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GOLDEN ENTERPRISES INC
Form 10-Q
January 12, 2007

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

For the quarterly (twenty-six week) period ended December 1, 2006

OR

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

For the transition period from _____ to _____

Commission file number _____ 0-4339 _____

GOLDEN ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

63-0250005

(State or other jurisdiction of incorporation or organization)

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

One Golden Flake Drive
Birmingham, Alabama

35205

(Address of Principle Executive Offices)

(Zip Code)

(205) 458-7316

(Registrant's telephone number, including area code)

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

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

(Check one):

Large accelerated filer _____ Accelerated filer _____ Non-accelerated filer X _____

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of December 29, 2006.

Outstanding at

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| | |
|------------------------------------|-------------------|
| Class | December 29, 2006 |
| ----- | ----- |
| Common Stock, Par Value \$0.66 2/3 | 11,835,330 |

GOLDEN ENTERPRISES, INC.

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CONDENSED CONSOLIDATED BALANCE SHEETS

| | (Unaudited) December 1, 2006 | (Audited) June 30, 2006 |
|-----------------------------------------------|------------------------------------|-------------------------------|
| | ----- | ----- |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 571,467 | \$ 3,300 |
| Receivables, net | 7,590,880 | 8,300 |
| Notes receivable, current | 55,855 | |
| Inventories: | | |
| Raw materials and supplies | 1,945,128 | 1,400 |
| Finished goods | 2,999,862 | 2,800 |
| | ----- | ----- |
| | 4,944,990 | 4,200 |
| | ----- | ----- |
| Prepaid expenses | 1,828,325 | 1,600 |
| Deferred income taxes | 669,976 | 600 |
| | ----- | ----- |
| Total current assets | 15,661,493 | 15,200 |
| | ----- | ----- |
| Property, plant and equipment, net | 13,136,084 | 13,500 |
| Long-term note receivable | 1,688,272 | 1,700 |
| Other assets | 3,011,281 | 3,100 |
| | ----- | ----- |
| | \$ 33,497,130 | \$ 33,700 |
| | ===== | ===== |
| LIABILITIES AND STOCKHOLDER'S EQUITY | | |
| CURRENT LIABILITIES | | |
| Checks outstanding in excess of bank balances | \$ 2,504,174 | \$ 2,600 |
| Accounts payable | 2,532,550 | 2,200 |
| Accrued income taxes | 5,614 | 500 |
| Other accrued expenses | 4,787,709 | 4,700 |
| Salary continuation plan | 117,114 | 1,000 |
| Note payable-bank -current | 643,776 | 700 |
| Line of credit outstanding | 1,471,363 | 300 |
| | ----- | ----- |
| Total current liabilities | 12,062,300 | 11,200 |
| | ----- | ----- |
| LONG-TERM LIABILITIES | | |
| Note payable - bank, non-current | - | 200 |
| Salary continuation plan | 1,623,104 | 1,600 |
| | ----- | ----- |
| Total long-term liabilities | 1,623,104 | 1,900 |
| | ----- | ----- |
| DEFERRED INCOME TAXES | | |
| | 854,028 | 800 |
| | ----- | ----- |
| STOCKHOLDER'S EQUITY | | |
| Common stock - \$.66-2/3 par value: | | |
| 35,000,000 shares authorized | | |
| Issued 13,828,793 shares | 9,219,195 | 9,200 |
| Additional paid-in capital | 6,497,954 | 6,400 |

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| | | |
|------------------------------------------------------------------------------------------|---------------|---------|
| Retained earnings | 13,918,143 | 14,6 |
| | ----- | ----- |
| | 29,635,292 | 30,3 |
| Less: Cost of common shares in treasury (1,993,463 at December 1, 2006 and June 2, 2006) | (10,677,594) | (10,6 |
| | ----- | ----- |
| Total stockholder's equity | 18,957,698 | 19,7 |
| | ----- | ----- |
| Total | \$ 33,497,130 | \$ 33,7 |
| | ===== | ===== |

See Accompanying Notes to Condensed Consolidated Financial Statements

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GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

| | Thirteen Weeks Ended 12/1/06 | Thirteen Weeks Ended 12/2/05 | Twenty-Six Weeks Ended 12/1/06 | Twenty-Six Weeks Ended 12/2/05 |
|----------------------------------------------|---------------------------------------|---------------------------------------|-----------------------------------------|-----------------------------------------|
| | ----- | ----- | ----- | ----- |
| Net sales | \$26,596,212 | \$25,430,115 | \$54,421,150 | \$51,461,951 |
| Cost of sales | 14,235,696 | 13,801,541 | 28,906,898 | 28,029,446 |
| Gross margin | 12,360,516 | 11,628,574 | 25,514,252 | 23,432,505 |
| Selling, general and administrative expenses | 12,756,527 | 12,088,312 | 25,556,551 | 24,054,122 |
| Operating loss | (396,011) | (459,738) | (42,299) | (621,617) |
| Other income (expenses): | | | | |
| Investment income | 35,416 | 36,953 | 71,403 | 73,828 |
| Gain on sale of assets | 28,968 | 20,320 | 35,910 | 98,954 |
| Other income | 18,247 | 19,395 | 24,210 | 28,263 |
| Interest expense | (65,593) | (74,957) | (119,162) | (139,188) |
| Total other income | 17,038 | 1,711 | 12,361 | 61,857 |
| Loss before income taxes | (378,973) | (458,027) | (29,938) | (559,760) |
| Income taxes | (139,845) | (168,996) | (11,033) | (206,487) |
| Net loss | \$ (239,128) | \$ (289,031) | \$ (18,905) | \$ (353,273) |
| PER SHARE OF COMMON STOCK | | | | |
| Basic earnings | \$ (0.02) | \$ (0.02) | \$- | \$ (0.03) |
| Diluted earnings | \$ (0.02) | \$ (0.02) | \$- | \$ (0.03) |

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| | | | | |
|------------------------------------------------------------|------------|------------|------------|------------|
| Weighted average number of common stock share outstanding: | | | | |
| Basic | 11,835,330 | 11,835,330 | 11,835,330 | 11,835,330 |
| Diluted | 11,835,330 | 11,864,453 | 11,835,330 | 11,863,456 |
| Cash dividends paid per share of common stock | \$0.0313 | \$0.0313 | \$0.0626 | \$0.0626 |

See Accompanying Notes to Condensed Consolidated Financial Statements

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

| | Twenty-Six Weeks Ended 12/01/06 | Twenty-Six Weeks Ended 12/02/06 |
|---------------------------------------------------------|---------------------------------------|---------------------------------------|
| | ----- | ----- |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | \$ 55,193,626 | \$ 51,780,000 |
| Interest income | 71,403 | 73,000 |
| Rental income | 20,135 | 22,000 |
| Miscellaneous income | 4,075 | 5,000 |
| Cash paid to suppliers & employees | (28,462,413) | (27,530,000) |
| Cash paid for operating expenses | (25,301,140) | (23,660,000) |
| Income taxes paid | (492,671) | - |
| Interest expenses paid | (119,162) | (139,000) |
| Net cash from operating activities | 913,853 | 552,000 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (683,221) | (975,000) |
| Proceeds from sale of property, plant and equipment | 50,049 | 113,000 |
| Collection of notes receivable | 26,301 | 24,000 |
| Net cash used in investing activities | (606,871) | (837,000) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Debt proceeds | 9,997,205 | 11,914,000 |
| Debt repayments | (9,199,783) | (11,200,000) |
| Change in checks outstanding in excess of bank balances | (114,852) | 333,000 |
| Cash dividends paid | (739,712) | (739,000) |
| Net cash used in financing activities | (57,142) | 307,000 |

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| | | |
|--------------------------------------------------|------------|--------|
| Net change in cash and cash equivalents | 249,840 | 22 |
| Cash and cash equivalents at beginning of period | 321,627 | 371 |
| | ----- | ----- |
| Cash and cash equivalents at end of period | \$ 571,467 | \$ 393 |
| | ===== | ===== |

See Accompanying Notes to Condensed Consolidated Financial Statements

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

RECONCILIATION OF NET INCOME TO NET CASH FROM OPERATING ACTIVITIES
FOR THE TWENTY-SIX WEEKS ENDED DECEMBER 1, 2006 AND DECEMBER 2, 2005

| | Twenty-Six Weeks Ended 12/01/06 | T |
|------------------------------------------------------------------------------------------|---------------------------------------|-------|
| | ----- | ----- |
| Net (loss) | \$ (18,905) | \$ |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,116,050 | |
| Gain on sale of property and equipment | (35,910) | |
| Changes in operating assets and liabilities: | | |
| Change in receivables- net | 772,476 | |
| Change in inventories | (668,919) | |
| Change in pre-paid expenses | (219,866) | |
| Change in other assets | 123,833 | |
| Change in accounts payable | 322,524 | |
| Change in accrued expenses | 59,955 | |
| Change in salary continuation | (33,681) | |
| Change in accrued income taxes | (503,704) | |
| | ----- | ----- |
| Net cash from operating activities | \$ 913,853 | \$ |
| | ===== | ===== |

See Accompanying Notes to Condensed Consolidated Financial Statements

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. The accompanying unaudited condensed consolidated financial statements of Golden Enterprises, Inc. (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 to Regulation S-X. Accordingly, they do not include all information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. For further information, refer to the consolidated financial statements and footnotes included in the Golden Enterprises, Inc. and subsidiary ("the Company") Annual Report on Form 10-K for year ended June 2, 2006.
2. The consolidated results of operations for the twenty-six weeks ended December 1, 2006 are not necessarily indicative of the results to be expected for the fifty-two week fiscal year ending June 1, 2007.
3. The following tables summarize the prepaid assets accounts:

Prepaid Breakdown

| | Twenty-Six Weeks Ended December 1, 2006 | Twenty-Six Weeks Ended December 2, 2005 |
|---------------------------|-----------------------------------------------|-----------------------------------------------|
| | ----- | ----- |
| Truck shop supplies | \$ 683,195 | \$ 624,411 |
| Insurance deposit | 227,640 | 242,517 |
| Slotting fees | 160,450 | 235,083 |
| Deferred advertising fees | 394,996 | 362,008 |
| Prepaid Insurance | 177,292 | 224,125 |
| Prepaid taxes/licenses | 130,439 | 675,262 |
| Prepaid dues/supplies | 33,562 | 47,154 |
| Other | 20,751 | 17,998 |
| | ----- | ----- |
| | \$ 1,828,325 | \$ 2,428,558 |
| | ===== | ===== |

4. The principal raw materials used in the manufacture of the Company's snack food products are potatoes, corn, vegetable oils and seasoning. The principal supplies used are flexible film, cartons, trays, boxes and bags. These raw materials and supplies are generally available in adequate quantities in the open market from sources in the United States and are generally contracted up to a year in advance.
5. Beginning June 3, 2006, we adopted SFAS No. 123 (R), "Share-Based Payment" which requires measurement of the cost of employee services received in exchange for an award of an equity instrument based on the fair value and the date of grant of the award.

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25 "Accounting for Stock Issued to Employees" in accounting for stock option plans. SFAS No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," required the Company to provide pro forma information regarding net income (loss) as if the compensation cost for the Company's stock option plans had been determined in accordance with the fair value based method prescribed in SFAS No. 123. To provide the required pro forma information, the Company estimated the fair value of each stock option at the grant date by using the Black-Scholes option-pricing model.

We adopted the "modified prospective method" in adopting SFAS 123 (R) described in FASB No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure", and prior amounts have not been restated. As of June 3, 2006, all outstanding options were fully vested. Additionally, no options were granted during the twenty-six week period ended December 1, 2006. The adoption of SFAS 123 (R) did not have a material effect on the current period financial position, results of operations, or cash flows. Statement 123 (R) also requires that the benefits of tax deductions in excess of recognized compensation cost be reported as a financing cash flow rather than an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after the effective date. The company cannot estimate what those amounts will be in the future because they depend on, among other things, when employees exercise stock options.

For further information regarding our Incentive Stock Option plans in effect including share-based payment arrangements, the number and weighted-average exercise prices for outstanding options, and the number and weighted-average grant-date fair value refer to the consolidated financial statements and footnotes included in the Golden Enterprises, Inc. and subsidiary ("the Company") Annual Report on Form 10-K for the year ended June 2, 2006.

6. The following table provides a reconciliation of the denominator used in computing basic earnings per share to the denominator used in computing diluted earnings per share for the twenty-six weeks ended December 1, 2006 and December 2, 2005:

| | Twenty-Six Weeks Ende 12/01/06 |
|----------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| | ----- |
| Weighted average number of common shares used in computing basic earnings per share | 11,835,3 |
| Effect of dilutive stock options | ----- |
| Weighted average number of common shares and dilutive potential common stock used in computing dilutive earnings per share | 11,835,3 |
| Stock options excluded from the above reconciliation because they are anti-dilutive | 369,0 |
| | ===== |

7. The following table shows the effect on net income and earnings per

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share for the thirteen and twenty-six weeks ended December 2, 2005 had compensation expense been recognized based upon the estimated fair value on the grant date of awards, in accordance with SFAS 123, as amended by SFAS No. 148 "Accounting for Stock-Based Compensation - Transition and Disclosure":

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| | Thirteen Weeks Ended 12/2/2005 |
|-------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|
| Net loss as reported | \$ (289,031) |
| Stock based compensation costs, net of income tax, that would have been included in net income if the fair value method had applied | (2,614) |
| Pro-forma net loss | \$ (291,645) |
| Loss per share as reported-basic | \$ (0.02) |
| Loss per share as reported-diluted | \$ (0.02) |
| Pro-forma loss per share-basic | \$ (0.02) |
| Pro-forma loss per share-diluted | \$ (0.02) |

8. The Company entered into a five year term product purchase commitment during the year ending May 31, 2001 with a supplier. Under the terms of the agreement the minimum purchase quantity and the unit purchase price were fixed resulting in a minimum first year commitment of approximately \$2,171,000. After the first year, the minimum purchase quantity was fixed and the purchase unit price was negotiable, based on current market. Subsequently, in September 2002, the product purchase agreement was amended to fix the purchase unit price and establish specific annual quantities. The purchase commitment with the supplier, based on a specific purchase price and specific annual quantities, ended as of October 25, 2005. The Company was prohibited from purchasing certain products from any other vendor until October 25, 2006. As of October 26, 2006, the Company no longer had any obligation under this product purchase commitment.
9. The interest rate on the Company's note payable is reset monthly to reflect the 30 days LIBOR rate. Consequently, the carrying value of the note payable approximates fair value. The interest rate at December 1, 2006 was 7.07% compared to 5.83% at December 2, 2005. The Company's total bank debt was decreased by \$825,015 for the fifty-two week period ended December 1, 2006 compared to an increase of \$614,090 last year.

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10. The Company has a letter of credit in the amount of \$2,668,846 outstanding at December 1, 2006, compared to \$3,084,365 at December 2, 2005, a decrease of \$415,519, to support the Company's commercial self-insurance program.
11. Currently, the Company has a line-of-credit agreement with a local bank that permits borrowing up to \$2 million, compared to \$2 million at this time last year. The line-of-credit is subject to the Company's continued credit worthiness and compliance with the terms and conditions of the advance application. The Company's line-of-credit debt as of December 1, 2006 was \$1,471,363 with an interest rate of 8.25%, leaving the Company with \$528,637 of credit availability. The Company's line-of-credit debt as of December 2, 2005 was \$1,584,446 with an interest of 7.00% leaving the Company with \$415,554 of credit availability.
12. The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash equivalents and trade receivables.

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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. As a consequence, concentrations of credit risk are limited.

The Company's notes receivable requires collateral and management believes they are well secured.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have reviewed the accompanying interim consolidated balance sheet of Golden Enterprises, Inc. and subsidiary as of December 1, 2006 and the related interim consolidated statements of income and cash flows for the twenty-six week period then ended. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the Public Accounting Oversight Board (United States). A review of interim financial statements consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expressions of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in conformity

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with accounting principles generally accepted in the United States of America.

We previously audited in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of June 2, 2006 and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the fiscal year then ended (not presented herein), and in our report dated July 24, 2006 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of June 2, 2006, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

Birmingham, Alabama
January 11, 2007

DUDLEY, HOPTON-JONES, SIMS & FREEMAN PLLP

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ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The purpose of this discussion is to provide additional information about Golden Enterprises, Inc., its financial condition and the results of its operations. Readers should refer to the consolidated financial statements and other financial data presented throughout this report to fully understand the following discussion and analysis.

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 a line of cakes and cookie items, 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 of major agricultural raw materials. Raw materials used in manufacturing and processing the Company's snack food products are purchased on the open market and 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 available. The Company has no control of the agricultural aspects and its profits are affected accordingly.

The Company sells its products through its own sales organization and independent distributors to commercial establishments that sell food products primarily in the Southeastern United States. The products are distributed through the independent distributors and approximately 430 route representatives who are supplied with selling inventory by the Company's trucking fleet. All of

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the route representatives are employees of the Company and use the Company's direct-store delivery system.

BASIS OF PRESENTATION

The Company's discussion and analysis of its financial condition and results of operations are based upon the accompanying unaudited condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 to Regulation S-X. Accordingly, they do not include all information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's discussion and analysis of its financial condition and results of operations are based upon the Company's unaudited condensed consolidated financial statements. The preparation of which, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that in certain circumstances affect amounts reported in the consolidated financial statements. In preparing these financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements, giving due considerations to materiality. The Company does not believe there is a great likelihood that materially different amounts would be reported under different conditions or using different assumptions related to the accounting policies described below. However, 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 from these estimates.

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The Company believes the following to be critical accounting policies. That is, they are both important to the portrayal of the Company's financial condition and results and they require management to make judgments and estimates about matters that are inherently uncertain.

Revenue Recognition

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

Accounts Receivable

The Company records accounts receivable at the time revenue is recognized. Amounts for bad debt expense are recorded in selling, general and administrative expenses on the Consolidated Statements of Operations. The amount of the allowance for doubtful accounts is based on management's estimate of the accounts receivable amount that is uncollectible. Management records a general reserve based on analysis of historical data. In addition, management records specific reserves for receivable balances that are considered high-risk due to known facts regarding the customer. The allowance for bad debts is reviewed quarterly, and it is determined whether the amount should be changed. Failure of a major customer to pay the Company amounts owed could have a material impact on the financial statements of the Company. At December 1, 2006 and June 2, 2006

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the Company had accounts receivables in the amount of \$7,590,880 and \$8,363,356, net of an allowance for doubtful accounts of \$113,419 and \$133,422 respectively.

The following table summarizes the Company's customer accounts receivable profile as of December 1, 2006:

| Amount Range ----- | No. of Customer ----- |
|-------------------------------------|--------------------------|
| Less than \$1,000.00 | 1,2 |
| \$1,001.00-\$10,000.00 | 5 |
| \$10,001.00-\$100,000.00 | 1 |
| \$100,001.00-\$500,000.00 | |
| \$500,001.00-\$1,000,000.00 | |
| \$1,000,001.00-\$2,500,000.00 | |
| Total All Accounts..... | 1,9 === |

Inventories

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

Accrued Expenses

Management estimates certain expenses in an effort to record those expenses in the period incurred. The most significant estimates relate to a salary continuation plan for certain key executives of the Company, and to insurance-related expenses, including self-insurance. The Company is self-insured for certain casualty losses relating to automobile liability, general liability, workers' compensation, property losses and medical claims. The Company also has stop loss coverage to limit the exposure arising from these claims. Automobile liability, general liability, workers' compensation, and property losses costs are covered by letters of credit with the Company's claim administrators.

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 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.

OTHER MATTERS

Transactions with related parties, reported in Note 13 of the Notes to Consolidated Financial Statements in the Annual Report to Stockholders for fiscal year ended June 2, 2006, are conducted on an arm's-length basis in the ordinary course of business.

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LIQUIDITY AND CAPITAL RESOURCES

Working Capital was \$4,050,402 at June 2, 2006 and \$3,599,193 at the end of the second quarter. Net cash provided by operating activities amounted to \$913,853 for the twenty-six weeks ended December 1, 2006 compared to \$552,312 for the same period last year.

Additions to property, plant and equipment, net of disposals, were \$330,256 this year and \$631,727 last year. Cash dividends of \$369,856 were paid during this year's second quarter compared to \$369,856 last year. No cash was used to purchase treasury stock this year, and no cash was used to increase investment securities this year. The Company's current ratio was 1.30 to 1.00 at December 1, 2006.

The following table summarizes the significant contractual obligations of the Company as of December 1, 2006:

| Contractual Obligations | Total | Current | 2-3 Years | 4- |
|-------------------------------|--------------|------------|------------|-------|
| ----- | ----- | ----- | ----- | ----- |
| Long-Term Debt | \$ 643,776 | \$ 643,776 | \$ - | \$ - |
| Salary Continuation Plan | 1,740,218 | 117,114 | 264,195 | 30 |
| Total Contractual Obligations | \$ 2,383,994 | \$ 760,890 | \$ 264,195 | \$ 30 |
| | ===== | ===== | ===== | ===== |

OFF-BALANCE SHEET ARRANGEMENT

The Company entered into a five-year term product purchase commitment during the year ending May 31, 2001 with a supplier. Under the terms of the agreement the minimum purchase quantity and the unit purchase price were fixed resulting in a minimum first year commitment of approximately \$2,171,000. After the first year, the minimum purchase quantity was fixed and the purchase unit price was negotiable, based on current market. Subsequently, in September 2002, the product purchase agreement was amended to fix the purchase unit price and establish specific annual quantities. The purchase commitment with the supplier, based on a specific purchase price and specific annual quantities, ended as of October 25, 2005. The Company was prohibited from purchasing certain products from any other vendor until October 25, 2006. As of October 26, 2006, the Company no longer had any obligation under this product purchase commitment.

Other Commitments

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.

OPERATING RESULTS

For the thirteen weeks ended December 1, 2006, net sales increased 4.6% from the comparable period in fiscal 2006. For the twenty-six weeks ended December 1, 2006, net sales increased 5.7% from the comparable period in fiscal 2006. This year's second quarter cost of sales was 53.5% of net sales compared to 54.3% for last year's second quarter. This year's second quarter, selling, general, and

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administrative expenses were 48.0% of net sales compared to 47.5% for last year's second quarter. This year's year to date cost of sales was 53.1% of net sales compared to 54.5% for last year's year to date. This year's year to date, selling, general and administrative expenses were 47.0% of net sales compared to 46.7% for last year's year to date.

The following tables compare manufactured products to resale products:

Manufactured Products-Resale Products

| | Thirteen Weeks Ended December 1, 2006 | | Thirteen Weeks Ended December 2, 2005 | |
|-----------------------|------------------------------------------|--------|------------------------------------------|--------|
| Sales | | % | | % |
| Manufactured Products | \$21,230,021 | 79.8% | \$20,053,010 | 78.9% |
| Resale Products | 5,366,191 | 20.2% | 5,377,105 | 21.1% |
| | ----- | ----- | ----- | ----- |
| Total | \$26,596,212 | 100.0% | \$25,430,115 | 100.0% |
| | ===== | ===== | ===== | ===== |
| | | GM | | GM |
| Gross Margin | | % | | % |
| Manufactured Products | \$10,017,471 | 47.2% | \$ 9,426,551 | 47.0% |
| Resale Products | 2,343,045 | 43.7% | 2,202,023 | 41.0% |
| | ----- | ----- | ----- | ----- |
| Total | \$12,360,516 | 46.5% | \$11,628,574 | 45.7% |
| | ===== | ----- | ===== | ----- |

Manufactured Products-Resale Products

| | Twenty-Six Weeks Ended December 1, 2006 | | Twenty-Six Weeks Ended December 2, 2005 | |
|-----------------------|--------------------------------------------|--------|--------------------------------------------|--------|
| Sales | | % | | % |
| Manufactured Products | \$ 43,471,893 | 79.9% | \$ 40,689,108 | 79.1% |
| Resale Products | 10,949,257 | 20.1% | 10,772,843 | 20.9% |
| | ----- | ----- | ----- | ----- |
| Total | \$ 54,421,150 | 100.0% | \$ 51,461,951 | 100.0% |
| | ===== | ===== | ===== | ===== |
| | | GM | | GM |
| Gross Margin | | % | | % |
| Manufactured Products | \$ 20,689,550 | 47.6% | \$ 19,147,175 | 47.1% |
| Resale Products | 4,824,702 | 44.1% | 4,285,330 | 39.8% |
| | ----- | ----- | ----- | ----- |
| Total | \$ 25,514,252 | 46.9% | \$ 23,432,505 | 45.5% |
| | ===== | ----- | ===== | ----- |

The Company's gain on sales of assets for the thirteen weeks ended December 1, 2006 in the amount of \$28,968 is from the sale of used equipment for cash.

For last year's thirteen weeks, the gain on sale of assets was \$20,320 from the sale of used equipment for cash.

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The Company's investment income decreased 4.2% from last year for the current quarter's thirteen week period. For the twenty-six weeks ended investment income was down 3.3%.

The Company's effective tax rate for the thirteen weeks was -37.0% compared to -37.0% for last year's thirteen weeks and -37.0% for the twenty-six weeks this year and -37.0% last year.

MARKET RISK

The principal market's 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 investment securities, bank loans, and commodity prices affecting the cost of its raw materials.

The Company's investment securities consist of short-term marketable securities. Presently, these are variable rate money market mutual funds. Assuming December, 2006 variable rate investment levels and bank loan balances, a one-point change in interest rates would impact interest income by \$1,292 on an annual basis and interest expense by \$6,438.

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 under contract through brokers and 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 will contend with the effect of further inflation through efficient purchasing, improved manufacturing methods, pricing and by monitoring and controlling expenses.

ENVIRONMENTAL MATTERS

There have been no material effects of compliance with governmental provisions regulating discharge of materials into the environment.

SUBSEQUENT EVENT

The Purchase and Sales agreement that was executed by and between Golden Flake Snack Foods, Inc. as Seller, and Educational Development Company of America, LLC & Waterbury Companies, LLC as Purchaser, discussed in Note 17 to the June 2, 2006 Consolidated Financial Statements, with an effective date of June 26, 2006 for the sale of approximately 12 acres of land located adjacent to the Company's

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office headquarters and manufacturing plant in Birmingham, Alabama was cancelled by the Purchaser on October 19, 2006.

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On December 29, 2006, Golden Flake Snack Foods, Inc. sold a warehouse located in Chattanooga, Tennessee. The selling price was \$248,000.

FORWARD-LOOKING STATEMENTS

This discussion 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 and effectiveness of sales and marketing activities, as described in the Company's filings with the Securities and Exchange Commission.

ITEM 3

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Included in Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations- Market Risk beginning on page 16.

ITEM 4

CONTROLS AND PROCEDURES

The Company performed an evaluation, under the supervision and with the participation of the Company's management (including the Company's Chief Executive Officer and Chief Financial Officer), of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this quarterly report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this quarterly report, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in reports that the Company files or submits under the Securities and Exchange Act of 1934 is recorded, processed, summarized and reported within the specified time periods.

There were no changes in the Company's internal control over financial reporting which occurred during the period covered by this report which have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1

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

ITEM 1-A

RISK FACTORS

There are no material changes in our risk factors from those disclosed in our 2006 Annual Report on Form 10-K.

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ITEM 2

UNREGISTERED SALES OF EQUITY SECURITIES
AND USE OF PROCEEDS

The Company did not sell any equity securities during the period covered by this report.

Registrant Purchases of Equity Securities.

The Company did not purchase any shares of its equity securities during the period covered by this report.

ITEM 3

DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4

SUBMISSION OF MATTERS TO
A VOTE OF SECURITY HOLDERS

Item 4. Submission of Matters to a Vote of Security Holders

- (a) The Annual Meeting of Stockholders of Golden Enterprises, Inc. was held on September 21, 2006.
- (b) All director nominees were elected.
- (c) The following is a tabulation of the voting for the election of Directors:

ELECTION OF DIRECTORS

| Names ----- | Votes For ----- | Votes ----- |
|-----------------------|--------------------|----------------|
| John S. Stein | 10,230,705 | |
| Edward R. Pascoe | 10,416,687 | |
| John P. McKleroy, Jr. | 10,258,214 | |

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| | |
|-----------------------|------------|
| James I. Rotenstreich | 10,371,301 |
| John S.P. Samford | 10,418,214 |
| J. Wallace Nall, Jr. | 10,266,723 |
| F. Wayne Pate | 10,230,752 |
| Joann F. Bashinsky | 10,264,440 |
| Mark W. McCutcheon | 10,258,670 |

ITEM 5

OTHER INFORMATION

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Not applicable.

ITEM 6

EXHIBITS

- (3) Articles of Incorporation and By-laws of Golden Enterprises, Inc.
- 3.1 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).
- 3.2 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).
- 3.3 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).
- 3.4 Certificate of Amendment of Certificate of Incorporation of Golden Enterprises, Inc. dated October 4, 1979 (incorporated by reference to Exhibit 3 to Golden Enterprises, Inc. May 31, 1980 Form 10-K filed with the Commission).
- 3.5 Certificate of Amendment of Certificate of Incorporation of Golden Enterprises, Inc. dated September 24, 1982 (incorporated by reference to Exhibit 3.1 to Golden Enterprises, Inc. May 31, 1983 Form 10-K filed with the Commission).
- 3.6 Certificate of Amendment of Certificate of Incorporation of Golden Enterprises, Inc. dated September 22, 1983 (incorporated by reference to Exhibit 19.1 to Golden Enterprises, Inc. Form 10-Q Report for the quarter ended November 30, 1983 filed with the Commission).
- 3.7 Certificate of Amendment of Certificate of Incorporation of Golden Enterprises, Inc. dated October 3, 1985 (incorporated by reference to Exhibit 19.1 to Golden Enterprises, inc. Form 10-Q Report for the quarter ended November 30, 1985 filed with the Commission).

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- 3.8 Certificate of Amendment of Certificate of Incorporation of Golden Enterprises, Inc. dated September 23, 1987 (incorporated by reference to Exhibit 3.1 to Golden Enterprises, Inc. May 31, 1988 Form 10-K filed with the Commission).
- 3.9 By-Laws of Golden Enterprises, Inc. (incorporated by reference to Exhibit 3.4 to Golden Enterprises, Inc. May 31, 1988 Form 10-K filed with the Commission).
- (10) Material Contracts.
- 10.1 A Form of Indemnity Agreement executed by and between Golden Enterprises, Inc. and Each of its Directors (incorporated by reference as Exhibit 19.1 to Golden Enterprises, Inc. Form 10-Q Report for the quarter ended November 30, 1987 filed with the Commission).

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- 10.2 Amended and Restated Salary Continuation Plans for John S. Stein (incorporated by reference to Exhibit 19.1 to Golden Enterprises, Inc. May 31, 1990 Form 10-K filed with the Commission).
- 10.3 Indemnity Agreement executed by and between the Company and S. Wallace Nall, Jr. (incorporated by reference as Exhibit 19.4 to Golden Enterprises, Inc. May 31, 1991 Form 10-K filed with the Commission).
- 10.4 Salary Continuation Plans - Retirement Disability and Death Benefits for F. Wayne Pate (incorporated by reference to Exhibit 19.1 to Golden Enterprises, Inc. May 31, 1992 Form 10-K filed with the Commission).
- 10.5 Indemnity Agreement executed by and between the Registrant and F. Wayne Pate (incorporated by reference as Exhibit 19.3 to Golden Enterprises, Inc. May 31, 1992 Form 10-K filed with the Commission).
- 10.6 Golden Enterprises, Inc. 1996 Long-Term Incentive Plan (incorporated by reference as Exhibit 10.1 to Golden Enterprises, Inc. May 31, 1997 Form 10-K filed with the Commission).
- 10.7 Equipment Purchase and Sale Agreement dated October 2000 whereby Golden Flake Snack Foods, Inc., a wholly-owned subsidiary of Golden Enterprises, Inc., sold the Nashville, Tennessee Plant Equipment (incorporated by reference as Exhibit 10.1 to Golden Enterprises, Inc. May 31, 2001 Form 10-K filed with the Commission).
- 10.8 Real Property Contract of Sale dated October 2000 whereby Golden Flake Snack Foods, Inc. sold the Nashville, Tennessee Plant Real Property (incorporated by reference as Exhibit 10.2 to Golden Enterprises, Inc. May 31, 2001 Form 10-K filed with the Commission).
- 10.9 Amendment to Salary Continuation Plans, Retirement and Disability for F. Wayne Pate dated April 9, 2002 (incorporated by reference to Exhibit 10.2 to Golden Enterprises, Inc. May 31, 2002 Form 10-K filed with the Commission).
- 10.10 Amendment to Salary Continuation Plans, Retirement and Disability for John S. Stein dated April 9, 2002 (incorporated by reference to Exhibit 10.3 to Golden Enterprises, Inc. May 31, 2002 Form 10-K filed with the Commission).
- 10.11 Amendment to Salary Continuation Plan, Death Benefits for John S. Stein dated April 9, 2002 (incorporated by reference to Exhibit 10.4

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to Golden Enterprises, Inc. May 31, 2002 Form 10-K filed with the Commission).

- 10.12 Retirement and Consulting Agreement for John S. Stein dated April 9, 2002 (incorporated by reference to Exhibit 10.5 to Golden Enterprises, Inc. May 31, 2002 Form 10-K filed with the Commission).
- 10.13 Salary Continuation Plan for Mark W. McCutcheon dated May 15, 2002 (incorporated by reference to Exhibit 10.6 to Golden Enterprises, Inc. May 31, 2002 Form 10-K filed with the Commission).
- 10.14 Trust Under Salary Continuation Plan for Mark W. McCutcheon dated May 15, 2002 (incorporated by reference to Exhibit 10.7 to Golden Enterprises, Inc. May 31, 2002 Form 10-K filed with the Commission).

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- 10.15 Lease of aircraft executed by and between Golden Flake Snack Foods, Inc., a wholly-owned subsidiary of Golden Enterprises, Inc., and Joann F. Bashinsky dated February 1, 2006 (incorporated by reference to Exhibit 10.15 to Golden Enterprises, Inc. June 2, 2006 Form 10-K filed with the Commission).
 - 10.16 Purchase and Sale Agreement executed by and between Golden Flake Snack Foods, Inc., as Seller, and Educational Development Company of America, LLC & Waterbury Companies, LLC, as Purchaser, with an effective date of June 26, 2006, for the sale of approximately 12 acres of land located adjacent to the Company's Office Headquarters and Manufacturing Plant in Birmingham, Alabama (incorporated by reference to Exhibit 10.16 to Golden Enterprises, Inc. June 2, 2006 Form 10-K filed with the Commission).
- (18) Letter Re: Change in Accounting Principles
- 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 2, 2006. (incorporated by reference to Exhibit 18.1 to Golden Enterprises, inc. May 31, 2005 Form 10-K filed with the Commission)
- (31) Certifications
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
 - 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
 - 32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
 - 32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- (99) Additional Exhibits
- 99.1 A copy of excerpts of the Last Will and Testament and Codicils thereto of Sloan Y. Bashinsky, Sr. and of the SYB Common Stock Trust created by Sloan Y. Bashinsky, Sr. providing for the creation of a Voting Committee to vote the shares of common stock of Golden Enterprises, Inc. held by SYB, Inc. and the Estate/Testamentary Trust of Sloan Y.

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Bashinsky, Sr. (Incorporated by reference to Exhibit 99.1 to Golden Enterprises, Inc. May 31, 2005 Form 10-k filed with the Commission).

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SIGNATURES

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

GOLDEN ENTERPRISES, INC.

(Registrant)

Dated: January 11, 2007

/s/Mark W. McCutcheon

Mark W. McCutcheon
President and
Chief Executive Officer

Dated: January 11, 2007

/s/ Patty Townsend

Patty Townsend
Vice-President and
Chief Financial Officer
(Principal Accounting Officer)

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