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

FORM 10-K

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended June 30, 2019

☐ **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 001-31668

INTEGRATED BIOPHARMA, INC.
(Exact name of registrant as specified in its charter)

Delaware	22-2407475
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
225 Long Ave., Hillside, New Jersey	07205
(Address of principal executive offices)	*(Zip code)*

Registrant's telephone number: (888) 319-6962

Securities registered under Section 12(b) of the Exchange Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
None	N/A	None

Securities registered under Section 12(g) of the Exchange Act: Common Stock, $.002 par value per share

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "accelerated filer," "large 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	X	Emerging Growth Company		Smaller reporting company	X

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

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant based on the trading price of the Registrant's Common Stock on December 31, 2018 was $1,369,044.

The number of shares outstanding of each of the Registrant's classes of common equity, as of the latest practicable date:

Class	*Outstanding at August 29, 2019*
Common Stock, $.002 par value	29,565,943 Shares

DOCUMENTS INCORPORATED BY REFERENCE

The information required by part III will be incorporated by reference from certain portions of a definitive Proxy Statement which is expected to be filed by the Registrant within 120 days after the close of its fiscal year.

INTEGRATED BIOPHARMA, INC. AND SUBSIDIARIES

FORM 10-K ANNUAL REPORT

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report on Form 10-K may constitute forward-looking statements as defined in Section 27A of the Securities Act of 1933 (the "Securities Act"), Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"), the Private Securities Litigation Reform Act of 1995 (the "PSLRA") or in releases made by the Securities and Exchange Commission ("SEC"), all as may be amended from time to time. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of Integrated BioPharma, Inc. and its subsidiaries (collectively, the "Company") or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, changes in general economic and business conditions; loss of market share through competition; introduction of competing products by other companies; the timing of regulatory approval and the introduction of new products by the Company; changes in industry capacity; pressure on prices from competition or from purchasers of the Company's products; regulatory changes in the pharmaceutical manufacturing industry and nutraceutical industry; regulatory obstacles to the introduction of new technologies or products that are important to the Company; availability of qualified personnel; the loss of any significant customers or suppliers; and other factors both referenced and not referenced in this Annual Report. Statements that are not historical fact are forward-looking statements. Forward looking-statements can be identified by, among other things, the use of forward-looking language, such as the words "plan", "believe", "expect", "anticipate", "intend", "estimate", "project", "may", "will", "would", "could", "should", "seeks", or "scheduled to", or other similar words, or the negative of these terms or other variations of these terms or comparable language, or by discussion of strategy or intentions. These cautionary statements are being made pursuant to the Securities Act, the Exchange Act and the PSLRA with the intention of obtaining the benefits of the "safe harbor" provisions of such laws. The Company cautions investors that any forward-looking statements made by the Company are not guarantees or indicative of future performance. Important assumptions and other important factors that could cause actual results to differ materially from those forward-looking statements with respect to the Company include, but are not limited to, the risks and uncertainties affecting their businesses described in Item 1A of this Annual Report on Form 10-K and in other securities filings by the Company.

Although the Company believes that its plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, actual results could differ materially from a projection or assumption in any of its forward-looking statements. The Company's future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. The forward-looking statements contained in this Annual Report on Form 10-K are made only as of the date hereof and the Company does not have or undertake any obligation to update or revise any forward-looking statements whether as a result of new information, subsequent events or otherwise, unless otherwise required by law.

PART I

Item 1. Description of Business

General

Integrated BioPharma, Inc., a Delaware corporation (together with its subsidiaries, the "Company"), is engaged primarily in manufacturing, distributing, marketing and sales of vitamins, nutritional supplements and herbal products. The Company's customers are located primarily in the United States, Luxembourg and Canada. The Company was previously known as Integrated Health Technologies, Inc. and, prior to that, as Chem International, Inc. The Company was reincorporated in its current form in Delaware in 1995. The Company continues to do business as Chem International, Inc. with certain of its customers and certain vendors.

The Company's business segments include: (a) Contract Manufacturing operated by Manhattan Drug Company, Inc. ("MDC"), which manufactures vitamins and nutritional supplements for sale to distributors, multilevel marketers and specialized health-care providers; (b) Branded Proprietary Products operated by AgroLabs, Inc. ("AgroLabs"), which distributes healthful nutritional products for sale through major mass market, grocery and drug and vitamin retailers under the following brands: Peaceful Sleep, Green Envy, Wheatgrass and other products which are being introduced into the market (these are referred to as our branded proprietary nutraceutical business and/or products); and (c) Other Nutraceutical Businesses which includes the operations of (i) The Vitamin Factory (the "Vitamin Factory"), which sells private label MDC products, as well as our AgroLabs products, through the Internet, (ii) IHT Health Products, Inc. ("IHT") a distributor of fine natural botanicals, including multi minerals produced under a license agreement, (iii) MDC Warehousing and Distribution, Inc., a service provider for warehousing and fulfilment services and (iv) Chem International, Inc., a distributor of certain raw materials for DSM Nutritional Products LLC.

Significant Revenues from Major Customers

For each of the fiscal years ended June 30, 2019 and 2018 a significant portion of our consolidated net sales, approximately 91%, were concentrated among two customers, Life Extension Quality Supplements and Vitamins, Inc. ("Life Extension") and Herbalife Nutrition LTD ("Herbalife"), both customers in our Contract Manufacturing Segment. Life Extension and Herbalife represented approximately 69% and 26%, respectively, of our Contract Manufacturing Segment's net sales in each of the fiscal years ended June 30, 2019 and 2018. Innophos and Nature's Own Nutrition, a UK-based company, (customers of our Other Nutraceutical Businesses), while not significant customers of our consolidated net sales, represented approximately 15% and 10% and 12% and 5% respectively, of the Other Nutraceutical Businesses net sales in the fiscal years ended June 30, 2019 and 2018, respectively. The loss of any of these customers could have a significant adverse impact on our financial condition and results of operations.

Raw Materials

The principal raw materials used in the manufacturing process in the Company's business are natural and synthetic vitamins, minerals, herbs, related nutritional supplements, vegetable and gelatin capsules, coating materials, organic and natural fruit extracts, fruit juices and the necessary components for packaging the finished products. The raw materials are available from numerous sources within the United States and abroad. The vegetable and gelatin capsules, coating materials and packaging materials are similarly widely available. The Company generally purchases its raw materials, on a purchase order basis, without long-term commitments in each of its operating segments.

Development and Supply Agreement

Effective July 15, 2009, the Company entered into development and supply agreements with Herbalife International of America, Inc. and Herbalife International of Luxembourg S.à.R.L, subsidiaries of Herbalife, pursuant to which the Company develops, manufactures and supplies certain nutritional products to Herbalife. This agreement was amended on May 14, 2019 to extend the term through December 31, 2021. This agreement does not, however, obligate the Company to supply any particular amount of goods to Herbalife,

nor does it obligate Herbalife to commit to a minimum order, if any. In its ordinary course of business, the Company has similar agreements with other customers in connection with its contract manufacturing business.

Seasonality

The nutraceutical business tends to be seasonal. We have found that in our first fiscal quarter ending on September 30th of each year, orders for our branded proprietary nutraceutical products usually slow (absent the addition of new customers or a new product launch with a significant first time order), as buyers in various markets may have purchased sufficient inventory to carry them through the summer months. Conversely, in our second fiscal quarter, ending on December 31st of each year, orders for our products increase as the demand for our branded nutraceutical products, as well as sales orders from our customers in our contract manufacturing segment, seem to increase in late December to early January as consumers become health conscious as they enter the new year.

The Company believes that there are other non-seasonal factors that also may influence the variability of quarterly results including, but not limited to, general economic and industry conditions that affect consumer spending, changing consumer demands and current news on nutritional supplements. Accordingly, a comparison of the Company's results of operations from consecutive periods is not necessarily meaningful, and the Company's results of operations for any period are not necessarily indicative of future periods.

Government Regulations

The manufacturing, processing, formulation, packaging, labeling and advertising of our products are subject to regulation by a number of federal agencies, including the Food and Drug Administration ("FDA"), the Federal Trade Commission ("FTC"), the United States Postal Service, the Consumer Product Safety Commission and the United States Department of Agriculture. Our activities are also regulated by various state and local agencies in states where our products are sold. The FDA is primarily responsible for the regulation of the manufacturing, labeling and sale of our products. The operation of our vitamin manufacturing facility is subject to regulation by the FDA as a dietary supplement manufacturing facility. The United States Postal Service and the FTC regulate advertising claims with respect to the Company's products. In addition, we manufacture and market certain of our products in compliance with the guidelines promulgated by the United States Pharmacopoeia Convention, Inc. ("USP") and other voluntary standards organizations.

The Dietary Supplement Health and Education Act of 1994 ("DSHEA") was enacted on October 25, 1994. The Dietary Supplement Act amends the Federal Food, Drug and Cosmetic Act ("FFD&CA") by defining dietary supplements, which include vitamins, minerals, nutritional supplements and herbs, and by providing a regulatory framework to ensure safe, quality dietary supplements and the dissemination of accurate information about such products. The FDA is generally prohibited from regulating the active ingredients in dietary supplements as food additives, or as drugs unless product claims trigger drug status. The DSHEA requires the FDA to regulate dietary supplements so as to guarantee consumer access to beneficial dietary supplements, allowing only truthful and proven claims. Generally, dietary ingredients that were on the market before October 15, 1994 may be sold without FDA pre-approval and without notifying the FDA. However, new dietary ingredients (those not used in dietary supplements marketed before October 15, 1994) require pre-market submission to the FDA of evidence of a history of their safe use, or other evidence establishing that they are reasonably expected to be safe. There can be no assurance that the FDA will accept the evidence of safety for any new dietary ingredient we may decide to use. The FDA's refusal to accept such evidence could result in regulation of such dietary ingredients as food additives, requiring the FDA pre-approval based on newly conducted, costly safety testing.

DSHEA provides for specific nutritional labeling requirements for dietary supplements effective January 1, 1997. The Dietary Supplement Act permits substantiated, truthful and non-misleading statements of nutritional support to be made in labeling, such as statements describing general well-being from consumption of a dietary ingredient or the role of a nutrient or dietary ingredient in affecting or maintaining the structure or function of the body. The FDA requires the Company to notify the FDA of such statements.

There can be no assurance that the FDA will not consider particular labeling statements used by us to be drug claims rather than acceptable statements of nutritional support, necessitating approval of a costly new drug application, or re-labeling to delete such statements. It is also possible that the FDA could allege false statements were submitted to it if structure/function claim notifications were either non-existent or so lacking in scientific support as to be plainly false.

As authorized by DSHEA, the FDA adopted Good Manufacturing Practices ("GMP") specifically for dietary supplements (21 CFR Part 111). These GMP regulations, which became effective in June 2008, are more detailed than the GMPs that previously applied to dietary supplements and require, among other things, dietary supplements to be prepared, packaged and held in compliance with specific rules, and require quality controls similar to those required by GMP regulations for drugs. We believe our manufacturing and distribution practices comply with these rules.

Dietary supplements are also subject to the Nutrition, Labeling and Education Act ("NLEA"), which regulates health claims, ingredient labeling and nutrient content claims characterizing the level of a nutrient in a product. NLEA prohibits the use of any health claim for dietary supplements unless the health claim is supported by significant agreement within the scientific community and is pre-approved by the FDA.

In certain markets, including the United States, claims made with respect to dietary supplements may change the regulatory status of our products. For example, in the United States, the FDA could possibly take the position that claims made for some of our products classify those products as new drugs requiring pre-approval by the FDA. The FDA could also place those products within the scope of its over-the-counter ("OTC") drug regulations and require us to comply with a published FDA OTC monograph. OTC monographs dictate permissible ingredients, appropriate labeling language and require the marketer or supplier of the products to register and file annual drug listing information with the FDA. We do not, at present, sell OTC drug products. If the FDA were to assert that our product claims cause them to be considered new drugs or to fall within the scope of OTC regulations, we would be required to either, file a new drug application, comply with the applicable monographs, or change the claims made in connection with those products.

The FTC regulates the marketing practices and advertising of all our products. In recent years, the FTC instituted enforcement actions against several dietary supplement companies for false and misleading marketing practices and advertising of certain products. These enforcement actions have resulted in consent decrees and monetary payments by the companies involved. Under FTC standards, the dissemination of any false advertising constitutes an unfair or deceptive act or practice actionable under Section 45 of the Fair Trade Commission Act and a false advertisement actionable under Section 52 of that Act. A false advertisement is one that is "misleading in a material respect." In determining whether an advertisement or labeling information is misleading in a material respect, the FTC determines not only whether overt and implied representations are false but also whether the advertisement fails to reveal material facts. Under the FTC's standards, any health benefit representation made in advertising must be backed by "competent and reliable scientific evidence" by which the FTC means: "tests, analyses, research studies, or other evidence based upon the expertise of professionals in the relevant area, that have been conducted and evaluated in an objective manner by persons qualified to do so, using procedures generally accepted by the profession to yield accurate and reliable results."

The FTC has increased its review of the use of the type of testimonials that may be used to market our products. The FTC requires competent and reliable evidence substantiating claims and testimonials at the time that such claims of health benefit are first made. The failure to have this evidence when product claims are first made violates the Federal Trade Commission Act. Although the FTC has never threatened an enforcement action against the Company for the advertising of its products, there can be no assurance that the FTC will not question the advertising for our products in the future.

We believe we are currently in compliance with all applicable government regulations. We cannot predict what new legislation or regulations governing our operations will be enacted by legislative bodies or promulgated by agencies that regulate its activities. The FDA is expected to increase its enforcement activity against dietary supplements that it considers to be in violation of FFD&CA. In particular, the FDA is

increasing its enforcement of DSHEA provisions. Those activities will be enhanced by the appropriation for increased FDA budgets for dietary supplement regulation enforcement.

We believe we may become subject to additional laws or regulations administered by the FDA or other federal, state, or foreign regulatory authorities. We also believe the laws or regulations which are considered favorable may be repealed, or more stringent interpretations of current laws or regulations may be implemented. Any or all of such requirements could be a burden to us. Future regulations could require us to:

- change the way we conduct business;
- use expanded or different labeling;
- recall, reformulate or discontinue certain products;
- keep additional records;
- increase the available documentation of the properties of its products; and/or
- increase the scientific proof of product ingredients, safety, and/or usefulness.

Competition

The business of manufacturing, distributing and marketing vitamins and nutritional supplements is highly competitive. Many of our competitors are substantially larger and have greater financial resources with which to manufacture and market their products. In particular, the retail segment is highly competitive. Many direct marketers not only focus on selling their own branded products, but offer national brands at discounts as well. Many competitors have established brand names recognizable to consumers. In addition, major pharmaceutical companies offer nationally advertised multivitamin products.

Many of our competitors in the retailing segment have the financial resources to advertise freely, to promote sales and to produce sophisticated catalogs and websites. In many cases, such competitors are able to offer price incentives for retail purchasers and to offer participation in frequent buyers programs. Some retail competitors also manufacture their own products whereby they have the ability and financial incentive to sell their own product.

We intend to compete by stressing the quality of our manufactured products, providing prompt service, competitive pricing of products in our marketing segment and by focusing on niche products in international retail markets.

Research and Development Activities

We do not conduct any significant research and development activities.

Environmental Compliance

We are subject to regulation under Federal, state and local environmental laws. While we believe we are in material compliance with applicable environmental laws, continued compliance may require substantial capital expenditures. We have not incurred any major costs for any environmental compliance during the years ended June 30, 2019 and 2018.

Employees

As of August 29, 2019, we had approximately 137 full time employees of whom 99 are members of the local unit of the Teamsters Union and are covered by a collective bargaining agreement which expires on August 31, 2022. The remaining 38 employees not covered by a collective bargaining agreement consisted of approximately 16 administrative and professional personnel, 12 laboratory personnel, 4 sales and marketing personnel and 6 production and shipping personnel. We consider our relations with our employees to be good.

In November 2013, we entered into an agreement with a Professional Employer Organization ("PEO") and terminated our agreement with the previous PEO. The PEO agreements established a three-way relationship between our non-union employees, the PEO and us. We and the PEO are co-employers of our non-union employees. The PEO has taken responsibility for our Human Resources administration and compliance, which allows us to continue to exercise control over our business while accessing quality employee benefits. We have been using PEOs since January 2007.

Available Information

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These filings are available to the public via the Internet at the SEC's website located at http://www.sec.gov.

Our website is located at www.ibiopharma.com. You may request a copy of our filings with the SEC (excluding exhibits) at no cost by writing or telephoning us at the following address or telephone number:

Integrated BioPharma, Inc.
225 Long Avenue, Bldg. 15
Hillside, New Jersey 07205
Attn: Investor Relations
Tel: 888-319-6962

Item 1A. Risk Factors

Please carefully consider the following risk factors which could materially adversely affect our business, financial condition, operating results and cash flows. The risk factors described below are not the only ones we face. Risks and uncertainties not known to us currently, or that we currently deem immaterial, also may materially adversely affect our business, financial condition, operating results and cash flows.

We have substantial indebtedness, which may decrease our flexibility, increase our borrowing costs and adversely affect our liquidity.

We currently have (i) $11.6 million in senior secured financing (the “Senior Credit Facility”) under the Loan Agreement, dated as of June 27, 2012 and as amended on May 15, 2019 (the "Amended Loan Agreement"), by and among the Company, MDC, AgroLabs, IHT Health Products, Inc., IHT Properties Corp. (“IHT Properties”), and Vitamin Factory (collectively, the “Borrowers”) and PNC Bank, National Association ("PNC"), (ii) $0.3 million in capitalized lease obligations.

Our level of indebtedness can have important consequences. For example, it may require a substantial portion of our cash flow from operations for the payment of principal of, and interest on, our indebtedness and reduce our ability to use our cash flow to fund working capital, capital expenditures and general corporate requirements or to pay dividends; and limit our flexibility to adjust to changing business and market conditions and make us more vulnerable to a downturn in general economic conditions as compared to our competitors.

There are various financial covenants and other restrictions in the Senior Credit Facility. If we fail to comply with any of these requirements, the related indebtedness (and other unrelated indebtedness) could become due and payable prior to its stated maturity. A default under the Senior Credit Facility may also significantly affect our ability to obtain additional or alternative financing. For example, PNC's ongoing obligation to extend credit under the Amended Loan Agreement is dependent upon our compliance with these covenants and restrictions.

Our ability to make scheduled payments or to refinance our obligations with respect to indebtedness will depend on our operating and financial performance, which, in turn, is subject to prevailing economic conditions and to financial, business and other factors beyond our control. Our inability to refinance our indebtedness when necessary or to do so upon attractive terms would materially and adversely affect our liquidity and our ongoing results of operations.

Our revenue could decline significantly if we lose one or more of our most significant customers, which could have a significant adverse impact on us.

A significant portion of our revenues are concentrated among four customers, Life Extension, Herbalife (customers in our Contract Manufacturing Segment), Innophos and Nature’s Own Nutrition, a UK-based company (customers of our Other Nutraceutical Businesses Segment). For each of the fiscal years ended June 30, 2019 and 2018, approximately 91% of our consolidated net sales were derived from the two major customers in our Contract Manufacturing Segment. The loss of these customers could have a significant adverse impact on our financial condition and results of operations.

Complying with new and existing government regulation, both in the U.S. and abroad, could increase our costs significantly and adversely affect our financial results.

The processing, formulation, manufacturing, packaging, labeling, advertising, distribution and sale of our products are subject to regulation by several U.S. federal agencies, including the FDA, the FTC, the Consumer Product Safety Commission, the Department of Agriculture and the EPA, as well as various state, local and international laws and agencies of the localities in which our products are sold. Government regulations may prevent or delay the introduction, or require the reformulation, of our products. Some agencies, such as the FDA or state agencies, could require us to remove a particular product from the market,

delay or prevent the import of raw materials for the manufacture of our products, or otherwise disrupt the marketing of our products. Any such government actions would result in additional costs to us, including lost revenues from any additional products that we are required to remove from the market, which additional costs could be material. Any such government actions also could lead to liability, substantial costs and reduced growth prospects. Moreover, there can be no assurance that new laws or regulations imposing more stringent regulatory requirements on the dietary supplement industry will not be enacted or issued. In addition, complying with adverse event reporting requirements imposes additional costs on us, which costs could become significant in the event more demanding reporting requirements are put into place.

Additional or more stringent regulations of dietary supplements and other products have been considered from time to time. These developments could require reformulation of certain products to meet new standards, recalls or discontinuance of certain products that cannot be reformulated, additional record-keeping requirements, increased documentation of the properties of certain products, additional or different labeling, additional scientific substantiation, adverse event reporting or other new requirements. These developments also could increase our costs significantly. For example, the FDA issued rules which became effective in 2008 that imposed substantial new regulatory requirements for dietary supplements, including GMPs. Congress also passed legislation requiring adverse event reporting and related record keeping which imposed additional costs on us. See Item 1. "Description of Business—Government Regulations" for additional information.

We may be exposed to legal proceedings initiated by regulators or third parties either in the United States or abroad which could increase our costs and adversely affect our reputation, revenues and operating income.

In the United States and abroad, non-compliance with relevant legislation can result in regulators bringing administrative or, in some cases, criminal proceedings. As manufacturers of nutraceutical products, our products are regulated by various governments and it is common for regulators to prosecute retailers and manufacturers for non-compliance with legislation governing foodstuffs and medicines. Failures by us or our subsidiaries to comply with applicable legislation could occur from time to time and prosecution for any such violations could have a material adverse effect on our business, results of operations, financial condition and cash flows. Additionally, we are subject, from time to time, to claims by third parties under various legal theories. The defense of such claims, or any adverse outcome relating to any such claims, could have a material adverse effect on our liquidity, financial condition and cash flows.

We depend on our senior management, the loss of whom would have an adverse effect on us.

We presently are dependent upon the executive abilities of our Chairman of the Board, E. Gerald Kay, our Co-Chief Executive Officers, Christina Kay and Riva Sheppard, and our Chief Financial Officer, Dina L. Masi. Our business and operations to date chiefly have been implemented under the direction of these individuals, who presently are, and in the future will be, responsible for the implementation of our anticipated plans and programs. The loss or unavailability of the services of one or more of our principal executives would have an adverse effect on us. We may encounter difficulty in our ability to recruit and ultimately hire any replacement or additional executive officers having similar background, experience and qualifications as those of our current executive officers.

There is no assurance that we will remain listed on an active trading market.

Our common stock is currently trading on the OTC Bulletin Board. From February 27, 2009 through September 22, 2009, our common stock was trading in the Pink Sheets. Prior to February 27, 2009, our common stock was listed on the NASDAQ Global Market, and there can be no assurance that we will, in the future, be able to meet all the requirements for reinstatement on that exchange. The delisting of our common stock from the NASDAQ Global Market has adversely affected, and may in the future continue to adversely affect, the liquidity and trading of our common stock.

We have entered into several transactions with entities controlled by some of our officers and directors, which could pose a conflict of interest.

We have several agreements and arrangements, described in our previous SEC filings and to be described in our proxy statement for our 2019 annual meeting of stockholders, including the lease of real property from Vitamin Realty Associates, L.L.C. ("Vitamin Realty"), the sale of our financial debt securities, and issuance of our common stock, which involved transactions with entities owned, in whole or in part, by members of the family of our Chairman and our Co-Chief Executive Officers and other of our significant shareholders and/or directors, who collectively own a majority of our shares of common stock. Although we believe that these transactions were advantageous to us and were on terms no less favorable to us than could have been obtained from unaffiliated third parties, transactions with related parties can potentially pose a conflict of interest.

Our Executive Officers and Directors have majority voting power and may take actions that may not be in the best interest of other stockholders, but in their own interest.

Our Executive Officers and Directors beneficially own collectively approximately 71% of our outstanding shares of common stock as of August 29, 2019. If these stockholders act together, they would be able to exert significant control over our management and affairs since significant corporate transactions require stockholder approval. This concentration of ownership may have the effect of delaying or preventing a change in control and might adversely affect the market price of our common stock. This concentration of ownership may not be in the best interests of all our stockholders.

We have a staggered Board of Directors, which could impede an attempt to acquire the Company or remove our management.

Our Board of Directors is divided into three classes, each of which serves for a staggered term of three years. This division of our Board of Directors could have the effect of impeding an attempt to take over our company or change or remove management, since only one class will be elected annually. Thus, only approximately one-third of the existing Board of Directors could be replaced at any election of directors.

Our product liability insurance may be insufficient to cover possible claims against us.

Our company, like other manufacturers, wholesalers and distributors of vitamin and nutritional supplement products, faces an inherent risk of exposure to product liability claims if, among other things, the use or ingestion of our products, results in sickness or injury. We currently maintain a product liability insurance policy that provides a total of $5.0 million of coverage per occurrence and $5.0 million of coverage in the aggregate. However, there can be no assurance that existing or future insurance coverage will be sufficient to cover any possible product liability risks or that such insurance will continue to be available to us on economically feasible terms.

Our nutraceutical products are manufactured using various raw materials consisting of vitamins, minerals, herbs, fruit extracts and other ingredients that we regard as safe when taken as recommended by us and that various scientific studies have suggested may provide health benefits. We could be adversely affected if any of our products or any similar products distributed by other companies should prove or be asserted to be harmful to consumers or should scientific studies provide unfavorable findings regarding the effectiveness of our products.

We may not be able to obtain raw materials used in certain of our manufactured products.

The principal raw materials used in the manufacturing process in the Company's nutraceutical business are natural and synthetic vitamins, minerals, herbs, related nutritional supplements, vegetable and gelatin capsules, coating materials, fruit extracts, fruit juices and the necessary components for packaging the finished products. The raw materials are available from numerous sources within the United States and abroad. The vegetable and gelatin capsules, coating materials and packaging materials are similarly widely

available. We generally purchase our raw materials, on a purchase order basis, without long-term commitments.

We have one principal supplier for our Other Nutraceutical Businesses segment, DSM Nutritional Products LLC and several suppliers in our Contract Manufacturing Segment. If we are unable to maintain our relationships with our suppliers, we may not be able to find alternate sourcing of our raw materials or at the same pricing that we receive from our current suppliers and/or quickly enough to make timely shipments to our customers. This could decrease our sales and/or increase our cost of sales.

Current economic conditions may cause a decline in business and consumer spending which could adversely affect our business and financial performance.

Our operating results are impacted by the health of the North American economies. Our business and financial performance, including collection of our accounts receivable, recoverability of assets including investments, may be adversely affected by current and future economic conditions, such as a reduction in the availability of credit, financial market volatility, recession, etc. Additionally, we may experience difficulties in scaling our operations to react to economic pressures in the United States.

We may incur significant professional service fees and other control costs that impact our financial condition.

As a publicly traded corporation, we incur certain costs to comply with regulatory requirements. If regulatory requirements were to become more stringent or if controls thought to be effective later fail, we may be forced to make additional expenditures, the amounts of which could be material. Some of our competitors are privately owned so their accounting and control costs can be a competitive disadvantage for us. Should our sales decline or if we are unsuccessful at increasing prices to cover higher expenditures for internal controls, audits, consultants and legal, our costs associated with regulatory compliance will rise as a percentage of sales.

Other issues and uncertainties may include:

- New accounting pronouncements or changes in accounting policies; and
- Legislation or other governmental action that detrimentally impacts our expenses or reduces sales by adversely affecting our customers.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

Warehouse and office facilities are leased from Vitamin Realty Associates, LLC. ("Vitamin Realty"). On January 5, 2012, MDC, a wholly-owned subsidiary of the Company, entered into a second amendment of the lease (the "Second Lease Amendment") with Vitamin Realty for its office and warehouse space in Hillside, New Jersey increasing its rentable square footage from an aggregate of 74,898 square feet to 76,161 square feet and extending the expiration date to January 31, 2026. Also on January 5, 2012, AgroLabs, a wholly-owned subsidiary of the Company, entered into a lease agreement with Vitamin Realty (the "AgroLabs Lease") for an additional 2,700 square feet of warehouse space in Hillside, New Jersey. The term of this lease was originally to expire on January 31, 2019, however, this lease was amended on May 19, 2014 to extend the term thereof to January 1, 2024. These facilities are leased from Vitamin Realty, which is 100% owned by our Chairman of the Board and major stockholder of the Company and our Co-Chief Executive Officers who are also directors of the Company. The Second Lease Amendment provides for minimum annual rental payments of $533,000, plus increases in real estate taxes and building operating expenses and the AgroLabs Lease provides for minimum annual lease payments of $27,000 with annual increases plus the proportionate share of operating expenses.

We also own a 40,000 square foot manufacturing facility in Hillside, New Jersey. The space is utilized for MDC's tablet and capsule manufacturing operations.

On October 22, 2014, AgroLabs entered into a lease agreement for an office suite located in Miami, Florida. On November 14, 2018, AgroLabs renewed this lease with minimum annual payments of approximately $24,600. This renewed lease will expire in February 2020.

Item 3. Legal Proceedings

From time to time, we may become involved in various lawsuits and legal proceedings that 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 not aware of any such legal proceedings or claims that we believe will have a material adverse effect on our business, financial condition or operating results.

Item 4. Mine Safety Disclosure

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 quoted on the OTC Bulletin Board under the symbol INBP.OB.

Set forth below are the high and low bid quotation of the Company's common stock as quoted on the OTC Bulletin Board, for each of the fiscal quarters in the fiscal years ended June 30, 2019 and 2018. Such quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

COMMON STOCK	HIGH	LOW
FISCAL YEAR ENDED JUNE 30, 2018		
First Quarter	$ 0.210	$ 0.170
Second Quarter	$ 0.200	$ 0.125
Third Quarter	$ 0.151	$ 0.100
Fourth Quarter	$ 0.160	$ 0.110
FISCAL YEAR ENDED JUNE 30, 2019		
First Quarter	$ 0.155	$ 0.122
Second Quarter	$ 0.130	$ 0.101
Third Quarter	$ 0.120	$ 0.100
Fourth Quarter	$ 0.215	$ 0.103

Holders

As of June 30, 2019, there were approximately 64 holders of record of the Company's common stock. This number does not include beneficial owners holding shares through nominee names.

Dividends

We have not declared or paid a dividend with respect to our common stock during the fiscal years ended June 30, 2019 and 2018, nor do we anticipate paying dividends in the foreseeable future.

Equity Compensation Plans

The following table provides information, as of June 30, 2019, about the Company's equity compensation plans:

Equity Compensation Plan Information

	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))
Equity compensation plans approved by security holders	3,761,500	$ 0.16	7,873,169
Equity compensation plans not approved by security holders	-	-	-
Totals	3,761,500	$ 0.16	7,873,169

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

During the quarter ended June 30, 2019, neither we nor any "affiliated purchaser," as that term is defined in Rule 10b-18(a)(3) under the Exchange Act, purchased any of our common stock or other securities.

Item 6. Selected Financial Data and Supplementary Data

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (dollars in thousands).

Certain statements set forth under this caption constitute "forward-looking statements." See "Cautionary Statement Regarding Forward-Looking Statements" on page 3 of this Annual Report on Form 10-K for additional factors relating to such statements.

The Company is engaged primarily in the manufacturing, distributing, marketing and sale of vitamins, nutritional supplements and herbal products. The Company's customers are located primarily throughout the United States, Luxembourg and Canada.

Our financial results are substantially dependent on net sales. Net sales are partly dependent on the mix of contract manufactured products, our branded proprietary liquid nutraceuticals and other nutraceutical sales, which are difficult to forecast. The varied sales pricing among our products and promotional support in the form of consumer coupons and other sales price allowances, along with the mix of products sold, affects the average selling price that we will realize and has a large impact on our revenue and gross margins in the operations of AgroLabs. Net sales in our operations of AgroLabs is also affected by: the timing of new product introductions and the demand for and market acceptance of our products; actions taken by our competitors, including new product offerings and introductions, marketing programs and pricing pressures, and our response to such actions; our ability to respond quickly to consumer tastes and needs; and the availability of sufficient raw materials and production lead-time from suppliers to meet demand. Factors that

could cause demand to be different from our expectations include: customer acceptance of our products and our competitors' products; changes in customer order patterns, including order returns; changes in the level of inventory at customers; and changes in business and economic conditions, including conditions in the credit market that could affect consumer confidence and result in lower than expected demand for our products.

We believe that we have the product offerings, established and developing business relationships, facilities, personnel, and competitive and financial resources in place for business success; however, future revenue, costs, gross margins, and profits are all influenced by a number of factors, including those discussed above, all of which are inherently difficult to forecast.

In the fiscal year ended June 30, 2019, our net sales from operations increased by $6,267 to approximately $49,977 from approximately $43,710 in the fiscal year ended June 30, 2018. In the fiscal year ended June 30, 2019, our gross profit increased by approximately $1,234 to $6,222 from approximately $4,988 for the fiscal year ended June 30, 2018. Our profit margins increased by 1.0% in the fiscal year ended June 30, 2019, from 11.4% to 12.4% primarily as a result of the increased sales volume in the fiscal year ended June 30, 2019 compared to the fiscal year ended June 30, 2018 coupled with increased sales dollars used to offset the fixed manufacturing overhead costs. We had consolidated selling and administrative expenses of approximately $3,518 and $3,294 in the fiscal years ended June 30, 2019 and 2018, respectively. The increase in the consolidated selling and administrative expenses of $224 was primarily from higher salary and benefit costs for the year from a shift in our headcount and general increases in wages and employee benefits. In the fiscal years ended June 30, 2019 and 2018, we had operating income of approximately $2,704 and $1,694, respectively.

Our revenue from our two significant customers in our Contract Manufacturing Segment is dependent on their demand within their respective distribution channels for the products we manufacture for them. As in any competitive market, our ability to match or beat other contract manufacturers pricing for the same items may also alter our outlook and the ability to maintain or increase revenues. We will continue to focus on our core businesses and push forward in maintaining our cost structure in line with our sales and expanding our customer base.

Critical Accounting Policies and Estimates

Estimates

The preparation 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. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The most significant estimates include:

- sales returns and allowances;
- trade marketing and merchandising;
- allowance for doubtful accounts;
- inventory valuation;
- valuation and recoverability of long-lived and intangible assets;
- income taxes and valuation allowances on deferred income taxes; and
- accruals for, and the probability of, the outcome of current litigation, if any.

On a continual basis, management reviews its estimates utilizing currently available information, changes in facts and circumstances, historical experience and reasonable assumptions. After such reviews, and if deemed appropriate, those estimates are adjusted accordingly. Actual results could differ from those estimates.

Allowances for Doubtful Accounts and Sales Returns

Our management makes judgments as to its ability to collect outstanding receivables and provides allowances for the portion of receivables for which collection becomes doubtful. Provisions are made based upon a specific review of all significant outstanding amounts. We continuously monitor payments from our customers and maintain allowances for estimated losses for doubtful accounts in the period they become known.

If the historical data we use to calculate the allowance provided for doubtful accounts does not reflect the future ability to collect outstanding receivables, additional provisions for doubtful accounts may be needed and the future results of operations could be materially affected. In recording any additional allowances, a respective charge against income is reflected in the general and administrative expenses, and would reduce the operating results in the period in which the increase is recorded.

Our return policy in our contract manufacturing business is to only accept returns for defective products. If defective products are returned, our agreement with our customers is to cure the defect and re-ship the product. Based on this policy, when the product is shipped we make an estimate of any potential returns or allowances. With respect to our branded proprietary nutraceutical products, our return policy is also to accept returns for defective products and re-ship replacement items for the damaged product. In most instances, the damaged goods are a small portion of the overall order and we instruct our customer to dispose of the damaged product and we issue them a credit for the dollar amount of the damaged goods plus any cost of disposal. We also estimate and make allowances at the time of shipment.

In the event we have an item that is discontinued in our customers retail stores, we work with our buyer and broker on the sell through and/or return such discontinued item. We make estimates of this event at both the time of shipment and at the time of the notice from our customer that our item has been discontinued, compare this to our recorded sales allowances and record any adjustments based upon the updated knowledge of a known return.

If the historical data we use to calculate the sales allowance for sales returns and other allowances does not reflect the amounts previously recorded, additional provisions for sales allowance may be needed and the future results of operations could be materially affected. In recording any additional sales allowances, a respective charge against income is reflected in net sales, and would reduce the profit margins and operating results in the period in which the increase is recorded.

Trade Marketing and Merchandising

In order to support the Company's proprietary nutraceutical product lines, various promotional activities are conducted through the retail trade, distributors or directly with consumers, including in-store display and product placement programs, feature price discounts, coupons, and other similar activities. The Company regularly reviews and revises, when it deems necessary, estimates of costs to the Company for these promotional programs based on estimates of what will be redeemed by the retail trade, distributors, or consumers. These estimates are made using various techniques, including historical data on performance of similar promotional programs. Differences between estimated expense and actual performance are generally not material and are recognized as a change in management's estimate in a subsequent period. Our total promotional expenditures, including amounts classified as a reduction of net sales, represent less than 1% of consolidated net sales in the financial statements contained in this Annual Report on Form 10-K, for each of the fiscal years ended June 30, 2019 and 2018.

Inventory Valuation

Inventories are stated at the lower of cost or net realizable value, which reflects management's estimates of net realizable value. Cost is determined using the first-in, first-out method. As a result of our inventory being manufactured primarily on a purchase order basis, the quantity of both raw materials and finished goods inventory provides for minimal risk of potential overstock or obsolescence.

Mail and Internet order inventory is expiration date sensitive. Accordingly, we review this inventory, consider sales levels (by SKU), term to expiration date, potential for retesting to extend expiration date, and evaluate potential for obsolescence or overstock.

Long Lived Assets

Purchased intangibles consisting of patents and unpatented technological expertise, license fees and trade names purchased as part of business acquisitions are presented net of related accumulated amortization and are being amortized on a straight-line basis over the remaining useful lives of such intangibles.

We record impairment losses on other intangible assets when events and circumstances indicate that such assets might be impaired and the estimated fair value of any such asset is less than its recorded amount. The Company reviews the value of its long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate. Conditions that would necessitate an impairment assessment include material adverse changes in operations, significant adverse differences in actual results in comparison with initial valuation forecasts prepared at the time of acquisition, a decision to abandon certain acquired products, services, or marketplaces, or other significant adverse changes that would indicate the carrying amount of the recorded asset might not be recoverable. Tests for impairment or recoverability are performed at least annually and require significant management judgment and the use of estimates which the Company believes are reasonable and appropriate at the time of the impairment test. Future unanticipated events affecting cash flows and changes in market conditions could affect such estimates and result in the need for an impairment charge. The Company also re-evaluates the periods of amortization to determine whether circumstances warrant revised estimates of current useful lives. No impairment losses were identified in the fiscal years ended June 30, 2019 or 2018.

Income Taxes

The Company records deferred tax assets and liabilities for the estimated future tax effects of temporary differences between tax bases of assets and liabilities and amounts reported in the accompanying consolidated balance sheets, as well as operating losses and tax credit carry-forwards. The Company measures deferred tax assets and liabilities using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company reduces deferred tax assets by a valuation allowance if, based on available evidence, it is more likely than not that these benefits will not be realized.

The Company uses a recognition threshold and measurement attribute for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities.

General Litigation

From time to time, the Company is a defendant or plaintiff in various legal actions which arise in the normal course of business. As such, the Company is required to assess the likelihood of any adverse outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of the provision required for these commitments and contingencies, if any, which would be charged to earnings, is made after careful analysis of each matter. The provision may change in the future due to new developments or changes in circumstances. Changes in the provision could increase or decrease the Company’s earnings in the period the changes are made. In the opinion of management, after consultation with legal counsel, the ultimate resolution of these matters cannot be determined at this time as to the whether there could be material adverse effect on our financial condition or results of operations.

Revenue Recognition

The Company recognizes product sales revenue, the prices of which are fixed and determinable, when title and risk of loss have transferred to the customer, when estimated provisions for product returns, rebates, charge-backs and other sales allowances are reasonably determinable, and when collectability is reasonably assured. Accruals for these items are presented in the consolidated financial statements as reductions to sales. The Company's net sales represent gross sales invoiced to customers, less certain related charges for discounts, returns, rebates, charge-backs and other allowances. Cost of sales includes the cost of raw materials and all labor and overhead associated with the manufacturing and packaging of the products. Gross margins are affected by, among other things, changes in the relative sales mix among our products and valuation and/or charge off of slow moving, expired or obsolete inventories. To perform revenue recognition for arrangements within the scope of ASC 606, the Company performs the following five steps:

- identification of the promised goods or services in the contract;
- determination of whether the promised goods or serves are performance obligations including whether they are distinct in the context of the contract;
- measurement of the transaction price, including the constraint on variable consideration;
- allocation of the transaction price to the performance obligations based on estimated selling prices; and
- recognition of revenue when (or as) the Company satisfies each performance obligation. A performance obligation is a promise to transfer a distinct good or service to the customer and is the unit of account in ASC 606.

Results of Operations (in thousands, except share and per share amounts)

The following table sets forth the income statement data of the Company as a percentage of net sales for the periods indicated:

	For the Fiscal Year Ended June 30,	
	2019	2018
Sales, net	100.0%	100.0%
Costs and expenses:		
Cost of sales	87.6%	88.6%
Selling and administrative	7.0%	7.5%
Total costs and expenses	94.6%	96.1%
Income from operations	5.4%	3.9%
Other expense, net:		
Interest expense	(1.3%)	(2.1%)
Other income (expense):		
Change in fair value of derivative instruments	0.0%	1.1%
Unrealized loss on investment in iBio, Inc.	(0.0%)	-
Impairment charge on investment in iBio, Inc.	-	(0.8%)
Other (expense) income, net	(0.0%)	0.2%
Total other income	0.0%	0.5%
Total other expense, net	(1.3%)	(1.6%)
Income before income taxes	4.1%	2.3%
Federal and state income tax expense, net	0.7%	0.7%
Net income	3.4%	1.6%

Year ended June 30, 2019 Compared to the Year ended June 30, 2018

Sales, net. Net sales for the fiscal year ended June 30, 2019 and 2018 were $49,977 and $43,710, respectively, an increase of $6,267 or 14.3%. The increase is comprised of the following:

	Fiscal Year Ended June 30,		Dollar Increase (Decrease)	Percentage Change
	2019	2018	2019 vs 2018	2019 vs 2018
	(dollars in thousands)			
Contract Manufacturing:				
US Customers	$ 41,817	$ 35,803	$ 6,014	16.8%
International Customers	6,625	6,279	346	5.5%
Net sales, Contract Manufacturing	48,442	42,082	6,360	15.1%
Branded Nutraceutical Products:				
US Customers	137	204	(67)	(32.8%)
International Customers	22	48	(26)	(54.2%)
Net sales, Branded Nutraceutical Products	159	252	(93)	(36.9%)
Other Nutraceuticals:				
US Customers	1,216	1,229	(13)	(1.1%)
International Customers	160	147	13	8.8%
Net sales, Other Nutraceuticals	1,376	1,376	-	0.0%
Total net sales	$ 49,977	$ 43,710	$ 6,267	14.3%

For each of the fiscal years ended June 30, 2019 and 2018, a significant portion of our consolidated net sales, approximately 91%, were concentrated among two customers, Life Extension and Herbalife, customers in our Contract Manufacturing Segment. Life Extension and Herbalife represented approximately 69% and 26% of our Contract Manufacturing Segment's net sales in the each of the fiscal years ended June 30, 2019 and 2018. Innophos and Nature's Own Nutrition, a UK-based company, (customers of our Other Nutraceutical Businesses), while not significant customers of our consolidated net sales, represented approximately 15% and 10% and 12% and 5% respectively, of the Other Nutraceutical Businesses net sales in the fiscal years ended June 30, 2019 and 2018, respectively. The loss of any of these customers could have a significant adverse impact on our financial condition and results of operations.

The increase in net sales of approximately $6,267 was primarily the result of:

- Net sales increased in our Contract Manufacturing Segment by approximately $6,360 which was primarily due to increased sales volumes to each of our major customers, Life Extension and Herbalife, in the amounts of $4,388 and $1,618, respectively, in the fiscal year ended June 30, 2019, compared to the comparable prior year.
- Net sales in our Branded Nutraceutical Segment decreased by approximately $93 in the fiscal year ended June 30, 2019, compared to the fiscal year ended June 30, 2018. The decrease in the Branded Nutraceutical Segment was primarily the result of decreased sales to Costco Wholesale Corporation ("Costco") in the amount of $85. The Costco decrease was the result of discontinuing sales of Green Envy products on Costco's Canada website. This decision was made due to the strong U.S. Dollar compared to the Canadian Dollar and the decline in sales.

Cost of sales. Cost of sales increased by $5,033 to $43,755 for the fiscal year ended June 30, 2019, as compared to $38,722 for the fiscal year ended June 30, 2018, an increase of approximately 13%. Cost of sales as a percentage of sales was approximately 88% and 89% for the fiscal years ended June 30, 2019 and 2018, respectively. The increase in the cost of goods sold amount of approximately 13% is consistent with the increase in net sales of approximately 14%. The decrease in the cost of goods sold as a percentage of net

sales, was primarily the result of the increased net sales used to offset the fixed manufacturing overhead. There were no significant changes in the cost of goods sold in our other two segments other than the decreased sales.

Selling and Administrative Expenses. There was an increase in selling and administrative expenses of $224 or approximately 6.8% in the fiscal year ended June 30, 2019 as compared to the fiscal year ended June 30, 2018. As a percentage of sales, net, selling and administrative expenses were approximately 7.0% and 7.5% for the fiscal year ended June 30, 2019 and 2018, respectively. The increase was primarily from increases (i) in salaries and employees benefits of approximately $224, as the result of: (a) replacing our headcount with higher salaried employees, net of a pay structure change for the sales staff and to a lesser degree salary increases ($131) and (b) an increase in employee benefits due to the change in personnel and an increase in premiums ($94); (ii) an increase in employee stock compensation expense as a result of issuing stock options in May 2019 with immediate vesting for a portion of the option grant ($131); and (iii) in professional and consulting fees of approximately $37 primarily as the result of outsourcing our information technology function beginning in April 2018 and increased legal expenses for our SEC filings. These increases were offset by decreases in (i) advertising and marketing expenses of $24 as a result of decreased sales in the Branded Nutraceutical Segment, (ii) insurance costs of $20 as a result of a shift in allocation of insurance to cost of goods sold for increased percentage of sales in the Contract Manufacturing Segment and (iii) other components of our selling and administrative expenses in an aggregate of approximately $125, including decreases in depreciation and amortization expenses of approximately $69.

Other expense, net. Other expense, net was approximately $662 for the fiscal year ended June 30, 2019 compared to $689 for the fiscal year ended June 30, 2018, and is composed of:

	Fiscal Year Ended June 30,	
	2019	2018
	(dollars in thousands)	
Interest expense	$ (630)	$ (926)
Other income (expense):		
Change in fair value of derivative liability	9	494
Unrealized loss/Impairment charge on investment in iBio, Inc., respectively	(23)	(358)
Other income, net	(18)	101
Total other income (expense), net	(32)	237
Other expense, net	$ (662)	$ (689)

Our interest expense for the fiscal year ended June 30, 2019, was approximately $296 less than the fiscal year ended June 30, 2018. The decrease in interest expense for the fiscal year ended June 30, 2019 from June 30, 2018 was primarily as the result of CD Financial exercising its right to convert the $5,350 CD Convertible Note to equity on July 24, 2018, an interest savings of $315 offset, in part, by an increase of $83 in our Senior Debt as a result of higher average outstanding balances from the increase in operating expenses, including cost of sales (See Note 5 to the consolidated financial statements included in this Annual Report on Form 10-K).

In the fiscal year ended June 30, 2019, the derivative liability was extinguished, resulting in the carrying value of $0 as of June 30, 2019, as compared to the carrying value of $9 in the fiscal year ended June 30, 2018, as the related derivative liability is no longer outstanding, resulting in a change of $9 for the fiscal year ended June 30, 2019.

The variance in the change in fair value of derivative liability from the fiscal year ended June 30, 2017 to the fiscal year ended June 30, 2018 of $494 was mainly the result of the change in the volatility of the closing trading price of our common stock, as traded on the OTC Bulletin Board, from 98.11% as of June 30, 2017 to 51.30% as of June 30, 2018 and the decreased closing trading price are two of the variables used to calculate the estimated fair value of our derivative liabilities associated with the underlying derivative instrument. The volatility of the closing trading price of our common stock and the closing trading price are two of the

variables used to calculate the estimated fair value of our derivative liabilities associated with the underlying derivative instrument.

In the fiscal year ended June 30, 2019, we recognized an unrealized loss of $23 in the investment in iBio, Inc. resulting from the change in the stock price as of June 30, 2018 to June 30, 2019. We did not sell any shares owned in the fiscal year ended June 30, 2019.

In the fiscal year ended June 30, 2018 we determined that there was an impairment on the carrying value of our investment in iBio, Inc. in the amount of approximately $358 resulting from the decline in the closing trading price of their common stock on the NYSE American Exchange from $3.90 per share as of June 30, 2017 (as adjusted for a 10 for 1 reverse stock split) to $0.90 per share as of June 30, 2018.

In the fiscal years ended June 30, 2019 and 2018, we had earned income of $79 and $8, respectively from providing back office and operational support for unrelated entities that sell consumer products through retail and internet-based outlets. The balance of other income in the fiscal year ended June 30, 2018 was primarily from gains of (i) $88 from the investment in AgroSport LLC ("AGS") recognized on the exchange of certain assets relating to the contribution by AgroLabs of the AgroSport product line to AGS for a 33 1/3 percent interest in AGS and (ii) $5 from the disposal of fixed assets. In the fiscal year ended June 30, 2019, we recognized a loss of approximately $97 on this investment as AGS was not successful at implementing its business plan and currently has no products to sell or launch in the near future.

Federal and state income tax, net. For the fiscal years ended June 30, 2019 and 2018, we had a current state tax expense of approximately $287 and $170, respectively. In the fiscal year ended June 30, 2019, we had federal alternative minimum taxes of approximately $36 and a net deferred income tax expense of approximately $31, resulting in a net income tax expense of $354.

In the fiscal year ended June 30, 2018, we had federal alternative minimum taxes of approximately $4 and a net deferred income tax expense of approximately $152, resulting in a net income tax expense of $326. We continue to maintain a reserve on a portion of our deferred tax assets as it has been determined that based upon past losses, the Company's past liquidity concerns and the current economic environment, it is "more likely than not" that the Company's deferred tax assets may not be fully realized.

The increase in the state tax expense from 2018 to 2019 was the result of increased taxable income for MDC, all of our other subsidiaries still have adequate net operating losses for state income tax purposes to absorb any taxable income for state tax purposes. The fiscal year ended June 30, 2018 federal income tax expense includes a one-time charge for the change in the effective federal tax rate from 34% as of December 31, 2017 to 21% as of January 1, 2018 and other tax changes as a result of the Tax Cuts and Jobs Act enacted on December 22, 2017, which resulted in a net decrease to our deferred tax assets of $202.

Net income. Our net income for the fiscal year ended June 30, 2019 and 2018 was approximately $1,688 and $679, respectively. The increase of approximately $1,009 was primarily the result of increased operating income of $1,010.

Liquidity and Capital Resources

The following table sets forth, for the periods indicated, the Company's net cash flows provided by or used in operating, investing and financing activities:

	For the fiscal year ended June 30,	
	2019	2018
	(dollars in thousands)	
Net cash provided by operating activities	$ 328	$ 1,168
Net cash used in investing activities	$ (422)	$ (242)
Net cash provided by (used in) financing activities	$ 341	$ (830)
Cash at end of year	$ 475	$ 228

At June 30, 2019 and 2018, the Company had working capital of $1,726 and a working capital deficit of approximately $4,026, respectively. Our current assets increased by $1,821 and current liabilities decreased by approximately $3,827 from June 30, 2018 to June 30, 2019. The decrease in the current liabilities was the result of $5,269 of the CD Convertible Note classified as current due to the receipt of a conversion notice in July 2018 and the subsequent conversion of the entire CD Convertible Note to common shares of the Company at $0.65 on July 31, 2018 (See Note 5 to the consolidated financial statements included in this Annual Report on Form 10-K), offset by the adoption of ASU 2016 2 Topic 842 for leases with an increase of $470 in current liabilities relating to future lease payments owed on operating leases now classified on the balance sheet and an increase in the amount outstanding under our revolving credit facility of $940.

Operating Activities

Net cash provided by operating activities of $328 in the fiscal year ended June 30, 2019 includes net income of approximately $1,688. After excluding the effects of non-cash expenses, including depreciation and amortization, compensation expense for employee stock options, accretion of financial instruments, release of accounts payable no longer owed and changes in the fair value of derivative liabilities and the impairment charge on our intangible assets, changes in deferred tax assets, the adjusted cash used in operations before the effect of the changes in working capital components was an increase of approximately $2,758. Cash in the amount of approximately $2,430 from our working capital assets and liabilities was used in our operating activities and was primarily the result of increases in inventories of approximately $1,077, accounts receivable of $593, other assets of $73 and decreases in operating lease obligations of $454 and accounts payable and accrued expenses and other liabilities of approximately $233.

Net cash provided by operating activities of $1,168 in the fiscal year ended June 30, 2018 includes net income of approximately $679. After excluding the effects of non-cash expenses, including depreciation and amortization, compensation expense for employee stock options, accretion of financial instruments, release of accounts payable no longer owed and changes in the fair value of derivative liabilities and the impairment charge on our intangible assets, changes in deferred tax assets, the adjusted cash used in operations before the effect of the changes in working capital components was an increase of approximately $1,215. Cash in the amount of approximately $57 from our working capital assets and liabilities was provided from our operating activities and was primarily the result of an increases in inventories of approximately $96 and current assets of $7 and decreases in accounts payable and accrued expenses and other liabilities of approximately $126, offset by a decrease in accounts receivable of $182.

Investing Activities

Cash used in investing activities was used for the purchase of machinery and equipment for approximately $414 and $247 in the fiscal years ended June 30, 2019 and 2018, respectively, offset in the fiscal year ended June 30, 2018 by proceeds received from the sale of fixed assets of $6, a net use of cash approximately $242. An additional use of cash in investing activities, in the fiscal years ending June 30, 2019 and 2018, was funding expenses for relating to our investment in AgroSport, LLC in the amounts of $8 and $1, respectively.

Financing Activities

Cash provided from financing activities was approximately $341 for the fiscal year ended June 30, 2019 and consists of; (i) $48,937 received from advances under our revolving credit facility; (ii) $2,400 received from amending our Term Note with PNC Bank; and (iii) $233 received from a sale leaseback transaction with First American Equipment Finance (See Note 5 to the consolidated financial statements included in this Annual Report on Form 10-K), offset in part by (i) repayments under our revolving credit facility of $47,997 (See Note 5 to the consolidated financial statements included in this Annual Report on Form 10-K), (ii) repayments of principal under our term notes in the amount of $3,023 (See Note 5 to the consolidated financial statements included in this Annual Report on Form 10-K) and (iii) repayments of $233 under our capitalized lease obligations

Cash used in financing activities was approximately $830 for the fiscal year ended June 30, 2018 and consists of; (i) repayments under our revolving credit facility of $40,945 (See Note 5 to the consolidated financial statements included in this Annual Report on Form 10-K), (ii) repayments of principal under our term notes in the amount of $959 (See Note 5 to the consolidated financial statements included in this Annual Report on Form 10-K) and (iii) repayments of $233 under our capitalized lease obligations, offset in part by $41,164 received from advances under our revolving credit facility and $143 received from a sale leaseback transaction with First American Equipment Finance (See Note 5 to the consolidated financial statements included in this Annual Report on Form 10-K).

As of June 30, 2019, we had cash of approximately $475, funds available under our revolving credit facility of approximately $1,530 and working capital of $1,726. Our working capital includes approximately $5,834 outstanding under our revolving line of credit which is not due until May 2024 but classified as current due to a subjective acceleration clause that could cause the advances to become currently due. (See Note 5 to the consolidated financial statements included in this Annual Report on Form 10-K). Furthermore, we had income from operations of approximately $2,704 in the fiscal year ended June 30, 2019 and net income of approximately $1,688. After taking into consideration our interim results and current projections, management believes that operations, together with the revolving credit facility and equipment financing will support our working capital requirements at least through the twelve month period ending August 29, 2020.

Our total annual commitments at June 30, 2019 for long term non-cancelable leases of approximately $604 consists of obligations under operating leases for facilities and operating lease agreements for the rental of warehouse equipment and office equipment.

Capital Expenditures

The Company's capital expenditures in the fiscal years ended June 30, 2019 and 2018 were approximately $414 and $300 ($53 funded with capitalized lease financing in the fiscal year ended June 30, 2018), respectively. The Company has budgeted approximately $450 for capital expenditures for the fiscal year ending June 30, 2020. The total amount is expected to be funded from cash provided from the Company’s operations and from lease financing.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Impact of Inflation

The Company does not believe that inflation has significantly affected its results of operations.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable to smaller reporting companies.

Item 8. Financial Statements and Supplementary Data

For a list of financial statements filed as part of this Annual Report on Form 10-K, see the index to consolidated financial statements on page 30.

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

Not Applicable

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized, and reported within the time periods specified by the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is accumulated and communicated to management, including the Co-Chief Executive Officers and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of management, including the Co-Chief Executive Officers and Chief Financial Officer, the Company has evaluated the effectiveness of its disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2019, and, based upon this evaluation, the Co-Chief Executive Officers and Chief Financial Officer have concluded that these controls and procedures are effective in providing reasonable assurance of compliance.

Changes in Internal Control over Financial Reporting

Under the supervision and with the participation of management, including the Co-Chief Executive Officers and Chief Financial Officer, the Company has evaluated changes in internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended June 30, 2019 and have concluded that no change has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

Management's Annual Report On Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining an adequate system of internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes, in accordance with generally accepted accounting principles. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

The Company's management, including the Co-Chief Executive Officers and Chief Financial Officer, has conducted an evaluation of the effectiveness of its internal control over financial reporting as of June 30, 2019 based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission from 1992. Based on that evaluation, management concluded that our internal control over financial reporting was effective as of June 30, 2019.

This Annual Report on Form 10-K does not include an attestation report of Friedman, LLP, the Company's independent registered public accounting firm, regarding internal control over financial reporting. Since the Company is neither a "larger accelerated filer" nor an "accelerated filer", as defined in SEC rules, the Company is exempt pursuant to Section 989G of the Dodd-Frank Wall Street Reform and Consumer Protection Act from the requirement that management's report in this Form 10-K be attested to by the Company's independent registered public accounting firm.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance of the Registrant.

Incorporated by reference from the Company's Proxy Statement for Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days after the close of the fiscal year ended June 30, 2019.

Item 11. Executive Compensation

Incorporated by reference from the Company's Proxy Statement for Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days after the close of the fiscal year ended June 30, 2019.

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

Incorporated by reference from the Company's Proxy Statement for Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days after the close of the fiscal year ended June 30, 2019.

Item 13. Certain Relationships and Related Transactions and Director Independence

Incorporated by reference from the Company's Proxy Statement for Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days after the close of the fiscal year ended June 30, 2019.

Item 14. Principal Accountant Fees and Services

Incorporated by reference from the Company's Proxy Statement for Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days after the close of the fiscal year ended June 30, 2019.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Exhibits and Index

(1) A list of the financial statements filed as part of this Annual Report on Form 10-K is set forth in the index to consolidated financial statements on Page 30 and is incorporated herein by reference.

(2) An index of exhibits incorporated by reference or filed with this Annual Report on Form 10-K is provided below.

Number	Description
3.1	Certificate of Incorporation of Integrated BioPharma, Inc., as amended (7)
3.2	Certificate of Amendment to the Restated Certificate of Incorporation of Integrated BioPharma, Inc. (7)
3.3	By-Laws of Registrant (5)
4.1	Certificate of Designation of Series and Determination of Rights and Preferences of Series A Convertible Preferred Stock of Integrated BioPharma, Inc. dated June 25, 2003 (1)
4.2	Certificate of Designation of Series C and Determination of Rights and Preferences of Series C Convertible Preferred Stock of Integrated BioPharma, Inc. dated February 21, 2008 (6)
10.1	Lease Agreement between the Company and Vitamin Realty Associates, dated January 10, 1997 (2)
10.2	Second Amendment of Lease, dated as of January 5, 2012, between Vitamin Realty Associates, L.L.C. and InB:Manhattan Drug Company, Inc. (9)
10.3	Lease Agreement, dated as of January 5, 2012, between Vitamin Realty Associates, L.L.C. and AgroLabs, Inc. (9)
10.3.1	Amendment of Lease Agreement, dated as of May 19, 2014, between Vitamin Realty Associates, L.L.C. and AgroLabs, Inc. (11)
10.4	Integrated Health Technologies, Inc. 2001 Stock Option Plan, as amended (8)
10.5	Separation and Distribution Agreement dated November 14, 2007, with our subsidiary INB:Biotechnologies (4)
10.6	Revolving Credit, Term Loan and Security Agreement, dated as of June 27, 2012, by and among Integrated BioPharma, Inc., InB:Manhattan Drug Company, Inc., Agrolabs, Inc., IHT Health Products, Inc., IHT Properties Corp. and Vitamin Factory, Inc. and PNC Bank, National Association. (10)
10.6.1	First Amendment to Revolving Credit, Term Loan and Security Agreement dated as of February 19, 2016 by and among Integrated BioPharma, Inc., InB: Manhattan Drug Company, Inc., AgroLabs, Inc., IHT Health Products, Inc., IHT Properties Corp. and Vitamin Factory, Inc. and PNC Bank, National Association. (13)
10.6.2	Second Amendment to Revolving Credit, Term Loan and Security Agreement dated as of May 15, 2019 by and among Integrated BioPharma, Inc., InB: Manhattan Drug Company, Inc., AgroLabs, Inc., IHT Health Products, Inc., IHT Properties Corp. and Vitamin Factory, Inc. and PNC Bank, National Association. (14)
10.7	Term Note, dated as of June 27, 2012, by and among Integrated BioPharma, Inc., InB:Manhattan Drug Company, Inc., Agrolabs, Inc., IHT Health Products, Inc., IHT Properties Corp. and Vitamin Factory, Inc. and PNC Bank, National Association, in the original principal amount of $3,727,000. (10)
10.7.1	Amended and Restated Term Note dated as of February 19, 2016 by and among Integrated BioPharma, Inc., InB: Manhattan Drug Company, Inc., AgroLabs, Inc., IHT Health Products, Inc., IHT Properties Corp. and Vitamin Factory, Inc. and PNC Bank, National Association in the original principal amount of $3,422,160.00. (13)
10.7.2	Second Amended and Restated Term Note dated as of May 15, 2019 by and among Integrated BioPharma, Inc., InB: Manhattan Drug Company, Inc., AgroLabs, Inc., IHT Health Products, Inc., IHT Properties, Inc. and Vitamin Factory, Inc. and PNC Bank, National Association in the original principal amount of $ $3,585,175. (14)
10.8	Revolving Credit Note, dated as of June 27, 2012, by and among Integrated BioPharma, Inc.,

	InB:Manhattan Drug Company, Inc., Agrolabs, Inc., IHT Health Products, Inc., IHT Properties Corp. and Vitamin Factory, Inc. and PNC Bank, National Association, in the original principal amount of $8,000,000. (10)
10.8.1	First Amendment to Revolving Credit, Term Loan and Security Agreement dated as of February 19, 2016 by and among Integrated BioPharma, Inc., InB: Manhattan Drug Company, Inc., AgroLabs, Inc., IHT Health Products, Inc., IHT Properties Corp. and Vitamin Factory, Inc. and PNC Bank, National Association. (13)
10.8.2	Second Amendment to Revolving Credit, Term Loan and Security Agreement dated as of May 15, 2019 by and among Integrated BioPharma, Inc., InB: Manhattan Drug Company, Inc., AgroLabs, Inc., IHT Health Products, Inc., IHT Properties Corp. and Vitamin Factory, Inc. and PNC Bank, National Association. (14)
10.9	Stock Pledge Agreement, dated as of June 27, 2012, between Integrated BioPharma, Inc. and PNC Bank, National Association. (10)
10.10	Intercreditor and Subordination Agreement, dated as of June 27, 2012, between CD Financial, LLC and PNC Bank, National Association, and acknowledged by Integrated BioPharma, Inc., InB:Manhattan Drug Company, Inc., Agrolabs, Inc., IHT Health Products, Inc., IHT Properties Corp. and Vitamin Factory, Inc. (10)
10.11	Mortgage and Security Agreement, dated as of June 27, 2012, by IHT Properties Corp. in favor of PNC Bank, National Association. (10)
10.12	Environmental Indemnity Agreement, dated as of June 27, 2012, by and among Integrated BioPharma, Inc., InB:Manhattan Drug Company, Inc., Agrolabs, Inc., IHT Health Products, Inc., IHT Properties Corp. and Vitamin Factory, Inc. and PNC Bank, National Association (10)
10.13	Amended and Restated Securities Purchase Agreement, dated as of June 27, 2012, by and among Integrated BioPharma, Inc., and CD Financial, LLC. (10)
10.14	Amended and Restated Subsidiary Guarantee, dated as of June 27, 2012, by and among Integrated BioPharma, Inc., InB:Manhattan Drug Company, Inc., Agrolabs, Inc., IHT Health Products, Inc., IHT Properties Corp. and Vitamin Factory, Inc. and CD Financial, LLC. (10)
10.15	Amended and Restated Convertible Secured Promissory Note, dated as of June 27, 2012, by Integrated BioPharma, Inc. and payable to the order of CD Financial, LLC, in the original principal amount of $5,350,000. (10)
10.16	Promissory Note, dated as of June 27, 2012, by Integrated BioPharma, Inc. and payable to the order of CD Financial, LLC, in the original principal amount of $1,714,000. (10)
10.16.1	First Amendment to Notes dated as of February 19, 2016 by and among Integrated BioPharma, Inc., InB: Manhattan Drug Company, Inc., AgroLabs, Inc., IHT Health Products, Inc., IHT Properties Corp. and Vitamin Factory, Inc. and CD Financial, LLC in the original principal amounts of $1,714,000.00 and $5,350,000.00. (13)
10.17	Promissory Note, dated as of June 27, 2012, by InB:Manhattan Drug Company, Inc. and Integrated BioPharma, Inc., and payable to the order of Vitamin Realty Associates, LLC, in the original principal amount of $685,985.61. (10)
10.17.1	First Amendment to Amended Restated Promissory Note dated as of February 19, 2016 by and among Integrated BioPharma, Inc. and InB: Manhattan Drug Company, Inc. and Vitamin Realty Associates, LLC in the original principal amount of $685,985.61. (13)
10.18	Convertible Line of Credit Note, dated September 22, 2014, by and among INB: Manhattan Drug Company, Inc. and PNC Equipment Finance LLC in the original principal amount of $350,000 (12)
10.19	Cross Collateralization Agreement, dated September 22, 2014, by and among INB: Manhattan Drug Company, Inc., PNC Bank National Association and PNC Equipment Finance LLC (12)
10.20	Security Agreement, dated September 22, 2014 by and among INB: Manhattan Drug Company, Inc. and PNC Equipment Finance LLC (12)
10.21	Guaranty and Suretyship Agreement, dated September 30, 2014, by and among Integrated BioPharma, Inc. and PNC Equipment Finance LLC (12)
14	Code of Business Ethics (3)
21	Subsidiaries of the Registrant (15)

23.1	Consent of Independent Registered Public Accounting Firm (15)
31.1	Certification of Periodic Report by Chief Executive Officer Pursuant to Rule 13a-14 and 15d-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (15)
31.2	Certification of Periodic Report by Chief Financial Officer Pursuant to Rule 13a-14 and 15d-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (15)
32.1	Certification by Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (15)
32.2	Certification by Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (15)
101	The following financial information from Integrated BioPharma, Inc.'s Annual Report on Form 10-K for the fiscal year ended June 30, 2019, formatted in XBRL (extensible Business Reporting Language): (i) Consolidated Statements of Operations for the fiscal years ended June 30, 2019 and 2018, (ii) Consolidated Balance Sheets as of June 30, 2019 and 2018, (iii) Consolidated Statements of Changes in Stockholders' Deficiency for the fiscal years ended June 30, 2019 and 2018 , (iv) Consolidated Statements of Cash Flows for the fiscal years ended June 30, 2019 and 2018, and (v) the Notes to Consolidated Statements. (15)

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(1)	Incorporated herein by reference to the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 2003, filed with the SEC on September 29, 2003.
(2)	Incorporated herein by reference to the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 1997, filed with the SEC on September 29, 1997.
(3)	Incorporated herein by reference to the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 2004, filed with the SEC on September 28, 2004, as amended on November 10, 2004.
(4)	Incorporated herein by reference to the Company's Current Report on Form 8-K filed with the SEC on November 19, 2007.
(5)	Incorporated herein by reference to the Company's Current Report on Form 8-K filed with the SEC on February 14, 2008.
(6)	Incorporated herein by reference to the Company's Current Report on Form 8-K filed with the SEC on February 22, 2008.
(7)	Incorporated herein by reference to the Company's Current Report on Form 8-K filed with the SEC on May 12, 2008 and to the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 2002 filed with the SEC on September 29, 2003.
(8)	Incorporated herein by reference to the Company's Definitive Proxy Statement on Form DEF 14A, as revised, filed with the SEC on October 28, 2009.
(9)	Incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 filed with the SEC on May 21, 2012.
(10)	Incorporated herein by reference to the Company's Current Report on Form 8-K filed with the SEC on June 29, 2012.
(11)	Incorporated herein by reference to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2014, filed with the SEC on September 8, 2014.
(12)	Incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 filed with the SEC on November 7, 2014.
(13)	Incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2015 filed with the SEC on February 19, 2016.
(14)	Incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 filed with the SEC on May 15, 2019.
(15)	Filed herewith.

Item 8: Financial Statements

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Integrated BioPharma, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Integrated BioPharma, Inc. and Subsidiaries (the "Company"), as of June 30, 2019 and 2018, and the related consolidated statements of operations, changes in stockholders' equity (deficiency) and cash flows for each of the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of June 30, 2019 and 2018, and the results of its operations and its cash flows for each of 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 the Company's 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 the Company 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. The Company 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 Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks 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 consolidated 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.

/s/ Friedman LLP

We have served as the Company's auditor since 2009

East Hanover, New Jersey
August 29, 2019

INTEGRATED BIOPHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE FISCAL YEARS ENDED JUNE 30,
(in thousands, except share and per share amounts)

	2019	2018
Sales, net	$ 49,977	$ 43,710
Cost of sales	43,755	38,722
Gross profit	6,222	4,988
Selling and administrative expenses	3,518	3,294
Operating income	2,704	1,694
Other income (expense), net:		
Interest expense	(630)	(926)
Change in fair value of derivative liability	9	494
Unrealized loss on investment in iBio Stock	(23)	-
Impairment on investment in iBio Stock	-	(358)
Other (expense) income, net	(18)	101
Total other expense, net	(662)	(689)
Income before income taxes	2,042	1,005
Income tax expense, net	354	326
Net income	1,688	679
Expenses related to Convertible Debt - CD Financial, LLC:		
Change in fair value of derivative liability	-	(494)
Interest expense, net of taxes	-	216
Amortization of prepaid financing costs, net of taxes	-	6
Accretion of Convertible debt	-	39
Diluted net income	$ 1,688	$ 446
Basic net income per common share	$ 0.06	$ 0.03
Diluted net income per common share	$ 0.06	$ 0.02
Weighted average common shares outstanding - basic	28,930,495	21,135,174
Add: Equivalent shares outstanding - stock options	656,055	951,399
Shares issuable upon conversion of Convertible Debt - CD Financial, LLC	-	8,230,769
Weighted average common shares outstanding - diluted	29,586,550	30,317,342

See accompanying notes to consolidated financial statements.

INTEGRATED BIOPHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30,
(in thousands, except share and per share amounts)

	2019	2018
Assets		
Current Assets:		
Cash	$ 475	$ 228
Accounts receivable, net	4,439	3,796
Inventories	8,819	7,741
Other current assets	346	493
Total current assets	14,079	12,258
Property and equipment, net	1,778	1,651
Operating lease right-of-use assets (includes $3,236 with a related party)	3,284	-
Deferred tax assets, net	534	567
Security deposits and other assets	115	92
Total Assets	$ 19,790	$ 14,568
Liabilities and Stockholders' Deficiency:		
Current Liabilities:		
Advances under revolving credit facility	$ 5,834	$ 4,894
Accounts payable (includes $67 and $141 due to a related party)	3,855	4,184
Accrued expenses and other current liabilities	1,147	1,060
Current portion of long term debt, net	1,047	773
Current portion of operating lease liabilities (includes $450 due to a related party)	470	-
Current portion - Subordinated convertible note, net - CD Financial, LLC	-	5,269
Total current liabilities	12,353	16,180
Long term debt, net	2,722	3,624
Operating lease liabilities (includes $2,793 due to a related party)	2,822	-
Total Liabilities	17,897	19,804
Commitments and Contingencies		
Stockholders' Equity (Deficiency):		
Common Stock, $0.002 par value; 50,000,000 shares authorized; 29,600,843 and 21,170,074 shares issued; and 29,565,943 and 21,135,174 shares outstanding	59	42
Additional paid-in-capital	50,197	44,773
Accumulated deficit	(48,264)	(49,952)
Less: Treasury stock, at cost, 34,900 shares	(99)	(99)
Total Stockholders' Equity (Deficiency)	1,893	(5,236)
Total Liabilities and Stockholders' Equity Deficiency	$ 19,790	$ 14,568

See accompanying notes to consolidated financial statements.

INTEGRATED BIOPHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIENCY)
FOR THE FISCAL YEARS ENDED JUNE 30,
(in thousands, except shares)

	Common Stock		Additional	Accumulated	Treasury Stock		Total Stockholders'
	Shares	Par Value	Paid-in-Capital	Deficit	Shares	Cost	(Deficiency) Equity
Balance, July 1, 2017	21,170,074	$ 42	$ 44,759	$ (50,631)	34,900	$ (99)	$ (5,929)
Compensation expense for employee stock options	-	-	14	-	-	-	14
Net income	-	-	-	679	-	-	679
Balance, June 30, 2018	21,170,074	42	44,773	(49,952)	34,900	(99)	(5,236)
Compensation expense for employee stock options	-	-	144	-	-	-	144
Shares issued upon conversion of CD Financial, LLC Convertible Note,	8,230,769	17	5,256	-	-	-	5,273
Shares issued upon exercise of stock options	200,000	-	24	-	-	-	24
Net income	-	-	-	1,688	-	-	1,688
Balance, June 30, 2019	29,600,843	$ 59	$ 50,197	$ (48,264)	34,900	$ (99)	$ 1,893

See accompanying notes to consolidated financial statements.

INTEGRATED BIOPHARMA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30,
(in thousands)

	2019	2018
Cash flows from operating activities:		
Net income	$ 1,688	$ 679
Adjustments to reconcile net income to net cash from operating activities:		
Amortization of operating lease right-of-use assets	453	-
Depreciation and amortization	321	348
Deferred income taxes	33	256
Change in fair value of derivative liability	(9)	(494)
Accretion of financing instruments and amortization of prepaid financing costs	58	105
Compensation expense on employee stock options	144	14
Unrealized loss on investment in iBio, Inc.	23	-
Impairment charge on investment in iBio, Inc.	-	358
Non cash loss (gain) on AgroSport LLC investment	97	(88)
Allowance for doubtful accounts	(50)	42
Gain on disposal of fixed assets	-	(5)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(593)	182
Inventories	(1,077)	(96)
Prepaid expenses and other assets	(73)	(7)
(Decrease) increase in:		
Operating lease obligations	(454)	-
Accounts payable	(329)	7
Accrued expenses and other current liabilities	96	(133)
Net cash provided by operating activities	328	1,168
Cash flows from investing activities:		
Purchase of property and equipment	(414)	(247)
Proceeds from sale of fixed assets	-	6
Investment in AgroSport LLC	(8)	(1)
Net cash used in investing activities	(422)	(242)
Cash flows from financing activities:		
Advances under revolving credit facility	48,937	41,164
Repayments of advances under revolving credit facility	(47,997)	(40,945)
Proceeds from issuance of note payable	2,400	-
Proceeds from sale/lease back	233	143
Proceeds from exercises of stock options	24	-
Repayments under term notes payable	(3,023)	(959)
Repayments under capitalized lease obligations	(233)	(233)
Net cash provided by (used in) financing activities	341	(830)
Net increase in cash	247	96
Cash at beginning of fiscal year	228	132
Cash at end of fiscal year	$ 475	$ 228
Supplemental disclosures of cash flow information:		
Cash paid during the periods for:		
Interest	$ 629	$ 800
Income taxes	$ 264	$ 221
Supplemental disclosures of non-cash transactions:		
Accretion of discount on Convertible Note Payable	$ 3	$ 39
Financing on capitalized lease obligations	$ -	$ 53

See accompanying notes to consolidated financial statements.

Note 1. Business

Integrated BioPharma, Inc., a Delaware corporation (together with its subsidiaries, the "Company"), is engaged primarily in manufacturing, distributing, marketing and sales of vitamins, nutritional supplements and herbal products. The Company's customers are located primarily in the United States, Luxembourg and Canada. The Company was previously known as Integrated Health Technologies, Inc. and, prior to that, as Chem International, Inc. The Company was reincorporated in its current form in Delaware in 1995. The Company continues to do business as Chem International, Inc. with certain of its customers and certain vendors.

The Company's business segments include: (a) Contract Manufacturing operated by Manhattan Drug Company, Inc. ("MDC"), which manufactures vitamins and nutritional supplements for sale to distributors, multilevel marketers and specialized health-care providers; (b) Branded Proprietary Products operated by AgroLabs, Inc. ("AgroLabs"), which distributes healthful nutritional products for sale through major mass market, grocery and drug and vitamin retailers, under the following brands: Peaceful Sleep, Green Envy, FiberCal, Wheatgrass and other products which are being introduced into the market (these are referred to as our branded proprietary nutraceutical business and/or products); and (c) Other Nutraceutical Businesses which includes the operations of (i) The Vitamin Factory (the "Vitamin Factory"), which sells private label MDC products, as well as our AgroLabs products, through the Internet, (ii) IHT Health Products, Inc. ("IHT") a distributor of fine natural botanicals, including multi minerals produced under a license agreement, (iii) MDC Warehousing and Distribution, Inc., a service provider for warehousing and fulfillment services and (iv) Chem International, Inc. ("Chem"), a distributor of certain raw materials for DSM Nutritional Products LLC.

Note 2. Summary of Significant Accounting Policies

Principles of Consolidation. The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany transactions and accounts have been eliminated in consolidation.

Reclassifications. Certain prior year amounts have been reclassified to conform to the current year presentation.

Use of Estimates. The preparation 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. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The most significant estimates include:

- sales returns and allowances;
- trade marketing and merchandising;
- allowance for doubtful accounts;
- inventory valuation;
- valuation and recoverability of long-lived and intangible assets;
- income taxes and valuation allowance on deferred income taxes, and;
- accruals for, and the probability of, the outcome of any current litigation.

On a continual basis, management reviews its estimates utilizing currently available information, changes in facts and circumstances, historical experience and reasonable assumptions. After such reviews, and if deemed appropriate, those estimates are adjusted accordingly. Actual results could differ from those estimates.

Derivative Liabilities. The Company generally does not use derivative financial instruments to hedge exposures to cash flow or market risks. However, certain other financial instruments, such as warrants and embedded conversion features on the subordinated convertible debt, are classified as derivative liabilities due to protection provisions within the agreements. Such financial instruments are initially recorded at fair value using the Black Scholes model and subsequently adjusted to fair value at the close of each reporting period. The Company accounts for derivative instruments and debt instruments in accordance with the interpretative guidance of ASC 815 and associated pronouncements related to the classification and measurement of warrants and instruments with conversion features.

Revenue Recognition. The Company recognizes product sales revenue, the prices of which are fixed and determinable, when title and risk of loss have transferred to the customer, when estimated provisions for product returns, rebates, charge-backs and other sales allowances are reasonably determinable, and when collectability is reasonably assured. Accruals for these items are presented in the consolidated financial statements as reductions to sales. The Company's net sales represent gross sales invoiced to customers, less certain related charges for discounts, returns, rebates, charge-backs and other allowances. Cost of sales includes the cost of raw materials and all labor and overhead associated with the manufacturing and packaging of the products. Gross margins are affected by, among other things, changes in the relative sales mix among our products and valuation and/or charge off of slow moving, expired or obsolete inventories. To perform revenue recognition for arrangements within the scope of ASC 606, the Company performs the following five steps:

- identification of the promised goods or services in the contract;
- determination of whether the promised goods or serves are performance obligations including whether they are distinct in the context of the contract;
- measurement of the transaction price, including the constraint on variable consideration;
- allocation of the transaction price to the performance obligations based on estimated selling prices; and
- recognition of revenue when (or as) the Company satisfies each performance obligation. A performance obligation is a promise to transfer a distinct good or service to the customer and is the unit of account in ASC 606.

Shipping and Handling Costs. Shipping and handling costs were approximately $205 and $207 for the fiscal years ended June 30, 2019 and 2018, respectively, and are included in cost of sales in the accompanying Consolidated Statements of Operations.

Trade Marketing and Merchandising. In order to support the Company's proprietary nutraceutical product lines, various promotional activities are conducted through the retail trade, distributors or directly with consumers, including in-store display and product placement programs, feature price discounts, coupons, and other similar activities. The Company regularly reviews and revises, when it deems necessary, estimates of costs to the Company for these promotional programs based on estimates of what will be redeemed by the retail trade, distributors, or consumers. These estimates are made using various techniques, including historical data on performance of similar promotional programs. Differences between estimated expense and actual performance are generally not material and are recognized as a change in management's estimate in a subsequent period.

Advertising. Advertising costs are expensed as incurred. Advertising expense was approximately $6 and $17 for the fiscal years ended June 30, 2019 and 2018, respectively.

Stock-Based Compensation. The Company has two stock-based compensation plans that have outstanding options issued in accordance with such plans. The Company periodically grants stock options to employees and directors in accordance with the provisions of its stock option plans, with the exercise price of the stock options being set at the closing market price of the common stock on the date of grant. Stock based compensation expense is recognized based on the estimated fair value, utilizing a Black-Scholes option

pricing model, of the instrument on the date of grant over the requisite vesting period, which is generally three years.

Income Taxes. The Company accounts for income taxes using the asset and liability method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in the tax rate is recognized in income or expense in the period that the change is effective. Tax benefits are recognized when it is probable that the deduction will be sustained. A valuation allowance is established when it is more likely than not that all or a portion of a deferred tax asset will not be realized.

The Company files a U.S. federal income tax return as well as returns for various states. The Company's income taxes have not been examined by any tax authorities for the periods subject to review by such taxing authorities, except for the State of New Jersey tax filings for MDC which were reviewed by the State of New Jersey for the then open tax periods of 2014 through 2017 and resulted in an adjustment of approximately $23 for all periods reviewed and included in the income tax provision in the fiscal year ended June 30, 2019. Uncertain tax positions, if any, taken on our tax returns are accounted for as liabilities for unrecognized tax benefits. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in general and administrative expenses in the Consolidated Statements of Operations. There were no liabilities recorded for uncertain tax positions at June 30, 2019 or 2018.

Earnings Per Share. Basic earnings per common share amounts are based on weighted average number of common shares outstanding. Diluted earnings per share amounts are based on the weighted average number of common shares outstanding, plus the incremental shares that would have been outstanding upon the assumed exercise of all potentially dilutive stock options, warrants and convertible debt, subject to anti-dilution limitations using the treasury stock method and if converted method.

Fair Value of Financial Instruments. Generally accepted accounting principles require disclosing the fair value of financial instruments to the extent practicable for financial instruments which are recognized or unrecognized in the balance sheet. The fair value of the financial instruments disclosed herein is not necessarily representative of the amount that could be realized or settled, nor does the fair value amount consider the tax consequences of realization or settlement.

In assessing the fair value of financial instruments, the Company uses a variety of methods and assumptions, which are based on estimates of market conditions and risks existing at the time. For certain instruments, including cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses, it was estimated that the carrying amount approximated fair value because of the short maturities of these instruments. All debt is based on current rates at which the Company could borrow funds with similar remaining maturities and approximates fair value.

Accounts Receivable and Allowance for Doubtful Accounts. In the normal course of business, the Company extends credit to customers. Accounts receivable, less the allowance for doubtful accounts, reflect the net realizable value of receivables, and approximate fair value. The Company believes there is no concentration of credit risk with any single customer whose failure or nonperformance would materially affect the Company's results other than as discussed in Note 9(c) – Significant Risks and Uncertainties – Major Customers. On a regular basis, the Company evaluates its accounts receivables and establishes an allowance for doubtful accounts based on a combination of specific customer circumstances, credit conditions, and historical write-offs and collections. The allowance for doubtful accounts as of June 30, 2019 and 2018 was $84 and $134, respectively. Accounts receivable are charged off against the allowance after management determines that the potential for recovery is remote.

(in thousands, except share and per share amounts)

Inventories. Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method. Allowances for obsolete and overstock inventories are estimated based on "expiration dating" of inventory and projection of sales.

Property and Equipment. Property and equipment are recorded at cost and are depreciated using the straight line method over the following estimated useful lives:

Building	15 Years
Leasehold Improvements	Shorter of estimated useful life or term of lease
Machinery and Equipment	7 Years
Transportation Equipment	5 Years

Impairment of Long-Lived Assets. Long-lived assets are reviewed for impairment when circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future net cash flows estimated by the Company to be generated by such assets. If such assets are considered to be impaired, the impairment to be recognized is the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of by sale are recorded as held for sale at the lower of carrying value or estimated net realizable value. Tests for impairment or recoverability are performed at least annually and require significant management judgment and the use of estimates which the Company believes are reasonable and appropriate at the time of the impairment test. Future unanticipated events affecting cash flows and changes in market conditions could affect such estimates and result in the need for an impairment charge. The Company also re-evaluates the periods of amortization to determine whether circumstances warrant revised estimates of current useful lives. No impairment losses were identified or recorded in the fiscal years ended June 30, 2019 and 2018 on the Company's other intangible assets.

Investment in iBio, Inc. Prior to the adoption of ASU 2016-01 on July 1, 2018, the Company accounted for its investment in iBio, Inc. ("iBio") common stock on the cost basis as it retained approximately 6% of its interest in iBio (the "iBio Stock") at the time of the spin-off of this subsidiary in August 2008. The Company reviewed its investment in iBio for impairment and recorded a loss when there was deemed to be a permanent impairment of the investment. To date, there were cumulative impairment charges of approximately $2,562 and as of June 30, 2019, an unrealized loss of approximately $23. The market value of the iBio Stock as of June 30, 2019 and 2018, was approximately $84 and $107, respectively, based on the trade price at the close of trading on June 30, 2019 and 2018, respectively. The investment in iBio is included in other current assets in the consolidated balance sheets as of June 30, 2019 and 2018 at the respective market values.

Investment in AgroSport LLC. The Company accounts for its investment in AgroSport LLC ("AGS") on the equity method. On June 1, 2018, AgroLabs contributed the AgroSport product line to AGS in exchange for a one third interest in AGS. The contribution included the website, www.agrosport.com, all trademarks and all other intangible assets associated with the AgroSport product line and a future capital contribution commitment of $10. The equity basis value of AgroSport was $0 and $89, as of June 30, 2019 and 2018, respectively and is included in other current assets.

Accounting Pronouncements Recently Adopted

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers", Topic 606. This update affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets, unless those contracts are within the scope of other standards. The guidance in this update supersedes the revenue recognition requirements in Topic 605, Revenue Recognition and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to illustrate the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also includes a cohesive set of disclosure requirements that will provide users of

(in thousands, except share and per share amounts)

financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a reporting organization's contracts with customers. During 2016, the FASB issued several accounting updates (ASU No. 2016-08, 2016-10 and 2016-12) to clarify implementation guidance and correct unintended application of the guidance. The standard allows for either "full retrospective" adoption, meaning the standard is applied to all of the periods presented, or "modified retrospective" adoption, meaning the standard is applied only to the most current period presented in the financial statements. This new guidance was effective for the Company beginning on July 1, 2018, and Note 13 provides the related disaggregated revenue disclosures. The adoption of this standard using the modified retrospective approach did not have a material impact on the Company's revenue recognition accounting policy or its Consolidated Financial Statements.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments – Overall, (Subtopic 825-10) "Recognition and Measurement of Financial Assets and Financial Liabilities", which addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. Under this guidance, companies have to measure equity investments, except those accounted for under the equity method, at fair value and recognize changes in fair value in net income. The adoption of this standard on July 1, 2018, by Company did not have a material effect on its Consolidated Financial Statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), a new standard related to leases to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. We will be required to recognize and measure leases existing at, or entered into after, the beginning of the earliest comparative period presented using a modified retrospective approach, with certain practical expedients available.

We elected to early adopt the standard effective July 1, 2018. We elected the available practical expedients on adoption. In preparation for adoption of the standard, we have implemented internal controls and key system functionality to enable the preparation of financial information. The standard had a material impact on our consolidated balance sheets, but did not have a material impact on our consolidated income statements. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while our accounting for capital leases remained substantially unchanged.

Adoption of this standard resulted in the recognition of additional ROU assets and lease liabilities for operating leases and had the following impact to the reported results as of July 1, 2018 on our consolidated financial statements:

Consolidated Statement of Financial Condition	As Reported	New Lease Standard Adjustment	As Adjusted
Operating lease right-of-use assets	$ -	$ 69	$ 69
Operating lease right-of-use assets - Vitamin Realty, LLC	-	3,668	3,668
Operating lease liabilities	-	69	69
Operating lease liabilities - Vitamin Realty, LLC	-	3,677	3,677
Current portion of long term debt, net	773	-	773
Long term debt, net	3,624	-	3,624
Current portion - Subordinated convertible note, net - CD Financial, LLC	5,269	-	5,269

In August, 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments," which clarifies how certain cash receipts and payments are to be presented in the statement of cash flows. The guidance was effective for the Company on July 1, 2018 and did not have a material impact on the Company's Consolidated Financial Statements.

Accounting Pronouncements Not Yet Adopted

In October, 2016, the FASB issued ASU No. 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other than Inventory," which eliminates the requirement to defer recognition of income taxes on intra-entity transfers until the asset is sold to an outside party. The new guidance requires the recognition of current and deferred income taxes on intra-entity transfers of assets other than inventory, such as intellectual property and property, plant and equipment, when the transfer occurs. The guidance is effective for the Company on July 1, 2019 and early adoption is permitted. The standard requires a "modified retrospective" adoption, meaning the standard is applied through a cumulative adjustment in retained earnings as of the beginning of the period of adoption. This new guidance did not have a material impact on the Company's Consolidated Financial Statements.

In July 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-11, "Earnings Per Share (Topic 260) Distinguishing Liabilities from Equity (Topic 480) Derivatives and Hedging (Topic 815)," which addresses the complexity of accounting for certain financial instruments with down round features. The amendments are effective for the Company on July 1, 2019 for the fiscal year ended June 30, 2020, and the interim periods within it. Early adoption was available. The Company is not expecting a material impact on the Company's Consolidated Financial Statements.

On August 28, 2018, the Financial Accounting Standards Board ("FASB") issued ASU 2018-13, Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820), which changes the fair value measurement disclosure requirements of ASC 820. This ASU removes certain disclosure requirements regarding the amounts and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy and the policy for timing of transfers between the levels. This ASU also adds disclosure requirements regarding unrealized gains and losses included in Other Comprehensive Income for recurring Level 3 fair value measurements and the range and weighted average of unobservable inputs used in Level 3 fair value measurements. ASU 2018-13 is effective for all entities with fiscal years beginning after December 15, 2019, including interim periods therein. Early adoption is permitted for any eliminated or modified disclosures upon issuance of ASU 2018-13. The Company is currently evaluating the impact of adopting this standard.

In June 2016, the FASB issued ASU 2016-13 "Financial Instruments-Credit Losses-Measurement of Credit Losses on Financial Instruments". This guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The guidance applies to loans, accounts receivable, trade receivables and other financial assets measured at amortized cost, loan commitments, debt securities and beneficial interests in securitized financial assets, but the effect on the Company is projected to be limited to accounts receivable. The guidance will be effective for the fiscal year beginning on January 1, 2020, including interim periods within that year. The Company is currently evaluating the impact of adopting this standard.

In May 2019, the FASB issued ASU 2019-05 "Financial Instruments-Credit Losses (Topic 326)" which provides transition relief for companies adopting ASU 2016-13. This guidance amends ASU 2016-13 to allow companies to elect, upon adoption of ASU 2016-13, the fair value option on financial instruments that were previously recorded at amortized cost under certain circumstances. Companies are required to make this election on and instrument by instrument basis. The guidance will be effective for the fiscal year beginning after December 15, 2019, including interim periods within that year. The Company is currently evaluating the impact of adopting this standard.

(in thousands, except share and per share amounts)

Note 3. Inventories

Inventories are stated at the lower of cost or net realizable value using the first-in, first-out method and consist of the following:

	June 30,	
	2019	2018
Raw materials	$ 4,550	$ 4,179
Work-in-process	2,325	2,207
Finished goods	1,944	1,355
Total	$ 8,819	$ 7,741

Note 4. Property and Equipment, net

Property and equipment consists of the following:

	June 30,	
	2019	2018
Land and building	$ 1,250	$ 1,250
Leasehold improvements	1,282	1,268
Machinery and equipment	6,280	5,917
Transportation equipment	6	6
	8,818	8,441
Less: Accumulated depreciation and amortization	(7,040)	(6,790)
Total	$ 1,778	$ 1,651

Depreciation and amortization expense was $288 and $239 for the fiscal years ended June 30, 2019 and 2018, respectively. In the fiscal years ended June 30, 2019 and 2018, the Company disposed of fully depreciated property and equipment with an original cost of $38 and $147, respectively.

(in thousands, except share and per share amounts)

Note 5. Senior Credit Facility, Subordinated Convertible Note, net - CD Financial, LLC and other Long Term Debt

As of June 30, 2019 and 2018, the Company had the following debt outstanding:

	Principal Amount June 30,		Interest Rate	Maturity Date
	2019	2018		
Revolving advances under Senior Credit Facility with PNC Bank, National Association	$ 5,834	$ 4,894	*	5/15/2024
Installment Note with PNC Bank	3,542	1,672	*	5/15/2024
Installment Note with PNC Equipment Finance, LLC	8	101	4.57%	7/29/2019
Promissory Note with CD Financial, LLC	-	1,714	6.00%	5/15/2019
Promissory Note with Vitamin Realty, LLC	-	686	4.00%	5/15/2019
Capitalized lease obligations	269	269	4.01% - 9.38%	12/1/2019 - 2/1/2021
Total outstanding debt	9,653	9,336		
Less: Revolving Advances	(5,834)	(4,894)		
Prepaid financing costs	(50)	(45)		
Current portion of long term debt, net	(1,047)	(773)		
Long term debt, net	$ 2,722	$ 3,624		
Convertible Note payable - CD Financial, LLC	$ -	$ 5,350	6.00%	7/24/2018
Less: Discount for embedded derivative	-	(66)		
Prepaid financing costs	-	(15)		
Convertible Note payable, net - CD Financial, LLC	$ -	$ 5,269		

* See table below

SENIOR CREDIT FACILITY

On May 15, 2019, the Company, MDC, AgroLabs, IHT, IHT Properties Corp. ("IHT Properties") and Vitamin Factory (collectively, the "Borrowers") amended the Revolving Credit, Term Loan and Security Agreement (the "Amended Loan Agreement") with PNC Bank, National Association as agent and lender ("PNC") and the other lenders party thereto entered into on June 27, 2012, as amended on February 19, 2016.

The Amended Loan Agreement provides for a total of $11,585 in senior secured financing (the "Senior Credit Facility") as follows: (i) discretionary advances ("Revolving Advances") based on eligible accounts receivable and eligible inventory in the maximum amount of $8,000 (the "Revolving Credit Facility"), and (ii) a term loan in the amount of $3,585 (the "Term Loan"). The Senior Credit Facility is secured by all assets of the Borrowers, including, without limitation, machinery and equipment, real estate owned by IHT Properties, and common stock of iBio owned by the Company. Revolving Advances bear interest at PNC's Base Rate or the Eurodollar Rate, at Borrowers' option, plus 2.50%. The Term Loan bears interest at PNC's Base Rate or the Eurodollar Rate at Borrowers' option, plus 3.00%.

(in thousands, except share and per share amounts)

As of June 30, 2019, the Company had amounts outstanding utilizing the Eurodollar Rate of $4,250 and $3,455 under the Revolving Advances and Term Note, respectively, with interest rates as of June 30, 2019 and June 30, 2018 as follows (based on the respective base rate plus 2.50% on Revolving Advances and 3.00% on the Term Note in effect as of the respective dates):

	June 30,	
	2019	2018
Revolving Credit Facility:		
Base Rate Interest	5.50%	5.00%
Eurodollar Rate	4.881%	n/a
Term Loan:		
Base Rate Interest	5.75%	5.50%
Eurodollar Rate	5.381% and 5.3838%	n/a

Upon and after the occurrence of any event of default under the Amended Loan Agreement, and during the continuation thereof, interest shall be payable at the interest rate then applicable plus 2%. The Senior Credit Facility matures on May 15, 2024 (the "Senior Maturity Date").

The principal balance of the Revolving Advances is payable on the Senior Maturity Date, subject to acceleration, based upon a material adverse event clause, as defined, subjective accelerations for borrowing base reserves, as defined or upon the occurrence of any event of default under the Amended Loan Agreement or earlier termination of the Amended Loan Agreement pursuant to the terms thereof. The Term Loan shall be repaid in eighty-four (84) consecutive monthly installments of principal, the first eighty-three (83) of which shall be in the amount of $43, commencing on the first business day of June, 2019, and continuing on the first business day of each month thereafter, with a final payment of any unpaid balance of principal and interest payable on the Senior Maturity Date. The foregoing is subject to customary mandatory prepayment provisions and acceleration upon the occurrence of any event of default under the Amended Loan Agreement or earlier termination of the Amended Loan Agreement pursuant to the terms thereof.

The Revolving Advances are subject to the terms and conditions set forth in the Amended Loan Agreement and are made in aggregate amounts at any time equal to the lesser of (x) $8,000 or (y) an amount equal to the sum of: (i) up to 85%, subject to the provisions in the Amended Loan Agreement, of eligible accounts receivables ("Receivables Advance Rate"), plus (ii) up to the lesser of (A) 75%, subject to the provisions in the Amended Loan Agreement, of the value of the eligible inventory ("Inventory Advance Rate" and together with the Receivables Advance Rate, collectively, the "Advance Rates"), (B) 85% of the appraised net orderly liquidation value of eligible inventory (as evidenced by the most recent inventory appraisal reasonably satisfactory to PNC in its sole discretion exercised in good faith) and (C) the inventory sublimit in the aggregate at any one time ("Inventory Advance Rate" and together with the Receivables Advance Rate, collectively, the "Advance Rates"), minus (iii) the aggregate Maximum Undrawn Amount of all outstanding Letters of Credit, minus (iv) such reserves as PNC may reasonably deem proper and necessary from time to time.

The Amended Loan Agreement contains customary mandatory prepayment provisions, including, without limitation the requirement to use any sales proceeds from the sale of iBio Stock to repay the Term Loan and to prepay the outstanding amount of the Term Note in an amount equal to twenty-five percent (25%) of Excess Cash Flow for each fiscal year commencing with the fiscal year ended June 30, 2016, payable upon delivery of the financial statements to PNC referred to in and required by the Amended Loan Agreement for such fiscal year but in any event not later than one hundred twenty (120) days after the end of each such fiscal year, which amount shall be applied ratably to the outstanding principal installments of the Term Loan in the inverse order of the maturities thereof. The Amended Loan Agreement also contains customary

representations and warranties, covenants and events of default, including, without limitation, (i) a fixed charge coverage ratio maintenance requirement and (ii) an event of default tied to any change of control as defined in the Amended Loan Agreement. As of June 30, 2019, the Company was in compliance with the fixed charge coverage ratio maintenance requirement and with the required annual payments of 25% of the Excess Cash Flow for each fiscal year commencing with the fiscal year ended June 30, 2016.

In connection with the Senior Credit Facility, PNC and CD Financial entered into the Intercreditor and Subordination Agreement (the "Intercreditor Agreement"), which was acknowledged by the Borrowers, pursuant to which, among other things, (a) the lien of CD Financial on assets of the Borrowers is subordinated to the lien of PNC on such assets during the effectiveness of the Senior Credit Facility, and (b) priorities for payment of the debt for the Company and its subsidiaries (as described in this Note 5) are established.

In addition, in connection with the Senior Credit Facility, the following loan documents were executed: (i) a Stock Pledge Agreement with PNC, pursuant to which the Company pledged to PNC the iBio Stock; (ii) a Mortgage and Security Agreement with PNC with IHT Properties; and (iii) an Environmental Indemnity Agreement with PNC.

CD FINANCIAL, LLC

On June 27, 2012, the Company also entered into an Amended and Restated Securities Purchase Agreement (the "CD SPA") with CD Financial, which amended and restated the Securities Purchase Agreement, dated as of February 21, 2008, between the Company and CD Financial, pursuant to which the Company issued to CD Financial a 9.5% Convertible Senior Secured Note in the original principal amount of $4,500 (the "Original CD Note"). Pursuant to the CD SPA, the Company issued to CD Financial (i) the Amended and Restated Convertible Promissory Note in the principal amount of $5,350 (the "CD Convertible Note") and (ii) the Promissory Note in the principal amount of $1,714 (the "Liquidity Note", and collectively with the CD Convertible Note, the "CD Notes"). The CD Notes had an original maturity date of July 7, 2017, however, on February 19, 2016, the CD Notes were amended to extend the maturity date thereof to February 29, 2020.

The proceeds of the CD Notes were used to refinance (a) the Original CD Note, (b) the CD MDC Note which was assigned by MDC to the Company, (c) past due interest in the aggregate amount of $333 and (d) other expenses owed to CD Financial by the Company in the aggregate amount of approximately $217.

The CD Notes were secured by all assets of the Borrowers, including, without limitation, machinery and equipment, real estate owned by IHT Properties, and iBio Stock owned by the Company. The CD Notes bore interest at an annual rate of 6% and had a default rate of 10%.

The CD Convertible Note was convertible at the option of CD Financial into common stock of the Company at a conversion price of $0.65 per share, subject to customary adjustments including conversion price protection provisions.

Pursuant to the terms of the Amended Loan Agreement and the Intercreditor Agreement, during the effectiveness of the Senior Credit Facility, (i) the principal of the CD Convertible Note could not be repaid, (ii) the principal of the Liquidity Note could only be repaid if certain conditions under the Amended Loan Agreement were satisfied, and (iii) interest in respect of the CD Notes were only paid if certain conditions under the Intercreditor Agreement were satisfied.

The CD SPA contained customary representations and warranties, covenants and events of default, including, without limitation, an event of default tied to any change of control as defined in the CD SPA.

In connection with the CD SPA, the Borrowers entered into an Amended and Restated Security Agreement and Amended and Restated Subsidiary Guaranty.

On May 15, 2019, the Liquidity Note was satisfied in full with the repayment of principal and interest in the amount of $1,718. The Liquidity Note was permitted to be paid in full in the Amended Loan Agreement with PNC Bank.

On July 31, 2018, the Company authorized the issuance of 8,230,769 shares of the Company's common stock ("Common Shares") to CD Financial. The Common Shares were issued upon the exercise by CD Financial of its conversion right pursuant to the CD SPA and in accordance with Section 3 (b) of the CD Convertible Note. The CD Convertible Note was convertible at the option of CD Financial into Common Shares at a conversion price of $0.65 per share, subject to customary adjustments. CD Financial exercised its conversion right with respect to the entire principal amount due under the CD Convertible Note. The Common Shares issued to CD Financial were issued at a conversion price of $0.65 per Common Share.

As of June 30, 2018, the related embedded derivative liability with respect to conversion price protection provisions on the CD Convertible Note had an estimated fair value of $9 and as of June 30, 2019 had been extinguished in connection with the above described conversion exercise by CD Financial on July 24, 2018.

OTHER LONG TERM DEBT

Related Party Debt. On June 27, 2012, MDC and the Company entered into a promissory note with Vitamin Realty Associates, LLC ("Vitamin Realty") in the principal amount of approximately $686 (the "Vitamin Note"). The principal amount of the Vitamin Note represents the aggregate amount of unpaid, past due rent owing by MDC under the Lease Agreement, dated as of January 10, 1997, between MDC, as lessor, and Vitamin Realty, as landlord, pertaining to the real property located at 225 Long Avenue, Hillside, New Jersey. (See Note 10. Commitments and Contingencies (a) Leases – Related Parties Leases). The Vitamin Note was scheduled to mature on February 29, 2020, as amended on February 19, 2016. The Vitamin Note accrued interest at an annual rate of 4% per annum. Interest in respect of the Vitamin Note was payable on the first business day of each calendar month. Pursuant to the terms of the Amended Loan Agreement, during the effectiveness of the Senior Credit Facility, the Vitamin Note could only be repaid or prepaid if certain conditions set forth in the Amended Loan Agreement were satisfied.

On May 15, 2019, the Vitamin Note was satisfied in full with the repayment of principal and interest in the amount of $689. The Vitamin Note was permitted to be paid in full in the Amended Loan Agreement with PNC Bank.

Capitalized Lease Obligations. On February 1, 2019, the Company entered into a capitalized lease obligation with First American Equipment Finance ("First American") in the amount of $233, which lease is secured by certain machinery and equipment and matures on February 1, 2021. The Company sold certain machinery, purchased from equipment suppliers other than First American in the aggregate amount of $233, to First American for $233 and leased the sold equipment back from First American for monthly payments in the amount of approximately $10 with an imputed interest rate of 7.28%.

On February 1, 2019, the capitalized lease obligation entered into by the Company on March 17, 2017 with First American in the amount of $158, which lease was secured by certain machinery and equipment, was satisfied with all payments being made under the capitalized lease obligation. The monthly lease payment was approximately $7 and had an imputed interest rate of 3.86%.

On June 17, 2018, the capitalized lease obligation the Company entered into on June 9, 2016 with Marlin Leasing in the amount of $65, which lease was secured by certain machinery and equipment, was satisfied with all payments being made under the capitalized lease obligation. The monthly lease payment was approximately $3 and had an imputed interest rate of 6.4%.

On March 6, 2018, the capitalized lease obligation the Company entered into on March 21, 2016 with Regents Capital Corporation ("Regents") in the amount of $123, which lease was secured by certain machinery and equipment, was satisfied with all payments being made under the capitalized lease obligation. The quarterly lease payment was approximately $16 and had an imputed interest rate of 11.43%.

On February 14, 2018 and April 17, 2018, the Company entered into two separate capitalized lease obligations with Marlin Equipment Finance in the amount of $38 and $15, respectively, which leases are secured by certain machinery and equipment and mature on February 25, 2020 and April 25, 2020, respectively. The lease payments in the amounts of approximately $2 and $1, respectively, are payable monthly and have imputed interest rates of 9.26% and 9.38%, respectively.

On December 22, 2017, the Company entered into a capitalized lease obligation with First American Equipment Finance ("First American") in the amount of $143, which lease is secured by certain machinery and equipment and matures on December 1, 2019. The Company sold certain machinery, purchased from equipment suppliers other than First American in the aggregate amount of $143, to First American for $143 and leased the sold equipment back from First American for monthly payments in the amount of approximately $6 with an imputed interest rate of 6.56%.

On December 8, 2015, the Company entered into a capitalized lease obligation with Wells Fargo Equipment Finance, Manufacturer Services Group ("Wells Fargo") in the amount of $129 which matures on December 8, 2020. The lease payment amount of approximately $2 is payable monthly and has an imputed interest rate of 4.01%.

Equipment Financing Note. On September 22, 2014, MDC entered into a Convertible Line of Credit Note (the "LC Note") in the amount of $350 with PNC Equipment Finance, LLC ("PNCEF"). The LC Note is convertible into a term note upon completion of the advances under the LC Note. During the period from September 22, 2014 to and including the Conversion Date (defined below), the Company was able to borrow up to the full value of the LC Note ($350). The "Conversion Date" is the earliest to occur of (i) July 31, 2015 or (ii) the date when the Company notifies PNCEF that no more advances will be requested or (iii) the date when PNCEF has made advances in an aggregate amount of $350. The Company completed the advances on July 29, 2015 and converted the LC Note to a four year term note in the amount of $350. Prior to the Conversion Date, amounts outstanding under the LC Note bore interest at a rate per annum ("Floating Rate") which is at all times equal to the sum of LIBOR Rate plus 325 basis points (3.25%). On the Conversion Date, the Company elected a fixed rate interest of 4.57% as offered by PNCEF.

In addition, in connection with the LC Note, the following loan documents were executed: (i) a Security Agreement with PNCEF and MDC; (ii) a Guaranty and Security Agreement with PNCEF and the Company; and (iii) a Cross Collateralization Agreement with PNC, PNCEF and MDC.

On July 29, 2019, the LC Note was satisfied in full with the final monthly payment of principal and interest in the amount of $8 paid.

(in thousands, except share and per share amounts)

Note 6. Interest Expense

The components of interest expense for the fiscal years ended June 30, 2019 and 2018 are presented below:

	For the Fiscal Year Ended June 30,	
	2019	2018
Interest on Senior Debt	$ 387	$ 304
Interest on CD Convertible Note and Liquidity Note - CD Financial	115	430
Amortization of prepaid financing costs	55	66
Accretion of discount on Convertible Note - CD Financial	3	39
Other related parties	24	28
Interest on capitalized lease obligations	19	25
Interest on PNC Equipment Finance LLC Term Note	3	7
Other interest expense	24	27
Interest Expense	$ 630	$ 926

The weighted average interest rate paid was 5.35% and 5.19% in the fiscal years ended June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, the Company had accrued unpaid interest of approximately $13 and $69, respectively.

Note 7. Income Taxes

The components of the provision for income taxes consists of the following:

	For the fiscal year ended June 30,	
	2019	2018
Current - Federal	$ 36	$ 4
Current - State and local	287	170
Deferred - Federal and state	621	430
Change in valuation allowance	(590)	(278)
Income tax expense, net	$ 354	$ 326

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act (the "Tax Act"), which significantly changed U.S. tax law. The Tax Act lowered the Company's U.S. statutory federal income tax rate from 35% to 21% effective January 1, 2018. By operation of law, the Company applied a blended U.S. statutory tax rate of 27.5% for the fiscal year ended June 30, 2018 and the statutory rate of 21% for the fiscal year ended June 30, 2019.

In the fiscal year ended June 30, 2019 and 2018, the Company recognized a provision for income taxes of $354 and $326, respectively, $202 was considered a one-time provisional estimate under the Tax Act in the fiscal year ended June 30, 2018, relating to the impact of re-measuring the Company's deferred tax balances to reflect the reduction in the U.S. statutory tax rate from 35% to 21% for years after 2017 and allowable alternative minimum tax carry forward credits. The Company re-measured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse. In addition, the Company elected to record certain deferred tax assets and liabilities related to the alternative minimum tax carry forward credits now allowed to be utilized in future taxable years.

(in thousands, except share and per share amounts)

A reconciliation of the statutory tax rate to the effective tax rate is as follows:

	For the fiscal year ended June 30,	
	2019	2018
Statutory federal income tax rate	21.0 %	27.5 %
Deferred tax effects from Tax Act	0.0 %	20.0 %
Statutory state income tax rate	7.0 %	7.0 %
Effective state income tax rate	7.0 %	9.8 %
Change in valuation allowance	(20.7)%	(32.9)%
Other temporary differences	2.0 %	-
Non-deductible expenses	1.0 %	1.0 %
Effective income tax rate	17.3%	32.4%

Deferred income taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial accounting purposes and the amounts used for income tax reporting. Significant components of the Company's deferred tax assets are as follows:

	June 30,	
	2019	2018
Deferred Tax Assets		
Net operating loss	$ 7,642	$ 8,247
Capital loss carryover	16	21
Valuation adjustment on investment in iBio, Inc.	512	512
Depreciation	(225)	(223)
Inventory	104	105
Other	31	42
Valuation allowance	(7,546)	(8,137)
Total deferred tax asset, net	$ 534	$ 567

The Company has net operating losses ("NOL") of approximately $33,000 for federal purposes which expire beginning in 2025. State NOL's of approximately $7,000 expire beginning in 2019 through 2034. The Company also has capital losses of $77 which expire in 2020. The Company files a consolidated U.S. federal income tax return; however, the various state tax returns are filed on a stand-alone basis for the Company and its subsidiaries. MDC has fully utilized its state NOL's resulting in taxable income on a state level basis.

Realization of the NOL carryforwards and other deferred tax temporary differences is contingent on future taxable earnings. The Company's deferred tax asset was reviewed for expected utilization using a "more likely than not" approach by assessing the available positive and negative evidence surrounding its recoverability. Accordingly, a valuation allowance has been recorded against the Company's deferred tax asset, as it was determined based upon past taxable losses and inconsistent taxable income in the past few years, that it was "more likely than not" that the Company's deferred tax assets would not be realized. As of June 30, 2019 and 2018, management determined that certain of the Company's deferred tax assets were "more likely than not" to be realizable and the Company recognized deferred tax benefits related to the release of the valuation allowance on those assets of approximately $455 and $185, respectively.

The Company will continue to assess and evaluate strategies that will enable the deferred tax asset, or portion thereof, to be utilized, and will reduce the valuation allowance appropriately at such time when it is determined that the "more likely than not" criteria is satisfied.

There were no significant uncertain tax positions taken, or expected to be taken, in a tax return that would be determined to be an unrecognized tax benefit taken or expected to be taken in a tax return that should have been recorded on the Company's consolidated financial statements for the year ended June 30, 2019. Additionally, there were no interest or penalties outstanding as of or for each of the fiscal years ended June 30, 2019 and 2018.

The latest three years of Federal and four years of state tax returns filed for the fiscal years ended through June 30, 2018 are currently open except for the State of New Jersey tax filings for MDC which have been reviewed for the tax periods of 2014, 2015, 2016 and 2017. The tax returns for the year ended June 30, 2019 will be filed by March 15, 2020.

Note 8. Profit-Sharing Plan

The Company maintains a profit-sharing plan, which qualifies under Section 401(k) of the Internal Revenue Code, covering all nonunion employees meeting age and service requirements. Contributions are determined by matching a percentage of employee contributions. For the fiscal years ended June 30, 2019 and 2018, the Company contributed approximately $69 and $67, respectively, into the plan for the benefit of the eligible employees participating in the plan.

Note 9. Significant Risks and Uncertainties

(a) Concentrations of Credit Risk-Cash. The Company maintains balances at several financial institutions. Deposits at each institution are insured by the Federal Deposit Insurance Corporation up to $250. As of June 30, 2019, the Company had $166 in uninsured deposits at these financial institutions.

(b) Concentrations of Credit Risk-Receivables. The Company routinely assesses the financial strength of its customers and, based upon factors surrounding the credit risk of its customers, establishes an allowance for uncollectible accounts and, as a consequence, believes that its accounts receivable credit risk exposure beyond such allowances is limited. The Company does not require collateral in relation to its trade accounts receivable credit risk.

(c) Major Customers. For each of the fiscal years ended June 30, 2019 and 2018, approximately 91% of consolidated net sales, were derived from two customers. These two customers are in the Company's Contract Manufacturing Segment and represent approximately 69% and 26% of this segment's net sales in each of the fiscal years ended June 30, 2019 and 2018. Accounts receivable from these two major customers represented approximately 88% and 87% of total net accounts receivable as of June 30, 2019 and 2018, respectively. Two other customers in the Other Nutraceutical Segment, while not significant customers of the Company's consolidated net sales, represented approximately 15% and 12% and 10% and 5% of net sales of the Other Nutraceutical Segment in the fiscal years ended June 30, 2019 and 2018, respectively. The loss of any of these customers could have an adverse effect on the Company's operations. Major customers are those customers who account for more than 10% of net sales.

(d) Business Risks. The Company insures its business and assets against insurable risks, to the extent that it deems appropriate, based upon an analysis of the relative risks and costs. The Company believes that the risk of loss from non-insurable events would not have a material adverse effect on the Company's operations as a whole.

The raw materials used by the Company are primarily commodities and agricultural-based products. Raw materials used by the Company in the manufacture of its nutraceutical products are purchased from independent suppliers. Raw materials are available from numerous sources and the Company believes that it will continue to obtain adequate supplies.

Approximately 71% the Company's employees are covered by a union contract and are employed in its New Jersey facilities. The contract was renewed effective September 1, 2018 and will expire on August 31, 2022.

(in thousands, except share and per share amounts)

Note 10. Commitments and Contingencies

(a) Leases. The Company has operating and finance leases for its corporate and sales offices, warehousing and packaging facilities and certain machinery and equipment, including office equipment. The Company's leases have remaining terms of less than 1 year to less than 8 years.

The components of lease expense for the fiscal year ended June 30, 2019 were as follows:

	Related Party - Vitamin Realty	Other Leases	Totals
Operating Lease Costs	$ 563	$ 112	$ 675
Finance Operating Lease Costs:			
Amortization of right-of use assets	$ -	$ 91	$ 91
Interest on operating lease liabilities	-	18	18
Total Finance Lease Costs	$ -	$ 109	$ 109

Operating Lease Liabilities

Related Party Operating Lease Liabilities. Warehouse and office facilities are leased from Vitamin Realty, which is 100% owned by the Company's chairman, and a major stockholder and certain of his family members, who are the Co-Chief Executive Officers and directors of the Company. On January 5, 2012, MDC entered into a second amendment of lease (the "Second Lease Amendment") with Vitamin Realty for its office and warehouse space in New Jersey increasing its rentable square footage from an aggregate of 74,898 square feet to 76,161 square feet and extending the expiration date to January 31, 2026. This Second Lease Amendment provides for minimum annual rental payments of $533, plus increases in real estate taxes and building operating expenses. On May 19, 2014, AgroLabs entered into an amendment to the lease agreement entered into on January 5, 2012, with Vitamin Realty for an additional 2,700 square feet of warehouse space in New Jersey, the term of which was to expire on January 31, 2019 to extend the expiration date to June 1, 2024. This additional lease provides for minimum lease payments of $27 with annual increases plus the proportionate share of operating expenses.

Rent expense, lease amortization costs and imputed interest costs on these related party leases were $754 and $840 for the fiscal years ended June 30, 2019 and 2018, respectively, and are included in cost of sales and selling and administrative expenses in the accompanying Consolidated Statements of Operations. As of June 30, 2019 and 2018, the Company had outstanding current obligations to Vitamin Realty of $67 and $827, respectively, included in accounts payable, accrued expenses and other liabilities and long term debt in the accompanying Consolidated Balance Sheets. Additionally, as of June 30, 2019, the Company has operating lease obligations of $3,243 with Vitamin Realty as noted in the accompany Consolidated Balance Sheet.

Other Operating Lease Liabilities. The Company has entered into certain non-cancelable operating lease agreements expiring up through May, 2023, related to machinery and equipment and office equipment.

(in thousands, except share and per share amounts)

As of June 30, 2019, the Company's ROU assets, lease obligations and remaining cash commitment on these leases is as follows:

	Right-of-use Assets	Current Portion Operating Lease Obligations	Operating Lease Obligations	Remaining Cash Commitment
Vitamin Realty Leases	$ 3,236	$ 450	$ 2,793	$ 3,668
Machinery and equipment leases	26	11	15	27
Office equipment leases	22	9	14	24
	$ 3,284	$ 470	$ 2,822	$ 3,719

The Company's weighted average discount rate and remaining term on lease liabilities is approximately 3.76% and 6.4 years, respectively.

Supplemental cash flows information related to leases for the fiscal year ended June 30, 2019 is as follows:

	Related Party - Vitamin Realty	Other Leases	Totals
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	$ 565	$ 92	$ 657
Operating cash flows from capital lease obligations	-	18	18
Financing cash flows from capital lease obligations	-	233	233

The Company entered into a sales/lease back commitment in the fiscal year ended June 30, 2019 in the amount of $233, see Note 5 - Senior Credit Facility, Subordinated Convertible Note, net - CD Financial, LLC and other Long Term Debt.

Maturities of operating lease liabilities as of June 30, 2019 were as follows:

Year ending June 30,	Operating Lease Commitment	Related Party Operating Lease Commitment	Capitalized Lease Obligations	Total
2020	$ 39	$ 565	$ 206	$ 810
2021	22	565	77	664
2022	9	565	-	574
2023	-	565	-	565
2024	-	563	-	563
Thereafter	-	845	-	845
Total minimum lease payments	70	3,668	283	4,021
Imputed interest	(2)	(424)	(14)	(440)
Total	$ 68	$ 3,244	$ 269	$ 3,581

Total rent expense, including real estate taxes and maintenance charges, was approximately $1,013 and $1,005 for the fiscal year ended June 30, 2019 and 2018, respectively. Rent and lease amortization and lease costs are included in cost of sales and selling and administrative expenses in the accompanying Consolidated Statements of Operations.

(in thousands, except share and per share amounts)

(b) Legal Proceedings.

The Company is subject, from time to time, to claims by third parties under various legal theories. The defense of such claims, or any adverse outcome relating to any such claims, could have a material adverse effect on the Company's liquidity, financial condition and cash flows.

Note 11. Related Party Transactions

See Note 5. Senior Credit Facility, Subordinated Convertible Note, net - CD Financial, LLC and other Long Term Debt for related party securities transactions.

See Note 10(a) - Leases for related party lease transactions.

Note 12. Equity Transactions and Stock-Based Compensation

Stock Option Plans. The Company has adopted a stock option plan for the granting of options or restricted shares to employees, officers, directors and consultants of the Company that originally provided for the purchase of up to 7,000,000 shares of common stock, at the discretion of the Board of Directors. Subsequent to the adoption, the Board of Directors and stockholders approved additional common stock shares aggregating 6,000,000 to be available for grant, for a total of 13,000,000 shares of common stock reserved for issuance under the Company's 2001 Stock Option Plan, as amended (the "Plan"). The Company also has a 1997 Stock Option Plan with 5,000,000 shares of common stock reserved for issuance. Stock option grants may not be priced less than the fair market value of the Company's common stock at the date of grant. Options granted are generally for ten-year periods, except that incentive stock options granted to a 10% stockholder (as defined) are limited to five-year terms. As of June 30, 2019, the Company has 7,873,169 shares of common stock remaining under the Plans.

In May, 2019, there were 1,883,000 stock options authorized by the Board of Directors and issued to Company officers, employees and directors with an exercise price ranging from $0.21 to $0.23, vesting over three years, with terms of either five or ten years. During the fiscal year ended June 30, 2019 and 2018, the Company incurred stock compensation expense of approximately $144 and $14. The Company expects to record additional stock compensation expense of approximately $131 over the estimated weighted average vesting period of three years.

The Company used the following assumptions to calculate the fair value of the stock option grants using the Black-Scholes option pricing model on the measurement date:

Risk Free Interest Rate	2.12% to 2.29%
Volatility	81.1% to 90.3%
Term	4 1/2 to 10 years
Dividend Rate	0.00%
Closing Price of Common Stock	$ 0.21

The Company calculates expected volatility for a stock-based grant based on historic daily stock price observations of its common stock during the period immediately preceding the grant that is equal in length to the expected term of the grant. The expected term of the options is estimated based on the Company's historical exercise rate and forfeiture rates are estimated based on employment termination experience. The risk free interest rate is based on U.S. Treasury yields for securities in effect at the time of grants with terms approximating the term of the grants. The assumptions used in the Black-Scholes option valuation model are highly subjective, and can materially affect the resulting valuations.

(in thousands, except share and per share amounts)

The following options and potentially dilutive shares for convertible notes payable (see Note 5. Senior Credit Facility, Subordinated Convertible Note, net - CD Financial, LLC and other Long Term Debt) were not included in the computation of weighted average diluted common shares outstanding as the effect of doing so would be anti-dilutive for fiscal years ended June 30, 2019 and 2018:

	Fiscal Year Ended June 30,	
	2019	2018
Anti-dilutive shares for stock options	2,020,500	150,000
Anti-dilutive shares for convertible note	-	-
Total anti-dilutive shares	2,020,500	150,000

Additionally, in the fiscal year ended June 30, 2019, the 8,230,769 common shares underlying the convertible note were potentially dilutive and therefore included in the diluted earnings per share calculation on a proportionate basis prior to the conversion into common shares of the Company as of July 24, 2018 and the results were antidilutive. (See Note 5. Senior Credit Facility, Subordinated Convertible Note, net - CD Financial, LLC and other Long Term Debt).

The intrinsic value of options outstanding and exercisable at June 30, 2019 and 2018 was $256 and $180, respectively.

A summary of the Company's stock option activity, and related information for the years ended June 30, follows:

	Options	Weighted Average Exercise Price
Outstanding as of July 1, 2017	2,718,183	$ 0.29
Granted	-	-
Exercised	-	-
Terminated	(118,333)	0.15
Expired	(160,600)	3.06
Outstanding as of June 30, 2018	2,439,250	0.29
Granted	1,883,000	0.21
Exercised	(200,000)	0.12
Terminated	(17,500)	0.18
Expired	(343,250)	0.14
Outstanding as of June 30, 2019	3,761,500	$ 0.16
Exercisable at June 30, 2018	2,439,250	$ 0.11
Exercisable at June 30, 2019	2,863,800	$ 0.14

(in thousands, except share and per share amounts)

The following table summarizes the range of exercise prices and weighted-average exercise prices for stock options outstanding and exercisable as of June 30, 2019 under the Company's stock option plans:

Range of Exercise Price	Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Exercisable	Weighted Average Exercise Price
$ 0.09 - $ 0.10	1,741,000	$ 0.09	5.8	1,741,000	$ 0.09
$ 0.21 - $ 0.21	1,470,500	0.21	9.9	747,800	0.21
$ 0.23 - $ 0.25	550,000	0.23	7.4	375,000	0.23
$ 0.09 - $ 0.25	3,761,500	$ 0.16	8.5	2,863,800	$ 0.14

Note 13. Segment Information

The basis for presenting segment results generally is consistent with overall Company reporting. The Company reports information about its operating segments in accordance with GAAP which establishes standards for reporting information about a company's operating segments.

The Company has divided its operations into three reportable segments as follows: Contract Manufacturing, Branded Proprietary Products and Other Nutraceutical Businesses. The international sales, concentrated primarily in Europe and Canada, for the fiscal years ended June 30, 2019 and 2018 were $6,807 and $6,474, respectively.

Financial information relating to the fiscal years ended June 30, 2019 and 2018 operations by business segment are as follows:

		Sales, Net			Segment Gross Profit	Depreciation	Capital Expenditures	Total Assets
		U.S. Customers	International Customers	Total				
Contract Manufacturing	**2019**	**$ 41,817**	**$ 6,625**	**$ 48,442**	**$ 5,780**	**$ 286**	**$ 413**	**$ 17,580**
	2018	35,803	6,279	42,082	4,471	232	286	12,200
Branded Proprietary Products	**2019**	**137**	**22**	**159**	**2**	**-**	**-**	**427**
	2018	204	48	252	42	4	13	543
Other Nutraceutical Businesses	**2019**	**1,216**	**160**	**1,376**	**440**	**2**	**1**	**1,783**
	2018	1,229	147	1,376	475	3	1	1,825
Total Company	**2019**	**43,170**	**6,807**	**49,977**	**6,222**	**288**	**414**	**19,790**
	2018	37,236	6,474	43,710	4,988	239	300	14,568

SIGNATURES

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

INTEGRATED BIOPHARMA, INC.

Date: August 29, 2019

By: */s/ Christina Kay*
Christina Kay
Co-Chief Executive Officer

Date: August 29, 2019

By: */s/ Dina L. Masi*
Dina L. Masi
Chief Financial Officer

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

Name	Title	Date
/s/ Christina Kay Christina Kay	Co-Chief Executive Officer and Director (Principal Executive Officer)	August 29, 2019
/s/ Riva Sheppard Riva Sheppard	Co-Chief Executive Officer and Director (Principal Executive Officer)	August 29, 2019
/s/ Dina L. Masi Dina L. Masi	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	August 29, 2019
/s/ E. Gerald Kay E. Gerald Kay	Executive Chairman	August 29, 2019
/s/ Robert Canarick Robert Canarick	Director	August 29, 2019
/s/ Carl DeSantis Carl DeSantis	Director	August 29, 2019
/s/ William H. Milmoe William H. Milmoe	Director	August 29, 2019

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