

GOLDEN ENTERPRISES INC
Form 10-Q
October 08, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly (thirteen weeks) period ended August 28, 2015

OR

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

For the transition period from to

Commission file number 0-4339

GOLDEN ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

63-0250005

(State or other jurisdiction of
incorporation or organization)

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

Edgar Filing: GOLDEN ENTERPRISES INC - Form 10-Q

One Golden Flake Drive
Birmingham, Alabama 35205
(Address of Principle Executive Offices) (Zip Code)

(205) 458-7316

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Act). (Check one):

Large accelerated filer " Accelerated filer " Non-accelerated filer " Smaller reporting company x

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

Yes " No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of September 25, 2015.

<u>Class</u>	<u>Outstanding at September 25, 2015</u>
Common Stock, Par Value \$0.66 2/3	11,291,757

EXCHANGE ACT REPORTS AVAILABLE ON COMPANY WEBSITE

Edgar Filing: GOLDEN ENTERPRISES INC - Form 10-Q

Under “SEC Filings” on the “Financial” page of the Company’s website located at www.goldenflake.com, links to the following filings are made available as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission (the “SEC”)” the Company’s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statement on Schedule 14A related to the Company’s Annual Shareholders Meeting, and any amendments to those reports or statements filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Act of 1934. You may also read and copy any materials we file with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website located at <http://www.sec.gov> that contains the information we file or furnish electronically with the SEC.

GOLDEN ENTERPRISES, INC.

INDEX

	Page No.
Part I. <u>FINANCIAL INFORMATION</u>	
Item 1 <u>Financial Statements (unaudited)</u>	
<u>Interim Condensed Consolidated Balance Sheets August 28, 2015 (unaudited) and May 29, 2015</u>	3
<u>Interim Condensed Consolidated Statements of Income (unaudited) Thirteen Weeks Ended August 28, 2015 and August 29, 2014</u>	4
<u>Interim Condensed Consolidated Statements of Cash Flows(unaudited) Thirteen Weeks Ended August 28, 2015 and August 29, 2014</u>	5
<u>Notes to Interim Condensed Consolidated Financial Statements (unaudited)</u>	7
Item 2 <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	10
Item 3 <u>Quantitative and Qualitative Disclosure About Market Risk</u>	12
Item 4 <u>Controls and Procedures</u>	12
Part II. <u>OTHER INFORMATION</u>	12
Item 1 <u>Legal Proceedings</u>	12
Item 1-A <u>Risk Factors</u>	12
Item 2 <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	13
Item 3 <u>Defaults Upon Senior Securities</u>	13
Item 4 <u>Mine Safety Disclosures</u>	13
Item 5 <u>Other Information</u>	13
Item 6 <u>Exhibits</u>	14

PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****GOLDEN ENTERPRISES, INC. AND SUBSIDIARY****INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS**

	(Unaudited) August 28, 2015	May 29, 2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,329,187	\$ 1,159,449
Receivables, net	10,460,387	11,085,689
Inventories:		
Raw materials and supplies	1,998,688	1,781,397
Finished goods	3,476,241	3,460,800
	5,474,929	5,242,197
Prepaid expenses	1,555,905	1,350,201
Income taxes receivable	-	476,154
Deferred income taxes	1,139,433	1,139,433
Total current assets	19,959,841	20,453,123
Property, plant and equipment, net	23,727,055	24,488,478
Other assets	1,540,200	1,603,454
Total	\$45,227,096	\$46,545,055
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Checks outstanding in excess of bank balances	\$ 1,229,408	\$ 1,068,745
Accounts payable	3,816,518	4,049,333
Accrued income taxes	78,678	-
Current portion of long-term debt	806,178	799,204
Current portion of capital lease obligation	31,974	-
Other accrued expenses	5,170,237	5,021,286
Salary continuation plan	108,285	106,148
Line of credit outstanding	831,169	2,823,477
Total current liabilities	12,072,447	13,868,193
LONG-TERM LIABILITIES		
Notes payable - bank, non-current	6,009,048	6,213,513

Edgar Filing: GOLDEN ENTERPRISES INC - Form 10-Q

Capital lease obligation	61,383	-
Salary continuation plan	923,492	921,882
Deferred income taxes	3,856,793	3,856,793
Total long-term liabilities	10,850,716	10,992,188
STOCKHOLDERS' EQUITY		
Common stock - \$.66-2/3 par value:		
35,000,000 shares authorized Issued 13,828,793 shares	9,219,195	9,219,195
Additional paid-in capital	6,635,502	6,552,973
Retained earnings	19,586,230	19,049,500
	35,440,927	34,821,668
Less: Cost of common shares in treasury (2,537,036 shares at August 28, 2015 and May 29, 2015)	(13,136,994)	(13,136,994)
Total stockholders' equity	22,303,933	21,684,674
Total	\$45,227,096	\$46,545,055

See Accompanying Notes to Interim Condensed Consolidated Financial Statements

GOLDEN ENTERPRISES, INC. AND SUDSIDIARY

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Thirteen Weeks Ended August 28, 2015	Thirteen Weeks Ended August 29, 2014
Net sales	\$ 33,732,141	\$ 34,125,036
Cost of sales	16,542,421	17,002,866
Gross margin	17,189,720	17,122,170
Selling, general and administrative expenses	15,651,810	16,025,248
Operating income	1,537,910	1,096,922
Other income (expenses):		
Gain on sale of assets	-	243,944
Interest expense	(99,512) (139,867
Other income	10,237	16,786
Total other (expenses) income	(89,275) 120,863
Income before income taxes	1,448,635	1,217,785
Income taxes	559,037	450,559
Net income	\$ 889,598	\$ 767,226
PER SHARE OF COMMON STOCK		
Basic and diluted earnings	\$ 0.08	\$ 0.07
Weighted average number of common stock share outstanding:		
Basic and diluted	11,291,757	11,732,632
Cash dividends paid per share of common stock	\$ 0.0313	\$ 0.0313

See Accompanying Notes to Interim Condensed Consolidated Financial Statements

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

	Thirteen Weeks Ended August 28, 2015	Thirteen Weeks Ended August 29, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 34,357,443	\$ 34,410,072
Miscellaneous income	10,237	16,786
Cash paid to suppliers and employees	(16,398,328)	(17,125,607)
Cash paid for operating expenses	(15,195,277)	(15,935,446)
Income taxes paid	(4,205)	(482,270)
Interest expenses paid	(99,512)	(139,867)
Net cash provided by operating activities	2,670,358	743,668
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(113,387)	(107,602)
Proceeds from sale of property, plant and equipment	-	243,944
Net cash (used in) provided by investing activities	(113,387)	136,342
CASH FLOWS FROM FINANCING ACTIVITIES		
Debt proceeds	6,492,033	8,554,850
Debt repayments	(8,681,832)	(8,942,587)
Principal payments under capital lease obligation	(5,229)	-
Change in checks outstanding in excess of bank balances	160,663	165,174
Cash dividends paid	(352,868)	(366,645)
Net cash used in financing activities	(2,387,233)	(589,208)
Net change in cash and cash equivalents	169,738	290,802
Cash and cash equivalents at beginning of period	1,159,449	1,160,630
Cash and cash equivalents at end of period	\$ 1,329,187	\$ 1,451,432

Supplementary Cash Flow information:

A capital lease obligation of \$98,586 was incurred when Golden Flake Snack Foods, Inc. entered into a lease for new server equipment.

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) -
CONTINUED****RECONCILIATION OF NET INCOME TO NET CASH FROM OPERATING ACTIVITIES**

	Thirteen Weeks Ended August 28, 2015	Thirteen Weeks Ended August 29, 2014
Net Income	\$ 889,598	\$ 767,226
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	973,396	988,948
Gain on sale of property and equipment	-	(243,944)
Stock based compensation	82,529	-
Changes in operating assets and liabilities:		
Change in receivables - net	625,302	285,036
Change in inventories	(232,732)	(736,246)
Change in prepaid expenses	(205,704)	66,950
Change in other assets	63,254	32,327
Change in accounts payable	(232,815)	(62,254)
Change in accrued expenses	148,951	(293,856)
Change in salary continuation	3,747	(28,808)
Change in accrued income taxes	554,832	(31,711)
Net cash provided by operating activities	\$ 2,670,358	\$ 743,668

See Accompanying Notes to Interim Condensed Consolidated Financial Statements

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Golden Flake Snack Foods, Inc. is a wholly-owned subsidiary of Golden Enterprises, Inc. The accompanying unaudited interim condensed consolidated financial statements of Golden Enterprises, Inc. (the “Company”, “we”, or “our”), which includes the accounts of Golden Enterprises, Inc. and subsidiary, have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim condensed consolidated financial information and with the instructions to Form 10-Q. Accordingly, they do not include all information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting only of normal, recurring accruals) necessary for a fair presentation have been included. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Consolidated Financial Statements and Notes included in our Form 10-K for the year ended May 29, 2015 which can be found on our website at www.goldenflake.com/financial.html. Our accounting policies are described in Note 1 to those Consolidated Financial Statements. There were no significant changes to these accounting policies during the thirteen weeks ended August 28, 2015.

The consolidated financial position, results of operations, and cash flows for the thirteen weeks ended August 28, 2015 are not necessarily indicative of the results to be expected for the fifty-three week fiscal year ending June 3, 2016.

Significant accounting policies:

Inventories

Raw materials and finished goods are stated at the lower of cost or market. Cost is computed on the first-in, first-out method.

Revenue Recognition

The Company recognizes sales and related costs upon delivery or shipment of products to its customers. Sales are reduced by estimated returns and allowances to customers.

Accounts Receivable

The Company records accounts receivable at the time revenue is recognized. Amounts for bad debt expense are recorded in selling, general and administrative expenses. The determination of the allowance for doubtful accounts is based on management's estimate of uncollectible accounts receivables. The Company records its reserve based on analysis of historical data while also considering general economic factors and specific reserves for receivable balances that are considered higher risk due to known facts regarding the customer.

Use of Estimates

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

Basic earnings per common share, as presented on the interim condensed consolidated statements of income, are computed by dividing earnings available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects per share amounts that would have resulted if dilutive potential common stock equivalents had been converted to common stock, as prescribed by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 260, "Earnings per Share". At August 28, 2015, options on the 310,000 shares were not included in the computation of diluted earnings per share because the effect of stock options using the treasury stock method was antidilutive. At August 29, 2014, there were no options granted.

3. The following tables summarize the prepaid expenses accounts at August 28, 2015 and May 29, 2015:

	August 28, 2015	May 29, 2015
Truck shop supplies	\$ 306,359	\$ 320,622
Insurance deposit	48,548	48,548
Prepaid marketplace spending	170,787	201,373
Prepaid insurance	639,646	369,864
Prepaid taxes/licenses	88,527	113,042
Prepaid dues/supplies	166,304	-
Other	135,734	296,752
	\$ 1,555,905	\$ 1,350,201

4. The following tables summarize other accrued expenses at August 28, 2015 and May 29, 2015:

	August 28, 2015	May 29, 2015
Accrued salary and benefits	\$ 2,801,045	\$ 2,526,338
Accrued workers compensation	1,264,754	1,472,182
Accrued other	1,104,438	1,022,766
	\$ 5,170,237	\$ 5,021,286

The principal raw materials used in the manufacture of the Company's snack food products are potatoes, corn, pork skin pellets, vegetable oils, and seasoning. The principal supplies used are flexible film, cartons, trays, boxes, and bags. These raw materials and supplies are generally available in adequate quantities in the open market from sources in the United States and are generally contracted up to a year in advance.

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash equivalents and trade receivables.

The Compa