

GOLDEN ENTERPRISES INC
Form 10-K
August 04, 2016

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 3, 2016

OR

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

Commission File No. 0-4339

GOLDEN ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

Delaware **63-0250005**
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

One Golden Flake Drive

Birmingham, Alabama 35205

(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number including area code: (205) 458-7316

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

| <u>Title Of Class</u> | <u>Name of exchange on which registered</u> |
|--|---|
| Common Stock, Par Value \$0.66 ² / ₃ | NASDAQ Stock Market, LLC |

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

None

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this form 10-K or any amendment to this Form 10-K.

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

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

State the aggregate market value of the voting common stock held by non-affiliates of the registrant as of November 27, 2015. **Common Stock, Par Value \$0.66²/₃ —\$18,660,606**

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of June 30, 2016.

| <u>Class</u> | <u>Outstanding at June 30, 2016</u> |
|--|-------------------------------------|
| Common Stock, Par Value \$0.66 ² / ₃ | 11,291,757 shares |

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Proxy Statement for the Annual Meeting of Stockholders to be held on September 22, 2016 are incorporated by reference into Part III.

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PART I

ITEM 1. – DESCRIPTION OF BUSINESS

Golden Enterprises, Inc. (“Golden Enterprises”) is a holding company which owns all of the issued and outstanding capital stock of Golden Flake Snack Foods, Inc. (“Golden Flake”). Golden Flake Snack Foods, Inc. is the only subsidiary of Golden Enterprises, Inc. (collectively, Golden Enterprises and Golden Flake are referred to herein as the “Company”).

Golden Flake Snack Food traces its roots to Frank Mosher, who in 1923 moved to Birmingham, Alabama from Memphis, Tennessee with the goal of producing the perfect potato chip. Over the next 93 years Golden Flake has built an authentically southern brand and flavor profile in the Southeast leading to the motto “Flavor of the South”. Football coaches such as Paul “Bear” Bryant and other SEC coaches are seen promoting our delicious chips. Golden Flake Snack Foods has been and continues to be a staple in southern homes.

Golden Flake Snack Foods, Inc.

General

Golden Flake has been a premiere producer, marketer, and distributor of snack products in the Southeastern United States since 1923. Golden Flake manufactures and distributes a full line of high quality salted snack items, such as potato chips, tortilla chips, corn chips, fried pork skins, baked and fried cheese curls, onion rings, puff corn, and popcorn. Golden Flake also sells canned dips, pretzels, peanut butter crackers, cheese crackers, dried meat products, and nuts packaged by other manufacturers using the Golden Flake label. Golden Flake is a Delaware corporation with its principal place of business and home office located at One Golden Flake Drive, Birmingham, Alabama.

Raw Materials

Golden Flake purchases raw materials used in manufacturing and processing its snack food products from various sources. A large part of the raw materials used by Golden Flake consists of farm commodities, most notably corn, potatoes and pork skin pellets, which are subject to precipitous change in supply and price. Weather varies from

season to season and directly affects both the quality and quantity of supply available. Golden Flake has no control over the agricultural aspects or prices, and its profits are affected accordingly. The Company also purchases flexible bags or other suitable wrapping material for the storage, shipment, and presentation of the finished product to the customers. The Company tests each delivery against defined quality standards to maintain our excellence in customer satisfaction.

Distribution

Golden Flake sells its products, through both its own sales organization and independent distributors, principally, to commercial establishments which sell food products in Alabama, Tennessee, Georgia, Mississippi, Louisiana, Kentucky, and South Carolina as well as parts of Florida, North Carolina, Arkansas, Missouri, Oklahoma, Virginia, Indiana, and Texas. The Golden Flake brand is well-known throughout the Southeastern United States. The products are distributed to its sales organization and independent distributors by either company transportation or commercial carrier out of the Birmingham, Alabama and Ocala, Florida plants.

Golden Flake's products are sold through a wide variety of channels, supermarkets, dollar stores, convenience stores, non-food discount stores, drug stores, military accounts, club stores, internet sales through our company store and others within our marketing area.

Competition

The snack foods business is highly competitive. In the area in which Golden Flake operates, many companies engage in the production and distribution of food products similar to those produced and sold by Golden Flake. Most, if not all, of Golden Flake's products are in direct competition with similar products of several local and regional companies, many of which are larger in terms of capital and sales volume than is Golden Flake. The Frito-Lay Division of Pepsi Co., Inc. is the largest national competitor. Golden Flake's marketing thrust is aimed at selling the highest quality product possible and giving good service to its customers, while being competitive with its prices. Golden Flake constantly tests the quality of its products for comparison with other similar products of competitors and maintains tight quality controls over its own products. The Company believes that one of its major advantages is the Golden Flake brand, which has been developed and enhanced throughout the history of the Company and is now well known within the geographic area served by the Company. The Company continues to promote the Golden Flake brand through sponsorship agreements, billboard campaigns, advertising, and other efforts.

Brands and Intellectual Property

The name "Golden Flake" and its regularly used symbol are federally-registered trademarks of the Company. The Company also owns other trademarks such as "The South's Original Potato Chip", a Golden Flake design from 1923, the name "Sweetheat" and certain other trademarks not used on a regular basis.

Employees

As of June 27, 2016, Golden Flake employed approximately 749 employees. Of these employees, 735 were full-time, while 14 were part-time. Approximately 318 employees are involved in sales, 195 are in production, 125 are in management and 111 are in administration.

Golden Flake believes that the performance and loyalty of its employees are two of the most important factors in the growth and profitability of its business. Since labor costs represent a significant portion of Golden Flake's expenses, employee productivity is important to profitability. Golden Flake considers all of its employees to be a part of the "Golden Flake Family".

SEC Filings

The Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and other filings with the Securities and Exchange Commission ("SEC") can be found at the Company's website located at www.goldenflake.com, under the financials tab.

Executive Officers of Registrant

And Its Subsidiary

Name and Age Position and Offices with Management

Mark W. McCutcheon, 61
Mr. McCutcheon is Chairman of the Board, Chief Executive Officer and President of the Company and President of Golden Flake. He was elected Chairman of the Board on July 22, 2010, President and Chief Executive Officer of the Company on April 4, 2001 and President of Golden Flake on November 1, 1998. He has been employed by Golden Flake or the Company since 1980. Mr. McCutcheon is elected to his positions on an annual basis and his present terms of office will expire on June 2, 2017.

Patty Townsend, 58
Ms. Townsend is Chief Financial Officer, Vice President and Secretary of the Company. She was elected Chief Financial Officer, Vice-President and Secretary of the Company on March 1, 2004. She has been employed with the Company since 1988. Ms. Townsend is elected to her positions on an annual basis, and her present terms of office will expire on June 2, 2017.

Paul R. Bates, 62
Mr. Bates is Executive Vice-President of Sales, Marketing and Transportation for Golden Flake. He has held these positions since October 26, 1998. Mr. Bates was Vice-President of Sales from October 1, 1994 to 1998. Mr. Bates has been employed by Golden Flake since March 1979. Mr. Bates is elected to his positions on an annual basis, and his present terms of office will expire on June 2, 2017.

David A. Jones, 64
Mr. Jones is Executive Vice-President of Operations, Human Resources and Quality Control for Golden Flake. He has held these positions since May 20, 2002. Mr. Jones was Vice-President of Manufacturing from 1998 to 2002 and Vice-President of Operations from 2000 to 2002. Mr. Jones has been employed by Golden Flake since 1984. Mr. Jones is elected to his positions on an annual basis, and his present terms of office will expire on June 2, 2017.

ITEM 1A. – RISK FACTORS

As a smaller reporting company, the Company is not required to provide a statement of risk factors. However, the Company believes this information may be valuable to our shareholders for this filing. The Company reserves the right to not provide risk factors in the future.

Important factors that could cause the Company's actual business results, performance, or achievements to differ materially from any forward looking statements or other projections contained in this Annual Form 10-K Report include, but are not limited to the principal risk factors set forth below. Additional risks and uncertainties, including risks not presently known to the Company, or that it currently deems immaterial, may also impair the Company's business and or operations. If the events discussed in these risk factors occur, the Company's business, financial condition, results of operations or cash flow could be adversely affected in a material way and the market value of the Company's common stock could decline.

Competition

Price competition and consolidation within the Snack Food industry could adversely impact the Company's performance. The Company's business requires significant marketing and sales effort to compete with larger companies. These larger competitors sell a significant portion of their products through discounting and other price-cutting techniques. This intense competition increases the possibility that the Company could lose one or more customers, lose market share and/or be forced to increase discounts, and reduce pricing, any of which could have an adverse impact on the Company's business, consolidated financial condition, results of operation, and/or cash flow.

Commodity Cost Fluctuations

Significant commodity price fluctuations for certain commodities purchased by the Company, particularly potatoes, corn, pork skins, and cooking oils could have a material impact on consolidated financial condition, results of operations, and/or cash flow. These price fluctuations can be impacted by various factors including weather conditions, such as flooding or drought. In an attempt to manage commodity cost fluctuations, the Company, in the normal course of business, enters into contracts to purchase pre-established quantities of various types of raw materials, at contracted prices based on expected short term needs.

Energy Cost Fluctuations

The Company can be adversely impacted by changes in the cost of natural gas and other fuel costs, such as gasoline and diesel fuel. Long term increases in the cost of natural gas and fuel costs could adversely impact and increase the Company's cost of sales and marketing, selling, and delivery expenses.

Breaches of Our Information Technology Systems

Company operations use and store sensitive data, including proprietary business information and personally identifiable information, in secure data centers and on our networks. The Company could face a number of threats to its data centers and networks, including unauthorized access, security breaches and other system disruptions. It is critical to the Company that its infrastructure remains secure and is perceived by customers to be secure. The Company uses encryption and authentication technologies to secure the transmission and storage of data. Despite its security measures, information technology systems may be vulnerable to attacks by hackers or other disruptive problems. Any such security breach may compromise information used or stored on the Company's networks and may result in significant data losses or theft of our or our customers' proprietary business information or personally identifiable information. A cyber security breach or technology disruption could negatively affect the Company's reputation. In addition, a cyber attack or technology disruption could result in other negative consequences, including remediation costs, disruption of internal operations, increased cybersecurity protection costs, lost revenues or litigation, which could have a material adverse effect on the business, consolidated results of operations and financial condition of the Company.

Product Liability and Production Stoppage

The Company is subject to a risk of product liability if the Company's products actually are alleged to result, in bodily injury. While the Company maintains what it believes to be reasonable limits of stop loss insurance coverage to appropriately respond to such liability exposures, large product liability claims, if made, could exceed our insurance coverage limits. There can be no assurance that the Company will not incur significant costs in relation to such claims in the future. In addition, the Company could incur production stoppage to address production issues as well as product liability claims.

Food Safety

The Company could be adversely affected if consumers lose confidence in the safety and quality of certain products we make or ingredients we use. Negative publicity about these concerns, whether or not true, may discourage consumers from buying Company products or cause disruption in production or distribution of products, which would negatively impact our business.

Additionally, the Company could be required to recall some products because they are adulterated, mislabeled or caused consumer sickness. A recall could result in significant losses to the Company due to the costs of recall, the destruction of product inventory and lost sales. A recall could also result in adverse publicity and a loss of consumer confidence in the safety and/or quality of our products. The Company could also become involved in lawsuits if it is alleged that the consumption of our products caused illness/injury. A product recall or an adverse result in any such litigation could have an adverse effect on our financial results.

Risks Relating to the Company's Common Stock and the Securities Market

The trading price of shares of the Company's common stock may be affected by many factors and the price of shares of its common stock could decline. As a smaller publicly traded company, the trading price of the Company's common stock has fluctuated significantly in the past. The future trading price of the Company's common stock may be volatile and could be subject to material price fluctuations. There are other risks and factors not described above that could also cause actual consolidated results to differ materially from those in any forward looking statement made by the Company. As set forth in the Form 8-K filed by the Company with the SEC on July 22, 2016, the Company and Utz Quality Foods, Inc. of Hanover PA announced they had entered into a merger agreement. In the event this merger is not finalized due to unforeseen circumstances then the current trading price of the Company's common stock could substantially change.

ITEM 1B. – UNRESOLVED STAFF COMMENTS

Not Applicable.

ITEM 2. – PROPERTIES

The headquarters of the Company are located in Birmingham, Alabama at One Golden Flake Drive. The properties of Golden Flake are described below.

Manufacturing Plants and Office Headquarters

The main plant and office headquarters of Golden Flake are located in Birmingham, Alabama, at One Golden Flake Drive and are situated on approximately 40 acres of land. This facility consists of three buildings which have a total of approximately 300,000 square feet of floor area. The Birmingham plant manufactures a full line of Golden Flake products. Golden Flake also has a garage and vehicle maintenance service center, from which it services, maintains, repairs, and rebuilds its fleet and delivery trucks in Birmingham.

Golden Flake also has a manufacturing plant in Ocala, Florida. This plant was placed in service in November 1984. The Ocala plant consists of approximately 100,000 square feet of floor area and is located on a 28-acre site on Silver Springs Boulevard. The Company manufactures tortilla chips and potato chips from this facility.

Management believes that the Company's production facilities are suitable and adequate, that they are being appropriately utilized in line with experience, and that they have sufficient production capacity for their present intended purposes. The extent of utilization of such facilities varies based upon seasonal demand for the products. However, management believes that additional production can be obtained at the existing facilities by adding personnel and capital equipment, by adding shifts of personnel, or expanding the facilities. The Company continuously reviews our anticipated requirements for facilities and, on the basis of that review, may from time-to-time acquire additional facilities and/or dispose of existing facilities.

Both manufacturing plants and the office headquarters are owned by Golden Flake, free and clear of any debt.

Distribution Warehouses

The Company owns 20 central warehouses throughout our geographical footprint.

ITEM 3. – LEGAL PROCEEDINGS

There are no material pending legal proceedings against the Company or its subsidiary other than ordinary routine litigation incidental to the business of the Company and its subsidiary.

ITEM 4. – MINE SAFETY DISCLOSURES

Not applicable.

PART II

**ITEM 5. – MARKET FOR REGISTRANT’S COMMON EQUITY,
RELATED STOCKHOLDER MATTERS AND ISSUER
PURCHASES OF EQUITY SECURITIES**

Golden Enterprises, Inc. and Subsidiary

Market and Dividend Information

The Company’s common stock is traded on the NASDAQ Global Market under the symbol GLDC. The following tabulation sets forth the high and low sale prices at the end of the day for the common stock during each quarter of the fiscal years ended June 3, 2016 and May 29, 2015 and the amount of dividends paid per share in each quarter. Our Board of Directors will consider the amount of future cash dividends on a quarterly basis.

| Quarter | Market Price | | Dividend Paid Per share |
|---|---------------|--------------|-------------------------------|
| | High Price | Low Price | |
| Year Ended 2016 | | | |
| First quarter (13 weeks ended August 28, 2015) | \$4.44 | \$3.92 | \$.0313 |
| Second quarter (13 weeks ended November 27, 2015) | 4.95 | 3.86 | .0338 |
| Third quarter (14 weeks ended March 4, 2016) | 4.91 | 4.21 | .0338 |
| Fourth quarter (13 weeks ended June 3, 2016) | 5.83 | 4.40 | .0338 |

| Quarter | Market Price | | Dividend Paid Per share |
|---|---------------|--------------|-------------------------------|
| | High Price | Low Price | |
| Year Ended 2015 | | | |
| First quarter (13 weeks ended August 29, 2014) | \$4.84 | \$3.86 | \$.0313 |
| Second quarter (13 weeks ended November 28, 2014) | 4.85 | 3.85 | .0313 |
| Third quarter (13 weeks ended February 27, 2015) | 4.48 | 3.20 | .0313 |
| Fourth quarter (13 weeks ended May 29, 2015) | 4.20 | 3.66 | .0313 |

As of July 25, 2016, there were approximately 778 shareholders of record.

Securities Authorized For Issuance under Equity Compensation Plans

The following table provides Equity Compensation Plan information under which equity securities of the Registrant are authorized for issuance:

EQUITY COMPENSATION PLAN INFORMATION

| Plan category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a)) (c) |
|--|--|--|---|
| Equity compensation plans approved by security holders | 310,000 | \$ 3.99 | 440,000 |
| Equity compensation plans not approved by security holders | 0 | 0 | 0 |
| Total | 310,000 | \$ 3.99 | 440,000 |

As set forth in the Form 8-K filed by the Company with the SEC on July 22, 2016, the Company and Utz Quality Foods, Inc. of Hanover PA announced they had entered into a merger agreement. As part of such transaction the stock options referred to above have been cancelled. In the event this merger is not finalized due to unforeseen circumstances, then the stock options would be reinstated with full force and effect.

Issuer Purchases of Equity Securities

The Company did not purchase any shares of its common stock during the fiscal year ended June 3, 2016 and purchased 440,875 shares of its common stock during the fiscal year ended May 29, 2015.

ITEM 6. – SELECTED FINANCIAL DATA

Not applicable.

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ITEM 7. – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion provides an assessment of the Company’s consolidated financial condition, results of operations, liquidity, and capital resources and should be read in conjunction with the accompanying consolidated financial statements and notes.

Overview

The Company manufactures and distributes a full line of snack items, such as potato chips, tortilla chips, corn chips, fried pork skins, baked and fried cheese curls, onion rings, and puff corn. The products are all packaged in flexible bags or other suitable wrapping material. The Company also sells canned dips, pretzels, peanut butter crackers, cheese crackers, dried meat products, and nuts packaged by other manufacturers using the Golden Flake label.

No single product or product line accounts for more than 50% of the Company’s sales, which affords some protection against loss of volume due to a crop failure or other circumstances that can affect an adequate supply of any one of our major agricultural raw materials. Raw materials used in manufacturing and processing the Company’s snack food products are purchased on the open market, under contract through brokers and directly from growers. A large part of the raw materials used by the Company consists of farm commodities which are subject to precipitous changes in supply and price. Weather varies from season to season and directly affects both the quality and supply of farm commodities available. The Company has no control of the agricultural aspects and its profits are affected accordingly.

Critical Accounting Policies and Estimates

The Company's discussion and analysis of its consolidated financial condition, results of operations, and liquidity are based upon the Company's consolidated financial statements, the preparation of which is in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) which requires management to make estimates and assumptions that in certain circumstances affect amounts reported in the consolidated financial statements. In preparing these consolidated financial statements, management has made its best estimates and judgments of certain amounts included in the consolidated financial statements, giving due considerations to materiality. Application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ materially from these estimates. Other accounting policies and estimates are detailed in Note 1 of the Notes to Consolidated Financial Statements in this Form 10-K.

Revenue Recognition

The Company recognizes sales and related costs upon delivery or shipment of products to its customers. Allowances for sales returns, stale products, promotions, and discounts are recorded as reductions of revenue in the consolidated financial statements. Costs associated with the delivery or shipment of these products are recorded gross and shown as part of selling, general and administrative expenses on the consolidated statements of income.

Revenue for products sold to our distributors is recognized when the distributor purchases the inventory from our warehouses or the products are shipped to their stockroom. Revenue for products sold to retail customers through company routes is recognized when the product is delivered to the customer. Revenue for products shipped directly to customers from our warehouses is recognized based on the shipping terms listed on the shipping documentation. Products shipped with terms FOB shipping point are recognized as revenue at the time the product leaves our warehouse. Products shipped with terms FOB destination are recognized as revenue based on the anticipated receipt date by the customer.

We record an allowance for sales and damaged products. This allowance is estimated based on a percentage of historical sales returns and current market information. We record certain reductions to revenue for promotional allowances. There are several different types of promotional allowances such as off-invoice allowances, rebates and shelf space allowances. Shelf space allowances are capitalized and amortized over thirty-six months and recorded as a reduction to revenue. Capitalized shelf space allowances are evaluated for impairment on an ongoing basis.

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 on the Consolidated Statements of Operations. The Company monitors accounts receivable and collections on a daily basis and strives to keep customer accounts as current as possible. However, failure of a major customer to pay the Company amounts owed could have a material impact on the financial statements of the Company.

The amount of the allowance for doubtful accounts is based on management's estimate of the accounts receivable amount that is uncollectible. The Company records a general reserve based on analysis of historical data. In addition, the Company records specific reserves for receivable balances that are considered high-risk due to known facts regarding the customer. At June 3, 2016 and May 29, 2015, the Company had an allowance for doubtful accounts of \$160,000 and \$70,000, respectively. The increase in the allowance was the result of a few accounts that ultimately will not be covered by credit insurance. If circumstances dictate, the Company may have to increase this allowance in the future.

Income Taxes

Our effective tax rate is based on the level and mix of income of our separate legal entities, statutory tax rates, business credits available in the various jurisdictions in which we operate and permanent tax differences. Significant judgment is required in evaluating tax positions that affect the annual tax rate. We recognize the effect of income tax

positions only if these positions are more likely than not of being sustained. We adjust these liabilities in light of changing facts and circumstances, such as the progress of a tax audit.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to the 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 tax rate is recognized in income in the period that includes the enactment date. We estimate valuation allowances on deferred tax assets for the portions that we do not believe will be fully utilized based on projected earnings and usage.

Self-Insurance Reserves

The Company maintains a reserve to cover certain casualty losses relating to deductibles on automobile liability, general liability, workers' compensation, and property losses which are herein referred to as "Casualty Expenses". Management estimates certain expenses in an effort to record those expenses in the period incurred. The Company's significant estimates relate to these Casualty Expenses.

The Company uses a third-party actuary to estimate the Casualty Expenses and obligations on an annual basis. In determining the ultimate loss and reserve requirements, the third-party actuary uses various actuarial assumptions including compensation trends, health care cost trends, and discount rates. The third-party actuary also uses historical information for claims frequency and severity in order to establish loss development factors.

The actuarial calculation includes a factor to account for changes in inflation, health care costs, compensation and litigation cost trends, as well as estimated future incurred claims. This year, the Company utilized a 50% confidence level for estimating the ultimate outstanding casualty liability based on the actuarial report. This assumes that approximately 50% of each claim should be equal to or less than the ultimate liability recorded based on the historical trends experienced by the Company. If the Company chose a 75% factor, the liability would have been increased by approximately \$0.3 million. If the Company chose a 90% factor, the liability would have increased by approximately \$0.6 million.

This year the Company used a 4% investment rate to discount the estimated claims based on the historical payout pattern during 2015 and 2014. A one percentage point change in the discount rate would have impacted the liability by approximately \$32,000.

The Company is self-insured for certain medical claims which are herein referred to as "Medical Expenses". Employee medical expense accruals are recorded based on medical claims processed as well as historical medical claims experienced for claims incurred but not yet reported. The Company also has stop loss insurance coverage to limit the exposure arising from these claims. Differences in estimates and assumptions could result in an accrual requirement materially different from the calculated accrual.

Financial Condition

Accounts Receivable

At June 3, 2016 and May 29, 2015, the Company had accounts receivables (net of an allowance for doubtful accounts) in the amount of \$10,666,986 and \$11,085,689 respectively. The Company experienced a high rate of collection in the past year as cash collected from customers exceeded sales by more than \$400,000. Management can provide no assurances that this collection rate will continue in the future.

Accrued Expenses

As of June 3, 2016, the Company's casualty reserve was \$1,441,459 and at May 29, 2015, the casualty reserve was \$1,472,182. The Company believes the reserves established are reasonable estimates of the ultimate liability based on historical trends. Actual ultimate losses could vary from those estimated by the third-party actuary.

In addition, the Company maintains letters of credit with the Company's claim administrators. The Company has a letter of credit in the amount of \$1,925,000 outstanding at June 3, 2016 and \$1,850,000 at May 29, 2015.

Operating Results

This year's results for the period ended June 3, 2016, included fifty three weeks of sales and costs versus fifty two weeks in the same period for the prior year. The results of operations analyze the results of the fifty three week period as well as a normalized result of the period (using the same number of weeks in the current period as compared to the prior period) to show a more comparable period of time. The fifty third week added approximately \$2.5 million in sales to this year's results.

Sales

For the year ended June 3, 2016, net sales increased 3.1% from the year ended May 29, 2015. On a normalized basis, total revenues for the year were up 1.2%. The increase in the current year is primarily related to contract sales to new and previous customers that commenced near the end of the third quarter. These contract sales are renewed periodically and may not continue in the future.

Cost of Sales

The cost of sales for the year ended June 3, 2016 was 49.8% of net sales compared to 50.2% for the year ended May 29, 2015. This year's decrease in cost of sales was primarily due to a reduction in fuel surcharge costs and the price of commodities. The price decreases for fuel surcharge costs and commodities may not continue in the future.

Selling, General and Administrative Expenses

For the year ended June 3, 2016, selling, general and administrative expenses were 46.7% of net sales compared to 47.4% for the year ended May 29, 2015. The Company continues to benefit from reduced fuel costs associated with transportation and delivery. However, if these fuel costs increase, these expenses may increase as well.

Gain On Sale of Assets

For the year ended June 3, 2016, the gain on sale of assets was \$56,446 versus \$283,256 for the year ended May 29, 2015. The gain from last year includes the sale of our warehouse located in Decatur, Georgia plus sales of vehicles that were taken out of service. This year includes the sales of vehicles only. Management anticipates gains on sale of used transportation equipment going forward comparable to the year ended June 3, 2016.

Interest Expenses

Interest expenses for the year ended June 3, 2016 were \$335,562 while interest expenses for the year ended May 29, 2015 were \$458,184. This \$122,622 decrease can be directly attributed to the pay down of the line of credit. Management anticipates that the amount outstanding on the line of credit should remain low. However, if there is a change in our cash flows in the future, we may need to increase the line of credit to cover operating expenses.

Income Tax Expenses

The Company's effective tax rates for 2016 and 2015 were 32.2% and 42.2%, respectively. The difference between the statutory rate and the effective tax rate is primarily due to tax payment rectification. Note 9 to the Consolidated Financial Statements provides additional information about the provision for income taxes.

Liquidity and Capital Resources

Available cash, cash from operations, and available credit under the line of credit are expected to be sufficient to meet anticipated cash expenditures and normal operating requirements for the foreseeable future. The Company's current ratio (current assets divided by current liabilities) was 1.89:1.00 and 1.39:1.00 at June 3, 2016 and May 29, 2015, respectively.

Cash Flows From Operating Activities

Working capital was \$9,292,231 and \$5,445,497 at June 3, 2016 and May 29, 2015, respectively. Net cash provided by operations amounted to \$7,135,855 and \$4,103,170 in fiscal years June 3, 2016 and May 29, 2015, respectively. During 2016, the principal source of liquidity for the Company's operating needs was provided from operating activities, credit facilities, and cash on hand.

Cash Flows From Investing Activities

As part of the Company's cost cutting initiative, purchases of property, plant and equipment were reduced by \$1.5 million in the year ended June 3, 2016 as compared to the year ended May 29, 2015. Management anticipates that capital expenditures will increase in the coming year. Additions to property, plant and equipment are expected to be approximately \$2 million in fiscal year 2017.

Cash Flows From Financing Activities

For the year ended June 3, 2016, the Company primarily focused on using operating cash to pay down the line of credit and term debt. Management feels that reducing debts and improving our cash position will provide more growth opportunities in the future. Management anticipates paying down debt as cash flows allow.

Cash dividends of \$1,496,160 and \$1,452,803 were paid in 2016 and 2015, respectively. The Company did not purchase any shares of treasury stock in fiscal 2016 and purchased 440,875 shares of treasury stock for the amount of \$2,204,375 during fiscal 2015. Management does not anticipate purchasing any treasury stock going forward.

Line of Credit and Debt

The Company has a line-of-credit agreement with a local bank that permits borrowing up to \$3 million. The line-of-credit is subject to the Company's continued credit worthiness and compliance with the terms and conditions of the loan agreement with the bank. The Company's line-of-credit debt at June 3, 2016 was \$0 with an interest rate of 3.50%, leaving the Company with \$3,000,000 of credit availability. The Company's line-of-credit debt at May 29, 2015 was \$2,823,477 with an interest rate of 3.25%, leaving the Company with \$176,523 of credit availability. The Company has been able to take advantage of lower commodity prices, lower fuel prices and a reduction in overall spending to pay down the line of credit. These circumstances may not continue and the line of credit may increase as a result.

The Company has two separate notes with a local bank that have been used to finance the purchase of manufacturing and computer equipment and to purchase shares of treasury stock. The equipment loan carries an interest rate of 3.00% and had a balance of \$4,587,642 and \$4,944,233 at June 3, 2016 and May 29, 2015, respectively. The treasury loan carries an interest rate of 3.30% and had a balance of \$1,600,640 and \$2,068,484 at June 3, 2016 and May 29, 2015, respectively. The Company has been able to make some additional payments towards these notes due to the improved cash flows during the past year. While it is not reasonable to expect these additional payments in the future, the Company expects to pay down these notes as quickly as cash flows allow.

During the fiscal year ended June 3, 2016, the Company entered into leases to acquire a new server and a new voice over IP telephone system. The total capital lease obligation for this equipment was \$208,412 at June 3, 2016.

Market Risk

The principal market risks (i.e., the risk of loss arising from adverse changes in market rates and prices), to which the Company is exposed, are interest rates on its cash equivalents and bank loans, fuel costs, and commodity prices affecting the cost of its raw materials.

The Company is subject to market risk with respect to commodities because its ability to recover increased costs through higher pricing may be limited by the competitive environment in which it operates. The Company purchases its raw materials on the open market and under contract through brokers or directly from growers. Future contracts have been used occasionally to hedge immaterial amounts of commodity purchases, but none are presently being used.

Inflation

Certain costs and expenses of the Company are affected by inflation. The Company's prices for its products over the past several years have remained relatively flat. The Company plans to contend with the effect of further inflation through efficient purchasing, improved manufacturing methods, pricing, and by monitoring and controlling expenses.

Environmental Matters

Management believes Golden Flake's waste water treatment plant is an environmentally-friendly way to dispose of process water at the Birmingham plant. The treatment plant has allowed Golden Flake to release the processing water into a neighboring creek which, we believe, has improved the flow of water in the creek and has positively impacted the environment in the area surrounding the plant. This treatment plant, we believe, has also helped to reduce expenses associated with sewer charges by the elimination of the disposal of process water through the public sewer system.

Forward-Looking Statements

This report contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from those forward-looking statements. Factors that may cause actual results to differ materially include price competition, industry consolidation, raw material costs, fuel costs, and effectiveness of sales and marketing activities, as described in this 10-K. You are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date which they are made.

Recent Developments

Not applicable.

Recently Issued Accounting Pronouncements

See Note 2 to the consolidated financial statements included in Item 8 for a summary of recently issued accounting pronouncements.

ITEM 7 A. - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of the registrant and its subsidiary for the year ended June 3, 2016, consisting of the following, are contained herein:

| | |
|--|---------------------------------------|
| Consolidated Balance Sheets | - As of June 3, 2016 and May 29, 2015 |
| Consolidated Statements of Income | - June 3, 2016 and May 29, 2015 |
| Consolidated Statements of Changes in Stockholders' Equity | - June 3, 2016 and May 29, 2015 |
| Consolidated Statements of Cash Flows | - June 3, 2016 and May 29, 2015 |
| Notes to Consolidated Financial Statements | - June 3, 2016 and May 29, 2015 |

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders

Golden Enterprises, Inc.

We have audited the accompanying consolidated balance sheet of Golden Enterprises, Inc. and subsidiary (the “Company”) as of June 3, 2016, and the related consolidated statement of income, stockholders’ equity, and cash flows for the year then ended. The Company’s management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 3, 2016, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for the presentation of deferred tax assets and liabilities during the period ending June 3, 2016.

/s/ Carr, Riggs & Ingram, LLC

Birmingham, Alabama

August 4, 2016

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders

Golden Enterprises, Inc.

We have audited the accompanying consolidated balance sheet of Golden Enterprises, Inc. and subsidiary (“the Company”) as of May 29, 2015 and the related consolidated statement of income, stockholders’ equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Golden Enterprises, Inc. and subsidiary as of May 29, 2015, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/s/ DUDLEY, HOPTON-JONES, SIMS & FREEMAN, PLLP
Birmingham, Alabama

July 16, 2015

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GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

As of June 3, 2016 and May 29, 2015

ASSETS

| | 2016 | 2015 |
|--|-------------|-------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$1,993,854 | \$1,159,449 |
| Receivables: | | |
| Trade accounts | 10,456,553 | 11,079,806 |
| Other | 370,433 | 75,883 |
| | 10,826,986 | 11,155,689 |
| Less: Allowance for doubtful accounts | 160,000 | 70,000 |
| | 10,666,986 | 11,085,689 |
| Inventories: | | |
| Raw materials | 1,980,660 | 1,781,397 |
| Finished goods | 3,754,450 | 3,460,800 |
| | 5,735,110 | 5,242,197 |
| Prepaid expenses | 1,275,918 | 1,350,201 |
| Income tax receivable | 22,473 | 476,154 |
| Total current assets | 19,694,341 | 19,313,690 |
| PROPERTY, PLANT AND EQUIPMENT | | |
| Land | 2,769,499 | 2,769,499 |
| Buildings | 19,012,206 | 18,787,967 |
| Machinery and equipment | 68,477,382 | 67,543,226 |
| Transportation equipment | 7,931,905 | 8,268,311 |
| | 98,190,992 | 97,369,003 |
| Less: Accumulated depreciation | 76,156,389 | 72,880,525 |
| | 22,034,603 | 24,488,478 |
| OTHER ASSETS | | |
| Cash surrender value of life insurance | 438,429 | 630,259 |
| Other | 917,533 | 973,195 |
| Total other assets | 1,355,962 | 1,603,454 |

TOTAL \$43,084,906 \$45,405,622

See Accompanying Notes to Consolidated Financial Statements

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LIABILITIES AND STOCKHOLDERS' EQUITY

| | 2016 | 2015 |
|---|---------------------|---------------------|
| CURRENT LIABILITIES | | |
| Checks outstanding in excess of bank balances | \$- | \$1,068,745 |
| Accounts payable | 4,235,488 | 4,049,333 |
| Current portion of long-term debt | 837,225 | 799,204 |
| Current portion of capital lease obligation | 56,203 | - |
| Line of credit outstanding | - | 2,823,477 |
| Other accrued expenses | 5,158,236 | 5,021,286 |
| Salary continuation plan | 114,958 | 106,148 |
| Total current liabilities | 10,402,110 | 13,868,193 |
| LONG-TERM LIABILITIES | | |
| Note payable-bank, non-current | 5,351,057 | 6,213,513 |
| Capital lease obligation | 152,209 | - |
| Salary continuation plan | 920,440 | 921,882 |
| Deferred income taxes, net | 2,632,762 | 2,717,360 |
| Total long-term liabilities | 9,056,468 | 9,852,755 |
| STOCKHOLDERS' EQUITY | | |
| Common stock - \$.66 2/3 par value: | | |
| Authorized 35,000,000 shares; issued 13,828,793 shares | 9,219,195 | 9,219,195 |
| Additional paid-in capital | 6,805,984 | 6,552,973 |
| Retained earnings | 20,738,143 | 19,049,500 |
| Treasury shares - at cost (2,537,036 shares in 2016 and 2015) | (13,136,994) | (13,136,994) |
| Total stockholders' equity | 23,626,328 | 21,684,674 |
| TOTAL | \$43,084,906 | \$45,405,622 |

See Accompanying Notes to Consolidated Financial Statements

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

For the Fiscal Years Ended June 3, 2016 and May 29, 2015

| | 2016 | 2015 |
|--|----------------|----------------|
| Net sales | \$ 135,870,580 | \$ 131,724,721 |
| Cost of sales | 67,595,536 | 66,154,484 |
| Gross margin | 68,275,044 | 65,570,237 |
| Selling, general and administrative expenses | 63,398,959 | 62,489,402 |
| Restructuring charges | - | (49,266) |
| Operating income | 4,876,085 | 3,130,101 |
| Other (expenses) income: | | |
| Gain on sale of assets | 56,446 | 283,256 |
| Interest expense | (335,562) | (458,184) |
| Other income | 97,108 | 111,257 |
| Total other (expenses) income | (182,008) | (63,671) |
| Income before income taxes | 4,694,077 | 3,066,430 |
| Provision for income taxes | 1,509,274 | 1,292,589 |
| Net income | \$ 3,184,803 | \$ 1,773,841 |
| PER SHARE OF COMMON STOCK | | |
| Basic earnings | \$0.28 | \$0.15 |
| Diluted earnings | \$0.28 | \$0.15 |

See Accompanying Notes to Consolidated Financial Statements

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Fiscal Years Ended June 3, 2016 and May 29, 2015

| | Common Stock | Additional Paid-in Capital | Retained Earnings | Treasury Shares | Total Stockholders' Equity |
|---------------------------|-----------------|----------------------------------|----------------------|--------------------|----------------------------------|
| Balance - May 30, 2014 | \$9,219,195 | \$6,497,954 | \$18,728,462 | \$(10,932,619) | \$23,512,992 |
| Net income - 2015 | - | - | 1,773,841 | - | 1,773,841 |
| Cash dividends paid | - | - | (1,452,803) | - | (1,452,803) |
| Stock compensation earned | - | 55,019 | - | - | 55,019 |
| Treasury shares purchased | - | - | - | (2,204,375) | (2,204,375) |
| Balance - May 29, 2015 | 9,219,195 | 6,552,973 | 19,049,500 | (13,136,994) | 21,684,674 |
| Net income - 2016 | - | - | 3,184,803 | - | 3,184,803 |
| Cash dividends paid | - | - | (1,496,160) | - | (1,496,160) |
| Stock compensation earned | - | 253,011 | - | - | 253,011 |
| Balance - June 3, 2016 | \$9,219,195 | \$6,805,984 | \$20,738,143 | \$(13,136,994) | \$23,626,328 |

See Accompanying Notes to Consolidated Financial Statements

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASHFLOWS

For the Fiscal Years Ended June 3, 2016 and May 29, 2015

| | 2016 | 2015 |
|---|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | \$ 136,289,283 | \$ 131,980,056 |
| Miscellaneous income | 97,108 | 88,918 |
| Cash paid to suppliers and employees for cost of goods sold | (66,550,001) | (63,720,473) |
| Cash paid for suppliers and employees for selling, general and administrative | (61,224,782) | (61,947,388) |
| Income taxes | (1,140,191) | (1,839,759) |
| Interest expense | (335,562) | (458,184) |
| Net cash provided by operating activities | 7,135,855 | 4,103,170 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property, plant and equipment | (1,182,854) | (2,725,450) |
| Proceeds from sale of property, plant and equipment | 56,446 | 284,806 |
| Net cash used in investing activities | (1,126,408) | (2,440,644) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Change in line of credit | (2,823,477) | 294,966 |
| Debt (repayments) proceeds | (824,435) | 1,698,505 |
| Principal payments under capital lease obligation | (30,970) | - |
| Purchases of treasury shares | - | (2,204,375) |
| Cash dividends paid | (1,496,160) | (1,452,803) |
| Net cash used in financing activities | (5,175,042) | (1,663,707) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 834,405 | (1,181) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 1,159,449 | 1,160,630 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 1,993,854 | \$ 1,159,449 |

Supplementary Cash Flow information:

In the period ending June 3, 2016 the Company entered into capital leases totaling \$239,382.

See Accompanying Notes to Consolidated Financial Statements

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASHFLOWS

For the Fiscal Years Ended June 3, 2016 and May 29, 2015

RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

| | 2016 | 2015 |
|--|-------------|-------------|
| Net income | \$3,184,803 | \$1,773,841 |
| Adjustment to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 3,876,111 | 3,906,766 |
| Deferred income taxes | (84,598) | 307,643 |
| Stock based compensation | 253,011 | 55,019 |
| Gain on sale of property and equipment | (56,446) | (283,256) |
| Change in receivables-net | 418,703 | 255,335 |
| Change in inventories | (492,913) | 417,442 |
| Change in prepaid expenses | 74,283 | (72,340) |
| Change in cash surrender value of insurance | 191,830 | (27,906) |
| Change in other assets - other | 55,662 | 234,548 |
| Change in accounts payable | (882,590) | (572,100) |
| Change in accrued expenses | 136,950 | (931,885) |
| Change in salary continuation plan | 7,368 | (105,124) |
| Change in income tax receivable | 453,681 | (854,813) |
| Net cash provided by operating activities | \$7,135,855 | \$4,103,170 |

See Accompanying Notes to Consolidated Financial Statements

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Years Ended June 3, 2016 and May 29, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Golden Enterprises, Inc. and subsidiary (the “Company”) conform to accounting principles generally accepted in the United States of America (“U.S. GAAP”) and to general practices within the snack foods industry. The following is a description of the more significant accounting policies:

Nature of the Business

The Company manufactures and distributes a full line of snack items that are sold through its own sales organization and independent distributors to commercial establishments that sell food products primarily in the southeastern United States.

Consolidation

The consolidated financial statements include the accounts of Golden Enterprises, Inc. (“Golden Enterprises”) and its wholly-owned subsidiary, Golden Flake Snack Foods, Inc., (“Golden Flake”). All significant inter-company transactions and balances have been eliminated.

Fiscal Year

The Company ends its fiscal year on the Friday closest to the last day in May. The year ended June 3, 2016 included 53 weeks and the year ended May 29, 2015 included 52 weeks.

Segment Information

The Company has identified one operating segment for management reporting purposes. The consolidated results of operations are the basis on which management evaluates operations and makes business decisions.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Company recognizes sales and related costs upon delivery or shipment of products to its customers. Allowances for sales returns, stale products, promotions, and discounts are recorded as reductions of revenue in the consolidated financial statements. Costs associated with the delivery or shipment of these products are recorded gross and shown as part of selling, general and administrative expenses on the consolidated statement of income. Shipping and handling costs amounted to \$3,570,571 and \$3,827,583 for the fiscal years 2016 and 2015, respectively.

Revenue for products sold to our distributors is recognized when the distributor purchases the inventory from our warehouses or the products are shipped to their stockroom. Revenue for products sold to retail customers through company routes is recognized when the product is delivered to the customer. Revenue for products shipped directly to customers from our warehouses is recognized based on the shipping terms listed on the shipping documentation. Products shipped with terms FOB shipping point are recognized as revenue at the time the product leaves our warehouse. Products shipped with terms FOB destination are recognized as revenue based on the anticipated receipt date by the customer.

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Years Ended June 3, 2016 and May 29, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

We record an allowance for sales and damaged products. This allowance is estimated based on a percentage of historical sales returns and current market information. We record certain reductions to revenue for promotional allowances. There are several different types of promotional allowances such as off-invoice allowances, rebates and shelf space allowances. Shelf space allowances are capitalized and amortized over thirty-six months and recorded as a reduction to revenue. Capitalized shelf space allowances are evaluated for impairment on an ongoing basis. Capitalized shelf space included in other assets amounted to \$917,533 and \$973,195 as of June 3, 2016 and May 29, 2015, respectively.

Fair Value of Financial Instruments

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the “*Fair Value Measures and Disclosures*” Topic 820 of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company’s various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

Fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

See Note 13 for more information on fair value.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivables

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 a reserve based on analysis of historical data and specific reserves for receivable balances that are considered at higher risk due to known facts regarding the customer.

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Years Ended June 3, 2016 and May 29, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Inventories

Inventories are stated at the lower of cost or market. Cost is computed on the first-in, first-out method.

Income Taxes

The Company accounts for income taxes in accordance with the FASB ASC Topic 740, *Income Taxes*. The Company has not recognized any liability for unrecognized tax benefits as it has no known tax positions that would subject the Company to any material income tax exposure. The federal and state tax returns for the Company for open tax years (generally three years from the date filed) are subject to examination by the applicable taxing authority.

Deferred income taxes are provided using the asset and liability method to measure tax consequences resulting from differences between financial accounting standards and applicable income tax laws. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Expenditures to acquire and install, and those for betterments and renewals, are capitalized. For financial reporting purposes, depreciation and amortization have been provided principally on the straight-line method over the estimated useful lives of the respective assets. Accelerated methods are used for tax purposes. Expenditures for maintenance and repairs are charged to operations as incurred.

Property retired or sold is removed from the asset and related accumulated depreciation accounts and any gain or loss resulting there from is reflected in the statements of operations. The following table summarizes the majority of our estimated useful lives of long-term depreciable assets:

| | Useful life |
|-------------------------------------|---------------|
| Buildings and building improvements | 20 - 30 years |
| Machinery and equipment | 5 - 10 years |
| Transportation equipment | 5 - 15 years |

Self-Insurance

The Company maintains reserves for the self-funded portion of employee medical insurance benefits. The Company also has stop loss coverage to limit the exposure arising from these claims. The accrual for incurred but not reported (IBNR) medical insurance claims was \$361,000 and \$311,000 at June 3, 2016 and May 29, 2015, respectively.

The Company is self-insured for certain casualty losses relating to automobile liability, general liability, workers' compensation, and property losses. Automobile liability, general liability, workers' compensation, and property losses costs are covered by letters of credit with the company's claim administrators. As of June 3, 2016, the Company's casualty reserve was \$1,441,459 and at May 29, 2015, the casualty reserve was \$1,472,182.

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Years Ended June 3, 2016 and May 29, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Due to the complexity of estimating the timing and amounts of insurance claims, the Company uses a third-party actuary to estimate the casualty insurance obligations on an annual basis. In determining the ultimate loss and reserve requirements, the Company uses various actuarial assumptions including compensation trends, health care cost trends, and discount rates. In 2016, we used a discount rate of 4%, the same rate was used in 2015, based on treasury rates over the estimated future payout period. The third-party actuary also uses historical information for claims frequency and severity in order to establish loss development factors. Large fluctuations in claims can have a significant impact on selling, general and administrative expenses.

Advertising

The Company expenses advertising costs as incurred. These costs are included in selling, general and administrative expenses. Advertising expense amounted to \$8,319,193 and \$7,973,958 for the fiscal years 2016 and 2015, respectively.

Stock Options

The Company accounts for option awards based on the fair value-method using the Black-Scholes model. The following assumptions were used to determine the weighted average fair value of options granted during 2016 and 2015.

| | 2016 | | 2015 | |
|--|-----------|---|-----------|---|
| Assumptions used in Black-Scholes pricing model: | | | | |
| Expected dividend yield | 2.41 | % | 3.20 | % |
| Risk-free interest rate | 1.22 | % | 1.40 | % |
| Weighted average expected life | 5.5 years | | 5.6 years | |
| Expected volatility | 39 | % | 43.3 | % |

The expected dividend yield is based on the projected annual dividend payment per share divided by the stock price at the date of grant. The risk free interest rate is based on rates of U.S. Treasury issues with a remaining life equal to the expected life of the option. We used the simplified method to calculate expected life using the vesting term of the option and the option expiration date, as we did not have sufficient exercise history at the time to calculate a reasonable estimate.

NOTE 2 – RECENTLY ISSUED ACCOUNTING STANDARDS

Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, to update its revenue recognition standard to clarify the principles for recognizing revenue and eliminate industry-specific guidance. In addition, the updated standard revises current disclosure requirements in an effort to help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. In August 2015, the FASB issued ASU 2015-14 which deferred the effective date by one year. This revised standard will be effective for the Company for the interim and annual reporting period beginning after December 15, 2017. In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Principal versus Agent Considerations)*, to clarify the implementation guidance on principal versus agent considerations. The FASB will permit early adoption of the standard, but not before the original effective date of December 15, 2016. The Company is currently evaluating the impact of this standard.

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Years Ended June 3, 2016 and May 29, 2015

NOTE 2 – RECENTLY ISSUED ACCOUNTING STANDARDS - CONTINUEDMeasurement of Inventory

In July 2015, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory*. An entity should measure inventory within the scope of this update at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The standard is effective for annual reporting periods beginning after December 15, 2016 and related interim periods. Early adoption is permitted. The Company does not believe this standard will have a material effect on its financial position, results of operations, or cash flows.

Balance Sheet Classification of Deferred Taxes

In November 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*. This accounting standard requires deferred tax assets and liabilities, along with related valuation allowances, to be classified as noncurrent on the balance sheet. As a result, each tax jurisdiction will now only have one net noncurrent deferred tax asset or liability. The new guidance does not change the existing requirement that prohibits offsetting deferred tax liabilities from one jurisdiction against deferred tax assets of another jurisdiction. The standard is effective for annual reporting periods beginning after December 15, 2016, and related interim periods. Early adoption is permitted. The Company has chosen to early adopt this guidance retrospectively as indicated on the consolidated balance sheet and detailed in the accompanying Note 9. The following table summarizes the adjustments made to conform prior period classifications to the new guidance:

| Balance Sheet Line | May 29, 2015 | | |
|---|---------------|---------------|---------------|
| | As Filed | Reclass | As Adjusted |
| Current deferred income tax assets | \$1,139,433 | \$(1,139,433) | \$- |
| Long-term deferred income tax liabilities | \$(3,856,793) | \$1,139,433 | \$(2,717,360) |
| Net noncurrent deferred tax liability | \$(2,717,360) | \$- | \$(2,717,360) |

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet. This standard also requires additional disclosures by lessees and contains targeted changes to accounting by lessors. The updated guidance is effective for interim and annual periods beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the impact of the provisions of this standard.

NOTE 3 – RECLASSIFICATIONS

Certain prior period consolidated financial statement amounts have been reclassified to be consistent with the presentation for the current period. These reclassifications had no effect on the reported results of operations.

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Years Ended June 3, 2016 and May 29, 2015

NOTE 4 – ALLOWANCE FOR DOUBTFUL ACCOUNTS

The following table summarizes the allowance for doubtful accounts for the years ended June 3, 2016 and May 29, 2015, respectively:

| | 2016 | 2015 |
|-----------------------------------|-----------|----------|
| Beginning balance | \$70,000 | \$70,000 |
| Additions/(Reductions) to expense | 90,000 | - |
| Deductions | - | - |
| Ending balance | \$160,000 | \$70,000 |

NOTE 5 – PREPAID EXPENSES

At June 3, 2016 and May 29, 2015, prepaid expenses consist of the following:

| | 2016 | 2015 |
|------------------------------|-------------|-------------|
| Truck shop supplies | \$299,532 | \$320,622 |
| Insurance deposit | 48,548 | 48,548 |
| Prepaid marketplace spending | 156,609 | 201,373 |
| Prepaid insurance | 357,431 | 369,864 |
| Prepaid taxes/licenses | 108,375 | 113,042 |
| Prepaid dues/supplies | 20,917 | 22,412 |
| Other | 284,506 | 274,340 |
| | \$1,275,918 | \$1,350,201 |

NOTE 6 – OTHER ACCRUED EXPENSES

The following table summarizes other accrued expenses as of June 3, 2016 and May 29, 2015:

| | 2016 | 2015 |
|-----------------------------|-------------|-------------|
| Accrued salary and benefits | \$2,379,266 | \$2,215,338 |
| Accrued casualty losses | 1,441,459 | 1,472,182 |
| Accrued IBNR | 361,000 | 311,000 |
| Accrued other | 976,511 | 1,022,766 |
| Total accrued expenses | \$5,158,236 | \$5,021,286 |

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Years Ended June 3, 2016 and May 29, 2015

NOTE 7 - LINE OF CREDIT

The Company has a line-of-credit agreement with a local bank that permitted borrowing up to \$3,000,000 at June 3, 2016 and May 29, 2015. The line-of-credit is subject to the Company's continued credit worthiness and compliance with the terms and conditions of the loan agreement which is renewed on an annual basis. The following table summarizes the line of credit as of June 3, 2016 and May 29, 2015:

| | 2016 | | 2015 | |
|----------------------|-------------|---|-------------|---|
| Interest rate | 3.50 | % | 3.25 | % |
| Outstanding | \$- | | \$2,823,477 | |
| Available | 3,000,000 | | 176,523 | |
| Total line of credit | \$3,000,000 | | \$3,000,000 | |

NOTE 8 – LONG-TERM LIABILITIES

The Company has two notes payable with a local bank. The agreement on the note payable maturing March 10, 2021, contains a financial covenant for minimum tangible net worth of \$16 million. The Company was in compliance with the financial covenant as of June 3, 2016. Debt outstanding as of June 3, 2016 and May 29, 2015, consisted of the following:

| | 2016 | 2015 |
|--|-------------|-------------|
| Note payable maturing March 10, 2021 interest at 3.00%, principal and interest due monthly | \$4,587,642 | \$4,944,233 |
| Note payable maturing January 31, 2020 interest at 3.30%, principal and interest due monthly | 1,600,640 | 2,068,484 |

| | | |
|--|-------------|-------------|
| Less current portion of long-term debt | (837,225) | (799,204) |
| Total long-term debt | \$5,351,057 | \$6,213,513 |

In July 2015, a capital lease obligation of \$98,586 was incurred when the Company entered into a 36-month lease for new server equipment. In March 2016, another capital lease obligation of \$140,796 was incurred when the Company entered into a 60-month lease for new telephone equipment. The balance of the capital lease obligations was \$208,412 as of June 3, 2016 with the current portion of \$56,203.

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Years Ended June 3, 2016 and May 29, 2015

NOTE 9 – INCOME TAXES

At June 3, 2016 and May 29, 2015 the provision for income taxes consists of the following:

| | 2016 | 2015 |
|-----------|-------------|-------------|
| Current: | | |
| Federal | \$1,288,468 | \$797,788 |
| State | 305,404 | 187,158 |
| | 1,593,872 | 984,946 |
| Deferred: | | |
| Federal | (68,525) | 249,191 |
| State | (16,073) | 58,452 |
| | (84,598) | 307,643 |
| Total | \$1,509,274 | \$1,292,589 |

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Years Ended June 3, 2016 and May 29, 2015

NOTE 9 – INCOME TAXES - CONTINUED

The effective tax rate for continuing operations differs from the expected tax using statutory rates. A reconciliation between the expected tax and actual tax follows:

| | 2016 | 2015 |
|--|-------------|-------------|
| Tax on income at statutory rates | \$1,595,986 | \$1,042,483 |
| Increase resulting from: | | |
| State income taxes, less Federal income tax effect | 181,584 | 123,525 |
| Other - net | (268,296) | 126,581 |
| Total | \$1,509,274 | \$1,292,589 |

The above difference is primarily due to a tax payment rectification. The tax effects of temporary differences that result in net noncurrent deferred tax liabilities are as follows:

| | 2016 | 2015 |
|---------------------------------------|---------------|---------------|
| Net noncurrent deferred tax liability | | |
| Property and equipment | \$(3,868,351) | \$(3,780,271) |
| Prepaid expenses | (59,511) | (76,522) |
| Salary continuation plan | 502,070 | 390,651 |
| Accrued vacation | 480,519 | 476,504 |
| Inventory capitalization | 64,399 | 80,430 |
| Allowance for doubtful accounts | 60,800 | 26,600 |
| Other accrued expenses | 187,312 | 165,248 |
| Net deferred tax liability | \$(2,632,762) | \$(2,717,360) |

The Company and its subsidiary are subject to federal income tax as well as income tax of various states. The Company is no longer subject to examination for years before 2012.

NOTE 10 – EMPLOYEE BENEFIT PLANS

The Company has a trustee “Qualified Profit-Sharing Plan” that was amended and restated effective September 1, 2010, known as the Golden Flake Snack Foods, Inc. 401(k) Retirement Savings Plan (the “Plan”). The Plan’s trustee and investment custodian is State Street Bank and Trust Company. Transamerica Retirement Solutions provides recordkeeping and general administrative services for the Plan.

The Company’s contributions to the Plan are reviewed and approved by the Board of Directors. The Company match is 25% of an employee’s eligible contributions up to 4%. Total plan contributions for the years ended June 3, 2016 and May 29, 2015 were \$160,046 and \$150,586, respectively.

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Years Ended June 3, 2016 and May 29, 2015

NOTE 10 – EMPLOYEE BENEFIT PLANS - CONTINUED

The Company has a non-qualified salary continuation plan with certain of its key officers whereby monthly benefits will be paid for a period of fifteen years following death or retirement at age 65. The Company is accruing the present value of the estimated future retirement payments at a 3.75% discount rate from the date of the agreements to the normal retirement age at which time the principal portion of the retirement benefits paid are applied to the liability previously accrued. The Plan is funded in part with life insurance on the key officers. As of June 3, 2016, the cash surrender value of the life insurance was \$438,429 as compared to \$630,259 as of May 29, 2015.

The change in the liability for the salary continuation plan is as follows:

| | 2016 | 2015 |
|--|-------------|-------------|
| Accrued salary continuation plan - beginning of year | \$1,028,030 | \$1,133,154 |
| Benefits accrued | 127,368 | 134,876 |
| Benefits paid | (120,000) | (240,000) |
| Accrued salary continuation plan - end of year | \$1,035,398 | \$1,028,030 |

NOTE 11 – LONG-TERM INCENTIVE PLANS

The Company has a long-term incentive plan currently in effect under which stock option grants may be issued. This Plan (the 2014 Plan) is administered by the Stock Option Committee of the Board of Directors, which has sole discretion, subject to the terms of the Plan, to determine those employees, including executive officers, eligible to receive awards and the amount and type of such awards. The Stock Option Committee also has the authority to interpret the Plan and make all other determinations required in the administration thereof.

The 2014 Plan provides for, among other things, the granting of Incentive Stock Options as defined under the Internal Revenue Code. Under the Plan, grants of incentive stock options may be made to selected officers and employees, with a term not exceeding ten years from the issue date and at a price not less than the fair market value of the Company's stock at the date of grant. On April 9, 2015, 310,000 options were granted with an exercise price of \$3.84 per share, which was the fair market value of the Company's stock at the grant date. On April 7, 2016, 30,000 options were granted with an exercise price of \$5.40 per share, which was the fair market value of the Company's stock at the grant date. During the year ended June 3, 2016, 30,000 options were forfeited. The options granted vest over a period of 1 to 2 years from the date of grant with accelerated vesting provisions if there is a change in control. Compensation expense is being recognized for the options over the vesting schedule. Total compensation expense for the year June 3, 2016 was \$253,011 as compared to \$55,019 for the year ended May 29, 2015. As of June 3, 2016 there was \$63,570 in unrecognized compensation expense related to outstanding stock options that will be recognized during the ten-months. The unrecognized compensation expense as of May 29, 2015, was \$304,581.

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Years Ended June 3, 2016 and May 29, 2015

NOTE 11 – LONG-TERM INCENTIVE PLANS - CONTINUED

At June 3, 2016, 310,000 options were granted and outstanding. The following is a summary of the transactions for the years ended June 3, 2016 and May 29, 2015:

| | Shares | 2016 Weighted Average Exercise Price | Shares | 2015 Weighted Average Exercise Price |
|---------------------------------|-----------|--|---------|--|
| Outstanding - beginning of year | 310,000 | \$ 3.84 | - | \$ - |
| Granted | 30,000 | 5.40 | 310,000 | 3.84 |
| Exercised | - | - | - | - |
| Forfeited | (30,000) | 3.84 | - | - |
| Cancelled | - | - | - | - |
| Outstanding - end of year | 310,000 | \$ 3.99 | 310,000 | \$ 3.84 |

750,000 shares of the Company's stock were authorized for issuance under this Plan. 440,000 shares remain under this plan for future issuance. At June 3, 2016, 229,167 options were vested and exercisable. In April 2017, the remaining 80,833 options will be vested and exercisable. See Note 17 for additional information affecting long-term incentive plans.

NOTE 12 – NET INCOME PER SHARE

Basic earnings per common share are computed by dividing earnings available to 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 FASB ASC 260, "Earnings per Share". At May 29, 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 treasury stock

method was antidilutive.

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Years Ended June 3, 2016 and May 29, 2015

NOTE 12 – NET INCOME PER SHARE - CONTINUED

The following reconciles the information used to compute basic and diluted earnings per share for the years ended June 3, 2016 and May 29, 2015:

| | 2016 | 2015 |
|-------------------------------------|-------------|-------------|
| Basic EPS: | | |
| Net income | \$3,184,803 | \$1,773,841 |
| Weighted average shares outstanding | 11,291,757 | 11,552,164 |
| Earnings per share - Basic | \$0.28 | \$0.15 |
| Diluted EPS: | | |
| Weighted average shares outstanding | 11,307,497 | 11,552,164 |
| Earnings per share - Diluted | \$0.28 | \$0.15 |

NOTE 13 – DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The FASB ASC 825 “*Financial Instruments*” excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. The following summarizes information regarding the methods and assumptions used by the Company in estimating its fair value for financial instruments.

The carrying amounts for cash and cash equivalents approximate fair value because of the short maturity, generally less than three months, of these instruments.

The carrying value of the Company’s salary continuation plan and accrued liability approximates fair value because present value is used in accruing this liability.

The Company does not hold or issue financial instruments for trading purposes and has no involvement with forward currency exchange contracts.

The fair value of outstanding debt, including current maturities, was approximately \$6,153,000 and \$6,967,000 for June 3, 2016 and May 29, 2015, respectively. The Level 2 fair value estimates were based on similar debt with the same maturities, Company credit rating and interest rates.

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the Fiscal Years Ended June 3, 2016 and May 29, 2015

NOTE 14- COMMITMENTS AND CONTINGENCIES

Rental expense was \$528,434 in 2016 and \$725,947 in 2015.

The Company leases certain facilities and equipment classified as operating leases. The Company has also entered into agreements with suppliers for the purchase of certain ingredients and packaging materials used in the production process. These agreements are entered into in the normal course of business and consist of agreements to purchase a certain quantity over a certain period of time. These purchase commitments range in length from three to twelve months. Future purchase commitments and operating lease obligations at June 3, 2016 were as follows:

| | 2017 | 2018 | 2019 | 2020 | 2021 | Thereafter |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|------------|
| Purchase commitments | \$8,223,235 | \$- | \$- | \$- | \$- | \$ - |
| Operating lease obligations | 647,289 | 641,685 | 516,694 | 327,778 | 309,430 | 22,212 |
| Debt obligations | 837,225 | 864,402 | 892,464 | 702,484 | 2,891,707 | - |
| Capital lease obligations | 56,203 | 59,526 | 31,009 | 30,830 | 30,844 | - |
| Total contractual obligations | \$9,763,952 | \$1,565,613 | \$1,440,167 | \$1,061,092 | \$3,231,981 | \$ 22,212 |

The Company has a letter of credit in the amount of \$1,925,000 outstanding at June 3, 2016 and \$1,850,000 at May 29, 2015. The letter of credit supports the Company's commercial self-insurance program. The Company pays an annual commitment fee of 0.72% to maintain the letters of credit.

The Company is subject to routine litigation and claims incidental to its business. In the opinion of management, such routine litigation and claims should not have a material adverse effect upon the Company's consolidated financial statements taken as a whole.

NOTE 15 - CONCENTRATIONS OF CREDIT RISK

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

The Company maintains deposit relationships with high credit quality financial institutions. The Company's trade receivables result primarily from its snack food operations and reflect a broad customer base, primarily large grocery store chains located in the Southeastern United States. The Company routinely assesses the financial strength of its customers. Total sales attributed to our largest retail customer, through both Company owned and independent distributor routes, accounted for approximately 12% and 11% of our total sales attributed to all retail customers for the years ended June 3, 2016 and May 29, 2015, respectively.

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

For the Fiscal Years Ended June 3, 2016 and May 29, 2015

NOTE 16– SUPPLEMENTARY STATEMENT OF INCOME INFORMATION

The following tabulation gives certain supplementary statement of income information for the years ended June 3, 2016 and May 29, 2015:

| | 2016 | 2015 |
|-------------------------|-------------|-------------|
| Maintenance and repairs | \$7,253,211 | \$6,569,215 |
| Depreciation | 3,876,111 | 3,906,766 |
| Payroll taxes | 2,214,613 | 2,103,563 |

Amounts for other taxes, rents, and research and development costs are not presented because each of such amounts is less than 1% of total revenues.

NOTE 17– SUBSEQUENT EVENTS

In July of 2016, the Company amended the salary continuation plan for one key officer to remove the annual consumer price index adjustment factor effective as of the inception of the agreement. See Note 10 for further information about the salary continuation plan.

Golden Enterprises, Inc. and Utz Quality Foods, Inc. of Hanover, PA (“Utz”) announced that they entered into a definitive merger agreement (“Merger Agreement”) on July 18, 2016, pursuant to which Utz will acquire the Company and Company stockholders will receive \$12.00 per share in cash.

On July 20, 2016, Golden Enterprises, Inc. executed Retention Bonus Agreements with Mark W. McCutcheon, Chief Executive Officer, Paul R. Bates, Executive Vice President, David A. Jones, Executive Vice President and Patty R. Townsend, Chief Financial Officer (the “Key Employees” or singularly, “Key Employee”). Upon the terms and subject to

the conditions set forth in the Retention Bonus Agreements, Key Employees are paid to remain in the employment of the Company or its wholly-owned subsidiary, after the Company merges with a wholly-owned subsidiary of Utz. Payment of the retention bonus is contingent on satisfaction of certain conditions and will be made at the end of the “Retention Period” which is one year after the Merger. The amount of payment is 75% of their base salary as of July 18, 2016.

Pursuant to the Merger Agreement, the Company agreed to terminate each incentive stock option (“Stock Option”) outstanding prior to the effective time of the Merger (the “Option Cancellation Agreement”). The Option Cancellation Agreement will provide that each holder of a Stock Option shall be entitled to receive, in consideration of the cancellation of such options held by such Stock Option Holder, subject to the consummation of the Merger, a cash payment per share equal to the product of (x) the aggregate number of shares of Company Common Stock subject to such Company Stock Option, whether or not the Stock Option is currently exercisable, multiplied by (y) the excess, if any, of the Merger Consideration, as defined in the Merger Agreement, over the per share exercise price of the Company Stock Options, less any taxes required to be withheld in accordance with the Merger Agreement.

Also, Golden Enterprises entered into Option Cancellation Agreements with each of the Key Employees. As a result of entering into the Option Cancellation Agreements, at the time of the Merger each Key Employee will be entitled to receive the amount determined by the formula set forth above. The Company will recognize the remaining incentive compensation expense at the time of the Merger. See Note 11 for further information about the incentive plan.

**ITEM 9. – CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS
ON ACCOUNTING AND FINANCIAL DISCLOSURE**

Not Applicable.

ITEM 9A. – CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our company's management, under the supervision of and with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of June 3, 2016. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 3, 2016, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Management's Assessment on Internal Control over Financial Reporting

The management of the company is responsible for establishing and maintaining adequate internal control over financial reporting for the company. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the company's principal executive and principal financial officers and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. 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 the policies or procedures may deteriorate.

The company's management assessed the effectiveness of the company's internal control over financial reporting as of June 3, 2016. In making this assessment, the company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its Internal Control-Integrated Framework (2013).

Based on management's assessment, it concluded that, as of June 3, 2016, the company's internal control over financial reporting was effective based on those criteria set forth.

This annual report does not include an attestation report of the company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the company's independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the company to provide only management's report in this annual report.

Changes in Internal Control over Financial Reporting

No change in our internal controls over financial reporting occurred during the fiscal quarter ended June 3, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. – OTHER INFORMATION

Not Applicable.

PART III

ITEM 10. – DIRECTORS AND EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

With the exception of information as follows and as set forth under the caption Executive Officers of the Registrant and Its Subsidiary which appears in Part I of this Form 10-K on Page 7, the information required by this item is incorporated by reference to the sections entitled “Election of Directors,” “Additional Information Concerning the Board of Directors,” “Executive Compensation and Other Information,” “Section 16(a) Beneficial Ownership Reporting Compliance,” “Code of Conduct and Ethics,” and “Corporate Governance” of the Company’s Proxy Statement for the 2016 Annual Meeting of Stockholders to be held September 22, 2016.

Section 16A Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act, as amended, requires the Company’s officers and directors and persons who own more than 10% of the Company’s outstanding Common Stock to file reports of ownership with the Securities and Exchange Commission (“SEC”). All officers and directors, who were required to file, timely filed required Form 4 and 5 reports.

ITEM 11. – EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the sections entitled “Executive Compensation” of the Company’s Proxy Statement for the 2016 Annual Meeting of Stockholders to be held September 22, 2016. See Item 5 of this Annual Report on Form 10-K for information concerning the Company’s equity compensation plans.

**ITEM 12. – SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND
MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by this item is incorporated by reference to the sections entitled “Security Ownership of Certain Beneficial Owners and Management” and “Section 16(a) Beneficial Ownership Reporting Compliance,” of the Company’s Proxy Statement for the 2016 Annual Meeting of Stockholders to be held September 22, 2016.

**ITEM 13. – CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR
INDEPENDENCE**

The information required by this item is incorporated by reference to the section entitled “Certain Related Party Transactions” and “Director Independence” of the Company’s Proxy Statement for the 2016 Annual Meeting of Stockholders to be held September 22, 2016.

ITEM 14. – PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference to the section entitled “Independent Accountants” of the Company’s Proxy Statement for the 2016 Annual Meeting of Stockholders to be held September 22, 2016.

Prior to September 30, 2016, the Company will file a definitive Proxy Statement with the Securities and Exchange Commission pursuant to Regulation 14A which involves the election of directors.

PART IV

**ITEM 15. - EXHIBITS AND FINANCIAL STATEMENT
SCHEDULES**

(a) 1. LIST OF FINANCIAL STATEMENTS

The following consolidated financial statements of Golden Enterprises, Inc., and subsidiary required to be included in Item 8 are listed below:

Consolidated Balance Sheets – June 3, 2016 and May 29, 2015

Consolidated Statements of Income- Years ended June 3, 2016 and May 29, 2015

Consolidated Statements of Changes in Stockholders' Equity- Years ended June 3, 2016 and May 29, 2015

Consolidated Statements of Cash Flows- Years ended June 3, 2016 and May 29, 2015

Notes to Consolidated Financial Statements

(a) 2. LIST OF FINANCIAL STATEMENT SCHEDULES

All other schedules are omitted because the information required therein is not applicable, or the information is given in the financial statements and notes thereto.

(a) Exhibits
3.

(2) Plan of Acquisition

Agreement and Plan of Merger, dated as of July 18, 2016, by and among Golden Enterprises, Inc., Utz Quality Foods Inc. and Westminster Sub, Inc. (incorporated by reference to Exhibit 2.1 Golden Enterprises, Inc. July 19, 2016 Form 8-K filed with the Commission).

(3) Articles of Incorporation and By-laws of Golden Enterprises, Inc.

Certificate of Incorporation of Golden Enterprises, Inc. (originally known as “Golden Flake, Inc.”) dated December 11, 1967 (incorporated by reference to Exhibit 3.1 to Golden Enterprises, Inc. May 31, 2004 Form 10-K filed with the Commission and Exhibit 3.1 Golden Enterprises, Inc. July 19, 2016 Form 8-K filed with the Commission).

Certificate of Amendment of Certificate of Incorporation of Golden Enterprises, Inc. dated December 22, 1976 (incorporated by reference to Exhibit 3.2 to Golden Enterprises, Inc. May 31, 2004 Form 10-K filed with the Commission).

Certificate of Amendment of Certificate of Incorporation of Golden Enterprises, Inc. dated October 2, 1978 (incorporated by reference to Exhibit 3 to Golden Enterprises, Inc. May 31, 1979 Form 10-K filed with the Commission).

- Certificate of Amendment of Certificate of Incorporation of Golden Enterprises, Inc. dated October 4, 1979
3.4 (incorporated by reference to Exhibit 3 to Golden Enterprises, Inc. May 31, 1980 Form 10-K filed with the Commission).
- Certificate of Amendment of Certificate of Incorporation of Golden Enterprises, Inc. dated September 24, 1982
3.5 (incorporated by reference to Exhibit 3.1 to Golden Enterprises, Inc. May 31, 1983 Form 10-K filed with the Commission).
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18.1 Letter from the Registrant's Independent Accountant dated August 12, 2005 indicating a change in the method of applying accounting practices followed by the Registrant for the fiscal year ended June 3, 2005 (incorporated by reference to Exhibit 18.1 to Golden Enterprises, Inc.'s June 3, 2005 Form 10-K filed with the Commission)

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(31) Certifications

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32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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(99) Additional Exhibits

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SIGNATURES

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

GOLDEN ENTERPRISES, INC.

By/s/Patty Townsend August 4, 2016
Patty Townsend **Date**
Vice President,
Secretary and
Principal Financial
Officer

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

| Signature | Title | Date |
|--|---|----------------|
| /s/Mark W. McCutcheon Mark W. McCutcheon | Chairman of the Board, Chief Executive Officer, and President | August 4, 2016 |
| /s/Patty Townsend Patty Townsend | Vice President, Secretary and Principal Financial Officer | August 4, 2016 |
| /s/F. Wayne Pate F. Wayne Pate | Director | August 4, 2016 |
| /s/Edward R. Pascoe Edward R. Pascoe | Director | August 4, 2016 |
| /s/John P. McKleroy, Jr. John P. McKleroy, Jr. | Director | August 4, 2016 |
| /s/John S.P. Samford John S.P. Samford | Director | August 4, 2016 |
| /s/J. Wallace Nall, Jr. | Director | August 4, 2016 |

J. Wallace Nall, Jr.

/s/Joann F. Bashinsky Director August 4, 2016
Joann F. Bashinsky

/s/Paul R. Bates Executive Vice-President August 4, 2016
Paul R. Bates and Director

/s/David A. Jones Executive Vice-President August 4, 2016
David A. Jones and Director

/s/William B. Morton, Jr. Director August 4, 2016
William B. Morton, Jr.

/s/John S. Stein III Director August 4, 2016
John S. Stein III

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INDEX TO EXHIBITS

| | Page |
|--|------|
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