

BARFRESH FOOD GROUP INC.  
Form 10-Q  
August 13, 2013

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 2013

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 333-168738

**BARFRESH FOOD GROUP INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**27-1994406**

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

**90 Madison Street, Suite 701, Denver, CO**

(Address of principal executive offices)

**80206**

(Zip Code)

**303-329-3008**

(Registrant's telephone number, including area code)

**Not Applicable**

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

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 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of August 10, 2013, there were 59,592,660 outstanding shares of common stock of the registrant.



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**PART I—FINANCIAL INFORMATION**Barfresh Food Group Inc.  
Condensed Consolidated Balance Sheets

|   | June 30,<br>2013<br>(Unaudited) | March 31,<br>2013<br>(Audited) |
|---|---------------------------------|--------------------------------|
| Assets  |                                 |                                |
| Current assets:   |                                 |                                |
| Cash  | \$ 19,061                       | \$ 85,957                      |
| Accounts Receivable   | 19,962                          | 7,413                          |
| Receivable from related party   | 13,540                          | 13,540                         |
| Inventory   | 37,844                          | 12,712                         |
| Prepaid expenses  | 101,625                         | 226,602                        |
| Total current assets  | 192,032                         | 346,224                        |
| Property plant and equipment  | 319,827                         | 311,496                        |
| Intangible asset, net of amortization   | 31,439                          | 31,985                         |
| Deferred offering   | 10,000                          | -                              |
| Deposits  | 7,071                           | 10,731                         |
| Total Assets  | \$ 560,369                      | \$ 700,436                     |
| Liabilities And Stockholders' Deficit   |                                 |                                |
| Current liabilities:  |                                 |                                |
| Accounts payable  | \$ 240,211                      | \$ 247,682                     |
| Accrued expenses  | 216,160                         | 187,096                        |
| Deferred rent liability   | 4,266                           | 5,066                          |
| Advances from related party   | 30,272                          | 30,272                         |
| Convertible note - related party, net of discount   | 44,620                          | 36,551                         |
| Convertible note, net of discount   | 348,040                         | 285,100                        |
| Current liabilities   | 883,569                         | 791,767                        |
| Total liabilities   | 883,569                         | 791,767                        |
| Commitments and contingencies   |                                 |                                |
| Stockholders' deficit:  |                                 |                                |
| Preferred stock, \$0.000001 par value, 5,000,000 shares authorized, none issued or outstanding  | -                               | -                              |
| Common stock, \$0.000001 par value; 95,000,000 shares authorized; 51,966,660 and 50,366,660 shares issued and outstanding at June 30, 2013 and March 31, 2013, respectively | 52                              | 50                             |
| Additional paid in capital  | 2,637,091                       | 2,355,328                      |
| Deficit   | (2,960,343)                     | (2,446,709)                    |
| Total stockholders' deficit   | (323,200 )                      | (91,331 )                      |
| Total Liabilities and Stockholders' deficit   | \$ 560,369                      | \$ 700,436                     |

See the accompanying notes to the financial statements

Barfresh Food Group Inc.  
Condensed Consolidated Statements of Operations  
(Unaudited)

|  | For the three months ended |              |
|--|----------------------------|--------------|
|  | June 30,                   |              |
|  | 2013                       | 2012         |
| Revenue  | \$ 16,325                  | \$ -         |
| Cost of Revenue                                  | 10,274                     | -            |
| Gross Profit                                     | 6,051                      | -            |
| Operating expenses:                              |                            |              |
| General and administrative                       | 424,906                    | 279,699      |
| Depreciation and amortization                    | 10,568                     | 545          |
| Total operating expenses                         | 435,474                    | 280,244      |
| Operating loss                                   | (429,423 )                 | (280,244 )   |
| Other expenses                                   |                            |              |
| Interest   | 84,210                     | -            |
| Net (loss)                                       | \$(513,633 )               | \$(280,244 ) |
| Per share information - basic and fully diluted: |                            |              |
| Weighted average shares outstanding              | 51,476,550                 | 48,211,715   |
| Net (loss) per share                             | \$(0.01 )                  | \$(0.01 )    |

See the accompanying notes to the financial statements

Barfresh Food Group Inc.  
Condensed Consolidated Statements of Cash Flows  
(Unaudited)

|   | For the three month<br>ended<br>June 30, |             |
|---|--|-------------|
|   | 2013                                     | 2012        |
| Net cash used in operations               | \$(448,542)                              | \$(157,814) |
| Cash flow from investing activities:      |  |             |
| Purchase of equipment                     | (18,354 )                                | (32,542 )   |
| Net Cash used in investing activities     | (18,354 )                                | (32,542 )   |
| Cash flow from financing activities:      |  |             |
| Issuance of common stock for cash         | 400,000                                  | -           |
| Net cash provided by financing activities | 400,000                                  | -           |
| Net (decrease) in cash                    | (66,896 )                                | (190,356)   |
| Cash at beginning of period               | 85,957                                   | 420,976     |
| Cash at end of period                     | \$19,061                                 | \$230,620   |
| Non-cash financing activities:            |  |             |
| Stock issued for services                 | \$-                                      | \$252,500   |

See the accompanying notes to the financial statements



Barfresh Food Group Inc.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

#### Note 1. Basis of Presentation

Throughout this report, the terms “our,” “we,” “us,” and the “Company” refer to Barfresh Food Group Inc., including its subsidiaries. The accompanying unaudited condensed financial statements of Barfresh Food Group Inc. at June 30, 2013 and 2012 have been prepared in accordance with generally accepted accounting principles (“GAAP”) for interim financial statements, instructions to Form 10-Q, and Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted. These condensed financial statements should be read in conjunction with the financial statements and notes thereto included in our annual report on Form 10-K for the year ended March 31, 2013. In management's opinion, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation to make our financial statements not misleading have been included. The results of operations for the periods ended June 30, 2013 and 2012 presented are not necessarily indicative of the results to be expected for the full year. The March 31, 2013 balance sheet has been derived from our audited financial statements included in our annual report on Form 10-K for the year ended March 31, 2013.

We were in the development stage from December 4, 2009 through March 31, 2013. Our fiscal year ending March 31, 2014 is the first year during which we are considered an operating company and is no longer in the development stage.

#### Note 2. Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”), which contemplates our continuation as a going concern. We have incurred losses to date of \$2,960,343. In addition, our current liabilities exceed our current assets by \$691,537. To date we have funded our operations through advances from a related party, issuance of convertible debt, and the sale of our Common Stock. We intend to raise additional funding through third party equity or debt financing. There is no certainty that funding will be available as needed. These factors raise substantial doubt about our ability to continue operating as a going concern. Our ability to continue our operations as a going concern, realize the carrying value of our assets, and discharge our liabilities in the normal course of business is dependent upon our ability to raise capital sufficient to fund our commitments and ongoing losses, and ultimately generate profitable operations.

*Basis of Consolidation*

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

*Intangible Assets*

Intangible assets are comprised of patents, net of amortization. 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, legal fees and similar costs relating to patents have been capitalized.

*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

Equipment: 7 years

Leasehold improvements: 2 years

Barfresh Food Group Inc.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(Continued)

### *Revenue Recognition*

We recognize revenue when there is persuasive evidence of an arrangement, delivery has occurred or services have been rendered, the sales price is determinable, and collection is reasonably assured.

### *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.

### *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 June 30, 2013 and 2012 any equivalents would have been anti-dilutive as we had losses for the periods then ended.

### *Research and Development*

Expenditures for research activities relating to product development and improvement are charged to expense as incurred. We incurred \$3,907 in research and development expenses for the three months ended June 30, 2013. We had no research and development expenses for the three months ended June 30, 2012.

### *Rent Expense*

We recognize rent expense on a straight-line basis over the reasonably assured lease term as defined in ASC Topic 840, *Leases* ("ASC 840"). In addition, our lease agreement provides for rental payments commencing at a date other than the date of initial occupancy. We include the rent holidays in determination of straight-line rent expense.

Therefore, rent expense is charged to expense beginning with the occupancy date. Deferred rent was \$4,266 at June 30, 2013 and will be charged to rent expense over the life of the lease. There was no deferred rent as of March 31, 2012.

*Recent Pronouncements*

We have reviewed all recently issued, but no yet effective, accounting pronouncements and do not believe the future adoptions of any such pronouncements may be expected to cause a material impact on our financial condition or the results of operations.

Note 3. Property Plant and Equipment

Major classes of property and equipment consist of the following:

|                                | June 30,<br>2013 | March<br>31,<br>2013 |
|--------------------------------|------------------|----------------------|
| Furniture and fixtures         | \$ 11,070        | \$ 11,070            |
| Equipment                      | 348,675          | 330,321              |
| Leasehold Improvements         | 3,300            | 3,300                |
|                                | 363,045          | 344,691              |
| Less: accumulated depreciation | (43,218 )        | (33,195 )            |
|                                | \$ 319,827       | \$ 311,496           |

We recorded depreciation expense related to these assets of \$10,023 for the three months ended June 30, 2013. We did not record any depreciation for periods prior to June 30, 2012, as the equipment was not in service.

Barfresh Food Group Inc.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(Continued)

Note 4. Intangible Assets

As of June 30, 2013 and March 31, 2013, intangible assets consist of patent costs of \$37,087, less accumulated amortization of \$5,648 and \$5,102, respectively.

Estimated amortization expense related to the patent as of June 30, 2013 is as follows:

| Fiscal<br>Years<br>ending<br>March<br>31, | Total<br>Amortization |
|---|-----------------------|
| 2014                                      | \$ 2,181              |
| 2015                                      | 2,181                 |
| 2016                                      | 2,181                 |
| 2017                                      | 2,181                 |
| 2018                                      | 2,181                 |
| Later<br>years                            | 20,534                |
|   | \$ 31,439             |

Note 5. Receivable from and Advance from Related Party

During the year ended March 31, 2013 we advanced \$64,615 to a company in Australia. Certain shareholders and an officer and director have interests in both our company and the Australian company. The advance was made to cover anticipated expenses incurred by us in Australia. Through March 31, 2013, we incurred expenses of \$51,075. No amounts have been expensed in the three month period ended June 30, 2013. The balance of \$13,540 is shown as a current asset as we expect to incur additional expenses within the next fiscal year.

During the year ended March 31, 2013 we received a cash advance from a relative of an officer of the Company. The advance bears no interest and will be repaid as soon as cash flow permits.

Note 6. Convertible Note (Related and Unrelated)

In August 2012, we closed an offering of \$440,000 of Convertible Notes, \$50,000 of which was purchased by a significant shareholder of ours. The notes bear interest at a rate of 12% per annum and are due and payable on September 6, 2013. In addition the notes are convertible at any time after the original issue date until the note is no longer outstanding, into our \$0.000001 par value common stock at a conversion price of \$0.372 per share. We also issued 956,519 warrants to the note holders for the right to purchase shares of our common stock. Each warrant entitles the holder to purchase one share of our \$0.000001, par value common stock, a price of \$0.46 per share. There were 956,519 warrants issued.

In accordance with the guidance in ASC Topic 470-20 *Debt with Conversion and Other Options* (“ASC 470”), we first calculated the fair value of the warrants issued and then determined the relative value of the note and determined that there was a beneficial conversion feature.

The fair value of the warrant, \$0.22 per share, (\$209,706 in the aggregate) was calculated using the Black-Sholes option pricing model using the following assumptions:

|                                  |        |
|----------------------------------|--------|
| Expected life (in years)         | 3      |
| Volatility                       | 103 %  |
| Risk Free interest rate          | 0.35 % |
| Dividend yield (on common stock) | -      |

Barfresh Food Group Inc.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(Continued)

The relative value of the warrants to the note was \$142,019, which was the amount recorded as a portion of the debt discount. We also recorded a beneficial conversion feature on the convertible notes of \$142,019. The amounts recorded as debt discount will be amortized over the life of the note, one year, and charged to interest expense. We estimated the effective interest rate as calculated to be approximately 216% but will be paying cash at a rate of 12% per annum.

The balance at June 30, 2013 was comprised of:

|  |           |
|--|-----------|
| Convertible notes payable, related and unrelated parties | \$440,000 |
| Unamortized Debt discount                                | (47,640)  |
|  | \$392,660 |

Accrued expenses include interest of \$44,000 at June 30, 2013.

Note 7. Commitments and Contingencies

We lease office space under non-cancelable operating lease, which commenced on October 1, 2012 and expires October 31, 2014.

The aggregate minimum requirements under non-cancelable leases as of June 30, 2013 are as follows:

|                               |          |
|-------------------------------|----------|
| Fiscal Years ending March 31, |          |
| 2014                          | \$59,989 |
| 2015                          | 39,993   |
|                               | \$99,982 |

Rent expense was \$18,140 for the three month period ended June 30, 2013. There was no rent expense for the three month period ended June 30, 2012.

#### Note 8. Stockholders' Equity

During prior periods we issued 1,850,000 shares of our common stock to non-employees for various consulting services. Pursuant to the guidance in ASC Topic 505-50, *Equity Based Payments to Non-Employees* ("ASC 505-50"), the shares issued are being amortized over the periods of the contracts which range from one to two years. The shares were valued at the market price on the date of grant. The aggregate value of the shares previously issued was \$596,500. The unamortized balance of \$98,500, representing the vested portion not yet expensed, is included in prepaid expenses at June 30, 2013.

During the three months ended June 30, 2013, we terminated a contract with a non-employee. All previously unvested stock option expense to the non-employee, in the amount of \$14,747 was reversed and credited to general and administrative expenses

We have consulting contracts which provide for the potential issuance of an additional 1,350,000 shares of our common stock at prices to be determined in the future. The contracts contain performance commitments relating to future revenue and/or earnings. There are not significantly large disincentives for nonperformance to make the achievement of the goals probable. None of the goals were achieved as of June 30, 2013, and in accordance with the guidance ASC 505-50 no expense was recognized for these future grants.

Certain previously granted restricted stock rights and stock options were subject to performance conditions. As a result of the employee termination the performance conditions will not be met. In accordance with ASC Topic 718, *Compensation – Stock Compensation* ("ASC 718"), previously recognized unvested equity based compensation cost of \$103,488, have been reversed during the three month period ended June 30, 2013.



Barfresh Food Group Inc.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(Continued)

During the three months ended June 30, 2013 we completed an offering of common stock units at a price of \$0.25 per unit. Each unit consists of one share of common stock and a three year warrant to purchase one-half (1/2) share of our common stock at an exercise price of \$0.50 per share ("Unit" or "Units"). Prior to the three months ended June 30, 2013 we sold 1,600,000 units representing 1,600,000 shares and warrants to purchase 800,000 shares for total consideration of \$400,000 less \$17,500 in cost. During the three months ended June 30, 2013 we sold an additional 1,600,000 units representing 1,600,000 shares and warrants to purchase 800,000 shares for total consideration of \$400,000. In total we sold 3,200,000 units representing 3,200,000 shares and warrants to purchase 1,600,000 shares for total consideration of \$800,000 less \$17,500 in cost for a net amount received of \$785,000.

The fair value of the warrants, \$266,673, was estimated at the date of grant using the Black-Scholes option pricing model, with an allocation of the proceeds applied to the warrants. The difference between the warrant allocation and the proceeds was allocated to the shares of common stock issued. The fair value of the warrants has been included in the total additional paid in capital. The following assumptions were used in the Black-Scholes option pricing model:

|  |        |
|--|--------|
| Expected life (in years)                   | 3      |
| Volatility (based on a comparable company) | 100 %  |
| Risk Free interest rate                    | 0.36 % |
| Dividend yield (on common stock)           | -      |

The following is a summary of outstanding stock options issued to employees as of June 30, 2013:

|                            | Number<br>of<br>Options | Exercise<br>price<br>per<br>share | Average<br>remaining<br>term in<br>years | Aggregate<br>intrinsic<br>value at<br>date of<br>grant |
|----------------------------|-------------------------|-----------------------------------|--|--|
| Outstanding March 31, 2013 | 625,000                 | \$ 1.00                           | 2.23                                     | \$ -   |
| Cancelled                  | (625,000)               |                                   | -  |  |
| Outstanding June 30, 2013  | -                       | -                                 | -  | -  |
| Exercisable                | -                       | \$ -                              | -  | \$ -   |

## Note 9. Outstanding Warrants

The following is a summary of all outstanding warrants as of June 30, 2013:

|   | Number of<br>warrants | Exercise<br>price<br>per<br>share | Average<br>remaining<br>term in<br>years | Aggregate<br>intrinsic<br>value<br>at date of<br>grant |
|---|-----------------------|-----------------------------------|--|--|
| Warrants issued in connection with private placement of common stock      | 1,333,332             | \$ 1.50                           | 3.53                                     | \$ -   |
| Warrants issued in connection with private placement of convertible notes | 956,519               | \$ 0.46                           | 2.16                                     | \$ -   |
| Warrants issued in connection with private placement of common stock      | 1,600,000             | \$ 0.50                           | 2.72                                     | \$ -   |

Barfresh Food Group Inc.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(Continued)

Note 10. Interest Expense

Interest expense includes direct interest of \$13,200 for the three months ended June 30, 2013, calculated based on the interest rate stated in the convertible notes.

In addition as more fully described in Note 6 above, interest expense includes non-cash amortization of the debt discount of \$71,090 for three month periods ended June 30, 2013.

Note 11. Income Taxes

We account for income taxes in interim periods in accordance with ASC Topic 740, Income Taxes (“ASC 740”). We have determined an estimated annual effective tax rate. The rate will be revised, if necessary, as of the end of each successive interim period during our fiscal year to our best current estimate. As of June 30, 2013 the estimated effective tax rate for the year will be zero.

There are open statutes of limitations for taxing authorities in federal and state jurisdictions to audit our tax returns from 2009 through the current period. Our policy is to account for income tax related interest and penalties in income tax expense in the statement of operations. There have been no income tax related interest or penalties assessed or recorded.

ASC 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This pronouncement also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

For the three month ended June 30, 2013 and 2012 we did not have any interest and penalties associated with tax positions. As of June 30, 2013 we did not have any significant unrecognized uncertain tax positions.

Note 12. Business Segments

We operate in only one segment and geographic location.

Note 13. Subsequent Events

Management has evaluated all activity and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements except as for the following:

Subsequent to June 30, 2013, we sold common stock units at a price of \$0.25 per unit pursuant to a new offering. Each unit consists of one share of common stock, a three year warrant to purchase one share of our common stock at an exercise price of \$0.25 per share (which can be exercised on a cashless basis), and a five year warrant to purchase one-half (1/2) share of our common stock at an exercise price of \$0.50 per share (on a cash basis) ("Unit" or "Units"). We sold 7,626,000 units representing 7,626,000 shares and warrants to purchase 11,439,000 shares for total consideration of \$1,906,500. We estimate the expenses related to the offering will be approximately \$250,000.

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

*The following discussion should be read in conjunction with the financial information included elsewhere in this Quarterly Report on Form 10-Q (this "Quarterly Report"), including our unaudited condensed consolidated financial statements as of June 30, 2013 and for the three months ended June 30, 2013 and 2012 and the related notes. References in this Management's Discussion and Analysis of Financial Condition and Results of Operations section to "us," "we," "our," and similar terms refer to Barfresh Food Group Inc.. This discussion includes forward-looking statements, as that term is defined in the federal securities laws, based upon current expectations that involve risks and uncertainties, such as plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors. Words such as "anticipate," "estimate," "plan," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could," and similar expressions are used to identify forward-looking statements.*

*We caution you that these statements are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control, which may influence the accuracy of the statements and the projections upon which the statements are based. Factors that may affect our results include, but are not limited to, the risk factors in Item 2.01 in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on July 1, 2013. Any one or more of these uncertainties, risks and other influences could materially affect our results of operations and whether forward-looking statements made by us ultimately prove to be accurate. Our actual results, performance and achievements could differ materially from those expressed or implied in these forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether from new information, future events or otherwise.*

We are a company engaging in the manufacturing and distribution of ready to blend beverages, particularly, smoothies, shakes and frappes. We hold the technology, and a Canadian patent and a United States patent pending for a sealed pack of ingredients for an individual smoothie. We have generated limited revenue to date. We have been developing flavor profiles of our smoothies that we believe will be appealing to tastes in the United States. We have been in discussions with a number of companies including both large and small quick service restaurant ("QSR") chains and national food services companies that serve alternative venues such as stadiums, arenas and universities with national footprints in the United States and have reached preliminary agreements with three potential customers to begin testing in the near future. We are in ongoing negotiations with a number of other companies. In addition, as a result of having our website up and running we have received a significant number of new inquires about our products.

In January 2012, we entered into an Exchange Agreement pursuant to which we acquired all of the outstanding capital stock of Barfresh Inc. ("Barfresh") from the Barfresh shareholders in exchange for the issuance of 37,333,328 shares of our common stock to the Barfresh Shareholders. As a result of the "Share Exchange", Barfresh became our wholly owned subsidiary and Riccardo Delle Coste and Steven Lang, through the entities that they controlled, became our principal stockholders. The Share Exchange was accounted for as a recapitalization effected by a share exchange, wherein Barfresh is considered the acquirer for accounting and financial reporting purposes. The assets and liabilities

of Barfresh have been brought forward at their book value and no goodwill has been recognized. The financial position, results of operations, and cash flows of the accounting acquirer for all periods presented are as if the recapitalization had occurred at the beginning of the earliest period presented and the operations of the accounting acquiree from the date of stock exchange transaction.

In addition, we entered into an Agreement of Sale with a former officer, director and principal shareholder of the Company, pursuant to which we sold to him all of our equity interest in Moving Box Entertainment LLC, a subsidiary of ours, in exchange for a total of 18,000,000 shares of our common stock held by him. The shares of common stock acquired from him in the transaction were cancelled following the Share Exchange.

To date, we have funded our operations through the sale of our common stock, issuance of convertible debt, and advances from a related party. In January 2012, we completed an offering of units consisting of an aggregate of (i) 1,333,332 shares of our common stock and (ii) warrants to purchase 1,333,332 shares of common stock which have a five-year term and an initial per share exercise price of \$1.50. The price per unit was \$0.75 for an aggregate purchase price of \$999,998.

In August 2012, we closed an offering of \$440,000 of convertible notes, \$50,000 of which was purchased by a significant shareholder of ours. The notes bear interest at a rate of 12% per annum and are due and payable on September 6, 2013. In addition the notes are convertible at any time after the original issue date until the note is no longer outstanding, into our \$0.000001 par value common stock at a conversion price of \$0.372 per share. We also issued 956,519 warrants to the note holders for the right to purchase shares of our common stock. Each warrant entitles the holder to purchase one share of our \$0.000001, par value common stock, a price of \$0.46 per share.

During December 2012 through June 30, 2013 we sold (i) 3,200,000 shares of our common stock and (ii) warrants to purchase 1,600,000 shares of common stock which have a three-year term and an initial per share exercise price of \$0.50. The price per unit was \$0.25 for an aggregate purchase price of \$800,000. We incurred cost of the offering of \$17,500, for net proceeds of \$785,000. The offering has been closed.

During December 2012 we received a cash advance from a relative of an officer of the Company in the amount of \$30,272. The advance bears no interest and will be repaid as soon as cash flow permits.

Subsequent to June 30, 2013, we sold common stock units at a price of \$0.25 per unit pursuant to a new offering. Each unit consists of one share of common stock, a three year warrant to purchase one share of our common stock at an exercise price of \$0.25 per share (which can be exercised on a cashless basis), and a five year warrant to purchase one-half (1/2) share of our common stock at an exercise price of \$0.50 per share (on a cash basis) (“Unit” or “Units”). Subsequent to June 30, 2013, we sold 7,626,000 units representing 7,626,000 shares and warrants to purchase 11,439,000 shares for total consideration of \$1,906,500. We estimate that the expenses related to the offering will be approximately \$250,000.

## **Plan of Operations**

Our plan is to utilize contract manufacturers to manufacture our products in the United States. Ice cream manufacturers are best suited for our products. Our first production line has been installed and commissioned in Salt Lake City and is currently producing products being sold to our customers as well as new product development for new large customers.

Although we do not have a contract with any suppliers for the raw materials needed to manufacture smoothie packs we believe that there are a significant number of sources available and we do not anticipate becoming dependent on any one supplier. As demand for our range of products grows, we will look to contract a level of our raw material requirements to ensure continuity of supply.

We currently have two employees selling our product. The process of obtaining orders from potential customers will likely follow the following process:

Meeting with and introducing products to customer

Developing flavor profiles for the specific customer

Participate in test marketing of the product with the flavors developed for the customer

Agree to a roll out schedule for the customer.

Although we have agreements with potential customers, representing approximately 10,000 outlets, to develop flavors and test our products and have begun to develop flavor profiles for others, we have no assurance that we will supply any chain with our products. During the three months ended June 30, 2013 we begin shipping our products to one of the customers we have contracts with and to a number of smaller customers.

In addition to the large retail fast food and fast casual chains, we will sell to food distributors that supply products to the food services market place.



There can be no assurance that we will not become dependent on one or a few major customers.

### **Critical accounting Policies**

Our financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”), which contemplates our continuation as a going concern. We have incurred losses to date of \$2,960,343. In addition, our current liabilities exceed our current assets by \$691,537. To date we have funded our operations through advances from a related party, issuance of convertible debt, and the sale of our Common Stock. We intend to raise additional funding through third party equity or debt financing. There is no certainty that funding will be available as needed. These factors raise substantial doubt about our ability to continue operating as a going concern. Our ability to continue our operations as a going concern, realize the carrying value of our assets, and discharge our liabilities in the normal course of business is dependent upon our ability to raise capital sufficient to fund our commitments and ongoing losses, and ultimately generate profitable operations.

We were in the development stage from December 4, 2009 through March 31, 2013. Our fiscal year ending March 31, 2014 is the first year during which we are considered an operating company and no longer in the development stage

#### *Intangible Assets*

Intangible assets are comprised of patents, net of amortization. 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, legal fees and similar costs relating to patents have been capitalized.

#### *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

Equipment: 7 years

Leasehold improvements: 2 years

### *Revenue Recognition*

We recognize revenue when there is persuasive evidence of an arrangement, delivery has occurred or services have been rendered, the sales price is determinable, and collection is reasonably assured.

### *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.

### *Research and Development*

Expenditures for research activities relating to product development and improvement are charged to expense as incurred. We incurred \$3,907 in research and development expenses for the three months ended June 30, 2013. We had no research and development expenses in for the three months ended June 30, 2012.

### *Rent Expense*

We recognize rent expense on a straight-line basis over the reasonably assured lease term as defined in ASC Topic 840, *Leases* ("ASC 840"). In addition, our lease agreement provides for rental payments commencing at a date other than the date of initial occupancy. We include the rent holidays in determination of straight-line rent expense. Therefore, rent expense is charged to expense beginning with the occupancy date. Deferred rent was \$4,266 at June 30, 2013 and will be charged to rent expense over the life of the lease.

## Results of Operations

### *Results of Operation for Three Month Periods Ended June 30, 2013 As Compared to the Three Month Periods Ended June 30, 2012*

**(References to 2013 and 2012 are to the three month periods ended June 30, 2013 and 2012 respectively, unless otherwise specified.)**

#### *Revenue*

During 2013 we began shipping products to our customers. Revenue for 2013 was \$16,325. There was no revenue in 2012.

Cost of revenue for 2013 was \$10,274. Our gross profit was \$6,051 which is 37.1%.

#### *Operating expenses*

Our operations during 2012 had been limited to developing flavor profiles of our product, setting up a manufacturing facility, producing products, setting up a sales force and negotiating agreements. Our operations in 2013 are more indicative of our no longer being a development stage company.

We had net losses of \$513,633 and \$280,244 for 2013 and 2012, respectively.

All of our general and administrative expenses increased significantly as we grew the business and is not necessarily indicative of the rate of future growth.

The following is a breakdown of our general and administrative expenses for the three month periods ended June 30, 2013 and 2012:

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|                               | 2013      | 2012      | Difference |
|-------------------------------|-----------|-----------|------------|
| Personnel costs               | \$230,384 | \$-       | \$230,384  |
| Consulting fees               | 114,095   | 198,761   | (84,666 )  |
| Investor and public relations | 46,004    | 1,343     | 44,661     |
| Legal and professional fees   | 38,164    | 34,662    | 3,502      |
| Travel                        | 37,761    | 19,949    | 17,812     |
| Rent                          | 18,140    | -         | 18,140     |
| Research and development      | 3,907     | -         | 3,907      |
| Equity based payments         | (103,488) | 1,962     | (105,450)  |
| Other expenses                | 39,939    | 23,022    | 16,917     |
|                               | \$424,906 | \$279,699 | \$145,207  |

Personnel cost represent the cost of employees. As of June 30, 2013 we had 5 employees, two of which were previously consultants. There were no employees during 2012.

Consulting fees decreased by \$84,666 (42.6%) from \$198,761 in 2012 to \$114,095 in 2013. During 2013 and 2012, we had from two to three consultants providing services to us. As of June 30, 2013 we have only 1 consultant providing sales consulting services. Of the amounts included in consulting fees, \$91,842 and \$72,002, represents noncash expenses in 2013 and 2012, respectively.

Investor and public relation expenses increased \$44,661 from \$1,343 in 2012 to \$144,095 in 2013. The increase was primarily from engaging two firms to assist us with our investor and public relations needs. We anticipate continuing the use of outside source in the future.

Legal and professional fees increased by \$3,502 (10.1%) from \$34,662 in 2012 to \$38,164 in 2013. Legal and professional fees relate to Securities and Exchange Commission (“SEC”) compliance, financing legal expenses, and contract negotiation regarding consultants and manufacturing.

Travel expenses increased by \$17,812 (89.3%) from \$19,949 in 2012 to \$37,761 in 2013. Travel expenses are being incurred primarily related to selling expenses.

Rent expense is primarily for our location in Beverly Hills, California. Our rent expense is approximately \$6,700 per month. The lease on the office commenced in October 2012.

Research and development expenses increased by \$3,097. There were no research and development expenditures in 2012. Research and development represent the cost of developing flavor profiles of our products and the development of future equipment. We anticipate cost continuing in future periods the amounts of which cannot be estimated at this point in time.

Certain previously granted restricted stock rights and stock options were subject to performance conditions. As a result of the employee termination the performance conditions will not be met. In accordance with ASC Topic 718, *Compensation – Stock Compensation* (“ASC 718”), previously recognized unvested equity based compensation cost of \$103,488, have been reversed during the three month period ended June 30, 2013.

Other expenses consist of ordinary operating expenses such as office, telephone, insurance, and stock related costs. These costs have increased as our business has grown. We anticipate additional increases in these expenses.

### **Liquidity and Capital Resources**

As of June 30, 2013 we had negative working capital of \$691,537. During the three months ended June 30, 2013 we used cash of \$448,542 in operations, \$18,354 for investment in equipment, and we received \$400,000 for the sale of (i) 1,600,000 shares common stock and (ii) warrants to purchase 800,000 shares of common stock which have a

three-year term and an initial per share exercise price of \$0.50.

Subsequent to June 30, 2013, we sold common stock units at a price of \$0.25 per unit pursuant to a new offering. Each unit consists of one share of common stock, a three year warrant to purchase one share of our common stock at an exercise price of \$0.25 per share (which can be exercised on a cashless basis), and a five year warrant to purchase one-half (1/2) share of our common stock at an exercise price of \$0.50 per share (on a cash basis) (“Unit” or “Units”). We sold 7,626,000 units representing 7,626,000 shares and warrants to purchase 11,439,000 shares for total consideration of \$1,906,500. We estimate that the expenses related to the offering will be approximately \$250,000.

Our operations to date have been financed by the sale of securities and by the issuance of convertible debt. We believe that the proceeds of the offering subsequent to June 30, 2013 should be sufficient to fund our operations for the foreseeable future. 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 capital or debt. There are no assurances that we will be able to generate the necessary capital or debt to carry out our current plan of operations.

The aggregate minimum requirements under non-cancelable leases as of June 20, 2013 are as follows:

| Fiscal Years ending March 31, |          |
|-------------------------------|----------|
| 2014                          | 59,989   |
| 2015                          | 39,993   |
|                               | \$99,982 |

### **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.

### **Outlook**

Other than as disclosed above, we do not know of any trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, our liquidity increasing or decreasing in any material way.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Not required because we are a smaller reporting company.

### **Item 4. Controls and Procedures.**

#### **Evaluation of Disclosure Controls and Procedures**

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (“Exchange Act”), the Company carried out an evaluation, with the participation of the Company’s management, including the Company’s Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) (the Company’s principal financial and accounting officer), of the effectiveness of the Company’s disclosure controls and procedures (as defined under Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the Company’s CEO and CFO concluded that the Company’s disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to the Company’s management, including the Company’s CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

**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 Rules 13a-15(f) and 15d-15(f) under the Exchange Act, for the Company.

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

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.

The matters involving internal control over financial reporting that our management considered to be material weaknesses was a lack of segregation of duties as we have an inadequate number of personnel to properly implement control procedures.

Management believes that the material weakness set forth above did not have an effect on our financial results.



In an effort to remediate the identified material weakness and enhance our internal controls over financial reporting, we plan to engage additional accounting personnel to ensure that we are able to properly implement internal control procedures at such time as funds are available.

**Changes in Internal Control over Financial Reporting**

No change in our system of internal control over financial reporting occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II—OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

The nature of our business exposes us to the potential for legal proceedings related to labor and employment, personal injury, property damage, and environmental matters. Although the ultimate outcome of any legal matter cannot be predicted with certainty, based on present information, including our assessment of the merits of each particular claim, as well as our current reserves and insurance coverage, we do not expect that any known legal proceeding will in the foreseeable future have a material adverse impact on our financial condition or the results of our operations.

### **Item 1A. Risk Factors.**

Not required because we are a smaller reporting company.

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

During the three months ended June 30, 2013 we received \$400,000 for the sale of (i) 1,600,000 shares common stock and (ii) warrants to purchase 800,000 shares of common stock which have a three-year term and an initial per share exercise price of \$0.50.

No underwriter was used in this transaction. The Company relied upon the exemption from registration contained in Section 4(2) of the Securities Act, as the investors were deemed to be sophisticated with respect to the investment in the securities due to their financial condition.

### **Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

| <b>Exhibit No.</b> | <b>Description</b>  |
|--------------------|---|
| 31.1               | Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002                 |
| 31.2               | Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002                  |
| 32.1**             | Certification of Principal Executive Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2**             | Certification of Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |

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101.INS\* XBRL Instance Document  
101.SCH\* XBRL Taxonomy Extension Schema Document  
101.CAL\* XBRL Taxonomy Extension Calculation Linkbase Document  
101.DEF\* XBRL Taxonomy Extension Definition Linkbase Document  
101.LAB\* XBRL Taxonomy Extension Label Linkbase Document  
101.PRE\* XBRL Taxonomy Extension Presentation Linkbase Document

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.

\*\* In accordance with SEC Release 33-8238, Exhibits 32.1 and 32.2 are furnished and not filed.

**SIGNATURES**

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

**BARFRESH FOOD GROUP INC.**

Date: August 13, 2013 By: /s/ Riccardo Delle Coste  
Riccardo Delle Coste

Chief Executive Officer

(Duly Authorized Officer and Principal Executive Officer)

Date: August 13, 2013 By: /s/ Arnold Tinter  
Arnold Tinter  
Chief Financial Officer

(Duly Authorized Officer and Principal Financial Officer)