INNOVATIVE FOOD HOLDINGS INC
Form 10QSB/A
July 31, 2008

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

FORM 10-QSB/A

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

For the quarterly period ended September 30, 2006

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

Commission File Number: 0-9376

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

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

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

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

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

YES x NO o

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

YES o NO x

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

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

Transitional Small Business Disclosure Format:

YES o   NO x

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EXPLANATORY NOTE

This amendment is being filed to correct the dilutive effective of securities on the statements of operations, net loss to per share and the weighted average of shares outstanding .

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PART I - FINANCIAL INFORMATION

Innovative Food Holdings, Inc.
Condensed Consolidated Balance Sheets
(unaudited)

	September 30, 2006	2005	2004
ASSETS			
Current assets			
Cash and cash equivalents	$ 12,695	$ 17,663	$ 24,423
Accounts receivable, net of allowance	249,015	302,476	148,140
Interest receivable	7,147	1,184	-
Loan receivable, net of allowance	285,000	75,000	-
Prepaid expenses	-	45,278	-
Other current assets	31,351	-	-
Total current assets	585,208	441,601	172,563
Property and equipment, net of accumulated depreciation	107,091	71,489	163,510
Total assets	$ 692,299	$ 513,090	$ 336,073
LIABILITIES AND STOCKHOLDERS' DEFICIENCY			
Current liabilities			
Accounts payable and accrued liabilities	$ 708,840	$ 443,222	$ 594,798
Amount due under bank credit line	24,255	15,154	24,400
Accrued interest, net of discount	137,503	15,260	28,195
Accrued interest - related parties, net of discount	94,975	29,352	4,520
Notes payable - current portion	934,443	585,000	-
Notes payable - related parties, current portion	375,000	275,000	-
Warrant liability	1,374,197	10,374,536	-
Conversion option liability	1,461,180	12,453,662	-
Penalty for late registration of shares	583,040	880,000	-
Total current liabilities	5,693,433	25,071,186	651,913
Notes payable	17,763	219,000	365,000
Notes payable - related parties	-	175,000	98,000
Total liabilities	5,711,196	25,465,186	1,114,913
Stockholder's deficiency			
Common stock, $0.0001 par value; 500,000,000 shares authorized;			

151,310,796, 103,742,037 and 65,052,037 at September 30, 2006,						
2005, and 2004, respectively		15,130		10,374		6,506
Additional paid-in capital		391,437		-		4,385,318
Accumulated deficit		(5,425,464)		(24,962,470)		(5,170,664)
Total stockholder's deficiency		(5,018,897)		(24,952,096)		(778,840)
Total liabilities and stockholders' deficiency	$	692,299	$	513,090	$	336,073

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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

	For the Three Months Ended September 30,			For the Nine months Ended September 30,		
	2006	2005	2004	2006	2005	2004
Revenue	$ 1,564,653	$ 1,303,593	$ 1,171,484	$ 5,044,098	$ 3,799,332	$ 3,237,454
Cost of goods sold	1,167,832	1,002,958	918,392	3,838,060	2,964,413	2,742,653
	396,821	300,635	253,092	1,206,038	834,919	494,801
Selling, general and administrative expenses	484,171	516,051	503,191	1,520,810	1,304,466	4,032,703
Total operating expenses	484,171	516,051	503,191	1,520,810	1,304,466	4,032,703
Operating loss	(87,350)	(215,416)	(250,099)	(314,772)	(469,547)	(3,537,902)
Other (income) expense:						
Interest (income) expense	107,360	253,168	91,113	266,007	694,353	398,375
Cost of penalty for late registration of shares	362,960	1,040,000	-	1,584,912	1,507,200	-
Change in fair value of warrant liability	(5,203,035)	-	-	(4,670,200)	-	-
Change in fair value of conversion option liability	(6,009,676)	-	-	(5,642,095)	-	-
Change in value of penalty for late registration of shares	(1,934,800)	(697,600)	-	(1,928,592)	(627,200)	-
Total other (income) expense	(12,677,191)	595,568	91,113	(10,389,968)	1,574,353	398,375
Income (Loss) before income	12,589,841	(810,984)	(341,212)	10,075,196	(2,043,900)	(3,936,277)

taxes												
Income tax expense		-		-		-		-		-		-
Net Income (loss)	$	12,589,841	$	(810,984)	$	(341,212)	$	10,075,196	$	(2,043,900)	$	(3,936,277)
Earnings (loss) per share - basic	$	0.09	$	(0.01)	$	(0.02)	$	0.08	$	(0.03)	$	(0.14)
Earnings (loss) per share - diluted	$	0.03	$	(0.01)	$	(0.02)	$	0.02	$	(0.03)	$	(0.14)
Weighted average shares outstanding - basic		136,912,804		87,659,428		17,994,416		120,338,009		81,506,689		28,825,062
Weighted average shares outstanding - diluted		495,501,354		87,659,428		17,994,416		478,926,559		81,506,689		28,825,062

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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

	For the Nine Months Ended September 30, 2006	2005	2004
Cash flows from operating activities:			
Net income (loss)	$ 10,075,196	$ (2,043,900)	$ (3,936,277)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation	39,835	44,372	48,487
Value of warrants issued	10,750	-	-
Vale of options issued to officer	-	-	135,673
Stock issued for services	-	45,400	2,420,000
Stock issued for employee bonus	-	-	-
Stock issued as bonuses to employees and board members	49,901	-	-
Reserve for bad debt	-	75,000	-
Amortization of discount and interest expense on notes payable	-	595,000	388,000
Amortization of discount on convertible interest	-	-	-
Cost of penalty for late registration	1,584,912	1,507,200	-
Change in fair value of warrant liability	(4,652,805)	-	-
Change in fair value of conversion option liability	(5,642,095)	-	-
(gain) loss from marking to market-penalty	(1,928,592)	(627,200)	-
Changes in assets and liabilities:			
Accounts receivable, net	190,095	23,022	116,876
Interest receivable	-	(1,184)	-
Prepaid expenses	(29,844)	(45,278)	-
Other current liability	-	-	-
Accounts payable and accrued expenses	371,584	(73,374)	158,817
Net cash provided by (used in) operating activities	68,937	(500,942)	(668,424)
Cash flows from investing activities:			
Loan to Pasta Italiana	(190,000)	(150,000)	-
Acquisition of property and equipment	(26,445)	(12,040)	(134,772)
Net cash used in investing activities	(216,445)	(162,040)	(134,772)
Cash flows from financing activities:			
Proceeds from issuance of long-term-debt	160,000	595,000	463,000
Payments on bank credit line	-	(9,366)	-
Cash from bank credit line	-	-	262
Principal payments on notes payable	(10,000)	-	-
Proceeds from sale of common stock	-	67,000	320,225
Net cash provided by financing activities	150,000	652,634	783,487
Increase in cash and cash equivalents	2,492	(10,348)	(19,709)
Cash and cash equivalents at beginning of period	10,203	28,011	44,132

Cash and cash equivalents at end of period	$	12,695	$	17,663	$	24,423
Supplemental disclosure of cash flow information:						
Cash paid during the period for:						
Interest	$	-	$	-	$	-
Taxes	$	-	$	-	$	-

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

	For the Nine MonthsEnded September 30, 2006	For the Nine MonthsEnded September 30, 2005	For the Nine Months Ended September 30, 2004
Stock issued for services	$ 85,901	$ 45,400	$ 2,420,000
Notes payable issued for acquisition of computer equipment	$ 25,385	$ -	$ -
Common stock issued for conversion of notes payable	$ -	$ 44,000	$ 788,176
Common stock issued for conversion of liability	$ -	$ -	$ 339,750
Value of warrants issued	$ 10,750	$ -	$ -
Common stock issued during recapitalization	$ -	$ -	$ 2,500
Common stock issued as penalty for late registration	$ -	$ 537,600	$ -
Common stock issued in share exchange to acquire subsidiary	$ -	$ -	$ 125,000
Charge to equity for change to liability method for value of beneficial conversion feature of notes payable	$ -	$ 12,453,662	$ -
Charge to equity for change to liability method of warrant valuation	$ -	$ 10,374,536	$ -
Value of warrants and options issued as compensation	$ 10,750	$ -	$ -
Value of shares issued as penalty for late registration	$ 1,584,912	$ -	$ -
Revaluation of conversion option liability	$ (5,642,095)	$ -	$ -
Revaluation of liability for warrants	$ (4,652,805)	$ -	$ -
Revaluation of penalty for late registration of shares	$ (1,928,592)	$ -	$ -

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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INNOVATIVE FOOD HOLDINGS, INC
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2006, 2005, AND 2004
(Unaudited)

1. BASIS OF PRESENTATION AND NATURE OF BUSINESS OPERATIONS

Basis of Presentation

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

Acquisition and Corporate Restructure

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

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

2. NATURE OF ACTIVITED AND SIGNIFICANT ACCOUNTING POLICIES

Business Activity

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

Interim Financial Information

The accompanying unaudited interim financial statements have been prepared by the Company, in accordance with generally accepted accounting principles pursuant to Regulation S-B of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in audited financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. Accordingly, these interim financial statements should be read in conjunction with the Company’s financial statements and related notes as contained in form 10-KSB for the year ended December 31, 2006. In the opinion of management, the interim financial statements reflect all adjustments, including normal recurring adjustments, necessary for fair presentation of the interim periods presented. The results of the operations for the three and six months ended June 30, 2006 are not necessarily indicative of the results of operations to be expected for the full year.

Reclassification

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

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Going Concern

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. However, the Company has reported a net income (loss) of $12,589,741, $(810,984) and $(341,212) for the three months ended September 20, 2006, 2005, and 2004, respectively; and $10,075,196, $(2,043,900) and $(3,936,277) for the nine months ended September 30, 2006, 2005 and 2004, respectively; and $(7,417,910) for the year ended December 31, 2005. The Company also had an accumulated deficit of $5,425,464 and a working capital deficiency of $5,108,225 as of September 30, 2006.

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

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

Revenue Recognition

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

For revenue from product sales, the Company recognizes revenue in accordance with Staff Accounting Bulletin ("SAB") No. 104, "Revenue Recognition," which superseded SAB No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the selling price is fixed and determinable; and (4) collectibility is reasonably assured. Determination of criteria (3) and (4) are based on management's judgments regarding the fixed nature of the selling prices of the products delivered and the collectibility of those amounts. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded. The Company defers any revenue for which the product has not been delivered or is subject to refund until such time that the Company and the customer jointly determine that the product has been delivered or no refund will be required. SAB No. 104 incorporates Emerging Issues Task Force ("EITF") No. 00-21, "Multiple-Deliverable Revenue Arrangements." EITF No. 00-21 addresses accounting for arrangements that may involve the delivery or performance of multiple products, services and/or rights to use assets. The effect of implementing EITF No. 00-21 on the Company's consolidated financial position and results of operations was not significant. This issue addresses determination of whether an arrangement involving more than one deliverable contains more than one unit of accounting and how the arrangement consideration should be measured and allocated to the separate units of accounting. EITF No. 00-21 became effective for revenue arrangements entered into in periods beginning after June 15, 2003. For revenue arrangements occurring on or after August 1, 2003, the Company revised its revenue recognition.

Income Taxes

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

Disclosures about Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, which include accounts receivable and accounts payable, approximate fair value at September 30, 2006.

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Inventories

The Company does not currently maintain any material amount of inventory.

Stock-Based Compensation

On January 1, 2006 the company adopted Statement of Financial Accounting Standards No. 123 (revised 2004) "Share-Based Payment" ("SFAS 123 (R), which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including employee stock options and employee stock purchases related to a Employee Stock Purchase Plan based on the estimated fair values. SFAS 123 (R) supersedes the company's previous accounting under Accounting Principles Board Opinion No.25, "Accounting for Stock Issued to Employees" for the periods beginning fiscal 2006.

The company adopted SFAS 123(R) using the modified prospective transition method, which required the application of the accounting standard as of January 1, 2006. The company's Consolidated Financial Statements as of and for twelve months Ended June 30, 2006 reflect the impact of SFAS 123(R). In accordance with the modified prospective transition method, the company's Consolidated Financial Statements for the prior periods have not been restated to reflect, and do not include the impact of SFAS 123 (R). Stock based compensation expense recognized under SFAS 123(R) for the three months ended September 30, 2006 was $0. Pro forma stock based compensation was $0 for the three months ended September 30, 2006.

Stock-based compensation expense recognized during the period is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period.

A summary of option activity as of September 30, 2006, 2005, and 2004, and changes during the periods then ended are presented below:

	Number of Shares		Weighted Average Exercise Price
Options exercisable at December 31, 2003	-		-
Granted	500,000	$	0.50
Exercised	-		
Cancelled / Expired	-		-
Options outstanding at 12.31.04	500,000	$	0.50
Exercisable	-	$	-
Not exercisable	500,000	$	0.50
Granted	-		-
Exercised	-		-

Cancelled / Expired	-		-
Options outstanding at 03.31.05	500,000	$	0.50
Exercisable	-	$	-
Not exercisable	500,000	$	0.50
Granted	-		-
Exercised	-		-
Cancelled / Expired	-		-

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	Number of Shares		Weighted Average Exercise Price
Options outstanding at 06.30.05	500,000	$	0.50
Exercisable	100,000	$	0.50
Not exercisable	400,000	$	0.50
Granted	-		-
Exercised	-		-
Cancelled / Expired	-		-
Options outstanding at 09.30.05	500,000	$	0.50
Exercisable	100,000	$	0.50
Not exercisable	400,000	$	0.50
Granted	-		-
Exercised	-		-
Cancelled / Expired	-		-
Options outstanding at 12.31.05	500,000	$	0.50
Exercisable	100,000	$	0.50
Not exercisable	400,000	$	0.50
Granted	-		0.005
Exercised	-		-
Cancelled / Expired	-		-
Options outstanding at 03.31.06	500,000	$	0.500
Exercisable	100,000	$	0.500
Not exercisable	400,000	$	0.500
Granted	-		-
Exercised	-		-
Cancelled / Expired	-		-
Options outstanding at 06.30.06	500,000	$	0.500
Exercisable	200,000	$	0.500
Not exercisable	300,000	$	0.500
Granted	-		-
Exercised	-		-
Cancelled / Expired	-		-
Options outstanding at 09.30.06	500,000	$	0.500
Exercisable	200,000	$	0.500
Not exercisable	300,000	$	0.500

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INNOVATIVE FOOD HOLDINGS, INC
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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Aggregate intrinsic value of options outstanding and options exercisable at September 30, 2006, 2005, and 2004 was $0. Aggregate intrinsic value represents the difference between the company's closing stock price on the last trading day of the fiscal period, which was $0.01, $0.06, and $0.04 (post-reverse split)as of September 30, 2006, 2005, and 2004, respectively, and the exercise price multiplied by the number of options outstanding. As of September 30, 2006, 2005, and 2004, total unrecognized stock-based compensation expense related to non-vested stock options was $0. The total fair value of options vested was $0 for the three-month periods ended September 30, 2006, 2005, and 2004.

Earnings (Loss) per Common Share

The Company computes earnings per share under SFAS 128. Net loss per common share is computed by dividing net loss by the weighted average number of shares of common stock and dilutive common stock equivalents outstanding during the year. Dilutive common stock equivalents consist of shares issuable upon conversion of convertible notes and the exercise of the Company's stock options and warrants (calculated using the treasury stock method).

Management Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comprehensive Income

The Company has no items of other comprehensive income (loss) for the periods ended September 30, 2006, 2005, and 2004.

3. PER SHARE INFORMATION

The Company computes earnings per share under Financial Accounting Standard No.128, "Earnings Per Share" (SFAS 128). Net loss per common share is computed by dividing net loss by the weighted average number of shares of common stock and dilutive common stock equivalents outstanding during the year. Dilutive common stock equivalents consist of shares issuable upon conversion of convertible notes and the exercise of the Company's stock options and warrants (calculated using the treasury stock method).

4. ACCOUNTS RECEIVABLE

At September 30, 2006, 2005, and 2004 accounts receivable consists of:

	2006	2005	2004
Accounts receivable from customers	$ 249,015	$ 367,476	$ 148,140
Allowance for doubtful accounts	(0)	(65,000)	(0)
Accounts receivable, net	$ 249,015	$ 302,476	$ 148,140

5. LOAN RECEIVABLE

The balance of loan receivable consisted of a loan to Pasta Italiana, Inc. in the amount of $360,000 and $150,000 as of September 30, 2006 and 2005, respectively. This note bears interest in the amount of 8% per annum. This note matured on August 24, 2006. At September 30, 2006 and 2005, the Company has reserved $75,000 of the loan receivable. The Company stopped accruing interest income on this note at December 31, 2005. At September 30, 2006 and 2005, interest receivable is $7,147 and $1,184, respectively.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED
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(Unaudited)

6. PROPERTY AND EQUIPMENT

A summary of property and equipment at September 30, 2006, 2005, and 2004 is as follows:

	2006	2005	2004
Computer equipment	$ 214,507	$ 150,574	$ 197,635
Furniture and fixtures	82,213	63,315	61,275
	296,720	213,889	258,910
Less accumulated depreciation and amortization	(189,629)	(142,400)	(95,400)