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

FORM 10-K

(Mark One)

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

For the fiscal year ended **December 31, 2021**

☐ 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)

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

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

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

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

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

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

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

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

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

Large Accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒
Emerging Growth Company ☒

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates (excluding voting shares held by officers and directors) as of June 30, 2021 was $37,888,404

As of March 3, 2022, there were 12,917,246 outstanding shares of common stock of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

None.

BARFRESH FOOD GROUP INC.

FORM 10-K

TABLE OF CONTENTS

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

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

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

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

AVAILABLE INFORMATION

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

You can read our SEC filings, including the registration statement, over the Internet at the SEC's website at www.sec.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.

Corporate History and Background

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

Effective December 29, 2021, we effected a 1-for-13 reverse stock split of our issued and outstanding Common Stock (the "Reverse Stock Split"). All references to shares of our Common Stock in this Annual Report on Form 10-K refer to the number of shares of Common Stock after giving effect to the Reverse Stock Split and are presented as if the Reverse Stock Split had occurred at the beginning of the earliest period presented.

Business Overview

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

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

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

Products

Products are packaged in four distinct formats.

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

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

The Company's WHIRLZ 100% Juice Concentrates 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.

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

Distribution

The Company conducts sales through several channels, including National Accounts, Regional Accounts, and Broadline Distributors. Barfresh’s primary broadline distribution arrangement is through a nationwide agreement with Sysco Corporation (“Sysco”), the U.S.’s largest broadline distributor. Barfresh products are included in Sysco’s national core selection of beverage items.

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. 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.

Manufacturing

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

Research and Development

The Company incurred research and development expenses for the year ended December 31, 2021 in the amount of $244,609 and for the year ended December 31, 2020 in the amount of $515,145. 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 institutional and consumer purchasing level.

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

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

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

Intellectual Property

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

In November 2011, the Company acquired patent applications filed 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

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

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

Environmental Laws

The Company does not believe that it 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 1, 2022, the Company has 14 employees and 4 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. The direct impact to our operations had begun to take effect at the close of the first quarter ended March 31, 2020. Specifically, our business was impacted by dining bans targeted at restaurants to reduce the size of public gatherings. Such bans precluded our single serve products from being served at those establishments for a number of weeks, and in some instances, resulted in abandoned product launches. Furthermore, many school districts closed regular attendance for a period of time thereby disrupting sales of product into that channel. More recently, we have experienced a disruption in the supply chain for manufacturing our products due to COVID-19. The developments surrounding COVID-19 remain fluid and dynamic, and consequently, will require the Company to continue to monitor news headlines from government and health officials, as well as, the business community.

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 manufacturers fails to perform, we would be faced with a significant interruption in our supply chain. If one of our manufacturers or suppliers fails to perform or deliver products, for any reason, our sales and results of operations could be adversely affected. Furthermore, if we are unable to meet our customers' demands due to a disruption in our supply chain, we may lose that customer which could adversely affect our business, financial condition and results of operations.

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

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

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, 2021.

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.

Risks Related to Ownership of Our Common Stock

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 approximately $80,000 annually 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 Nasdaq's Capital Market under the symbol "BRFH". Our common stock had been quoted on the Nasdaq's Capital Market since January 20, 2022. Prior to January 20, 2022, our common stock was quoted on the OTCQB. Effective December 29, 2021, we effected a 1-for-13 reverse stock split. The following table sets forth the range of high and low bid quotations for the applicable periods, as adjusted for the reverse stock split. These quotations as reported by the Nasdaq Capital Market reflect inter-dealer prices without retail mark-up, markdown or commissions and may not necessarily represent actual transactions.

	Bid Quotation	
Financial Quarter Ended	High ($)	Low ($)
December 31, 2021	7.15	3.12
September 30, 2021	8.45	4.68
June 30, 2021	8.45	4.96
March 31, 2021	7.15	3.90
December 31, 2020	6.24	2.15
September 30, 2020	5.46	3.12
June 30, 2020	7.15	3.77
March 31, 2020	5.33	2.73

Holders

On March 3, 2022, there were 12,917,246 shares of our common stock outstanding. Our shares of common stock are held by 102 stockholders of record. The number of record holders was determined from the records of our transfer agent and does not include beneficial owners of common stock whose shares are held in the names of various security brokers, dealers and registered clearing agencies.

Recent Sales of Unregistered Securities

During the fourth quarter of 2021, we issued 7,922 shares of common stock as compensation to two of our directors, valued at $50,000. We relied upon the exemption from registration contained in Section 4(a)(2) of the Securities Act, as both the directors had the requisite sophistication and financial ability to bear risks of investing in our common stock and are highly knowledgeable about the Company, and there was no general solicitation and no commission or remuneration was paid in connection with the issuance.

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, 2021, 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	602,151	$ 7.48	435,750
Equity compensation plans not approved by security holders	-	$ -	-
TOTAL	602,151	$ 7.48	435,750

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 years ended December 31, 2021 and 2020. The financial statements of Barfresh were prepared and presented in accordance with generally accepted accounting principles in the United States. The information and financial data discussed below is only a summary and should be read in conjunction with the historical financial statements and related notes of Barfresh contained elsewhere in this Annual Report. This discussion and analysis may contain forward-looking statements based on assumptions about our future business. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors. See "Cautionary Note Regarding Forward Looking Statements" above for a discussion of forward-looking statements and the significance of such statements in the context of this Annual Report.

Overview

The Company’s products are packaged in four distinct formats.

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

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

The Company’s WHIRLZ 100% Juice Concentrates 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.

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

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

The Company conducts sales through several channels, including National Accounts, Regional Accounts, and Broadline Distributors. Barfresh’s primary broadline distribution arrangement is through a nationwide agreement with Sysco Corporation (“Sysco”), the U.S.’s largest broadline distributor. Pursuant to that agreement, all Barfresh products are included in Sysco’s national core selection of beverage items.

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. 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. This agreement remains in effect.

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

Recent developments

On June 1, 2021, the Company completed a private placement of 1,282,051 shares of its common stock at $4.68 per share, resulting in gross proceeds of $6,000,000. In addition, holders of debt converted a total of $399,000 in principal and $234,410 in interest into 133,991 shares of common stock, and debt in the amount of $840,000 was retired. Additionally, in 2021, two PPP loans amounting to $1,136,262 were forgiven as a result, the company has no debt outstanding.

Currently we have 14 employees and 4 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.

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 increased $4,132,303, or 161%, from $2,567,547 in 2020 to $6,699,850 in 2021. The overall revenue for 2021 was significantly higher due to growing “Twist & Go”™ revenue and the gradual return of single serve and bulk demand.

Cost of revenue for 2021 was $4,175,132 as compared to $1,784,537 in 2020. Our gross profit was $2,507,045 (37%) and $764,072 (30%) for 2021 and 2020, respectively. This improvement was mainly driven by improving Twist & Go™ margins and having a greater mix of higher margin bulk and single serve revenue. Depreciation from manufacturing equipment was $17,673 and $18,938 for December 31, 2021 and 2020, respectively.

Operating expenses

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

Our general and administrative expenses decreased $400,274 (9%) from $4,379,976 in 2020 to $3,979,702 in 2021. Shipping and storage costs were significantly higher due to higher sales volume and due to unprecedented market prices and labor shortages, which offset lower research and development and personnel costs. The following is a breakdown of our general and administrative expenses for the years 2021 and 2020.

	Year ended December 31, 2021	Year ended December 31, 2020	Change	Percent
Personnel costs	1,316,461	1,581,414	(264,953)	-17%
Stock based compensation/options	91,959	276,641	(184,682)	-67%
Legal and professional fees	196,238	300,047	(103,809)	-35%
Travel	37,368	86,569	(49,201)	-57%
Rent	79,267	82,194	(2,927)	-4%
Marketing and selling	137,223	205,050	(67,827)	-33%
Consulting fees	238,886	75,890	162,996	215%
Director fees	250,000	187,500	62,500	33%
Research and development	244,609	515,145	(270,536)	-53%
Shipping and storage	1,054,182	488,465	565,717	116%
Other expenses	333,509	581,061	(247,552)	-43%
	3,979,702	4,379,976	(400,274)	-9%

Personnel cost represents the cost of employees including salaries, bonuses, employee benefits and employment taxes for the years 2021 and 2020 and continues to be our largest cost. Personnel cost decreased $264,953 (17%) from $1,581,414 to $1,316,461 as a result of staffing vacancies.

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 primarily to employees and members of our board of directors. Stock compensation for the year ended December 31, 2021 was $91,959, a decrease of $184,682, or 67%, from the year ended December 31, 2020 expense of $276,641. The decrease 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 35%, or $103,809, from $300,047 in 2020 to $196,238 in 2021. 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 $49,201 (57%) from $86,569 in 2020 to $37,368 in 2021. The decrease is primarily due to reduced travel associated with terminated employees and COVID restrictions. We anticipate that travel expenses for 2022 will increase compared to the current year as business resumes with COVID restrictions being lifted.

Marketing and selling expenses decreased $67,827 (33%) from $205,050 in 2020 to $137,223 in 2021. Lower marketing and selling expenses were primarily due to lower percentage commissions associated with renegotiated distribution agreements.

Consulting fees increased $162,996 (215%), from $75,890 in 2020, to $238,886 in 2021. The increase was due primarily to services related to consulting to improve sales operations and temporary labor to bridge staffing vacancies. Our consulting fees vary based on needs. We engaged consultants in the areas of sales operations during both 2021 and 2020. The need for future consulting services will be variable.

Director fees increased $62,500, or 33%, from $187,500 in 2020 to $250,000 in 2021 as we had more non-employee directors in 2021 who received compensation. Annual director fees are anticipated at $50,000 per non-employee director.

Research and development expenses decreased $270,536 (53%) from $515,145 in 2020 to $244,609 in 2021 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 the development of new products.

Shipping and storage expense increased $565,717 (116%) from $488,465 in 2020 to $1,054,182 in 2021. This is primarily due to higher sales volume, higher fuel costs, and from costs resulting from relocating materials from one location to another. We anticipate that shipping and storage expense as a percentage of sales will reduce during 2022, as the Company is able to take advantage of more efficient distribution arrangements as well as an increased volume per load due to higher sales volume in 2022.

Other expenses consist of ordinary operating expenses such as investor relations, office, telephone, insurance, and stock related costs. Other expense decreased $247,552, from $581,061 in 2020 to $333,509 in 2021, driven mainly by equipment repair, recruiting, and insurance expense.

Other (income)/expenses

Interest expense decreased $349,376 (73%) from $479,144 in 2020 to $129,768 in 2021. This decrease is due to the conversion and repayment of convertible notes during 2020 and 2021.

The change in fair value of the derivative liability resulted in gains of $16,305 and $156,540 for the years ended December 31, 2021 and 2020, respectively. The gain is a result of the change in components of the Black-Scholes model. Components include the Company's stock price, conversion price, remaining term, volatility, and current discount rate. The derivative liability was settled upon conversion and repayment of the convertible notes in June 2021.

We recorded a gain on extinguishment of PPP debt of $1,136,262 in 2021. We also recognized a loss of $193,562 on debt extinguishment in 2021, as compared to a gain of $379,200 in 2020, both resulting from differences between the reacquisition price and the carrying amount of debt extinguished. In 2020, we recognized a gain of $437,201 related to the portion of convertible notes that were converted to common stock on March 20, 2020, offset by a 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.

We had net losses of $1,265,147 and $4,152,506 for the years 2021 and 2020, respectively. This reduction in net loss, in the amount of $2,887,359, or 56%, is primarily attributable to the same factors that drove the improvement in gross profit and operating expenses, as well as the gain from extinguishment of the PPP loans.

Liquidity and Capital Resources

As of December 31, 2021, we had a working capital surplus of $6,170,701 as compared with a working capital surplus of $1,196,742 at December 31, 2020. The increase in working capital surplus is primarily due to the completion of the private placement of our common stock which resulted in gross proceeds of $6,000,000, offset by the debt extinguishment of all convertible debt of which $840,000 of the principal debt was paid in cash.

In each of the years ended December 31, 2021 and 2020, the Company was granted a $568,131 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loans were forgiven, and the Company recorded a gain of $1,136,262 upon being legally released from the loan obligations during the year ended December 31, 2021.

On June 1, 2021, the Company completed a private placement of 1,282,051 shares of its common stock at $4.68 per share, resulting in gross proceeds of $6,000,000. In addition, holders of debt converted a total of $399,000 in principal and $234,410 in interest into 133,991 shares of common stock and debt in the amount of $840,000 was retired, leaving the Company with no debt.

During the year ended December 31, 2021, we used cash of $1,861,633 in operations, $150,545 for the purchase of equipment, and $840,000 for the repayment of debt. The Company received $6,000,000 in cash for issuance of stock, and $568,131 for an SBA PPP loan.

During the year ended December 31, 2020, the Company completed a funding, including a Private Placement Offering for common shares priced at $6.50 per share (subject to adjustment) in the amount of $3,825,000 and the issuance of 588,462 shares. The investors of this Private Placement Offering were granted 294,231 O warrants, exercisable for a period of 3 years at an exercise price of $7.80 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 $6.50 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 $4.55 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 0.50 shares for each additional share issued, with an exercise price equal to the sum of $1.30 per share and the Six Month Price, but in no event less than $5.85 per share. On September 28, 2020, the Company issued 409,451 additional shares in accordance with provisions of the Private Placement Offering and an additional 204,726 warrants exercisable at $5.85 per share.

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 $6.50 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.

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.

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

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, 2021 is approximately $101,000.

Off-Balance Sheet Arrangements

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

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

Not applicable because we are a smaller reporting company.

Item 8. Financial Statements and Supplementary Data.

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

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

None.

Item 9A. Controls and Procedures.

Management's Annual Report on Internal Control over Financial Reporting

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Securities and Exchange Act of 1934 Rule 13a-15(e). Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that the Company's disclosure controls and procedures were not effective as of December 31, 2021, 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 13a-15(f) under the Exchange Act, for the Company.

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

Our management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2021. The framework used by management in making that assessment was the criteria set forth in the document entitled "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013.

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Securities and Exchange Act of 1934 Rule 13a-15(e). Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that the Company's disclosure controls and procedures were not effective as of December 31, 2021.

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. 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.

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

None

Item 9B. Other Information.

None

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

None

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

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	43	President, Chief Executive Officer and Chairman
Lisa Roger	56	Chief Financial Officer
Steven Lang	69	Director
Arnold Tinter	76	Secretary and Director
Joseph M. Cugine	61	Director
Isabelle Ortiz-Cochet	60	Director
Alexander H. Ware	59	Director
Justin Borus	45	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 18 years of experience within retail, hospitality and dairy manufacturing.

Lisa Roger was appointed on January 4, 2022 to serve as our Chief Financial Officer effective January 17, 2022. Ms. Roger previously served as the EVP Corporate Controller at FreshRealm, a fresh meals solution provider that partners with retailers, from May 2021 to December 2021. From March 2014 to May 2021, she held various positions with Fox Factory Inc., most recently as the Vice President, Accounting and Tax. Fox Factory Inc. is a designer, manufacturer and marketer of products and systems used primarily on bikes, side-by-sides, off-road vehicles and trucks, ATVs, snowmobiles, specialty vehicles and applications, motorcycles, and commercial trucks. Ms. Roger holds a Bachelor of Arts degree in Economics and Business from University of California, Los Angeles and a Master of Business Administration degree from University of California, Los Angeles Anderson Graduate School of Management, and is a Certified Public Accountant in the State of California (inactive status).

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 served as president of our wholly owned subsidiary, Barfresh Corporation, Inc., from April 27, 2015, to July 13, 2021. 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. Currently, Mr. Ware serves as advisor to Foodsby, Inc. From September 2018 to December 2021, Mr. Ware 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 five 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 and Justin Borus. 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 Chief Financial Officer 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, 2021 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:

- Riccardo Delle Coste, late filing of Form 4
- 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
- Unibel, 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, 2021 and 2020, 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,	2021	397,031(1)	75,960(2)	10,800(4)	483,791
Chief Executive Officer	2020	350,000(1)	67,500(3)	10,800(4)	428,300
Raffi Loussararian,	2020	175,000	24,000(6)	-0-	199,000
Vice President Finance(5)					

(1) Of the salary earned in 2021, 397,031 was paid and none was deferred. In 2020, $213,648 was paid and $136,352 was deferred.

(2) Represents a stock option grant of 19,233 option shares issued 4/27/21 with an exercise price of $5.72, which vests in equal increments on each of the first, second and third anniversaries of the grant date.

(3) Represents a stock option grant of 19,231 option shares issued 04/27/2020 with an exercise price of $4.94, which vests in equal increments on each of the first, second and third anniversaries of the date of grant.

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

(5) Mr. Loussararian served as Vice President Finance from July 29, 2019 to January 6, 2021.

(6) Represents a stock option grant of 11,539 shares issued 01/06/2020 with an exercise price of $4.81, which vests 3 years after the date of grant (cliff vesting).

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 38,462 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 11,539 shares of common stock of Barfresh. The option grant was to 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, thereby terminating his options.

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	19,231(1)		8.97	4/27/23
	19,231(1)		7.93	5/27/24
	9,616(1)		9.36	11/25/24
	19,231(1)		9.36	4/27/25
	19,231(1)		7.15	9/15/25
	19,231(1)		6.76	7/26/26
	12,821(2)	6,410(2)	5.85	5/20/27
	6,410(2)	12,821(2)	4.94	4/25/28
	-	19,231(2)	5.72	4/27/29

(1) Fully vested.
(2) Vest ratably in equal increments on the first, second and third anniversary of the 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, 2021. 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	-0-	-0-	-0-	-0-
Joseph Cugine	-0-	25,000	25,000	50,000

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 3, 2022, 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 3, 2022. As of March 3, 2022, the Company had 12,917,246 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 31, 2022 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)**	1,749,108	13.3%
Justin Borus **(6) (7) (8)**	1,744,183	13.2%
Steven Lang **(9) (10) (11) (12)**	1,613,651	12.4%
Joe Cugine **(13) (14) (15)**	309,735	2.4%
Arnold Tinter **(16)**	61,540	0.5%
Alexander Ware (17) (18)	59,459	0.5%
Isabelle Ortiz-Cochet 2 Allee De Longchamp Suresnes, France **(19) (20)**	53,356	0.4%
Lisa Roger (21)	—	—
All directors and officers as a group (8 persons)	5,591,032	40.8%
Unibel, 2 Allee De Longchamp Suresnes, France 92150 **(22)**	1,630,148	12.5%
IBEX Investors LLC 260 N Josephine Street, Suite 300, Denver, CO 80206 (23)	1,249,444	9.6%
Bleichroeder LP 1345 Avenue of the Americas, 47th Floor, New York, NY 10105 (24)	725,287	5.6%
Brian L Pessin; Sandra F Pessin 370 Lexington Ave, Suite 704, New York, NY 10017	711,235	5.5%

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 1,501,880 shares owned by R.D. Capital Holdings PTY Ltd. and of which Riccardo Delle Coste is deemed to be a beneficial owner.

4 Includes 137,824 shares issuable under exercisable options granted.

5 Includes 6,223 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 and 56,280 shares underlying warrants issued in connection with deferred compensation.

6 Mr. Borus is a Director of the Company.

7 Includes 1,110,982 shares owned by Ibex Microcap Fund LLLP, of which Justin Borus is the manager of the investment manager and general partner, respectively, and deemed to be a beneficial owner.

8 Includes 138,462 shares underlying warrants issued to Ibex Microcap Fund LLLP in connection with the purchase of common stock.

9 Mr. Lang is a Director of the Company.

10 Includes 1,471,323 shares owned by Sidra Pty Limited and 43,852 shares by Hodumo Pty Ltd of which Steven Lang is deemed to be a beneficial owner.

11 Includes 35,098 shares underlying options granted.

12 Includes 37,331 shares underlying warrants issued in connection with promissory notes the holder of which is Hodumo Pty Limited, of which Steven Lang is deemed to be a beneficial owner.

13 Mr. Cugine is a Director of the Company.

14 Includes 116,017 shares issuable under exercisable options granted.

15 Includes 27,944 shares underlying warrants issued in connection with purchase of common shares.

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

17 Mr. Ware is a Director of the Company.

18 Includes 57,959 shares owned by The Alexander Ware Revocable Trust of which Mr. Ware is deemed to be a beneficial owner.

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

20 Includes 53,356 shares underlying options granted.

21 Ms. Roger is the Chief Financial Officer of the Company.

22 Includes 137,613 shares underlying warrants issued in connection with the conversion of a promissory note.

23 Includes 138,462 shares underlying warrants issued in connection with the purchase of common stock

24 Bleichroeder LP is deemed to be the beneficial owner of these shares as a result of acting as investment adviser to various clients. Clients of Bleichroeder have the right to receive and the ultimate power to direct the receipt of dividends from, or the proceeds of the sale of, such securities.

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 2021 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, 2021 that five of our seven 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, 2021 and December 31, 2020 were as follows.

	2021	2020
Audit fees	$ 81,000	$ 73,032
Audit related fees	-	-
Tax fees	8,100	6,300
All other fees	-	-
Total	$ 89,100	$ 79,332

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 ended December 31, 2021 and 2020 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, 2021 or December 31, 2020, that are not reported under Audit Fees.

Tax Fees. The aggregate tax fees billed for the years end December 31, 2021 and 2020 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, 2021 or December 31, 2020.

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: March 10, 2022

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

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

Signature	Capacity	Date
/s/ Riccardo Delle Coste Riccardo Delle Coste	Chief Executive Officer and Director (Principal Executive Officer	March 10, 2022
/s/ Lisa Roger Lisa Roger	Chief Financial Officer (Principal Financial Officer)	March 10, 2022
/s/ Steven Lang Steven Lang	Director	March 10, 2022
/s/ Arnold Tinter Arnold Tinter	Director	March 10, 2022
/s/ Joseph M. Cugine Joseph M. Cugine	Director	March 10, 2022
/s/ Isabelle Ortiz-Cochet Isabelle Ortiz-Cochet	Director	March 10, 2022
/s/ Alexander H. Ware Alexander Ware	Director	March 10, 2022
/s/ Justin Borus Justin Borus	Director	March 10, 2022

Exhibit Index

Exhibit Number	Description
3.1	Certificate of Incorporation of Moving Box Inc. dated February 25, 2010 (incorporated by reference to Exhibit 3.1 to Form S-1 (Registration No. 333-168738) as filed August 11, 2010)
3.2	Amended and Restated Bylaws of Barfresh Food Group Inc. (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K as filed August 4, 2014)
3.3	Certificate of Amendment of Certificate of Incorporation of Moving Box Inc. dated February 13, 2012 (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K as filed February 17, 2012)
3.4	Certificate of Amendment of Certificate of Incorporation of Smoothie Holdings Inc. dated February 16, 2012 (incorporated by reference to Exhibit 3.2 to Current Report on Form 8-K as filed February 17, 2012)
3.5	Certificate of Amendment of Certificate of Incorporation of Barfresh Food Group Inc. dated December 17, 2021 (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K as filed December 29, 2021)
4.1	Description of Securities Registered Under Section 12 of the Securities Exchange Act of 1934, as amended (incorporated by reference to Exhibit 4.20 to Annual Report on Form 10-K for the year ended December 31, 2019, as filed April 13, 2020)
4.2	Form of Series O Warrant (incorporated by reference to Exhibit 4.21 to Annual Report on Form 10-K for the year ended December 31, 2019, as filed April 13, 2020)
10.1	Barfresh Food Group, Inc. 2015 Equity Incentive Plan (incorporated by reference to Exhibit 10.10 to Annual Report Form 10-K filed July 7, 2015)+
10.2	Executive Employment Agreement by and between Smoothie, Inc. and Riccardo Delle Coste dated April 27, 2015 (incorporated by reference to Exhibit 10.11 to Annual Report Form 10-K filed July 7, 2015)+
10.3	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 13a-14(a) Certification of Principal Executive Officer*
31.2	Rule 13a-14(a) Certification of Principal Financial Officer
32.1	Certification Pursuant to 18 U.S.C. Section 1350*
32.2	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.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

*	Filed herewith
+	Compensatory plan

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

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

Barfresh Food Group Inc.

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Barfresh Food Group, Inc. (the "Company") as of December 31, 2021 and 2020, 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, 2021 and 2020, 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 stock options, that are required to be recorded at estimated fair value. These transactions resulted in recording of stock-based compensation expense of $91,959 and a loss on debt extinguishment of $193,562 for the year ended December 31, 2021, and the valuation of a derivative liability of $25,170 as of May 26, 2021.

The Company's determination of the estimated fair values 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 obtained an understanding of management's process and methodology to develop the estimates.
- We obtained an understanding of the internal controls relating to the methodology, reliability and accuracy of the information used in the calculation and management's review and approval for the transactions.
- 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
March 10, 2022

Barfresh Food Group Inc.
Consolidated Balance Sheets
December 31, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash	$ 5,532,840	$ 1,816,887
Restricted cash	142,382	142,382
Accounts receivable, net	1,222,476	425,029
Inventory, net	705,349	870,190
Prepaid expenses and other current assets	63,859	47,066
Total current assets	7,666,906	3,301,554
Property, plant and equipment, net of depreciation	1,588,043	1,922,912
Operating lease right-of-use assets, net	87,391	147,947
Intangible assets, net of amortization	370,278	430,216
Deposits	6,746	14,817
Total assets	$ 9,719,364	$ 5,817,446
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 974,218	$ 353,045
Accrued expenses	228,227	298,489
Advance payment	-	401,306
Accrued payroll and employee related	212,465	308,303
Accrued interest	-	68,627
Lease liability	81,295	65,007
Loan payable - Paycheck Protection Program	-	410,317
Convertible note, net of discount	-	158,243
Derivative liabilities	-	41,475
Total current liabilities	1,496,205	2,104,812
Long term liabilities:		
Accrued interest	33,600	127,664
Lease liability	13,701	94,170
Loan payable - Paycheck Protection Program	-	157,814
Convertible note - related party, net of discount	-	197,804
Convertible note, net of discount	-	810,995
Total liabilities	1,543,506	3,493,259
Commitments and contingencies (Note 9)		
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; 12,905,112 and 11,471,797 shares issued and outstanding at December 31, 2021 and 2020, respectively	13	12
Additional paid in capital	60,340,620	53,223,803
Accumulated deficit	(52,164,775)	(50,899,628)
Total stockholders' equity	8,175,858	2,324,187
Total liabilities and stockholders' equity	$ 9,719,364	$ 5,817,446

See the accompanying notes to the consolidated financial statements.

Barfresh Food Group Inc.
Consolidated Statements of Operations
For the years ended December 31, 2021 and 2020

	2021	2020
Revenue	$ 6,699,850	$ 2,567,547
Cost of revenue	4,175,132	1,784,537
Depreciation of manufacturing equipment	17,673	18,938
Gross profit	2,507,045	764,072
Operating expenses:		
General and administrative	3,979,702	4,379,976
Depreciation and Amortization	621,727	593,198
Total operating expenses	4,601,429	4,973,174
Operating loss	(2,094,384)	(4,209,102)
Other (income)/expenses		
Gain from derivative liability	(16,305)	(156,540)
Gain from debt extinguishment - Paycheck Protection Program	(1,136,262)	-
Loss (gain) on debt extinguishment	193,562	(379,200)
Interest	129,768	479,144
Total other income	(829,237)	(56,596)
Net loss	$ (1,265,147)	$ (4,152,506)
Per share information - basic and fully diluted:		
Weighted average shares outstanding	12,070,295	11,061,533
Net loss per share	$ (0.10)	$ (0.38)

See the accompanying notes to the consolidated financial statements.

Barfresh Food Group, Inc.
Statements of Stockholders' Equity
For the years ended December 31, 2021 and 2020

	Common Stock		Additional paid in Capital	Accumulated (Deficit)	Total
	Shares	Amount			
Balance January 1, 2020	10,026,287	$ 11	$ 47,030,836	$ (46,747,122)	$ 283,725
Issuance of stock for capital raise, net of offering costs of $27,200	997,913	1	3,797,799	-	3,797,800
Conversion of debt	366,925	-	1,333,762	-	1,333,762
Interest paid in shares	50,358	-	392,789	-	392,789
Issuance of stock for services	20,966	-	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	9,348	-	-	-	-
Net (loss) for the year	-	-	-	(4,152,506)	(4,152,506)
Balance December 31, 2020	11,471,797	$ 12	$ 53,223,803	$ (50,899,628)	$ 2,324,187
Issuance of stock for capital raise	1,282,051	1	5,999,999	-	6,000,000
Conversion of debt and accrued interest	114,614	-	685,300	-	685,300
Interest paid in shares	19,377	-	151,138	-	151,138
Issuance of stock for services	17,273	-	188,421	-	188,421
Equity based compensation	-	-	91,959	-	91,959
Net (loss) for the year	-	-	-	(1,265,147)	(1,265,147)
Balance December 31, 2021	12,905,112	$ 13	$ 60,340,620	$ (52,164,775)	$ 8,175,858

See the accompanying notes to the consolidated financial statements.

Barfresh Food Group Inc.
Condensed Consolidated Statements of Cash Flows
For the years ended December 31, 2021 and 2020

	2021	2020
Net loss	$ (1,265,147)	$ (4,152,506)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	639,401	612,136
Interest expense related to debt discount	56,145	276,013
Stock-based compensation	91,959	276,641
Stock and options issued for services	188,421	130,000
Gain on debt extinguishment - Paycheck Protection Program	(1,136,262)	-
Gain on derivative	(16,305)	(156,540)
Loss (gain) on debt extinguishment	193,562	(379,200)
Changes in assets and liabilities		
Accounts receivable	(797,447)	(140,361)
Inventories	164,841	(240,700)
Prepaid expenses and other assets	(16,831)	(51,791)
Accounts payable	584,753	(272,022)
Accrued expenses	(219,245)	213,107
Advanced payments	(401,306)	401,306
Accrued interest	71,828	214,917
Net cash used in operating activities	(1,861,633)	(3,269,000)
Investing activities		
Purchase of property and equipment	(150,545)	(59,662)
Net cash used in investing activities	(150,545)	(59,662)
Financing activities		
Cash received for stock, net of offering costs	6,000,000	3,797,800
Proceeds from note payable	568,131	568,131
Repayment of convertible notes	(840,000)	(157,366)
Debt issuance costs	-	(12,008)
Net cash from financing activities	5,728,131	4,196,557
Net change in cash and restricted cash	3,715,953	867,895
Cash and restricted cash, beginning of year	1,959,269	1,091,374
Cash and restricted cash, end of year	$ 5,675,222	$ 1,959,269

See the accompanying notes to the condensed 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-drink and ready-to-blend beverages, particularly, smoothies, shakes and frappes.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Certain reclassifications have been made to the 2020 consolidated statement of cash flows to conform to the 2021 presentation.

Reverse Stock Split

Effective December 29, 2021, the Company amended its certificate of incorporation to implement a 1-for-13 reverse stock split of its issued and outstanding shares of common stock. All the share numbers, share prices, exercise prices and other per share information throughout these financial statements have been adjusted, on a retroactive basis, to reflect the 1-for-13 reverse stock split.

Principles of Consolidation

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

Use of Estimates

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

Concentration of Credit Risk

The amount of cash on deposit with financial institutions exceeds the $250,000 federally insured limit at December 31, 2021 and 2020. 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 both December 31, 2021 and 2020, the Company had $142,382 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 Paycheck Protection Plan ("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. The Company's 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, 2021, and 2020, the Company's allowance for doubtful accounts was $121,230 and $133,424 respectively. There was ($7,000) of bad debt recoveries recorded for the year ended December 31, 2021, and $133,424 of bad debt expense for the year ended December 31, 2020. 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.

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 $244,609 and $515,145, in research and development expenses for the years ended December 31, 2021 and 2020, respectively.

Shipping and Storage Costs

Shipping and Storage costs are included in general and administrative expenses. For the years ended December 31, 2021 and 2020, shipping and handling costs totaled $1,054,182 and $488,465, 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, 2021 and 2020 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, 2021 and 2020 any equivalents would have been anti-dilutive as we had losses for the years then ended.

Debt Extinguishment

The Company evaluates its convertible instruments in accordance with ASC 470-50, "Debt Modifications and Extinguishments." For all extinguishments of debt, ASC 470-50 requires the difference between the reacquisition price (including any premium) and the net carrying amount of the debt being extinguished (including any deferred debt issuance costs) to be recognized as a gain or loss when the debt is extinguished. Accordingly, the Company recorded a net loss of $193,562 and net gain of $379,200, respectively, non-cash gain/loss on extinguishment of debt in its statements of operations for the years ended December 31, 2021 and 2020, respectively.

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.

Recent pronouncements

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

Subsequent events

None.

Note 2. Inventory

Inventory consists of the following at December 31:

	2021	2020
Raw materials	$ 105,355	$ 130,296
Finished goods	599,994	739,894
Inventory, net	$ 705,349	$ 870,190

Note 3. Property Plant and Equipment

Major classes of property and equipment at December 31, 2021 and 2020 consist of the following:

	2021	2020
Furniture and fixtures	$ 1,524	$ 1,524
Manufacturing equipment and customer equipment	3,800,238	3,573,528
Leasehold improvements	4,886	4,886
Vehicles	29,696	29,696
	3,836,344	3,609,633
Less: accumulated depreciation	(2,894,632)	(2,331,034)
	941,712	1,278,600
Equipment not yet placed in service	646,331	644,313
Property and equipment, net of depreciation	$ 1,588,043	$ 1,922,912

We recorded depreciation expense related to these assets of $557,306 and $529,385 for the years ended December 31, 2021 and 2020, respectively. Depreciation expense in cost of goods sold was $17,673 and $18,938 for the years ended December 31, 2021 and 2020 respectively.

Note 4. Intangible Assets

As of December 31, 2021, intangible assets consist of patent costs of $768,138, trademarks of $124,395 and accumulated amortization of $522,255.

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

The amounts carried on the balance sheet represent cost to acquire, legal fees and similar costs relating to the patents incurred by the Company. Amortization is calculated through the expiration date of the patent. The amount charged to expenses for amortization of the patent costs was $64,422 and $63,813 for the years ended December 31, 2021 and 2020, respectively.

Estimated future amortization expense related to patents as of December 31, 2021, is as follows:

	Total Amortization
Years ending December 31,	
2022	$ 64,422
2023	64,422
2024	64,249
2025	48,640
2026	4,150
	$ 245,883

Note 5. Related Parties

Members of management and directors invested in the Company's convertible notes (Note 7). Additionally, members of management and directors have received shares of stock and options in exchange for services (Note 10).

Note 6. Paycheck Protection Program (PPP) Loan

The PPP was established to provide federally guaranteed, uncollateralized loans to assist businesses during the Covid-10 pandemic. PPP loans are administered by a Small Business Administration (SBA) approved partners.

On May 7, 2020 the Company was granted a $568,131 loan which was to mature in two years. On January 27, 2021, the Company was granted a second $568,131 loan which was to mature in five years. The Company was eligible for loan forgiveness of up to 100% of the loans, upon meeting certain requirements.

On May 20, 2021 and December 22, 2021, respectively, the loans were legally released and forgiven by the SBA. Loan forgiveness income of $1,136,262 has been recorded for the year ended December 31, 2021.

Note 7. Convertible Notes (Related and Unrelated Party)

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

On March 20, 2020, 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 $6.50 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. The Company accounted for the modification in accordance with ASC 470-50, Modifications and Extinguishments ("ASC 470-50"), 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 related to notes that were converted to 366,925 shares of common stock and a loss of $58,001 related to convertible notes that were extended by either 24 months for Milestone I Convertible Notes, or 12 months for Milestone II Convertible Notes.

During the year ended December 31, 2021, the Company settled the remaining Milestone I Convertible Notes by issuing 89,173 shares of common stock in exchange for $231,000 ($30,000 related party) and $192,663 ($37,689 related party) in principal and interest, respectively, and repaying $840,000 ($180,000 related party) in cash. Additionally, the Company settled the remaining amounts due under Milestone II Convertible Notes by issuing 44,818 shares of common stock in exchange for $168,000 and $41,747 of principal and interest, respectively. In accordance with ASC 470-50, the Company recorded a loss of $193,562 upon extinguishment of the Milestone I and Milestone II Convertible Notes.

Convertible note balances outstanding consisted of the following components:

	December 31, 2021	December 31, 2020
Milestone I Convertible Notes, net of unamortized discount of $60,097 at December 31, 2020	$ -	$ 1,010,904
Milestone II Convertible Notes, net of unamortized discount of $11,862 at December 31, 2020	-	156,138
Convertible notes, net	-	1,167,042
Less: current portion convertible notes, net	-	(158,243)
Less: related party convertible notes, net	-	(197,804)
Long term convertible notes, net	$ -	$ 810,995

Note 8. Derivative Liabilities

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

On May 26, 2021, the Milestone II Convertible Notes were settled. Upon extinguishment, the derivative liability was revalued to $25,170, which resulted in a gain of $16,305 for the year ended December 31, 2021.

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

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

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

December 31, 2019	$	211,028
Initial derivative value - March 20, 2020		13,527
Extinguishment of derivative upon debt conversion and extension		(26,540)
Net gain from change in fair value		(156,540)
December 31, 2020		41,475
Extinguishment of derivative upon debt settlement		(25,170)
Net gain from change in fair value		(16,305)
December 31, 2021	$	-

The following table presents the Company's fair value hierarchy for applicable assets and liabilities measured at fair value as of December 31, 2021 and December 31, 2020:

	Level 1	Level 2	Level 3	Total
Derivative Liability December 31, 2021	$ -	-	-	$ -

	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 a non-cancelable operating lease which expires on March 31, 2023. We incurred lease expense of $79,267 and $82,194 for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021, our right of use asset and related liability was $87,391 and $94,996, 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 1.25 years.

The following table presents the future operating lease payment as of December 31, 2021:

2022	$	80,361
2023		20,238
Total lease payments	$	100,599
Less:imputed interest		(5,603)
Total lease liability	$	94,996

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, 2020, the Company completed a funding, including a Private Placement Offering for common shares priced at $6.50 per share (subject to adjustment) in the amount of $3,825,000 and the issuance of 588,462 shares. The investors of this Private Placement Offering were granted 294,231 O warrants, exercisable for a period of 3 years at an exercise price of $7.80 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 $6.50 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 $4.55 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 0.50 shares for each additional share issued, with an exercise price equal to the sum of $1.30 per share and the Six Month Price, but in no event less than $5.85 per share. On September 28, 2020, the Company issued 409,451 additional shares in accordance with provisions of the Private Placement Offering and an additional 204,726 warrants exercisable at $5.85 per share.

In 2020, the Company issued 366,925 shares of common stock in exchange for convertible notes and 35,308 warrants to convertible noteholders that extended the term of their convertible notes (Note 7).

In 2020, the Company, at its option, issued 50,358 shares of common stock to pay interest due of $392,789.

In 2020, the Company issued 20,966 shares of common stock, valued between $3.25 - $6.50 per share, for services rendered.

In 2020, the Company settled deferred executive compensation liabilities with the issuance of 121,076 warrants exercisable at $3.51 per share. The fair value of the warrants totaled $251,837, resulting in $83,945 of additional stock-based compensation.

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

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

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

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

Warrants

The following is a summary of changes in warrants outstanding for the years ended December 31, 2021 and 2020:

	Number of warrants
Outstanding at December 31,2019	2,014,694
Issued	655,763
Expired	(466,154)
Outstanding at December 31, 2020	2,204,303
Issued	10,550
Expired	(927,449)
Outstanding at December 31, 2021	1,287,404

The following is a summary of all outstanding warrants as of December 31, 2021:

Warrant issuance event	Number of warrants	Weighted average exercise price	Exercise price per share	Remaining term in years	Intrinsic value at date of grant
Private placements of common stock	818,683	$ 7.65	$ 6.89 - 7.80	1.28	$ -
Private placement of notes	214,356	$ 8.39	$ 7.80 - 9.10	0.76	$ -
Settlement of deferred compensation	243,815	$ 6.32	$ 3.51 - 9.10	2.74	$ -
Settlement of services	10,550	$ 4.15	$ 3.12 - 5.46	0.62	$ -
	1,287,404	$ 7.49	$ 3.12 - 9.10	1.47	$ -

Equity Incentive Plan

Under the 2015 Equity Incentive Plan (the “2015 Plan”), the Company has reserved 1,153,846 shares for equity incentive awards for issuance to employees, members of the board of directors and other service providers. Awards may take the form of options, restricted stock, restricted stock units, performance shares and stock appreciation rights. The Company has only issued options with no intrinsic value through December 31, 2021, and issues new shares upon exercise of options. As of December 31, 2021, there were 435,750 shares available for the issuance of awards under the 2015 Plan.

The following summarizes activity related to stock options for the years ended December 31, 2021 and 2020:

	Number of Options	Exercise price per share	Remaining term in years
Outstanding January 1, 2020	554,076	$5.20 - $11.31	4.6
Issued	82,258	$4.42 - $5.72	
Cancelled/expired	(48,109)		
Outstanding on December 31, 2020	588,225	$4.42 - $11.31	3.5
Issued	58,113	$4.94 - $6.37	
Cancelled/expired	(44,187)		
Outstanding on December 31, 2021	602,151	$4.42 - $11.31	3.8
Exercisable, December 31, 2021	513,416	$4.42 - $11.31	3.3

Stock-Based Compensation

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

	2021	2020
Expected term (in years)	5.5 - 8.0	5.5 - 8.0
Expected volatility	85.0% - 89.4%	73.4% - 75.8%
Risk-free interest rate	0.7% - 1.3%	0.3% - 1.6%
Expected dividends	$ -	$ -
Weighted average grant date fair value per share	$ 4.04	$ 2.65

The total amount of equity-based compensation included in general and administrative expense in the accompanying consolidated statements of operations was $91,959 and $276,641 for the years ended December 31, 2021 and 2020.

As of December 31, 2021, the Company has $148,398 of total unrecognized share-based compensation expense related to unvested options, which is expected to be amortized over the remaining weighted average period of 1.5 years.

Note 11. Income Taxes

Income tax provision (benefit) for the years ended December 31, 2021 and 2020 is summarized below:

	2021	2020
Current:		
Federal	$ -	$ -
State	-	-
Total	-	-
Deferred:		
Federal	(1,001,707)	(715,000)
State	(322,293)	(235,000)
Change in valuation allowance	1,324,000	950,000
Total	-	-
Provision for income taxes	$ -	$ -

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

	2021	2020
Statutory federal income tax rate	21%	21%
State tax	7%	7%
Permanent differences	(15)%	(3)%
Change in valuation allowance	(13)%	(25)%
	-%	-%

Components of the net deferred income tax assets at December 31, 2021 and 2020 were as follows:

	2021	2020
Net operating loss carryover	$ 12,669,000	$ 11,345,000
Valuation allowance	(12,669,000)	(11,345,000)
	$ -	$ -

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 $12,669,000 and $11,345,000 allowance at December 31, 2021 and 2020, respectively, is necessary to reduce the deferred tax assets to the amount that will more likely than not be realized. The increase in the valuation allowance for the current period is $1,324,000 resulting for current year tax losses, including the 2021 loss adjusted for the PPP loan forgiveness and the true up of prior year net operating loss carryforwards.

As of December 31, 2021, the Company has a net operating loss carry forward to offset future taxable income of approximately $45,272,000, $28,482,000 of which begins to expire in 2033. Net operating loss carry forwards of $16,790,000 may be carried forward indefinitely.

Note 12. Business Segments and Customer Concentrations

The Company operates in one business segment. Sales to the following customers represented more than 10% of total sales for the years ended December 31, 2021 and 2020:

	2021	2020
Customer A	21%	21%
Customer B	20%	32%
Customer C	9%	11%

Note 13. Supplemental Cash Flow Information

Supplemental cash flow information for the years ended December 31, 2021 and 2020 is as follows:

		2021		2020
Cash paid during the period for:				
Cash paid for amounts included in the measurement of lease liabilities	$	78,020	$	75,748
Non-cash financing and investing activities:				
Net carrying value of convertible notes and accrued interest settled through issuance of stock (debt extinguishment)	$	466,658	$	1,770,963
Accrued interest settled through issuance of stock	$	151,138	$	392,789
Deferred compensation settled through issuance of warrants	$	-	$	167,893
Debt discount warrant and derivative liability	$	-	$	107,611
Extinguishment of derivative liability	$	25,170	$	-
Equipment included in accounts payable and accrued liability	$	89,565	$	-

Exhibit 31.1

RULE 13a-14(a) CERTIFICATION

I, Riccardo Delle Coste, certify that:

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

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

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

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

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

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

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

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

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

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

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

March 10, 2022

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

Exhibit 31.2

RULE 13a-14(a) CERTIFICATION

I, Lisa Roger, certify that:

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

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

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

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

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

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

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

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

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

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

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

March 10, 2022

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

Exhibit 32.1

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

In connection with the Annual Report of Barfresh Food Group Inc., a Delaware corporation, on Form 10-K for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Annual Report”), I, Riccardo Delle Coste, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: March 10, 2022

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

Exhibit 32.2

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

In connection with the Annual Report of Barfresh Food Group Inc., a Delaware corporation, on Form 10-K for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Annual Report"), I, Lisa Roger, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: March 10, 2022

/s/ Lisa Roger

Lisa Roger
Chief Financial Officer