairman of the Company. Pursuant to the employment agreement, he receives a base salary of $350,000 and performance bonuses of 75% of his base salary based on mutually agreed upon performance targets. In addition, Mr. Delle Coste receives up to an additional 500,000 performance options, on an annual basis. All options granted under the employment agreement are subject to the Company's 2015 Equity Incentive Plan.

The Company entered into an executive employment agreement with Raffi Loussararian on July 29, 2019, to which he agreed to serve as Vice President, Finance. Pursuant to the employment agreement, Mr. Loussararian received a base salary of $175,000 and performance bonuses of 25% of his base salary, based upon performance targets determined by the Board of Directors. In addition, Mr. Loussararian was granted 3-year options to purchase up to 150,000 shares of common stock of Barfresh. Option grants vest ratably on each anniversary of the date of commencement of Mr. Loussararian's employment. All options granted under the employment agreement are subject to the Company's 2015 Equity Incentive Plan. Mr. Loussararian left the Company in January 2021.

The following table sets forth information with respect to outstanding equity awards for the Named Officers:

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	Option Awards			
Name	**Number of securities underlying unexercised options (#) exercisable**	**Number of securities underlying unexercised options (#) unexercisable**	**Option exercise price ($)**	**Option expiration date**
Riccardo Delle Coste	250,000(1)		0.69	4/27/23
	250,000(1)		0.61	5/27/24
	125,000(1)		0.72	11/25/24
	250,000(1)		0.72	4/27/25
	250,000(1)		0.55	9/15/25
	166,667(2)	83,333(2)	0.52	7/26/26
	83,333(2)	166,667(2)	0.45	5/20/27
		250,000(2)	0.38	4/25/28
Raffi Loussararian	50,000(2)	100,000(2)	0.45	7/29/27
		100,000(3)	0.37	1/6/28

(1) Fully vested.
(2) Vest ratably in equal increments on the first, second and third anniversary of the date of grant of the option.
(3) Vests on the third anniversary of date of grant of the option.

Compensation of Directors

The following table summarizes the compensation paid to our directors that were not employees for the fiscal year ended December 31, 2020. A director who is a Company employee does not receive any compensation for service as a director. The compensation received by directors that are employees of the Company is shown above in the summary compensation table. We reimburse all directors for expenses incurred in their capacity as directors.

DIRECTOR COMPENSATION

Name	Fees earned or paid in cash ($)	Stock awards ($)	Option awards ($)	Total ($)
Arnold Tinter	50,000	-0-	-0-	50,000
Steven Lang	50,000	-0-	-0-	50,000
Isabelle Ortiz-Cochet	-0-	-0-	50,000	50,000
Alex Ware	-0-	50,000	-0-	50,000
Justin Borus[1]				

(1) Mr. Borus became a director on April 29, 2020.

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

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding our shares of common stock beneficially owned as of March 15, 2021 for (i) each shareholder known to be the beneficial owner of 5% or more of our outstanding shares of common stock, (ii) each named executive officer and director, and (iii) all executive officers and directors as a group. A person is considered to beneficially own any shares: (i) over which such person, directly or indirectly, exercises sole or shared voting or investment power, or (ii) of which such person has the right to acquire beneficial ownership at any time within 60 days through an exercise of stock options or warrants or otherwise. Unless otherwise indicated, voting and investment power relating to the shares shown in the table for our directors and executive officers is exercised solely by the beneficial owner or shared by the owner and the owner's spouse or children.

For purposes of this table, a person or group of persons is deemed to have "beneficial ownership" of any shares of common stock that such person has the right to acquire within 60 days of March 15, 2021. As of March 15, 2021, the Company had 149,133,372 shares of common stock outstanding. For purposes of computing the percentage of outstanding shares of our common stock held by each person or group of persons named above, any shares that such person or persons has the right to acquire within 60 days of March 15, 2021 is deemed to be outstanding, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person. The inclusion herein of any shares listed as beneficially owned does not constitute an admission of beneficial ownership.

	Common Stock	
Name and address of beneficial owner [1]	Amount and nature of beneficial ownership	Percent of class o/s
Riccardo Delle Coste **[2] [3] [4] [5] [6]**	22,589,053	14.90%
Steven Lang **[7] [8] [9] [10] [11]**	21,504,699	14.30%
Arnold Tinter **[12]**	800,000	0.5 4%
Joe Cugine **[13] [14] [15]**	3,801,074	2.52%
Alexander Ware **[16] [17] [18]**	678,101	0.45%
Isabelle Ortiz-Cochet 2 Allee De Longchamp Suresnes, France **[19] [20]**	473,342	0.32%
Justin Borus [21] [22] [23]	22,674,337	14.81%
Raffi Loussararian	0	—
All directors and officers as a group (8 persons)	72,520,605	45.61%
Unibel 2 Allee De Longchamp Suresnes, France 92150 **[24] [25] [26]**	29,138,798	18.34%
IBEX Investors LLC (fka) Lazarus Investment Partners LLLP **[27]** 3200 Cherry Creek South Drive Suite 670 Denver, CO 80209	16,245,766	10.76%

1 The address of those listed, except as noted is c/o Barfresh Food Group Inc., 3600 Wilshire Blvd., Suite 1720 Los Angeles CA 90010.

2 Mr. Delle Coste is the Chief Executive Officer, President and a Director of the Company.

3 Includes 19,524,381 shares owned by R.D. Capital Holdings PTY Ltd. and of which Riccardo Delle Coste is deemed to be a beneficial owner.

4 Includes 1,541,667 shares issuable under exercisable options granted.

5 Includes 131,679 shares underlying warrants issued in connection with promissory notes, the holder of which is Riccardo Delle Coste or R.D. Capital Holdings PTY Ltd., and of which Riccardo Delle Coste is deemed to be a beneficial owner.

6 Includes 50,000 shares underlying convertible debt held by R.D. Capital Holdings PTY Ltd.

7 Mr. Lang is a Director of the Company.

8 Includes 19,127,177 shares owned by Sidra Pty Limited and 516,236 shares owned by Hodumo Pty Ltd, of which Steven Lang is deemed to be a beneficial owner.

9 Includes 456,237 shares underlying options granted.

10 Includes 722,371 and 44,082 shares underlying warrants issued in connection with promissory notes, the holder of which is Hodumo Pty Ltd and Sidra Pty Ltd, respectively, of which Steven Lang is deemed to be a beneficial owner.

11 Includes 300,000 shares underlying convertible debt held by Hodumo Pty Ltd.

12 Mr. Tinter is the Secretary and a Director of the Company.

13 Mr. Cugine is a Director of the Company.

14 Includes 1,350,458 shares issuable under exercisable options granted.

15 Includes 409,030 shares underlying warrants issued in connection with purchase of common shares.

16 Mr. Ware is a Director of the Company.

17 Includes 580,476 shares owned by The Alexander Ware Revocable Trust of which Mr. Ware is deemed to be a beneficial owner.

18 Includes 78,125 shares underlying warrants issued to The Alexander Ware Revocable Trust in connection with purchase of common shares.

19 Ms. Ortiz-Cochet was a Director of the Company

20 Includes 473,342 shares underlying options granted.

21 Mr. Borus is a Director of the Company.

22 Includes 14,442,776 shares owned by Ibex Investors LLC and 3,000 shares owned by Lazarus Macro Micro Partners LLLP, of which Justin Borus is the manager of the investment manager and general partner, respectively, and deemed to be a beneficial owner.

23 Includes 1,800,000 shares underlying warrants issued to Ibex Investors LLC and 2,142,857 shares underlying warrants issued to Mr. Borus.

24 Includes 7,812,500 shares underlying warrants issued in connection with the purchase of common stock.

25 Includes 671,098 shares underlying warrants issued in connection with a convertible promissory note.

26 Includes 1,252,274 shares underlying warrants issued in connection with the purchase of common stock

27 Includes 1,800,000 shares underlying warrants issued in connection with the purchase of common stock.

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

Certain Relationships and Related Transactions

The following includes a summary of transactions since the beginning of fiscal 2020 or any currently proposed transaction, in which we were or are to be a participant and the amount involved exceeded or exceeds the lesser of $120,000 or one percent of the average of our total assets at year-end for the last two completed fiscal years and in which any related person had or will have a direct or indirect material interest (other than compensation described under "Executive Compensation"). We believe the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to or better than terms available or the amounts that would be paid or received, as applicable, in arm's-length transactions.

The Company's policy with regard to related party transactions requires any related party loans that are (i) non-interest bearing and in excess of $100,000 or (ii) interest bearing, irrespective of amount, must be approved by the Company's board of directors. All issuances of securities by the Company must be approved by the board of directors, irrespective of whether the recipient is a related party. Each of the foregoing transactions, if required by its terms, was approved in this manner.

Director Independence

We use the definition of "independence" standards as defined in the NASDAQ Stock Market Rule 5605(a)(2) provides that an "independent director" is a person other than an officer or employee of the company or any other individual having a relationship, which, in the opinion of the Company's board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. We have determined as of December 31, 2020 that four of our six directors are independent, which constitutes a majority.

Item 14. Principal Accounting Fees and Services.

Aggregate fees for professional services rendered to the Company by Eide Bailly LLP for the years ended December 31, 2020 and December 31, 2019 were as follows.

	2020	2019
Audit fees	$ 73,032	$ 85,195
Audit related fees	-	-
Tax fees	6,300	8,375
All other fees	-	-
Total	$ 79,332	$ 93,570

As defined by the SEC, (i) “audit fees” are fees for professional services rendered by our principal accountant for the audit of our annual financial statements and review of financial statements included in our Form 10-K, or for services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years; (ii) “audit-related fees” are fees for assurance and related services by our principal accountant that are reasonably related to the performance of the audit or review of our financial statements and are not reported under “audit fees;” (iii) “tax fees” are fees for professional services rendered by our principal accountant for tax compliance, tax advice, and tax planning; and (iv) “all other fees” are fees for products and services provided by our principal accountant, other than the services reported under “audit fees,” “audit-related fees,” and “tax fees.”

Audit Fees. The aggregate fees billed for the years end December 31, 2020 and December 31, 2019 were for the audits of our financial statements and reviews of our interim financial statements included in our annual and quarterly reports.

Audit Related Fees. Eide Bailly LLP did not provide us with audit related services for the years ended December 31, 2020 or December 31, 2019, that are not reported under Audit Fees.

Tax Fees. The aggregate tax fees billed for the years end December 31, 2020 and 2019 related to the preparation of corporate income tax returns.

All Other Fees. Eide Bailly LLP did not provide us with professional services related to “Other Fees” for the years ended December 31, 2020 or December 31, 2019.

Audit Committee Pre-Approval Policies and Procedures

Under the SEC’s rules, an audit committee is required to pre-approve the audit and non-audit services performed by the independent registered public accounting firm in order to ensure that they do not impair the auditors’ independence. The SEC’s rules specify the types of non-audit services that an independent auditor may not provide to its audit client and establish the audit committee’s responsibility for administration of the engagement of the independent registered public accounting firm. The Company has established an Audit Committee. Accordingly, audit services and non-audit services described in this Item 14 were pre-approved by an Audit Committee.

There were no hours expended on the principal accountant’s engagement to audit the registrant’s financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant’s full-time, permanent employees.

PART IV

Item 15. Exhibits and Financial Statements.

(a) 1. Financial Statements

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

2. Financial Statement Schedules

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

3. Exhibits

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

(b) Exhibits

See Item 15(a) (3) above.

(c) Financial Statement Schedules

See Item 15(a) (2) above.

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BARFRESH FOOD GROUP INC.

Date: April 14, 2021

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

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

Signature	Capacity	Date
/s/ Riccardo Delle Coste Riccardo Delle Coste	Chief Executive Officer and Director (Principal Executive Officer and interim Principal Financial Officer)	April 14, 2021
/s/ Eric Narimatsu Eric Narimatsu	Controller (Principal Accounting Officer)	April 14, 2021
/s/ Steven Lang Steven Lang	Director	April 14, 2021
/s/ Arnold Tinter Arnold Tinter	Director	April 14, 2021
/s/ Joseph M. Cugine Joseph M. Cugine	Director	April 14, 2021
/s/ Isabelle Ortiz-Cochet Isabelle Ortiz-Cochet	Director	April 14, 2021
/s/ Alexander H. Ware Alexander Ware	Director	April 14, 2021
/s/ Justin Borus Justin Borus	Director	April 14, 2021

Exhibit Index

Exhibit Number	Description
3.1	Certificate of Incorporation of Moving Box Inc. dated February 25, 2010 (incorporated by reference to Exhibit 3.1 to Form S-1 (Registration No. 333-168738) as filed August 11, 2010)
3.2	Amended and Restated Bylaws of Barfresh Food Group Inc. (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K as filed August 4, 2014)
3.3	Certificate of Amendment of Certificate of Incorporation of Moving Box Inc. dated February 13, 2012 (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K as filed February 17, 2012)
3.4	Certificate of Amendment of Certificate of Incorporation of Smoothie Holdings Inc. dated February 16, 2012 (incorporated by reference to Exhibit 3.2 to Current Report on Form 8-K as filed February 17, 2012)
4.1	Form of Series A Warrant (incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K as filed January 17, 2012)
4.2	Form of Series B Warrant (incorporated by reference to Exhibit 4.2 to Form 10K for the period ending March 31, 2014, as filed June 30, 2014)
4.3	Form of Series C Warrant (incorporated by reference to Exhibit 4.3 to Form 10K for the period ending March 31, 2014, as filed June 30, 2014)
4.4	Form of Series D Warrant (incorporated by reference to Exhibit 4.4 to Form 10K for the period ending March 31, 2014, as filed June 30, 2014)
4.5	Form of Series PA Warrant (incorporated by reference to Exhibit 4.5 to Form 10K for the period ending March 31, 2014, as filed June 30, 2014)
4.6	Form of Series CN Warrant (incorporated by reference to Exhibit 4.6 to Form 10K for the period ending March 31, 2014, as filed June 30, 2014)
4.7	Form of Series EN Warrant (incorporated by reference to Exhibit 4.7 to Registration Statement on Form S-1 (Registration No. 333-211019) as filed April 29, 2016)
4.8	Form of Series E Warrant (Incorporated by reference to Exhibit 3.8 to Registration Statement on Form S-1 (Registration No. 333-203340) as filed April 10, 2015)
4.9	Form of Series G Warrant (incorporated by reference to Exhibit 4.1 to Current Report on Form 8-K as filed February 16, 2015)
4.10	Form of Series H Warrant (incorporated by reference to Exhibit 4.10 to Registration Statement on Form S-1 (Registration No. 333-211019) as filed April 29, 2016)
4.11	Form of Series I Warrant (incorporated by reference to Exhibit 4.11 to Registration Statement on Form S-1 (Registration No. 333-211019) as filed April 29, 2016)
4.12	Form of Convertible Promissory Note dated January 29, 2016 by Barfresh Food Group Inc. in favor of certain investors (incorporated by reference to Exhibit 4.12 to Registration Statement on Form S-1 (Registration No. 333-211019) as filed April 29, 2016)

4.13	Form of warrant dated December 1, 2013 (incorporated by reference to Exhibit 4.13 to Registration Statement on Form S-1 (Registration No. 333-211019) as filed April 29, 2016)
4.14	Form of Series K Warrant (incorporated by reference to Exhibit 4.14 to Registration Statement on Form S-1 (Registration No. 333-333-215322) as filed December 23, 2016)
4.15	Form of Series J Warrant (incorporated by reference to Exhibit 4.15 to Registration Statement on Form S-1 (Registration No. 333-333-215322) as filed December 23, 2016)
4.16	Repayment of Debt Agreement dated July 26, 2018 by and between Barfresh Food Group, Inc. and Ibex Investors LLC (incorporated by reference to Exhibit 4.16 to Registration Statement on Form S-1, No. 333-228030)
4.17	Form of Series L Warrant (incorporated by reference to Exhibit 4.17 to Registration Statement on Form S-1, No. 333-228030)
4.18	Form of 10% Convertible Promissory Note dated March 5, 2018 issued by Barfresh Food Group Inc. in favor of Ibex Investors LLC (incorporated by reference to Exhibit 4.18 to Registration Statement on Form S-1, No. 333-228030)
4.19	Form of 12% Convertible Promissory Note issued by Barfresh Food Group, Inc. in favor of certain investors in February 2018 (incorporated by reference to Exhibit 4.19 to Registration Statement on Form S-1, No. 333-228030)
4.20	Description of Securities Registered Under Section 12 of the Securities Exchange Act of 1934, as amended (incorporated by reference to Exhibit 4.20 to Annual Report on Form 10-K for the year ended December 31, 2019, as filed April 13, 2020)
4.21	Form of Series O Warrant (incorporated by reference to Exhibit 4.21 to Annual Report on Form 10-K for the year ended December 31, 2019, as filed April 13, 2020)
10.1	Form of Registration Rights Agreement dated February 16, 2016 (incorporated by reference to Exhibit 10.1 to Registration Statement on Form S-1 (Registration No. 333-211019) as filed April 29, 2016)
10.2	Intellectual Property Sale Deed by and between National Australia Bank Limited and Barfresh Inc. dated October 15, 2013 (incorporated by reference to Exhibit 10.1 to Quarterly Report on Form 10-Q as filed November 20, 2013)
10.3	Form of Securities Purchase Agreement dated February 16, 2016 by and between Barfresh Food Group Inc. and certain investors. (incorporated by reference to Exhibit 10.3 to Registration Statement on Form S-1 (Registration No. 333-211019) as filed April 29, 2016)
10.4	Form of Investor Rights Agreement dated November 23, 2016 by and between Barfresh Food Group, Inc. and Unibel (Incorporated by reference to Exhibit 10.4 to Registration Statement on Form S-1 No. 333-203340)
10.5	Form of Securities Purchase Agreement dated November 23, 2016 by and between Barfresh Food Group, Inc. and Unibel (incorporated by reference to Exhibit 10.5 to Registration Statement on Form S-1 (Registration No. 333-215322) as filed December 23, 2016)
10.6	Form of Securities Purchase Agreement dated September 28, 2016 by and between Barfresh Food Group, Inc. and certain investors (incorporated by reference to Exhibit 10.6 to Registration Statement on Form S-1 (Registration No. 333-215322) as filed December 23, 2016)

10.7	Form of Registration Rights Agreement dated September 28, 2016 by and between Barfresh Food Group, Inc. and certain investors (incorporated by reference to Exhibit 10.7 to Registration Statement on Form S-1 (Registration No. 333-215322) as filed December 23, 2016)
10.8	Barfresh Food Group, Inc. 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.10 to Annual Report Form 10-K filed June 30, 2014)+
10.9	Barfresh Food Group, Inc. 2015 Equity Incentive Plan (incorporated by reference to Exhibit 10.10 to Annual Report Form 10-K filed July 7, 2015)+
10.10	Executive Employment Agreement by and between Smoothie, Inc. and Riccardo Delle Coste dated April 27, 2015 (incorporated by reference to Exhibit 10.11 to Annual Report Form 10-K filed July 7, 2015)+
10.11	Executive Employment Agreement by and between Smoothie, Inc. and Joseph M. Cugine dated April 27, 2015 (incorporated by reference to Exhibit 10.12 to Annual Report Form 10-K filed July 7, 2015)+
10.12	Form of Series D Warrant Exercise Offer dated July 25, 2018 (incorporated by reference to Exhibit 10.13 to Registration Statement on Form S-1, No. 333-228030)
10.13	Form of Securities Purchase Agreement dated February 14, 2018 by and between Barfresh Food Group, Inc. and certain investors (incorporated by reference to Exhibit 10.14 to Registration Statement on Form S-1, No. 333-228030)
10.14	Form of Securities Purchase Agreement dated March 15, 2020 by and between Barfresh Food Group, Inc. and certain investors (incorporated by reference to Exhibit 10.14 to Annual Report on 10-K for the year ended December 31, 2019, filed April 13, 2020)
21.1	Subsidiaries (incorporated by reference to Exhibit 21.1 to Annual Report on Form 10-K for the year ended December 31, 2019, filed April 13 2020)
31.1	Rule 15d-14(a) Certification*
32.1	Certification Pursuant to 18 U.S.C. Section 1350*
101.INS	XBRL INSTANCE.
101.XSD	XBRL SCHEMA.
101.PRE	XBRL PRESENTATION.
101.CAL	XBRL CALCULATION.
101.DEF	XBRL DEFINITION.
101.LAB	XBRL LABEL.

*	Filed herewith
+	Compensatory plan

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

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

Barfresh Food Group Inc.

Index to Consolidated Financial Statements

See the accompanying notes to the consolidated financial statements.

Report of Independent Registered Public Accounting Firm

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Barfresh Food Group, Inc. (the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Barfresh Food Group, Inc. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

Critical Audit Matter

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

<u>Debt and Equity Transactions</u>

As discussed in Notes 7, 8 and 10 to the consolidated financial statements, the Company has entered into debt and equity agreements which include stock-based compensation, debt modification and derivative liabilities. These agreements include transactions, including the issuance of warrants and stock options, that are required to be recorded at estimated fair value. These transactions resulted in recording of stock-based compensation expense of $276,641 and a gain on debt extinguishment of $379,200 for the year ended December 31, 2020, and the recording of a derivative liability of $41,475 as of December 31, 2020.

The Company's determination of the estimated fair value involves the identification of related financial instruments and a clear understanding of the terms of the agreements. Auditing management's estimates of fair value requires a high degree of auditor judgment and an increased extent of effort, including the need to carefully examine to understand the true nature of the related agreements.

Our audit procedures related to determination of the estimated fair values of these debt and equity transactions included the following, among others:

- We gained an understanding of management's process and methodology to develop the estimates
- We examined signed contracts and amendments.
- We evaluated the reasonableness of the inputs and assumptions used by management in developing the estimates.
- We evaluated the adequacy of the disclosures related to these fair value measurements.

/s/ Eide Bailly LLP

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

Denver, Colorado
April 14, 2021

Barfresh Food Group Inc.
Consolidated Balance Sheets
December 31, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash	$ 1,816,887	$ 999,989
Restricted cash	142,382	91,385
Accounts receivable, net	425,029	284,668
Inventory, net	870,190	634,746
Prepaid expenses and other current assets	47,066	17,606
Total current assets	3,301,554	2,028,394
Property, plant and equipment, net of depreciation	1,922,912	2,406,317
Operating lease right-of-use assets, net	147,947	203,287
Intangible assets, net of amortization	430,216	479,503
Deposits	14,817	8,304
Total Assets	$ 5,817,446	$ 5,125,805
Liabilities And Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 353,046	$ 625,068
Accrued expenses	298,489	250,125
Advance payment	401,306	-
Accrued payroll	191,137	215,601
Accrued vacation	117,166	95,851
Accrued interest	68,627	487,978
Lease liability	65,007	56,692
Loan payable – Paycheck Protection Program	410,317	-
Convertible note, net of discount	158,243	150,742
Derivative liabilities	41,475	-
Total current liabilities	2,104,813	1,882,057
Long term liabilities:		
Accrued interest	127,664	-
Lease liability	94,170	159,177
Loan payable – Paycheck Protection Program	157,814	-
Convertible note - related party, net of discount	197,804	1,181,942
Convertible note, net of discount	810,995	1,407,877
Derivative liabilities	-	211,028
Total liabilities	3,493,260	4,842,081
Commitments and contingencies (Note 6,7,8 and 13)		
Stockholders' equity:		
Preferred stock, $0.000001 par value, 5,000,000 shares authorized, none issued or outstanding	-	-
Common stock, $0.000001 par value; 295,000,000 shares authorized; 149,133,372 and 130,341,737 shares issued and outstanding at December 30, 2020and 2019, respectively	149	130
Additional paid in capital	53,223,665	47,030, 716
Accumulated deficit	(50,899,628)	(46,747, 122)
Total stockholders' equity	2,324,186	283,724
Total Liabilities and Stockholders' Equity	$ 5,817,446	$ 5,125,805

See the accompanying notes to the consolidated financial statements.

Barfresh Food Group Inc.
Consolidated Statements of Operations
For the years ended December 31, 2020 and 2019

	2020	2019
Revenue	$ 2,567,547	$ 4,306,785
Cost of revenue	1,784,537	1,928,210
Depreciation of manufacturing equipment	18,938	65,366
Gross profit	764,072	2,313,209
Operating expenses:		
General and administrative	4,379,976	6,850,566
Depreciation and amortization	593,198	649,847
Total operating expenses	4,973,174	7,500,413
Operating loss	(4,209,102)	(5,187,204)
Other (income)/expenses		
(Gain) from derivative liability	(156,540)	(1,114,625)
(Gain) from debt extinguishment	(379,200)	-
Warrant modification	-	307,460
Interest expense	479,144	1,213,263
Total other (income) expense	(56,596)	406,098
Net (loss)	$ (4,152,506)	$ (5,593,302)
Per share information - basic and fully diluted:		
Weighted average shares outstanding	138,755,506	128,510,646
Net (loss) per share	$ (0.03)	$ (0.04)

See the accompanying notes to the consolidated financial statements.

Barfresh Food Group, Inc.
Statement of Stockholders' Equity
For the Years ended December 31, 2020 and 2019

	Common Stock Shares	Common Stock Amount	Additional paid in Capital	Accumulated (Deficit)	Total
Balance January 1, 2019	122,770,960	$ 123	$ 41,118,649	$ (41,153,820)	$ (35,048)
Exercise of warrants	3,196,180	3	1,884,873	-	1,884,876
Issuance of stock and options for services	374,597	-	335,914	-	335,914
Equity based compensation	-	-	225,026	-	225,026
Warrants issued to Management	-	-	758,798	-	758,798
Issuance of stock for capital raise	4,000,000	4	2, 399,996	-	2,400,000
Warrant modification	-	-	307,460	-	307,460
Net (loss) for the year	-	-	-	(5,593,302)	(5,593,302)
Balance December 31, 2019	130,341,737	130	47,030,716	(46,747,122)	283,724
Issuance of stock for capital raise, net of offering costs of $27,200	12,972,868	13	3,797,787	-	3,797,800
Conversion of debt	4,770,030	5	1,333,757	-	1,333,762
Interest paid in shares	654,651	1	392,788	-	392,789
Issuance of stock for services	272,559	-	130,000	-	130,000
Equity based compensation	-	-	276,641	-	276,641
Warrants issued to management	-	-	167,893	-	167,893
Warrant modification	-	-	18,899	-	18,899
Warrant issued for note extension	-	-	75,184	-	75,184
Restricted stock issuance	121,527	-	-	-	-
Net (loss) for the year	-	-	-	(4,152,506)	(4,152,506)
Balance December 31, 2020	149,133,372	$ 149	$ 53,223,665	$ (50,899,628)	$ 2,324,186

See the accompanying notes to the consolidated financial statements.

Barfresh Food Group Inc.
Consolidated Statements of Cash Flows
For the Years ended December 31, 2020 and 2019

	2020	2019
Net loss	$ (4,152,506)	$ (5,593,828)
Adjustments to reconcile net loss to net cash used for operating activities		
Depreciation	548,323	651,603
Amortization	63,813	63,610
Amortization of right of use asset	55,340	38,268
Change in allowance for doubtful accounts	(8,364)	89,397
Change in inventory reserve	(41,558)	69,414
Interest expense related to debt discount	276,013	881,871
Warrant modification expense	-	307,460
Stock-based compensation	276,641	225,026
Stock and options issued for services	130,000	335,914
Gain on derivative	(156,540)	(1,114,625)
Gain on debt extinguishment	(379,200)	-
Changes in assets and liabilities		
Accounts receivable	(131,997)	(16,757)
Inventories	(199,142)	456,938
Prepaid expenses and other assets	(29,460)	41,482
Deposits	(6,513)	31,065
Accounts payable	(272,022)	(502,376)
Accrued expenses	213,107	350,780
Advanced payments	401,306	-
Accrued interest	214,917	331,432
Net Cash (used for) operating activities	(3,197,782)	(3,353,326)
Investing Activities		
Purchase of property and equipment	(59,662)	(466,216)
Purchase of intangibles	(14,526)	(5,324)
Net Cash (used for) investing activities	(74,188)	(471,540)
Financing Activities		
Cash received for warrant exercises	-	1,500,357
Cash received for stock, net of offering costs	3,797,800	2,400,000
Repayments of convertible notes	(157,366)	-
Proceeds from note payable	568,131	-
Debt issuance costs	(12,008)	-
Payments of operating leases	(56,692)	(25,686)
Net Cash from financing activities	4,139,865	3,874,671
Net change in cash and restricted cash	867,895	49,805
Cash and restricted cash, beginning of year	1,091,374	1,041,569
Cash and restricted cash, end of year	$ 1,959,269	$ 1,091,374
Cash payments for interest	$ 2,775	$ -
Non-cash financing and investing activities		
Total property and equipment included in accounts payable	$ -	$ 26,084
Debt discount warrant and derivative liability	$ 107,611	$ -
Convertible notes principal and interest settled through warrant exercise	$ -	$ 384,563
Operating lease right-of-use asset	$ -	$ 241,555
Deferred compensation settled through issuance of warrants	$ 167,893	$ 758,798
Net carrying value of convertible notes and accrued interest settled through issuance of stock (debt extinguishment)	$ 1,770,963	$ -
Accrued interest settled through issuance of stock	$ 392,789	$ -

See the accompanying notes to the consolidated financial statements.

Note 1. Summary of Significant Accounting Policies

Barfresh Food Group Inc., (“we,” “us,” “our,” and the “Company”) was incorporated on February 25, 2010 in the State of Delaware. We are engaged in the manufacturing and distribution of ready to blend beverages, particularly, smoothies, shakes and frappes.

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

Basis of Consolidation

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

Use of Estimates

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

Concentration of Credit Risk

The amount of cash on deposit with financial institutions exceeds the $250,000 federally insured limit at December 31, 2020 and 2019. However, we believe that cash on deposit that exceeds $250,000 in the financial institutions is financially sound and the risk of loss is minimal.

Restricted Cash

At December 31, 2020, the Company had $142,382 and $91,385, respectively, in restricted cash related to our co-packing agreement.

Fair Value Measurement

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

> Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reported date. The types of assets and liabilities included in Level 1 are highly liquid and actively traded instruments with quoted prices, such as equities listed on the New York Stock Exchange.
>
> Level 2 - Pricing inputs are other than quoted prices in active markets but are either directly or indirectly observable as of the reported date. The types of assets and liabilities in Level 2 are typically either comparable to actively traded securities or contracts or priced with models using highly observable inputs.
>
> Level 3 - Significant inputs to pricing that are unobservable as of the reporting date. The types of assets and liabilities included in Level 3 are those with inputs requiring significant management judgment or estimation, such as complex and subjective models and forecasts used to determine the fair value of financial transmission rights.

Our financial instruments consist of cash, accounts receivable, accounts payable, advanced payments, derivative liabilities, convertible notes, restricted cash, and PPP loan payable. The carrying value of our financial instruments approximates their fair value, except for the derivative liability in which carrying value is fair value.

Accounts Receivable

Accounts receivable are typically unsecured. Our credit policy calls for payment generally within 30 days. The credit worthiness of a customer is evaluated prior to a sale. As of December 31, 2020, and 2019, the company's allowance for doubtful accounts was $133,424 and $141,788 respectively. There was $133,424 of bad debt expense recorded for the year ended December 31, 2020 and $89,397 of bad debt expense for the year ended December 31, 2019. The allowance was applied to certain receivable accounts which are over 95 days.

Inventory

Inventory consists of finished goods and is carried at the lower of cost or net realizable value on a first in first out basis. The company monitors the remaining useful life of its inventory and establishes a reserve of obsolescence where appropriate. As of December 31, 2020 and 2019, the Company's inventory reserve was $59,093 and $100,651 respectively.

Intangible Assets

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

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

Long-Lived Assets and Other Acquired Intangible Assets

We evaluate the recoverability of property and equipment and finite-lived intangible assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. The evaluation is performed at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Recoverability of these assets is measured by a comparison of the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If such review indicates that the carrying amount of property and equipment and intangible assets is not recoverable, the carrying amount of such assets is reduced to fair value. We have not recorded any impairment charges during the years presented.

Property, Plant, and Equipment

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

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

Revenue Recognition

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

1) *Identify the contract with a customer*

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

2) *Identify the performance obligation in the contract*

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

3) *Determine the transaction price*

   The transaction price is determined based on the consideration to which the Company will be entitled in exchange for transferring goods and is generally stated on the approved sales order. Variable consideration, which typically includes volume-based rebates or discounts, are estimated utilizing the most likely amount method.

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

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

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

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

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

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

Research and Development

Expenditures for research activities relating to product development and improvement are charged to expense as incurred. We incurred $515,145 and $538,391, in research and development expenses for the years ended December 31, 2020 and 2019, respectively.

Shipping and Storage Costs

Shipping and handling costs are included in general and administrative expenses. For the years ended December 31, 2020 and 2019, shipping and handling costs totaled $488,465 and $751,237, respectively.

Leases

We determine if an arrangement is a lease upon inception. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right to control the use of an asset includes the right to obtain substantially all of the economic benefits of the underlying asset and the right to direct how and for what purpose the asset is used. After adoption of ASU 2016-02 and related standards, operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease expense is recognized on a straight-line basis over the lease term. As a lessee, the Company leases office space.

Income Taxes

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

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

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

For the years ended December 31, 2020 and 2019 we did not have any interest and penalties or any significant unrecognized uncertain tax positions.

Derivative Liability

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

Earnings per Share

We calculate net loss per share in accordance with ASC Topic 260, *Earnings per Share*. Basic net loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding for the period, and diluted earnings per share is computed by including common stock equivalents outstanding for the period in the denominator. At December 31, 2020 and 2019 any equivalents would have been anti-dilutive as we had losses for the years then ended.

Stock Based Compensation

We calculate stock compensation in accordance with ASC Topic 718, *Compensation-Stock Based Compensation* (“ASC 718”). ASC 718 requires that the cost resulting from all share-based payment transactions be recognized in the financial statements and establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires all entities to apply a fair-value-based measurement method in accounting for share-based payment transactions with employees except for equity instruments held by employee stock ownership plans.

Recent pronouncements

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

Note 2. Inventory

Inventory consists of the following at December 31:

	2020	2019
Raw materials	$ 130,296	$ 286,028
Finished goods	798,987	449,369
Inventory reserve	(59,093)	(100,651)
Inventory, net	$ 870,190	$ 634,746

Note 3. Property Plant and Equipment

Major classes of property and equipment at December 31, 2020 and 2019 consist of the following:

	2020	2019
Furniture and fixtures	$ 1,524	$ 1,524
Manufacturing Equipment and customer equipment	3,573,528	3,521,636
Leasehold Improvements	4,886	4,886
Vehicles	29,696	29,696
	3,609,634	3,557,742
Less: accumulated depreciation	(2,331,034)	(1,787,967)
	1,278,600	1,769,775
Equipment not yet placed in service	644,312	636,542
Property and equipment, net of depreciation	$ 1,922,912	$ 2,406,317

We recorded depreciation expense related to these assets of $529,385 and $586,237 for the years ended December 31, 2020 and 2019, respectively. Depreciation expense in Cost of Goods Sold was $18,938 and $65,366 for the years ended December 31, 2020 and 2019 respectively.

Note 4. Intangible Assets

As of December 31, 2020, intangible assets consist of patent costs of $768,138, trademarks of $119,911 and accumulated amortization of $457,833.

As of December 31, 2019, intangible assets consist of patent costs of $764,891, trademarks of $108,632 and accumulated amortization of $394,020.

The amounts carried on the balance sheet represent cost to acquire, legal fees and similar costs relating to the patents incurred by the Company. Amortization is calculated through the expiration date of the patent, which is December 2025. The amount charged to expenses for amortization of the patent costs was $63,813 and $63,610 for the years ended December 31, 2020 and 2019, respectively.

Estimated future amortization expense related to patents as of December 31, 2020, is as follows:

Years ending December 31,	Total Amortization
2021	$ 64,422
2022	64,422
2023	64,422
2024	64,218
2025	52,821
	$ 310,305

Note 5. Related Parties

As disclosed below in Note 7, members of management and directors invested in company's convertible notes; and in Note 10, members of management and directors have received shares of stock and options in exchange for services.

Note 6. Paycheck Protection Program (PPP) loan

The Company was granted a $568,131 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan, which matures in two years, is uncollateralized and is fully guaranteed by the Federal government. The Company is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Company has recorded a note payable and will record the forgiveness upon being legally released from the loan obligation by the SBA. No forgiveness income has been recorded for the year ended December 31, 2020. The Company will be required to repay any remaining balance, plus interest accrued at 1 percent, in monthly payments commencing upon notification that the loan will not be forgiven or only partially forgiven. The company has applied for and anticipates the loan to be forgiven in 2021.

Note 7. Convertible Notes (Related and Unrelated Party)

In March 2018, we closed an offering of $2,527,500 in convertible notes, Series CN Note 1 of 2, of which, management, directors and significant shareholders have invested $840,000. The convertible notes bear 10% interest per annum and are due and payable on March 14, 2020. The notes are convertible at any time prior to the due date into our common stock at conversion price of $0.88 per share or 85% of the average closing price of the common stock over the twenty consecutive trading days immediately preceding the date of note holders' election; but in no event lower than $0.60 per share. In addition, the interest is convertible at any time prior to the due dates into our common stock at conversion price of 85% of the average closing price of the common stock over the twenty consecutive trading days immediately preceding the date of note holders' election; but in no event lower than $0.60 per share. There were 1,331,583 warrants issued, in conjunction with the convertible note offering.

The fair value of the warrants, $0.17 per share ($220,548 in the aggregate), was calculated using the Black-Scholes option pricing model using the following assumptions:

Expected life (in years)	3
Volatility (based on a comparable company)	54.82%
Risk Free interest rate	2.41%
Dividend yield (on common stock)	-

The value of $220,548 was recorded as a debt discount related to the issuance of the warrants.

In April 2018, we offered investors in our March 2018 Convertible Note ("Series CN Notes") the opportunity to accelerate the issuance of certain warrants associated with the CN Notes. Pursuant to the acceleration offer, Series CN Notes investors who invested an additional 10% to 20% of the Series CN Note amount, immediately received an additional 25% warrant coverage on their initial CN Note investment, which would otherwise have been issued after one year. During April 2018, we closed the CN Note acceleration offer in the amount of $177,300 in convertible notes, of which, management, directors and significant shareholders have invested $30,000. The CN Note acceleration offer convertible notes bear 10% interest per annum and are due and payable on March 14, 2020. The notes are convertible at any time prior to the due date into our common stock at conversion price of $0.88 per share or 85% of the average closing price of the common stock over the twenty consecutive trading days immediately preceding the date of note holders' election; but in no event lower than $0.60 per share. In addition, the interest is convertible at any time prior to the due dates into our common stock at conversion price of 85% of the average closing price of the common stock over the twenty consecutive trading days immediately preceding the date of note holders' election; but in no event lower than $0.60 per share. There were 937,373 warrants issued in conjunction with the Series CN Note acceleration offer convertible note offering.

The fair value of the warrants, $0.25 per share ($235,519 in the aggregate), was calculated using the Black-Scholes option pricing model using the following assumptions:

Expected life (in years)	3
Volatility (based on a comparable company)	55.49%
Risk Free interest rate	2.45%
Dividend yield (on common stock)	-

The value of $105,199 was recorded as a debt discount related to the issuance of the warrants as using the fair value would cause the debt discount to exceed the gross proceeds received.

In March 2019, an investor elected to exercise I-Warrants by using part of the investor's convertible note. The total debt settled was $350,634 of principal and $33,929 of accrued interest.

On March 20, 2020, we completed a Private Placement offering of $3,825,000 of common stock. In connection with the transaction, the Company offered the Convertible Noteholders of Series CN Note 1 and 2 to participate in the equity offering. A total of $720,000 principal balance of Series CN 1 was converted into common stock [$630,000 from related parties]. The Series CN Note 1 Noteholders were offered bonus interest equivalent to 20% of their outstanding principal which was converted to common stock. For $1,071,000 of the remaining $1,186,167 Series CN Note 1 Noteholders that chose not to participate in the equity offering, the terms of the Series CN Note 1 were amended to increase the interest rate to 15% per annum and to extend the maturity of the outstanding principal balance by 24 months to March 20, 2022. The notes are convertible at any time prior to the maturity into our common stock at a conversion price of $0.50 per share. If the six month price is less than the $0.50 per share, the principal conversion price will be automatically reduced to the $0.50 per share, but in no event less than $0.35 per Share, in which case the Company shall issue to each purchaser, based on such purchaser's investment, (a) shares in a quantity that equals the difference between the number of Shares issued to such purchaser at closing and the number of Shares that would have been issued to such purchaser at closing at the $0.50 per share and (b) warrants in a quantity that equals fifty percent (50%) of the difference between the number of shares issued to such Purchaser at closing and the number of shares that would have been issued to such purchaser at closing at the $0.50 per share, with an exercise price that equals the sum of $0.10 per share and the $0.50 per share, but in no event less than $0.45 per share. The exercise price per share for the Convertible Note Warrants and the Bonus Warrant issued at closing will automatically adjust as well to the sum of $0.10 per share and the Six Month Price, but in no event less than $0.45 per share. There were 864,000 O warrants issued to the Series CN Note 1 Noteholders for participating in the common stock offering.

On March 20, 2020, 1,082,727 of the original L Warrants related to the Series CN Note 1 Noteholders had their terms modified, whereby the exercise price was reduced from $0.70 to $0.50 per share. In addition, the Series CN Note 1 Noteholders that chose to extend their notes for 24 months were granted 1,071,000 Series P warrants. The fair value of the warrants, ($92,266 in the aggregate which consists of the L and P Warrants), were calculated using the Black-Scholes option pricing model using the following assumptions:

Expected life (in years)	1 to 3
Volatility	76.74- 98.00%
Risk Free interest rate	.15 - .41%
Dividend yield (on common stock)	-

Based on the relative fair value, we recorded a debt discount of $75,184 related to the issue of P Warrants to CN 1 and CN 2 Noteholders. The modification of the L Warrants resulted in an incremental increase in fair value of $17,082, which was recorded as a debt discount.

The convertible notes consist of the following components as of December 31, 2020 and December 31, 2019:

	2020	2019
Convertible notes	$ 1,181,167	$ 2,704,800
Less: Debt discount (warrant value)	(92,266)	(325,747)
Less: Debt discount (derivative value) (Note 8)	-	(638,988)
Less: Debt discount (issuance costs paid)	(6,004)	(27,000)
Less: Note repayments/conversion	(110,166)	(803,634)
Add: Debt discount amortization	38,173	898,940
	$ 1,010,904	$ 1,808,371

In December 2018, we closed an offering of $1,363,200 in convertible notes, Series CN 2 of 2, of which, management, directors and significant shareholders have invested $560,000. The convertible notes bear 10% interest per annum and are due and payable on November 30, 2020. The notes are convertible at any time prior to the due date into our common stock at conversion price of $0.88 per share or 85% of the average closing price of the common stock over the twenty consecutive trading days immediately preceding the date of note holders' election; but in no event lower than $0.60 per share. In addition, the interest is convertible at any time prior to the due dates into our common stock at conversion price of 85% of the average closing price of the common stock over the twenty consecutive trading days immediately preceding the date of note holders' election; but in no event lower than $0.60 per share. There were 678,864 warrants issued, in conjunction with the convertible note offering.

The fair value of the warrants, $0.31 per share ($212,763 in the aggregate), was calculated using the Black-Scholes option pricing model using the following assumptions:

Expected life (in years)	3
Volatility (based on a comparable company)	59.00%
Risk Free interest rate	2.83%
Dividend yield (on common stock)	-

The value of $212,763 was recorded as a debt discount related to the issuance of the warrants.

On March 20, 2020, a total of $1,128,000 principal balance of Series CN Note 2 was converted into common stock [$560,000 from related parties]. The Noteholders were offered bonus interest equivalent to 20% of their outstanding principal and converted their accrued interest into common stock. For $168,000 of the remaining $235,200 Series CN Note 2 Noteholders that chose not to participate in the equity offering, the terms of the Series CN Note 2 were amended to extend the maturity of the outstanding principal balance by 12 months to November 30, 2021. The notes are convertible at any time prior to the maturity into our common stock at a conversion price of $0.60 per share. There were 1,501,012 O warrants issued to the Series CN Note 2 Noteholders for participating in the common stock offering.

The fair value of the modified L warrants, ($4,279 prior to modification, and $6,096 post modification), was calculated using the Black-Scholes option pricing model using the following assumptions:

Expected life (in years)	1.71
Volatility	88.02%
Risk Free interest rate	0.37%
Dividend yield (on common stock)	-

The incremental value of $1,817 was recorded as a debt discount related to the modification of existing L warrants.

The convertible notes consist of the following components as of December 31, 2020 and December 31, 2019:

	2020	2019
Convertible notes	$ 235,200	$ 1,363,200
Less: Debt discount (warrant value)	(1,817)	(212,763)
Less: Debt discount (derivative value) (Note 8)	(13,528)	(697,186)
Less: Debt discount (issuance costs paid)	(6,004)	(23,700)
Less: Note repayments	(67,200)	-
Add: Debt discount amortization	9,487	502,639
	$ 156,138	$ 938,190

The total of the two tables above at December 31, 2020, net of discount, equals $1,167,042 which is presented on the consolidated balance sheet as, $158,243 Convertible Note, net of discount, Current Liabilities, $197,804 Convertible Note, Related Party, Net of Discount, Long-Term Liabilities and $810,995 Convertible Note, Net of Discount, Long-term Liabilities. The total of $2,740,561 shown in the two tables above at December 31, 2019, are presented in the balance sheet as Long-Term Liabilities: Convertible Note – related party net of discount, of $1,181,942, Convertible Note – net of Discount of $1,407,877, and Current Liabilities: Convertible Note – net of Discount $150,742.

Future maturity of convertible notes at face value before effect of all discount, are as follow:

Years Ending December 31,	Total Convertible Notes
2021	$ 168,000
2022	1,071,000
	$ 1,139,000

On March 20, 2020, the Company and the Holders of the Series CN Note 1 and Note 2 mutually agreed to amend its terms to change the maturity date to March 20, 2022 and November 30, 2021, respectively. The Company accounted for the modification in accordance with ASC 470-50, Modifications and Extinguishments, which states that for all extinguishments of debt, the difference between the reacquisition price (including any premium) and the net carrying amount of the debt being extinguished (including any deferred debt issuance costs) should be recognized as a gain or loss when the debt is extinguished. Accordingly, the Company recorded a net gain on extinguishment of debt of $379,200 which was comprised of a gain of $437,201, offset by a loss of $58,001. The gain of $437,201 related to the portion of Convertible Notes that were converted to common stock on March 20, 2020. The loss on extinguishment of debt of $58,001 related to the portion of Convertible Notes that were extended by either 24 months for CN I, or 12 months for CN2.

Note 8. Derivative Liabilities

As discussed in Note 7, Convertible Notes, the Company issued Series CN Note acceleration offer convertible notes payable that provide variable conversion provisions. The conversion terms of the convertible notes are variable based on certain factors, such as the future price of the Company’s common stock. The number of shares of common stock to be issued is based on the future price of the Company’s common stock, therefore the number of shares of common stock issuable upon conversion of the promissory note is indeterminate.

The fair values of the Company’s derivative liabilities are estimated at the issuance date and are revalued at each subsequent report date. The derivative liability was revalued at December 31, 2019 with a value of $211,028, which resulted in a gain of $1,114,625 for the year then ended.

As discussed in Note 7, there was a portion of the CN1 and CN2 notes that was not modified. The Company continued to revalue the derivative liability for each reporting period in 2020. At December 31, 2020, there was no value as the Company settled the derivative liability through repayment of the outstanding principal upon maturity. On March 20, 2020, the Company determined the fair value of the derivative liability related to CN1 and CN2 notes that were converted and extended. The derivative liability values of $23,100 (CN converted) and $3,440 (CN extended) were used to determine the debt extinguishment gain or loss.

The fair value of the derivative liability for CN notes that were converted and CN notes that were extended was calculated using the Black-Scholes model using the following assumptions:

	March 20, 2020
Expected life (in years)	0.71
Volatility	84.82%
Risk Free interest rate	0.5%
Dividend yield (on common stock)	-

As the variable conversion provisions were not modified for $168,000 of CN2 notes that were extended to November 2021, the Company valued the derivative liability as of March 20, 2020. As of March 20, 2020, the initial value of the derivative liability was $13,527.

The fair value of the derivative liability for CN2 notes that were extended was calculated using the Black-Scholes model using the following assumptions:

	March 20, 2020
Expected life (in years)	1.71
Volatility	88.02%
Risk Free interest rate	0.37%
Dividend yield (on common stock)	-

The fair value of the derivative liabilities for CN Convertible Note 2 of 2 was calculated using the Black-Scholes model using the following assumptions.

	December 31, 2020	December 31, 2019
Expected life	0.92	0.93
Volatility	120.38%	104.89%
Risk Free interest rate	.1%	1.58%
Dividend yield (on common stock)	-	-

Reconciliation of the derivative liability measured at fair value on a recurring basis with the use of significant unobservable inputs (level 3) from December 31, 2018 to December 31, 2019:

December 31, 2018	$	1,325,653
Loss from change in value		(1,114,625)
For the period ended December 31, 2019	$	211,028

Reconciliation of the derivative liabilities measured at fair value on a recurring basis with the use of significant unobservable inputs (level 3) from December 31, 2019 to December 31, 2020:

	December 31, 2019
	$ 211,028
Extinguishment change in derivative from conversion	(23,100)
Extinguishment change in derivative from extension	(3,440)
Initial derivative value – March 20, 2020	13,527
Net gain from change in value	(156,540)
For the period ended December 31, 2020	$ 41,475

The following table presents the Company's fair value hierarchy for applicable assets and liabilities measured at fair value as of December 31, 2019 and December 31, 2020:

	Level 1	Level 2	Level 3	Total
Derivative Liability December 31, 2019	$ -	-	211,028	$ 211,028

	Level 1	Level 2	Level 3	Total
Derivative Liability December 31, 2020	$ -	-	41,475	$ 41,475

Note 9. Commitments and Contingencies

We lease office space under non-cancelable operating lease which expires on March 31, 2023. We incurred lease expense of $82,194 and $92,608 for the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020, our right of use asset and related liability was $147,947 and $159,177, respectively.

In determining the present value of our operating lease right-of-use asset and liability, we used a 10% discount rate (which approximates our borrowing rate). The remaining term on the lease is 2.25 years.

The following table presents the future operating lease payment as of December 31, 2020.

2021	$ 78,021
2022	80,361
2023	20,238
Total Lease payments	178,620
Less: imputed interest	(19,443)
Total lease liability	$ 159,177

From time to time, various lawsuits and legal proceedings may arise in the ordinary course of business. However, litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently the defendant in one legal proceeding for an amount less than $100,000. Our legal counsel and management believe a material unfavorable outcome to be remote.

Note 10. Stockholders' Equity

During the year ended December 31, 2019, we issued 282,944 shares of common stock, valued at $169,040 for services. We also issued 91,653 shares of our common stock, with a value of $50,000, to a member of our Board of Directors in lieu of cash payments for Director fees. In addition, we issued 281,343 options to purchase our common stock to certain member of the Board of Directors in lieu of cash payments for Director fees valued at $116,874. The exercise price of the options ranged from $0.47 to $0.65 per share, vest immediately, and are exercisable for periods of 8 years. In addition, we issued 875,000 options to purchase our common stock to employees and executives. The exercise price of the options ranged from $0.45 to $0.73 per share, vest after 3 years, and are exercisable for periods of 8 years.

The fair value of the options issued ($237,850, in the aggregate) was calculated using the Black-Sholes option pricing model, based on the criteria shown below.

Expected life (in years)	5.5 to 8
Volatility (based on a comparable company)	59.82% to 77.19%
Risk Free interest rate	1.79% to 2.78%
Dividend yield (on common stock)	-

During the same period, we cancelled 1,387,333 options to purchase our common stock, which was primarily driven by the resignation of executives.

The Holders of 2,841,454 warrants elected to exercise those warrant on a cash basis of $1,320,313 and cashless basis of $384,563 to offset convertible note and accrued interest; and received 2,841,454 shares of our common stock.

The Holder of 300,000 warrants elected to exercise those warrant on a cash basis of $180,000 and received 300,000 shares of our common stock.

During the year ended December 31, 2019, the Company completed additional funding including a Private Placement Offering for common shares priced at $0.60 per share, resulting in the receipt of proceeds in the amount of $2.4 million and the issuance of 4,000,000 shares.

In addition, the Company settled certain Executive Deferred Compensation payments with a combination of cash and warrants. The total amount of Deferred Executive compensation settled is $771,113. One-third of that total or $243,623, was paid in cash. The remaining balance of $487,246 was settled by granting the Executives warrants exercisable for five years to purchase the Company's stock at an exercise price of $0.70 per share.

During the year ended December 31, 2020, the Company completed a funding, including a Private Placement Offering for common shares priced at $0.50 per share (subject to adjustment) in the amount of $3,825,000 and the issuance of 7,650,000 shares. The investors of this Private Placement Offering were granted O warrants to be eligible to purchase an additional 0.50 shares for every share issued to each purchaser, exercisable for a period of 3 years at an exercise price of $0.60 per share (subject to adjustment). If the volume-weighted average trading price for the 20 consecutive trading days that conclude upon 6 months after the initial closing (the "Six Month Price") exceeds or equals $0.50 per share (the "Target Price"), the per share purchase price will not be adjusted. If the Six Month Price is less than the Target Price, the per share purchase price will be automatically reduced to the Six Month Price, but in no event less than $0.35 per share, in which case the Company shall issue to each investor, pro-rata based on such investor's investment: (a) shares in a quantity that equals the difference between the number of shares issued to such purchaser at closing and the number of shares that would have been issued to such purchaser at closing at the Six Month Price; and (b) a warrant for a number of shares of common stock equal to 50% of the difference between the number of shares issued to such investor at closing and the number of shares that would have been issued to such investor at closing at the Six Month Price, with an exercise price equal to the sum of $0.10 per share and the Six Month Price, but in no eventless than $0.45 per share. The exercise price per share for each warrant will automatically adjust to the sum of $0.10 per share and the Six-Month Price, but in no event less than $0.45 per share.

On September 28, 2020, the Company determined the volume-weighted average price was below the $0.35 per share and consequently issued 5,322,868 additional shares in accordance with provisions of the Private Placement Offering. Similarly, the Company issued an additional 2,652,868 Warrants to investors that contributed capital or exercised the conversion of their convertible note. Lastly, the Company issued an additional 459,000 Warrants for convertible noteholders that extended their convertible notes.

In addition, at the Company's option, we issued 654,651 shares of our Common Stock to pay interest due of $392,789.

We issued 272,559 shares of our Common Stock for services rendered. The shares of our common stock were valued between $0.25 - $0.50 per share.

During the year ended December 31, 2020, we issued 870,000 options to purchase our common stock to employees and 199,358 options to a Board Member. The exercise price of the options was between $0.34 and $0.44 per share, with both cliff and graded vesting over 3 years, and are exercisable for a period of 8 years.

The fair value of the options issued ($217,650, in the aggregate) was calculated using the Black-Sholes option pricing model, based on the criteria shown below.

Expected life (in years)	5.5 to 8
Volatility (based on a comparable company)	73.36%-75.82%
Risk Free interest rate	0.30%-1.61%
Dividend yield (on common stock)	-

For the year ended December 31, 2020, 625,423 options expired or were cancelled.

During the first quarter of 2020, the Company settled certain Executive Deferred Compensation payments with the issuance of 1,573,988 warrants. The fair value of the warrants totaled $251,837. The total executive Deferred Compensation that was settled with the issuance of the warrants was $167,892. The difference between the fair value of the warrants and the Executive Deferred Compensation settled of $83,945 was recorded as stock-based compensation during the year ended December 31, 2020.

The total amount of equity-based compensation included in additional paid in capital was $276,641 and $225,026 for the years ended December 31, 2020 and 2019.

The following is a summary of outstanding stock options issued to employees and directors as of December 31, 2020:

	Number of Options	Exercise price per share $	Average remaining term in years	Aggregate intrinsic value at date of grant $
Outstanding January 1, 2019	7,428,014	.40 - .87	5.48	
Issued	1,156,343	.45 - .73		
Cancelled	(1,387,333)			
Outstanding December 31, 2019	7,197,024	.40 - .87	4.55	-
Issued	1,069,358	.34 - .44		
Cancelled/Expired	(625,423)			
Outstanding December 31, 2020	7,640,959	.34 - .87	3.48	
Exercisable, December 31 2020	6,667,625	.34 - .87	3.48	-

As of December 31, 2020, the Company has $175,847 of total unrecognized share-based compensation expense related to unvested options, which is expected to be amortized over the remaining weighted average period of 1.51 years.

Note 11. Outstanding Warrants

The following is a summary of all outstanding warrants as of December 31, 2020:

	Number of warrants	Price per share	Remaining term in years	Intrinsic value at date of grant
Warrants issued in connection with private placements of common stock	22,020,833	$ 0.50 - $1.00	1.34	$ -
Warrants issued in connection with private placement of notes	3,465,501	$ 0.60	1.23	$ -
Warrants issued in connection with settlement of deferred compensation	3,169,599	$ 0.60	3.72	$ -

Note 12. Income Taxes

Income tax provision (benefit) for the years ended December 31, 2020 and 2019 is summarized below:

	2020	2019
Current:		
Federal	$ -	$ -
State	-	-
Total current	-	-
Deferred:		
Federal	(715,000)	(937,500)
State	(235,000)	(1,488,500)
Total deferred	(950,000)	(2,426,000)
Change in valuation allowance	$ 950,000	$ 2,426,000

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

	2020	2019
Income tax provision at the federal statutory rate	21.0%	21.0%
State income taxes, net of federal benefit	6.9%	3.3%
Permanent Difference	(2.5)%	(2.5)%
Effect of rate change	-%	-%
Effect of change in valuation allowance	(25.4)%	(21.8)%
	-%	-%

Components of the net deferred income tax assets at December 31, 2020 and 2019 were as follows:

	2020	2019
Net operating loss carryover	$ 11,345,000	$ 10,395,000
Valuation allowance	(11,345,000)	(10,395,000)
	$ -	$ -

ASC 740 requires a valuation allowance to reduce the deferred tax assets reported if, based on the weight of evidence, it is more than likely than not that some portion or all of the deferred tax assets will not be recognized. After consideration of all the evidence, both positive and negative, management has determined that a $11,345,000 and $10,395,000 allowance at December 31, 2020 and 2019, respectively, is necessary to reduce the deferred tax assets to the amount that will more likely than not be realized. The increase in the valuation allowance for the current period is $950,000.

As of December 31, 2020, we have a net operating loss carry forward of approximately $40,664,400. The loss will be available to offset future taxable income. If not used, this carry forward will expire as follows:

2030	$	1,000
2031	$	63,800
2032	$	345,900
2033	$	1,840,300
2034	$	2,324,100
2035	$	2,987,300
2036	$	5,061,700
2037	$	8,464,700
2038	$	7,315,400
2039	$	4,391,100

The 2020 and 2019 net operating loss carry forward of $3,404,600 and $4,464,500 does not expire under the Tax Cut and Job Act of 2017.

Note 13. Business Segments and Customer Concentrations.

During the years ended December 31, 2020 and 2020, we operated in one segment.

The following is a breakdown of customers representing more than 10% of sales for the year ended December 31, 2020:

	Revenue from customer		Percentage of total revenue
Customer A	$	845,011	31.41%
Customer B	$	562,499	20.91%
Customer C	$	297,527	11.06%

The following is a breakdown of customers representing more than 10% of sales for the year ended December 31, 2019:

	Revenue from customer		Percentage of total revenue
Customer A	$	1,641,333	38.14%
Customer B	$	739,956	17.19%

Note 14. Liquidity

We have a history of operating losses and negative cash flow from operations. These conditions raise substantial doubt over the Company’s ability to meet all of its obligations over the twelve months following the filing of this Form 10-K. Management has evaluated these conditions, and concluded that current plans will alleviate this concern. As of December 31, 2020, we had $1,959,269 of cash and restricted cash on the balance sheet. We have continued to significantly reduce core operating expenses, reducing total General and Administrative Expense in 2020 by $2,470,590 or 36%, as compared with 2019. In January 2021, the company secured $568,131 in proceeds from the second PPP loan.

The Company is expecting an increase in revenue bouncing back from Covid-19 and its new Twist & Go products. The Company believes this will provide sufficient cash to cover operating expenses and $1,139,000 in debt due over the next 12 months. If there are not sufficient cash flows to cover the debt repayment the company believes that the debt could be satisfied through refinancing including conversion, raising additional proceeds through issuance of stock or new debt. With the lean initiatives implemented by the business in 2020, liquidity is expected to remain stable with very little change from 2020.

Management has concluded that these actions have alleviated the substantial doubt of our ability to continue as a going concern. However, the Company cannot predict, with certainty, the outcome of its action to generate liquidity, including the availability of additional financing, or whether such actions would generate the expected liquidity as planned.

Note 15. Subsequent Events

On January 27, 2021, the Company was granted a $568,131 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan, which matures in five years, at an interest rate of 1%, and is uncollateralized and is fully guaranteed by the Federal government. The deferral period is 24 weeks plus 10 months from the loan note date. The Company is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Company has recorded a note payable and will record the forgiveness upon being legally released from the loan obligation by the SBA. The Company will be required to repay any remaining balance, plus interest accrued at 1 percent, in monthly payments commencing upon notification that the loan will not be forgiven or only partially forgiven.

RULE 15d-14(a) CERTIFICATION

I, Riccardo Delle Coste, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. As the registrant’s sole certifying officer, I am responsible for establishing and maintaining disclosure controls and procedures(as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. As the registrant’s sole certifying officer, I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

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

April 14, 2021

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

Exhibit 32.1

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

In connection with the Annual Report of Barfresh Food Group Inc., a Delaware corporation, on Form 10-K for the year ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Annual Report"), I, Riccardo Delle Coste, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: April 14, 2021

By:	*/s/ Riccardo Delle Coste*
Name:	Riccardo Delle Coste
Title:	Chief Executive Officer (Principal Executive Officer and interim Principal Financial Officer)