BRIDGFORD FOODS CORP
Form 10-Q
March 08, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 25, 2019

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 000-02396

BRIDGFORD FOODS CORPORATION

(Exact name of registrant as specified in its charter)

California	**95-1778176**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer identification number)

1308 N. Patt Street, Anaheim, CA	**92801**
(Address of principal executive offices)	(Zip code)

(714) 526-5533

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [X]	Smaller reporting company [X]
	Emerging growth company [ ]

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

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

As of March 8, 2019, the registrant had 9,076,832 shares of common stock outstanding.

BRIDGFORD FOODS CORPORATION

FORM 10-Q QUARTERLY REPORT

INDEX

References to "Bridgford Foods" or the "Company" contained in this Quarterly Report on Form 10-Q (this "Report") refer to Bridgford Foods Corporation.

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Part I. Financial Information

Item 1. a.

BRIDGFORD FOODS CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except per share amounts)

	January 25, 2019 (unaudited)	November 2, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9,201	$ 8,179
Accounts receivable, less allowance for doubtful accounts of $52 and $33, respectively, and promotional allowances of $2,554 and $2,122, respectively	21,324	20,293
Inventories, net	21,764	23,413
Prepaid expenses and other current assets	895	1,331
Total current assets	53,184	53,216
Property, plant and equipment, net of accumulated depreciation and amortization of $67,296 and $66,337, respectively	38,869	32,638
Other non-current assets	11,620	11,630
Deferred income taxes (Note 5)	4,010	4,010
Total assets	$ 107,683	$ 101,494
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 7,176	$ 7,655
Accrued payroll, advertising and other expenses	4,319	4,577
Income taxes payable	878	155
Current notes payable - equipment	944	-
Current portion of non-current liabilities	5,091	5,980
Total current liabilities	18,408	18,367

Long-term notes payable - equipment	6,556	-
Non-current liabilities	21,719	17,447
Total liabilities	40,127	35,814
Contingencies and commitments (Note 3)		
Shareholders’ equity:		
Preferred stock, without par value; authorized – 1,000,000 shares; issued and outstanding – none	-	-
Common stock, $1.00 par value; authorized – 20,000,000 shares; issued and outstanding – 9,078,832 and 9,078,832 shares, respectively	9,134	9,134
Capital in excess of par value	8,298	8,298
Retained earnings	67,824	65,948
Accumulated other comprehensive loss	(17,700)	(17,700)
Total shareholders’ equity	67,556	65,680
Total liabilities and shareholders’ equity	$ 107,683	$ 101,494

See accompanying notes to condensed consolidated financial statements.

Item 1. b.

BRIDGFORD FOODS CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(in thousands, except share and per share amounts)

	12 weeks ended January 25, 2019	12 weeks ended January 26, 2018
Net sales	$45,041	$41,192
Cost of products sold	29,387	27,233
Gross margin	15,654	13,959
Selling, general and administrative expenses	13,087	11,871
Gain on sale of property, plant & equipment	-	(7)
Income before taxes	2,567	2,095
Provision for income taxes	691	3,722
Net income (loss)	$1,876	$(1,627)
Basic earnings (loss) per share	$0.21	$(0.18)
Shares used to compute basic earnings (loss) per share	9,076,832	9,076,832

See accompanying notes to condensed consolidated financial statements.

Item 1. c.

BRIDGFORD FOODS CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

12 weeks ended January 25, 2019

(unaudited)

(in thousands)

	Shares	Amount	**Capital in excess of par value**	**Retained earnings**	**Accumulated other comprehensive loss**	**Total shareholders' equity**
Balance, November 2, 2018	9,076	$ 9,134	$ 8,298	$ 65,948	$ (17,700)	$ 65,680
Net income	-	-	-	1,876	-	1,876
Changes in pension liability and benefit plans	-	-	-	-	-	-
Balance, January 25, 2019	9,076	$ 9,134	$ 8,298	$ 67,824	$ (17,700)	$ 67,556

See accompanying notes to condensed consolidated financial statements.

BRIDGFORD FOODS CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

12 weeks ended January 26, 2018

(unaudited)

(in thousands)

	Shares	Amount		**Retained**	**Accumulated**	**Total**

			Capital in excess of par value	**earnings**	**other comprehensive loss**	**shareholders' equity**
Balance, November 3, 2017	9,076	$ 9,134	$ 8,298	$ 56,902	$ (18,296)	$ 56,038
Net loss	-	-	-	(1,627)	-	(1,627)
Reclassification upon early adoption of ASU 2018-02	-	-	-	2,529	(2,529)	-
Balance, January 26, 2018	9,076	$ 9,134	$ 8,298	$ 57,804	$ (20,825)	$ 54,411

See accompanying notes to condensed consolidated financial statements.

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Item 1. d.

BRIDGFORD FOODS CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands)

	12 weeks ended	
	January 25, 2019	January 26, 2018
Cash flows from operating activities:		
Net income (loss)	$1,876	$(1,627)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	959	878
Provision for losses on accounts receivable	23	35
(Reduction in) provision for promotional allowances	(432)	23
Gain on sale of property, plant and equipment	-	(7)
Deferred income taxes, net	-	3,200
Changes in operating assets and liabilities:		
Accounts receivable	(622)	1,345
Inventories	1,649	(754)
Prepaid expenses and other current assets	436	(9)
Other non-current assets	10	(528)
Accounts payable	(479)	(242)
Accrued payroll, advertising and other expenses	(1,146)	(560)
Income taxes payable	723	-
Non-current liabilities	(2,284)	(2,994)
Net cash provided by (used in) operating activities	713	(1,240)
Cash used in investing activities:		
Proceeds from sale of property, plant and equipment	-	7
Additions to property, plant and equipment	(7,191)	(3,620)

Net cash used in investing activities	(7,191)	(3,613)
Cash provided by (used in) financing activities:		
Payment of capital lease obligations	-	(35)
Proceeds from bank borrowings	7,500	-
Net cash provided by (used in) financing activities	7,500	(35)
Net increase (decrease) in cash and cash equivalents	1,022	(4,888)
Cash and cash equivalents at beginning of period	8,179	12,109
Cash and cash equivalents at end of period	$9,201	$7,221
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$3	$1,198

See accompanying notes to condensed consolidated financial statements.

Item 1. e.

BRIDGFORD FOODS CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(in thousands, except percentages, time periods, share and per share amounts)

Note 1 – Summary of Significant Accounting Policies:

The unaudited condensed consolidated financial statements of Bridgford Foods Corporation (the “Company”, “we”, “our”, “us”) for the twelve weeks ended January 25, 2019 and January 26, 2018 have been prepared in conformity with the accounting principles described in the Company’s Annual Report on Form 10-K for the fiscal year ended November 2, 2018 (the “Annual Report”) and include all adjustments considered necessary by management for a fair presentation of the interim periods. This Report should be read in conjunction with the Annual Report. Due to seasonality and other factors, interim results are not necessarily indicative of the results for the full year. Recent accounting pronouncements and their effect on the Company are discussed in Management’s Discussion and Analysis of Financial Condition and Results of Operations in this Report.

The November 2, 2018 balance sheet amounts within these interim condensed consolidated financial statements were derived from the audited fiscal year 2018 financial statements.

The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“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 as of the date of the financial statements and the reported revenues and expenses during the reporting periods. Some of the estimates needed to be made by management include the allowance for doubtful accounts, promotional and returns allowances, inventory reserves, the estimated useful lives of property, plant and equipment, and the valuation allowance for the Company’s deferred tax assets. Actual results could materially differ from these estimates. Amounts estimated related to liabilities for self-insured workers’ compensation, employee healthcare and pension benefits are especially subject to inherent uncertainties and these estimated liabilities may ultimately settle at amounts which vary from our current estimates. Market conditions and the volatility in stock markets may cause significant changes in the measurement of our pension fund liabilities and the performance of our life insurance policies in future periods.

Certain items in fiscal year 2018 have been reclassified to conform to the fiscal year 2019 presentation.

Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents, accounts receivable, accounts payable and accrued payroll, advertising and other expenses. The carrying amount of these instruments approximate fair market value due to their short-term maturity. As of January 25, 2019, the Company had accounts in excess of the Federal Deposit Insurance Corporation insurance coverage limit. The Company has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk with regard to its cash and cash equivalents. The Company grants payment terms to a significant number of customers that are diversified over a wide geographic area. The Company monitors the payment histories of its customers and maintains an allowance for doubtful accounts which is reviewed for adequacy on a quarterly basis. The Company does not require collateral from its customers.

The table below shows customers that accounted for more than 20% of consolidated accounts receivable ("AR") or 10% of consolidated sales for the twelve weeks ended January 25, 2019 and January 26, 2018, respectively.

Customer Concentration > 20% of AR or 10% of Sales *

	Wal-Mart		Dollar General	
	Sales	AR	Sales	AR
January 25, 2019	35.6%	33.4%	9.7%	23.6%
January 26, 2018	36.0%	32.7%	8.7%	22.4%

* = No other customer accounted for more than 20% of consolidated accounts receivable or 10% of consolidated sales for the twelve-weeks ended January 25, 2019 or the twelve-weeks ended January 26, 2018.

Revenue recognition

Revenues are recognized in accordance with Accounting Standards Codification ("ASC") 606 – Contracts with Customers upon passage of title to the customer, typically upon product pick-up, shipment or delivery to customers. Products are delivered to customers primarily through our own long-haul fleet or through a Company owned direct store delivery system.

We recognize revenue mainly through retail and foodservice distribution channels. Our revenues primarily result from contracts with customers and are generally short term in nature with the delivery of product as the single performance obligation. We recognize revenue for the sale of the product at the point in time when our performance obligation has been satisfied and control of the product has transferred to our customer, which generally occurs upon shipment or delivery to a customer based on terms of the sale. We elected to account for shipping and handling activities that occur

after the customer has obtained control of the product as a fulfillment cost rather than an additional promised service. Our contracts are generally less than one year, and therefore we recognize costs paid to third party brokers to obtain contracts as expenses. Additionally, items that are not material in the context of the contract are recognized as expense.

Revenue is measured by the transaction price, which is defined as the amount of consideration we expect to receive in exchange for providing goods to customers. The transaction price is adjusted for estimates of known or expected variable consideration, which includes consumer incentives, trade promotions, and allowances, such as coupons, discounts, rebates, volume-based incentives, cooperative advertising, and other programs. Variable consideration related to these programs is recorded as a reduction to revenue based on amounts we expect to pay. We base these estimates on current performance, historical utilization, and projected redemption rates of each program. We review and update these estimates regularly until the incentives or product returns are realized and the impact of any adjustments are recognized in the period the adjustments are identified. In many cases, key sales terms such as pricing and quantities ordered are established on a regular basis such that most customer arrangements and related incentives have a duration of less than one year. Amounts billed and due from customers are short term in nature and are classified as receivables since payments are unconditional and only the passage of time is required before payments are due. Additionally, we do not grant payment financing terms greater than one year.

Subsequent events

Management has evaluated events subsequent to January 25, 2019 through the date that the accompanying condensed consolidated financial statements were filed with the Securities and Exchange Commission for transactions and other events which may require adjustments of and/or disclosure in such financial statements.

Basic earnings (loss) per share

Basic earnings (loss) per share are calculated based on the weighted average number of shares outstanding for all periods presented. No stock options, warrants, or convertible securities were outstanding as of January 25, 2019 or January 26, 2018.

Note 2 – Inventories:

Inventories are comprised of the following at the respective period ends:

	(unaudited) January 25, 2019	November 2, 2018
Meat, ingredients and supplies	$ 7,405	$ 6,455
Work in progress	1,362	1,415
Finished goods	12,997	15,543
	$ 21,764	$ 23,413

Inventories are valued at the lower of cost (which approximates actual cost on a first-in, first-out basis) or net realizable value. Costs related to warehousing, transportation and distribution to customers are considered when computing market value. Inventories include the cost of ingredients, labor and manufacturing overhead. We regularly review inventory quantities on hand and write down any excess or obsolete inventories to estimated net realizable value. An inventory reserve is created when potentially slow-moving or obsolete inventories are identified in order to reflect the appropriate inventory value. Changes in economic conditions, production requirements, and lower than expected customer demand could result in additional obsolete or slow-moving inventory that cannot be sold or may need to be sold at reduced prices and could result in additional reserve provisions.

Note 3 – Contingencies and Commitments:

We currently rent OTR (over-the-road) tractors on a month-to-month basis. We plan to invest in new capital lease arrangements later in fiscal year 2019.

The Company also leases warehouse and/or office facilities throughout the United States through month-to-month rental agreements. No material changes have been made to these agreements during the twelve weeks ended January 25, 2019.

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters is not expected to have a material adverse effect on the Company's consolidated financial position or results of operations.

Most flour purchases are made at market price without contracts. However, the Company may purchase bulk flour at current market prices under short-term (30 - 120 days) fixed price contracts during the normal course of business. Under these arrangements, the Company is obligated to purchase specific quantities at fixed prices, within the specified contract period. These contracts provide for automatic price increases if agreed quantities are not purchased within the specified contract period. The contracts are not material. These contracts are typically settled within a month's time and no significant contracts remain open at the close of the quarterly or annual reporting period. No significant contracts remained unfulfilled at January 25, 2019. The Company does not participate in the commodity futures market or hedging to limit commodity exposure.

Note 4 – Segment Information:

The Company has two reportable operating segments: Frozen Food Products (the processing and distribution of frozen food products) and Snack Food Products (the processing and distribution of meat and other convenience foods).

We evaluate each segment's performance based on revenues and operating income. Selling, general and administrative ("SG&A") expenses include corporate accounting, information systems, human resource management and marketing, which are managed at the corporate level. These activities are allocated to each operating segment based on revenues and/or actual usage. Assets managed at the corporate level have been included as "other" in the accompanying segment information.

The following segment information is presented for the twelve weeks ended January 25, 2019 and January 26, 2018.

Segment Information

Twelve weeks Ended January 25, 2019	Frozen Food Products	Snack Food Products	Other	Totals
Sales	$ 11,872	$ 33,169	$ -	$ 45,041
Cost of products sold	7,964	21,423	-	29,387
Gross margin	3,908	11,746	-	15,654
SG&A	3,798	9,289		13,087
Gain on sale of property, plant and equipment	-	-	-	-
Income before taxes	110	2,457	-	2,567
Total assets	$ 10,505	$ 71,177	$ 26,001	$ 107,683
Additions to PP&E	$ 103	$ 7,088	$ -	$ 7,191

Twelve weeks Ended January 26, 2018	Frozen Food Products	Snack Food Products	Other	Totals
Sales	$ 10,591	$ 30,601	$ -	$ 41,192
Cost of products sold	7,161	20,072	-	27,233
Gross margin	3,430	10,529	-	13,959
SG&A	3,385	8,486	-	11,871
Gain on sale of property, plant and equipment	(1)	(6)	-	(7)
Income before taxes	46	2,049	-	2,095
Total assets	$ 11,239	$ 51,887	$ 28,961	$ 92,087

Additions to PP&E	$125	$3,495	$	$3,620

The following information further disaggregates our sales to customers by major distribution channel and customer type.

Twelve weeks Ended **January 25, 2019**	Retail (a)	Foodservice (b)	Totals
Distribution Channel			
Direct store delivery	$23,568	$ -	$23,568
Direct customer warehouse	9,601	-	9,601
Total Snack Food Products	33,169	-	33,169
Distributors	2,266	9,606	11,872
Total Frozen Food Products	2,266	9,606	11,872
Totals	$35,435	$ 9,606	$45,041

(a) Includes sales to food retailers, such as grocery retailers, warehouse club stores, and internet-based retailers.

(b) Includes sales to foodservice distributors, restaurant operators, hotel chains and noncommercial foodservice establishments such as schools, convenience stores, healthcare facilities and the military.

Note 5 – Income Taxes:

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act includes significant changes to the U.S. tax code that will affect our fiscal year ending November 1, 2019, and future periods, including, but not limited to, (1) reducing the corporate federal income tax rate from 35% to 21%, (2) bonus depreciation that will allow for full expensing of qualified property in the year placed in service, and (3) the repeal of the domestic production activity deduction beginning with our fiscal year 2020.

Under U.S. GAAP, specifically ASC Topic 740, *Income Taxes,* the tax effects of changes in tax laws must be recognized in the period in which the law is enacted, or December 22, 2017, for the Tax Act. ASC Topic 740 also requires deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. Thus, at the date of enactment, the Company's deferred taxes were re-measured based upon the new tax rates. The change in deferred taxes is recorded as an adjustment to our deferred tax provision, for the twelve weeks ended January 26, 2018.

The Tax Act reduced the corporate tax rate from 35% to 21%, effective January 1, 2018. This results in a blended corporate tax rate of 23.07% in fiscal year 2018 and 21% in fiscal year 2019 and thereafter. We analyzed our deferred tax balances to estimate which of those balances are expected to reverse in fiscal 2018 or thereafter, and we re-measured the deferred taxes at 23.07% or 21% accordingly. The change in deferred taxes was recorded as an adjustment to our income tax provision which resulted in a charge totaling $3,059 in fiscal year 2018.

The effective tax rate was 26.91% and 177.68% for the first quarter of fiscal 2019 and 2018, respectively. The remeasurement of deferred income taxes at newly enacted tax rates resulted in a $3,200 income tax expense or a 37.5% impact on the effective tax rate for the first quarter of fiscal year 2018, and a blended 23.07% statutory federal income tax rate for fiscal 2018. The effective tax rate for the first quarter of fiscal 2018 also reflects the impact of $1,640 of income tax expense or 19.2% related to tax on the gain on sale of a land parcel in Chicago, Illinois. Additionally, the effective tax rates for the first quarter of fiscal years 2019 and 2018 were impacted by such items as the domestic production deduction, non-taxable gains and losses on life insurance policies and state income taxes.

As of January 25, 2019, the Company did not have any outstanding federal or state, other than California, net operating loss carryforwards.

Our federal income tax returns are open to audit under the statute of limitations for the fiscal years ended on or about October 31, 2015 through 2017. We are subject to income tax in California and various other state taxing jurisdictions. Our California state income tax returns are open to audit under the statute of limitations for the fiscal years ended on or about October 31, 2014 through 2017.

Note 6 – Equipment Note Payable and Financial Arrangements

On December 26, 2018, we entered into a master collateral loan and security agreement with Wells Fargo Bank, N.A for up to $15,000 in equipment financing. Pursuant to the loan agreement, we borrowed $7,500 to purchase specific equipment for our new Chicago processing facility at a fixed rate of 4.13% per annum. The loan term is seven years and is secured by the purchased equipment. The funds were received on December 28, 2018. The master collateral loan and security agreement with Wells Fargo Bank, N.A. contains various affirmative and negative covenants that limit the use of funds and define other provisions of the loan. The Company was in compliance with all covenants under the master collateral loan and security agreement as of January 25, 2019.

The secured equipment notes payable is due with monthly principal and interest payments of $103 commencing on January 31, 2019 for 84 monthly installments including interest of 4.13% per annum.

	(unaudited) January 25, 2019	(unaudited) January 26, 2018
Secured equipment notes payable to Wells Fargo Bank, N.A. collateralized by equipment for the new Chicago processing facility.	$ 7,500	$ -
Less current portion of notes payable	(944)	-

Total long-term notes payable	$ 6,556	$-

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

(dollars in thousands)

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Report constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E the Securities Exchange Act of 1934 (the "Exchange Act"). Such forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of Bridgford Foods Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions; the impact of competitive products and pricing; success of operating initiatives; development and operating costs; advertising and promotional efforts; adverse publicity; acceptance of new product offerings; consumer trial and frequency; changes in business strategy or development plans; availability, terms and deployment of capital; availability of qualified personnel; commodity, labor, and employee benefit costs; changes in, or failure to comply with, government regulations; weather conditions; construction schedules; and other factors referenced in this Report. Assumptions relating to budgeting, marketing, and other management decisions are subjective in many respects and thus susceptible to interpretations and periodic revisions based on actual experience and business developments, the impact of which may cause us to alter our marketing, capital expenditure or other budgets, which may in turn affect our business, financial position, results of operations and cash flows. The reader is therefore cautioned not to place undue reliance on forward-looking statements contained herein and to consider other risks detailed more fully in our Annual Report on Form 10-K, for the fiscal year ended November 2, 2018 (the "Annual Report"). We undertake no obligation to publicly release the result of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof, or to reflect the occurrence of unanticipated events.

Critical Accounting Policies and Management Estimates

The preparation of condensed consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the respective reporting periods. Some of the estimates needed to be made by management include the allowance for doubtful accounts, promotional and returns allowances, inventory reserves, the estimated useful lives of property and equipment, and the valuation allowance for the Company's deferred tax assets. Actual results could materially differ from these estimates. We determine the amounts to record based on historical experience and various other assumptions that we view as reasonable under the circumstances and consider all relevant available information. The results of this analysis form the basis for our conclusion as to the value of assets and liabilities that are not readily available from other independent sources.

Amounts estimated related to liabilities for self-insured workers' compensation, employee healthcare and pension benefits are especially subject to inherent uncertainties and these estimated liabilities may ultimately settle at amounts which vary from our current estimates.

Current accounting principles require that our pension benefit obligation be measured using an internal rate of return ("IRR") analysis to be included in the discount rate selection process. The IRR calculation for the Retirement Plan for Employees of Bridgford Foods Corporation is measured annually and based on the Citigroup Pension Discount Rate. The Citigroup Pension Discount Rate as of January 31, 2019 was 4.07% as compared to 4.30% as of November 2, 2018. The discount rate applied can significantly affect the value of the projected benefit obligation as well as the net periodic benefit cost.

Our credit risk is diversified across a broad range of customers and geographic regions. Losses due to credit risk have recently been immaterial. The provision for doubtful accounts receivable is based on historical trends and current collection risk. We have significant receivables with a few large, well known customers which, although historically secure, could be subject to material risk should these customers' operations suddenly deteriorate. We monitor these customers closely to minimize the risk of loss.

The table below shows customers that accounted for more than 20% of consolidated accounts receivable (“AR”) or 10% of consolidated sales for the twelve weeks ended January 25, 2019 and January 26, 2018, respectively.

Customer Concentration > 20% of AR or 10% of Sales *

	Wal-Mart		Dollar General	
	Sales	AR	Sales	AR
January 25, 2019	35.6%	33.4%	9.7%	23.6%
January 26, 2018	36.0%	32.7%	8.7%	22.4%

* = No other customer accounted for more than 20% of consolidated accounts receivable or 10% of consolidated sales for the twelve-weeks ended January 25, 2019 or the twelve-weeks ended January 26, 2018.

Sales are recognized upon passage of title to the customer, typically upon product pick-up, shipment or delivery to customers. Products are delivered to customers primarily through our own long-haul fleet or through our own direct store delivery system.

We record the cash surrender or contract value for life insurance policies as an adjustment of premiums paid in determining the expense or income to be recognized under the contract for the period.

We provide tax reserves for federal, state, local and international exposures relating to audit results, tax planning initiatives and compliance responsibilities. The development of these reserves requires judgments about tax issues, potential outcomes and timing, and is a subjective estimate. Although the outcome of these tax audits is uncertain, in management’s opinion adequate provisions for income taxes have been made for potential liabilities, if any, resulting from these reviews. Actual outcomes may differ materially from these estimates.

We assess the recoverability of our long-lived assets on a quarterly basis or whenever adverse events or changes in circumstances or business climate indicate that expected undiscounted future cash flows related to such long-lived assets may not be sufficient to support the net book value of such assets. If undiscounted cash flows are not sufficient to support the recorded assets, we recognize an impairment to reduce the carrying value of the applicable long-lived assets to their estimated fair value.

We participate in "multiemployer" pension plans administered by labor unions on behalf of their employees. We pay monthly contributions to union trust funds, a portion of which is used to fund pension benefit obligations to plan participants. The contribution amount may change depending upon the ability of participating companies to fund these pension liabilities as well as the actual and expected returns on pension plan assets. Should we withdraw from the union and cease participation in a union plan, federal law could impose a penalty for additional contributions to the plan. The penalty would be recorded as an expense in the consolidated statement of operations. The ultimate amount of the withdrawal liability is dependent upon several factors including the funded status of the plan and contributions made by other participating companies.

In March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (collectively, the "PPACA"), was signed into law. Requirements of the law include the removal of the lifetime limits on active and retiree medical coverage, expanding dependent coverage to age 26 and elimination of pre-existing conditions that may impact other postretirement benefits costs. In addition, the PPACA includes potential excise tax on the value of benefits that exceed a pre-defined limit which may require changes in benefit plan levels in order to minimize this additional cost. Finally, the PPACA includes provisions that require employers to offer health benefits to all full-time employees (defined as 30 hours per week). The health coverage must meet minimum standards for the actuarial value of the benefits offered and employee affordability. Both the administration and congress have made recent attempts to replace PPACA with an alternative system. However, we do not anticipate significant changes in the rules that compel an employer such as Bridgford Foods to offer affordable coverage to all of its employees. The recent tax law changes removed the individual mandate provision that is included in PPACA and requires all individuals to have health insurance or pay a penalty. Despite this change, the recent tax changes did not adjust or remove the employer mandate. We cannot anticipate further changes at this point in time. We believe that current plans meet the existing requirements. We will continue to assess the accounting implications of the PPACA and its impact on our financial position and results of operations as more legislative and interpretive guidance becomes available. The potential future effects and cost of complying with the provisions of the PPACA are not determinable at this time

Overview of Reporting Segments

We operate in two business segments – the processing and distribution of frozen food products (the Frozen Food Products segment), and the processing and distribution of snack food products (the Snack Food Products segment). For information regarding the separate financial performance of the business segments refer to Note 4 of the Notes to the Condensed Consolidated Financial Statements included in this Report. We manufacture and distribute an extensive line of food products, including biscuits, bread dough items, roll dough items, dry sausage products and beef jerky.

Frozen Food Products Segment

Our Frozen Food Products segment primarily manufactures and distributes biscuits, bread dough items, roll dough items and shelf stable sandwiches. All items within this segment are considered similar products and have been aggregated at this level. Our frozen food business covers the United States. Products produced by the Frozen Food Products segment are generally supplied to food service and retail distributors who take title to the product upon shipment receipt through company leased long-haul vehicles. In addition to regional sales managers, we maintain a network of independent food service and retail brokers covering most of the United States. Brokers are compensated on a commission basis. We believe that our broker relationships, in close cooperation with our regional sales managers, are a valuable asset providing significant new product and customer opportunities. Regional sales managers perform several significant functions for us, including identifying and developing new business opportunities and providing customer service and support to our distributors and end purchasers through the effective use of our broker network.

Snack Food Products Segment

Our Snack Food Products segment primarily distributes products manufactured by us. All items within this segment are considered similar products and have been aggregated at this level. The dry sausage division includes products such as jerky, meat snacks, sausage and pepperoni products. Our Snack Food Products segment sells approximately 120 different items through a direct store delivery network serving approximately 17,000 supermarkets, mass merchandise and convenience retail stores located in 48 states. These customers are comprised of large retail chains and smaller “independent” operators.

Products produced or distributed by the Snack Food Products segment are supplied to customers through either direct-store-delivery or direct delivery to customer warehouses. Product delivered using the company-owned fleet direct to the store is considered a direct-store-delivery. In this case, we provide the service of setting up and maintaining the display and stocking our products. Products delivered to customer warehouses are distributed to the retail store and stocked by the customer where it is then resold to the end consumer.

Results of Operations for the Twelve-Weeks Ended January 25, 2019 and January 26, 2018

Net Sales-Consolidated

Net sales increased by $3,849 (9.3%) to $45,041 in the first twelve-week period of the 2019 fiscal year compared to the same twelve-week period in fiscal year 2018. The changes in net sales were comprised as follows:

Impact on Net Sales-Consolidated	%	$
Selling price per pound	1.6	702
Unit sales volume in pounds	8.6	3,787
Returns activity	-0.9	(452)
Promotional activity	-	(188)
Increase in net sales	9.3	3,849

Net Sales-Frozen Food Products Segment

Net sales in the Frozen Food Products segment increased by $1,281 (12.1%) to $11,872 in the first twelve-week period of the 2019 fiscal year compared to the same twelve-week period in fiscal year 2018. The changes in net sales were comprised as follows:

Impact on Net Sales-Frozen Food Products	%	$
Selling price per pound	3.4	409
Unit sales volume in pounds	7.7	930
Returns activity	-0.1	(16)
Promotional activity	1.1	(42)
Increase in net sales	12.1	1,281

The increase in net sales for the twelve-week period ended January 25, 2019 primarily relates to higher unit sales volume and higher selling price per pound. The increase in net sales was primarily driven by a significant increase in volume for our shelf-stable sandwich business to institutional and retail customers. Other institutional Frozen Food Product sales, including sheet dough and rolls, increased 4% by volume while retail sales volume decreased 14%. Changes in returns were insignificant compared to the same twelve-week period in the prior fiscal year. Promotional activity decreased due to lower bid price reductions as a percent of sales.

Net Sales-Snack Food Products Segment

Net sales in the Snack Food Products segment increased by $2,568 (8.4%) to $33,169 in the first twelve-week period of the 2019 fiscal year compared to the same twelve-week period in fiscal year 2018. The changes in net sales were comprised as follows:

Impact on Net Sales-Snack Food Products	%	$
Selling price per pound	0.9	293
Unit sales volume in pounds	9.0	2,857
Returns activity	-1.2	(435)
Promotional activity	-0.3	(147)
Increase in net sales	8.4	2,568

Net sales of Snack Food Products increased significantly due to our new product offerings including smokehouse sausage sticks introduced during the second quarter of fiscal year 2018. The increase in net sales occurred mainly in our direct sales delivery distribution channel while warehouse shipments decreased. The weighted average selling price per pound increased compared to the same twelve-week period in the prior fiscal year due to higher per pound selling prices for new items. Promotional offers increased slightly due to the timing of programs with significant customers. Returns activity was higher compared to the same twelve-week period in the 2018 fiscal year.

Cost of Products Sold and Gross Margin-Consolidated

Cost of products sold increased by $2,154 (7.9%) to $29,387 in the first twelve-week period of the 2019 fiscal year compared to the same twelve-week period in fiscal year 2018. The gross margin increased from 33.9% to 34.8%.

Change in Cost of Products Sold by Segment	$	%	Commodity $ Decrease
Frozen Food Products Segment	803	2.9	21
Snack Food Products Segment	1,351	5.0	743
Total	2,154	7.9	764

Cost of Products Sold-Frozen Food Products Segment

Cost of products sold in the Frozen Food Products segment increased by $803 (11.2%) to $7,964 in the first twelve-week period of the 2019 fiscal year compared to the same twelve-week period in fiscal year 2018. Changes in product mix and higher repairs and maintenance on processing equipment were the primary contributing factors to this increase. The cost of purchased flour decreased approximately $21 in the first twelve-week period of fiscal year 2019 compared to the same twelve-week period in fiscal year 2018.

Cost of Products Sold-Snack Food Products Segment

Cost of products sold in the Snack Food Products segment increased by $1,351 (6.7%) to $21,423 in the first twelve-week period of the 2019 fiscal year compared to the same twelve-week period in fiscal year 2018 due to a substantial increase in sales volume. Meat commodity costs started to drop during the 2019 period partially offsetting the increase in cost of products sold. Higher hourly wages including increased production labor impacted the cost of products sold. The cost of significant meat commodities decreased approximately $743 in the first twelve-week period of fiscal year 2019 compared to the same period in fiscal year 2018.

Selling, General and Administrative Expenses-Consolidated

Selling, general and administrative expenses increased by $1,216 (10.2%) to $13,087 in the first twelve-week period of fiscal year 2019 compared to the same twelve-week period in the prior fiscal year. The table below summarizes the significant expense increases (decreases) included in this category:

	12 Weeks Ended		Expense
	January 25, 2019	January 26, 2018	Increase (Decrease)
Wages and bonus	$5,802	$5,058	$ 744
Cash surrender value	10	(528)	538
Product advertising	2,035	1,881	154
Other SG&A	5,240	5,460	(220)
Total - SG&A	$13,087	$11,871	$ 1,216

Higher profit sharing accruals resulted in higher wages and bonus expense in the first twelve weeks of the 2019 fiscal year compared to the same period in the prior year. The cash surrender value of life insurance policies decreased substantially due to stock market losses compared to the same twelve-week period in fiscal year 2018. Costs for product advertising increased mainly as a result of higher payments under brand licensing agreements in the Snack Food Products segment during the first twelve weeks of fiscal year 2019. None of the changes individually or as a group of expenses in "Other SG&A" were significant enough to merit separate disclosure. The major components comprising the increase of "Other SG&A" expenses were lower outside consulting fees and vehicle repair costs.

Selling, General and Administrative Expenses-Frozen Food Products Segment

SG&A expenses in the Frozen Food Products segment increased by $413 (12.2%) to $3,798 in the first twelve-week period of fiscal year 2019 compared to the same twelve-week period in the prior fiscal year. The overall increase in SG&A expenses was due to higher unit sales volume, higher profit sharing accruals and higher product advertising.

Selling, General and Administrative Expenses-Snack Food Products Segment

SG&A expenses in the Snack Food Products segment increased by $803 (9.5%) to $9,289 in the first twelve-week period of fiscal year 2019 compared to the same twelve-week period in the prior fiscal year. Most of the increase was due to higher unit sales volume and higher expenses related to wages and bonus including an increase in labor commissions partially offset by lower workers' compensation costs.

Income Taxes-Consolidated

Income tax for the twelve-week ended January 25, 2019 and January 26, 2018, respectively, was as follows:

	January 25, 2019	January 26, 2018
Provision for income taxes	$691	$3,722
Effective tax rate	26.91 %	177.68%

We recorded a tax provision of $691 for the twelve-week period ended January 25, 2019, related to federal and state taxes, based on the Company's expected annual effective tax rate. The effective income tax rate differed from the applicable mixed statutory rate of approximately 26.42% also due to non-taxable gains and losses on life insurance policies.

Net Income (Loss)-Consolidated

The net income of $1,876 in the twelve-week period ended January 25, 2019 includes a non-taxable loss on life insurance policies in the amount of $10. The net loss of $1,627 in the twelve-week period ended January 26, 2018 includes a non-taxable gain on life insurance policies in the amount of $528. Gains and losses on life insurance policies are dependent upon the performance of the underlying equities that support policy values and future results may vary considerably.

Liquidity and Capital Resources

The principal source of our operating cash flow is cash receipts from the sale of our products, net of costs to manufacture, store, market and deliver such products. We have remained free of interest-bearing debt (excluding capital leases and equipment financing) for twenty-nine of the last thirty years (with fiscal year 2014 being the only exception) and we normally fund our operations from cash balances and cash flow generated from operations. We borrowed $7,500 during the first quarter of fiscal year 2019 to purchase specific equipment for our new Chicago processing facility. Historically, we expect positive operating cash flows in the first quarter of our fiscal year from the liquidation of inventory and accounts receivable balances related to holiday season sales. Anticipated commodity price trends may affect future cash balances. Certain commodities may be purchased in advance of our immediate needs to lower the ultimate cost of processing.

Cash flows from operating activities for the twelve weeks ended:

	January 25, 2019	January 26, 2018
Net income (loss)	$1,876	$(1,627)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	959	878
Provision for losses on accounts receivable	23	35
(Reduction in) provision for promotional allowances	(432)	23
Gain on sale of property, plant and equipment	-	(7)
Deferred income taxes, net	-	3,200
Changes in operating assets and liabilities:		

Changes in operating working capital	(1,713)	(3,742)
Net cash provided by (used in) operating activities	$713	$(1,240)

For the twelve weeks ended January 25, 2019, net cash provided by operating activities was $713, $1,953 more cash provided than during the same period in fiscal year 2018. The net increase in cash provided by operating activities primarily related to higher net income of $1,876 and liquidation of inventory of $1,649 partially offset by a decrease in non-current liabilities of $2,284 and payments for estimated income taxes of $3. During the twelve-week period ended January 25, 2019, we did not contribute funds towards our defined benefit pension plan. Plan funding strategies may be adjusted depending upon economic conditions, investment options, tax deductibility, or recent legislative changes in funding requirements. The Company did not borrow against its line of credit with Wells Fargo Bank N.A. during the twelve weeks ended January 25, 2019.

Our cash conversion cycle (defined as days of inventory and trade receivables less days of trade payables outstanding) was equal to 57 days for the twelve-week period ended January 25, 2019. The cash conversion cycle was 67 days last for the twelve-week period ended January 26, 2018.

For the twelve weeks ended January 26, 2018, net cash used in operating activities was $1,240 primarily due to a net loss of $1,627, an increase in non-current liabilities of $2,994 and estimated income tax payments of $1,198. During the twelve-week period ended January 26, 2018 we funded $300 towards our defined benefit pension plan.

Cash provided by (used in) investing activities for the twelve weeks ended:

	January 25, 2019	January 26, 2018
Proceeds from sale of property, plant and equipment	$-	$7
Additions to property, plant and equipment	(7,191)	(3,620)
Net cash used in investing activities	$(7,191)	$(3,613)

In general, we capitalize the cost of additions and improvements and expense the cost for repairs and maintenance. The Company may also capitalize costs related to improvements that extend the life, increase the capacity, or improve the efficiency of existing machinery and equipment. Specifically, capitalization of upgrades of facilities to maintain operating efficiency include acquisitions of machinery and equipment used on packaging lines and refrigeration equipment used to process food products.

The table below highlights additions to property, plant and equipment for the twelve weeks ended:

	January 25, 2019	January 26, 2018
Changes in projects in process	$7,004	$2,660
Building improvements	-	178
Direct store delivery and sales vehicles	159	363
Packaging lines	28	3
Processing equipment	-	385
Forklifts	-	31
Additions to property, plant and equipment	$7,191	$3,620

Cash provided by (used in) financing activities for the twelve weeks ended:

	January 25, 2019	January 26, 2018
Payment of capital lease obligations	-	(35)
Proceeds from bank borrowings	7,500	-
Net cash provided by (used in) financing activities	$7,500	$ (35)

Our stock repurchase program was approved by the Board of Directors in November 1999 and was expanded in June 2005. Under the stock repurchase program, we are authorized, at the discretion of management and the Board of Directors, to purchase up to an aggregate of 2,000,000 shares of our common stock on the open market. As of January 25, 2019, 120,113 shares were authorized for repurchase under the program.

We maintain a line of credit with Wells Fargo Bank, N.A. that expires on March 1, 2020. Under the terms of this line of credit, we may borrow up to $7,500 at an interest rate equal to the bank's prime rate or LIBOR plus 1.5%. The borrowing agreement contains various covenants, the more significant of which require us to maintain a minimum tangible net worth, a minimum quick ratio, a minimum net income after tax and total capital expenditures less than $7,500. The Company was in compliance with all covenants as of January 25, 2019. There have been no borrowings under this line of credit during fiscal year 2019.

On December 26, 2018, we entered into a master collateral loan and security agreement with Wells Fargo Bank, N.A for up to $15,000 in equipment financing. Pursuant to the loan agreement, we borrowed $7,500 to purchase specific equipment for our new Chicago processing facility at a fixed rate of 4.13% per annum. The loan term is seven years and is secured by the purchased equipment. The funds were received on December 28, 2018. The master collateral loan and security agreement with Wells Fargo Bank, N.A. contains various affirmative and negative covenants that limit the use of funds and define other provisions of the loan. The main financial covenants are listed below:

Total Liabilities divided by Tangible Net Worth not greater than 2.5 to 1.0 at each fiscal quarter,

Quick Ratio not less than 1.0 to 1.0 at each fiscal quarter end, and

Net income after taxes not less than one dollar on a quarterly basis, determined as of each fiscal quarter end.

The Company was in compliance with all covenants under the master collateral loan and security agreement as of January 25, 2019.

The impact of inflation on the Company's financial position and results of operations has not been significant. Management is of the opinion that the Company's financial position and its capital resources are sufficient to provide for its operating needs and capital expenditures for the remainder of fiscal year 2019.

Recent Accounting Pronouncements

In May 2014, the FASB issued guidance that changes the criteria for recognizing revenue. The guidance provides for a single five-step model to be applied to all revenue contracts with customers. The standard also requires additional financial statement disclosures that will enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows relating to customer contracts, including disaggregated revenue disclosures. Companies have an option to use either a retrospective approach or cumulative effect adjustment approach to implement the standard. This guidance is effective for annual reporting periods and interim periods within those annual reporting periods beginning after December 15, 2017, our fiscal 2019. We adopted this guidance in the first quarter of fiscal year 2019 using the modified retrospective transition method. Prior periods were not adjusted and, based on our implementation assessment, no cumulative-effect adjustment was made to the opening balance of retained earnings. The adoption of this standard did not have a material impact on our consolidated financial statements. For further description of our revenue recognition policy refer to the Revenue Recognition section above and for disaggregated revenue information refer to Part I, Item 1, Notes to the Consolidated Condensed Financial Statements, Note 16: Segment Reporting.

In July 2015, the FASB issued ASU 2015-11 "Simplifying the Measurement of Inventory". The guidance is part of the "Simplification Initiative" to identify and re-evaluate areas where the generally accepted accounting principles may be complex and cumbersome to apply. The guidance will require that inventory be stated at the lower of cost and net realizable value as opposed to the lower of cost or market. Net realizable value is the estimated selling price for the inventory less completion, disposal and transportation costs. The guidance is effective for fiscal years beginning after December 15, 2016. Adoption of this guidance did not have a material impact on the Company's results of operations or financial position.

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" that requires most equity investments to be measured at fair value and subsequent changes in fair value to be recognized in net income. The guidance covers presentation and disclosure requirements of financial liabilities and the classification and measurement of financial instruments. The guidance is effective for annual reporting periods and interim periods within those annual reporting periods beginning after December 15, 2017. Adoption of this guidance did not have a material impact on the Company's results of operations or financial position.

In February 2016, the FASB issued ASU 2016-02, "Leases", which will require a lessee to recognize assets and liabilities with lease terms of more than 12 months. Both capital and operating leases will need to be recognized on the balance sheet. The guidance is effective for annual reporting periods beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020. The Company is currently evaluating this statement and its impact on its results of operations or financial position.

In March 2016, the FASB issued ASU 2016-09 "Compensation-Stock Compensation" guidance which simplifies various aspects of the accounting for employee share-based payment transactions, including the accounting for income tax consequences, forfeitures, and statutory tax withholding requirements, as well as classification of related amounts within the statement of cash flows. The guidance is effective for annual and interim reporting periods beginning after December 15, 2016 with early adoption permitted. Adoption of this guidance did not have a material impact on results of Company operations or financial position.

In June 2016, the FASB issued ASU 2016-13 "Financial Instruments – Credit Losses", which requires a financial asset to be presented at the net carrying value which is the amount expected to be collected net of expected credit losses. The guidance is effective for annual and interim reporting periods beginning after December 15, 2019 with early adoption permitted. The Company is currently evaluating this statement and its impact on its results of operations or financial position.

In October 2016, the FASB issued ASU 2016-16, "Income Taxes – Classification of Certain Cash Receipts and Cash Payments". The guidance involves eight specific cash flow issues and aims to unify accounting for these transactions. The guidance is effective for annual reporting periods beginning after December 15, 2017 with early adoption permitted. Adoption of this guidance did not have a material impact on the Company's results of operations or financial position.

In March 2017, the FASB issued ASU 2017-07, "Compensation – Retirement Benefits". The guidance separates service cost from other pension cost components changing the presentation of net periodic benefit cost related to company sponsored defined benefit or other postretirement benefits. The guidance is effective for annual and interim reporting periods beginning after December 15, 2017 with early adoption permitted. Adoption of this guidance did not have a material impact on the Company's results of operations or financial position.

In February 2018, the FASB issued ASU 2018-02, "Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income". The guidance allows reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the application of the U.S. Tax Cuts and Jobs Act. The guidance is effective for annual and interim reporting periods beginning after December 15, 2018 with early adoption permitted. The Company elected to early adopt this guidance during the quarter ended January 26, 2018. Adoption of this guidance had a material impact on Retained Earnings and Other Comprehensive Income (see Item 1.c. of this Report).

Off-Balance Sheet Arrangements

We are not engaged in any “off-balance sheet arrangements” within the meaning of Item 303(a)(4)(ii) of Regulation S-K.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable to a smaller reporting company.

Item 4. Controls and Procedures

Our management, with the participation and under the supervision of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Report. Based on this evaluation the principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective as of the end of the period covered by this Report in their design and operation to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to management and recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission’s rules and forms and were accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control.

The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving our stated goals under all potential future conditions; over time, a control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

We maintain and evaluate a system of internal accounting controls, and a program of internal auditing designed to provide reasonable assurance that our assets are protected and that transactions are performed in accordance with proper authorization and are properly recorded. This system of internal accounting controls is continually reviewed and modified in response to evolving business conditions and operations and to recommendations made by the independent registered public accounting firm. On May 14, 2013, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) published Internal Control-Integrated Framework (2013) (the “2013 Framework”) and related illustrative documents as an update to Internal Control-Integrated Framework (1992) (the “1992 Framework”). The Company has adopted the 2013 Framework this fiscal year and has determined that the 17 principles are present and functioning during our assessment of the effectiveness of internal controls. We have established a code of conduct. Our management believes that the accounting and internal control systems provide reasonable assurance that assets are safeguarded, and financial information is reliable.

The Audit Committee of the Board of Directors meets regularly with our financial management and counsel, and with the independent registered public accounting firm engaged by us. Internal accounting controls and the quality of financial reporting are discussed during these meetings. The Audit Committee has discussed with the independent registered public accounting firm matters required to be discussed by the auditing standards adopted or established by the Public Company Accounting Oversight Board. In addition, the Audit Committee and the independent registered public accounting firm have discussed the independent registered public accounting firm’s independence from the Company and its management, including the matters in the written disclosures required by Public Company Accounting Oversight Board Rule 3526 “Communicating with Audit Committees Concerning Independence”.

There have been no changes in our internal controls over financial reporting that occurred during the fiscal quarter ended January 25, 2019 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Part II. Other Information

Item 1A. Risk Factors

The risk factors listed in Part I “Item 1A. Risk Factors” in the Annual Report should be considered with the information provided elsewhere in this Report, which could materially adversely affect our business, financial condition or results of operations. There have been no material changes to the risk factors as previously disclosed in the Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

We have not sold or repurchased any equity securities during the period covered by this Report.

Item 6. Exhibits

Exhibit No.	Description
31.1	Certification of Chairman of the Board (Principal Executive Officer), as required by Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer (Principal Financial and Accounting Officer), as required by Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chairman of the Board (Principal Executive Officer), as required by Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer (Principal Financial and Accounting Officer), as required by Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

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 thereunto duly authorized.

BRIDGFORD FOODS CORPORATION
(Registrant)

Dated: March 8, 2019 By: */s/ Raymond F. Lancy*
Raymond F. Lancy
Chief Financial Officer
(Duly Authorized Officer, Principal Financial and Accounting Officer)