Celebrating Our Past

FOCUSED ON TOMORROW.

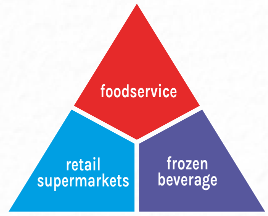
ANNUAL REPORT 2020

J&J SNACK FOODS CORP.

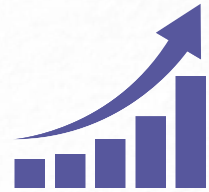
PROFILE

Traded Ticker "JJSF" on Nasdaq

Selling in national and international markets



Three core business groups



Preparing for future innovation and success

Our growing portfolio of product include soft pretzels, frozen beverages, frozen juice treats and desserts, stuffed sandwiches, burritos, churros, fruit pies, funnel cakes, cookies and bakery goods, and other snack foods and drinks. Consumers can enjoy these tasty products in a variety of settings where people work, play, travel and shop. The Company's growth is the result of a strategy that emphasizes active development of new and innovative products, penetration into existing market channels and expansion of established products into new markets.

HIGHLIGHTS

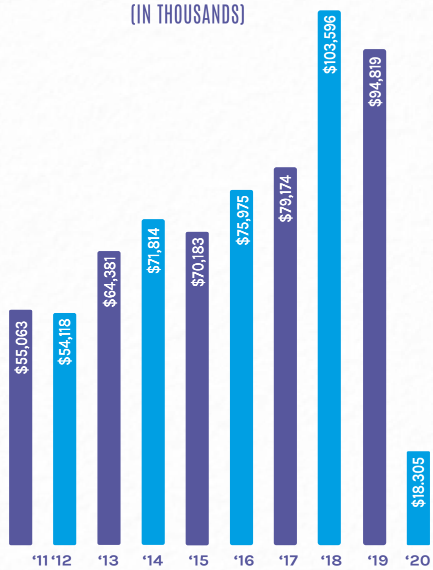
Fiscal year ended in September

(In thousands except per share data)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Net Sales	$ 1,022,038	$ 1,186,487	$ 1,138,265	$ 1,084,224	$ 992,781	$ 976,256	$ 919,451	$ 867,683	$ 830,796	$ 744,071
Net Earnings	$ 18,305	$ 94,819	$ 103,596	$ 79,174	$ 75,975	$ 70,183	$ 71,814	$ 64,381	$ 54,118	$ 55,063
Total Assets	$ 1,056,553	$ 1,019,339	$ 932,013	$ 867,228	$ 790,487	$ 739,669	$ 704,773	$ 645,661	$ 603,044	$ 550,816
Long-Term Debt	$ ____	$ ____	$ ____	$ ____	$ ____	$ ____	$ ____	$ ____	$ ____	$ ____
Capital Leases	$ 717	$ 1,057	$ 1,077	$ 1,244	$ 1,600	$ 1,469	$ 520	$ 347	$ 687	$ 801
Stockholders' Equity	$ 809,498	$ 833,751	$ 759,091	$ 682,322	$ 637,974	$ 599,919	$ 562,518	$ 516,565	$ 475,487	$ 432,388
Common Share Data										
EPS-Diluted	$ 0.96	$ 5.00	$ 5.51	$ 4.21	$ 4.05	$ 3.73	$ 3.82	$ 3.41	$ 2.86	$ 2.93
Shares Outstanding	18,915	18,895	18,754	18,663	18,668	18,676	18,663	18,677	18,780	18,727
Dividends/Share	$ 2.30	$ 2.00	$ 1.80	$ 1.68	$ 1.56	$ 1.44	$ 1.28	$ 0.64	$ 0.52	$ 0.47

NET SALES (IN THOUSANDS)

NET EARNINGS (IN THOUSANDS)



STOCKHOLDERS' EQUITY (IN THOUSANDS)

President's Letter

TO OUR SHAREHOLDERS AND FRIENDS

I am so proud of the strength and fortitude shown by our associates, customers, suppliers and stakeholders in such a challenging environment this year. We've faced "unprecedented" challenges in our 49th year as our 2020 business results and customers have been significantly impacted by the COVID-19 global pandemic. While our financial results fell below historical expectations, our company has remained strong and well positioned for future growth.

RESULTS IN BRIEF

NET SALES	(000)'s	$ 1,022,038
OPERATING INCOME	(000)'s	$ 17,194
EARNINGS PER DILUTED SHARE		$ 0.96

Our sales decline was due to the numerous shelter in place orders limiting our distribution in many of our sales channels such as recreational, sporting activities, movie theatres and schools. Despite this economic downturn, we still earned a profit and generated positive cash flow. We tightened our belts, made changes and are moving our way forward, in the only way we know how – as dedicated and loyal employees of J&J Snack Foods Corp.

We are fortunate, that in a year full of uncertainty and venue closures nationwide, our financial position remains strong. I'm proud of the spirit of this Company and the fortitude, willingness and commitment of our associates to satisfy our customers and consumers each and every day.

We have continued to better our manufacturing plants, refine and improve our products, and train our people. We continue to look for new avenues of sales and growth. We continue to search for acquisitions which will fit within our niche. We are confident that we will be able to nimbly and successfully recover and power through this unprecedented year and pandemic.

Yes, 2020 fell short of our prior years' performance, but we have a proven history of growth over the past 49 years. I remain confident in our business and proud of what we have accomplished. J&J Snack Foods stands proud, with the will to evolve and emerge as a stronger and even more successful company.

Sincerely,

Dan Fachner
President

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

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED SEPTEMBER 26, 2020

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ______ TO ______

Commission File No. 000-14616

Registrant's telephone number, including area code: (856) 665-9533

J&J SNACK FOODS CORP.
(Exact name of registrant as specified in its charter)

New Jersey	**22-1935537**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6000 Central Highway **Pennsauken, New Jersey**	**08109**
(Address of principal executive offices)	(Zip Code)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbols(s)	Name of Each Exchange on Which Registered
Common Stock, no par value	JJSF	The NASDAQ Global Select Market

Securities Registered Pursuant to Section 12(g) of the Act: None

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

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

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

Indicate by check mark whether the registrant has submitted electronically 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 ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definition 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 ☐	Smaller reporting company ☐
	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 has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☒ No ☐

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

March 28, 2020 was the last business day of the registrant’s most recently completed second fiscal quarter. The aggregate market value of the registrant’s common stock held by non-affiliates was $1,729,959,562, based on the last sale price on March 28, 2020 of $114.56 per share. As of November 19, 2020, 18,953,680 shares of the registrant’s common stock were issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive proxy statement for its Annual Meeting of Shareholders scheduled for February 10, 2021 are incorporated by reference into Part III of this report.

J & J SNACK FOODS CORP.
2020 FORM 10-K ANNUAL REPORT

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Note About Forward-Looking Statements

In addition to historical information, this report contains forward-looking statements. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements. Important factors that might cause such a difference include, but are not limited to, those discussed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations." Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. We undertake no obligation to publicly revise or update these forward-looking statements to reflect events or circumstances that arise after the date hereof.

Part I

Item 1. Business

General

J & J Snack Foods Corp. (the "Company" or "J & J") manufactures snack foods and distributes frozen beverages which it markets nationally to the food service and retail supermarket industries. The Company's principal snack food products are soft pretzels marketed primarily under the brand names SUPERPRETZEL, BRAUHAUS, AUNTIE ANNE'S* and BAVARIAN BAKERY, frozen juice treats and desserts marketed primarily under the LUIGI'S, WHOLE FRUIT, ICEE, PHILLY SWIRL, SOUR PATCH** and MINUTE MAID*** brand names, churros marketed primarily under the TIO PEPE'S and CALIFORNIA CHURROS brand names and bakery products sold primarily under the READI-BAKE, COUNTRY HOME, MARY B'S, DADDY RAY'S and HILL & VALLEY brand names as well as for private label and contract packing. J & J believes it is the largest manufacturer of soft pretzels in the United States. Other snack food products include funnel cake sold under THE FUNNEL CAKE FACTORY brand and dough enrobed handheld products sold under the SUPREME STUFFERS brand and other smaller brands as well. The Company's principal frozen beverage products are the ICEE brand frozen carbonated beverage and the SLUSH PUPPIE brand frozen non-carbonated beverage.

The Company's Food Service and Frozen Beverages sales are made primarily to food service customers including snack bar and food stand locations in leading chain, department, discount, warehouse club and convenience stores; malls and shopping centers; fast food and casual dining restaurants; stadiums and sports arenas; leisure and theme parks; movie theatres; independent retailers; and schools, colleges and other institutions. The Company's retail supermarket customers are primarily supermarket chains.

The Company was incorporated in 1971 under the laws of the State of New Jersey.

The Company has made acquisitions as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes thereto.

The Company operates in three business segments: Food Service, Retail Supermarkets and Frozen Beverages. These segments are described below.

The Chief Operating Decision Maker for Food Service and Retail Supermarkets and the Chief Operating Decision Maker for Frozen Beverages monthly review detailed operating income statements and sales reports in order to assess performance and allocate resources to each individual segment. Sales and operating income are key variables monitored by the Chief Operating Decision Makers and management when determining each segment's and the company's financial condition and operating performance. In addition, the Chief Operating Decision Makers review and evaluate depreciation, capital spending and assets of each segment on a quarterly basis to monitor cash flow and asset needs of each segment (see Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8 – Financial Statements and Supplementary Data for financial information about segments).

* AUNTIE ANNE'S is a registered trademark of Auntie Anne's LLC
** SOUR PATCH is a registered trademark of Mondelçz International Group
*** Minute Maid is a registered trademark of the Coca-Cola Company

Food Service

The primary products sold by the food service segment are soft pretzels, frozen juice treats and desserts, churros, dough enrobed handheld products and baked goods. Our customers in the food service segment include snack bars and food stands in chain, department and discount stores; malls and shopping centers; casual dining restaurants; fast food and casual dining restaurants; stadiums and sports arenas; leisure and theme parks; convenience stores; movie theatres; warehouse club stores; schools, colleges and other institutions. Within the food service industry, our products are purchased by the consumer primarily for consumption at the point-of-sale.

Retail Supermarkets

The primary products sold to the retail supermarket channel are soft pretzel products – including SUPERPRETZEL and AUNTIE ANNE'S, frozen juice treats and desserts including LUIGI'S Real Italian Ice, MINUTE MAID Juice Bars and Soft Frozen Lemonade, WHOLE FRUIT frozen fruit bars and sorbet, PHILLY SWIRL cups and sticks, SOUR PATCH sticks and ICEE Squeeze-Up Tubes. Within the retail supermarket channel, our frozen and prepackaged products are purchased by the consumer for consumption at home.

Frozen Beverages

We sell frozen beverages to the food service industry primarily under the names ICEE, SLUSH PUPPIE and PARROT ICE in the United States, Mexico and Canada. We also provide repair and maintenance service to customers for customers' owned equipment.

Products

Soft Pretzels

The Company's soft pretzels are sold under many brand names; some of which are: SUPERPRETZEL, PRETZEL FILLERS, PRETZELFILS, GOURMET TWISTS, MR. TWISTER, SOFT PRETZEL BITES, SOFTSTIX, SOFT PRETZEL BUNS, TEXAS TWIST, BAVARIAN BAKERY, SUPERPRETZEL BAVARIAN, NEW YORK PRETZEL, KIM & SCOTT'S GOURMET PRETZELS, SERIOUSLY TWISTED!, BRAUHAUS, AUNTIE ANNE'S AND LABRIOLA; and, to a lesser extent, under private labels.

Soft pretzels are sold in the Food Service and Retail Supermarket segments. Soft pretzel sales amounted to 20% of the Company's revenue in fiscal year 2020, 21% in 2019 and 21% in 2018.

Certain of the Company's soft pretzels qualify under USDA regulations as the nutritional equivalent of bread for purposes of the USDA school lunch program, thereby enabling a participating school to obtain partial reimbursement of the cost of the Company's soft pretzels from the USDA.

The Company's soft pretzels are manufactured according to a proprietary formula. Soft pretzels, ranging in size from one to twenty-four ounces in weight, are shaped and formed by the Company's twister machines. These soft pretzel tying machines are automated, high-speed machines for twisting dough into the traditional pretzel shape. Additionally, we make soft pretzels which are extruded or shaped by hand. Soft pretzels, after processing, are primarily quick-frozen in either raw or baked form and packaged for delivery.

The Company's principal marketing program in the Food Service segment includes supplying ovens, mobile merchandisers, display cases, warmers and similar merchandising equipment to the retailer to prepare and promote the sale of soft pretzels. Some of this equipment is proprietary, including combination warmer and display cases that reconstitute frozen soft pretzels while displaying them, thus eliminating the need for an oven. The Company retains ownership of the equipment placed in customer locations, and as a result, customers are not required to make an investment in equipment.

Frozen Juice Treats and Desserts

The Company's frozen juice treats and desserts are marketed primarily under the LUIGI'S, WHOLE FRUIT, PHILLY SWIRL, SOUR PATCH, ICEE and MINUTE MAID brand names. Frozen juice treats and desserts are sold in the Food Service and Retail Supermarkets segments. Frozen juice treats and dessert sales were 12% of the Company's revenue in fiscal year 2020, 10% in 2019 and 10% in 2018.

The Company's school food service LUIGI'S and WHOLE FRUIT frozen juice bars and cups contain three to four ounces of 100% apple or pineapple juice with no added sugar and 100% of the daily US FDA value of vitamin C. The juice bars are produced in various flavors and are packaged in a sealed push-up paper container referred to as the Milliken M-pak, which the Company believes has certain sanitary and safety advantages.

The balance of the Company's frozen juice treats and desserts products are manufactured from water, sweeteners and fruit juice concentrates in various flavors and packaging including cups, tubes, sticks, M-paks and pints. Several of the products contain ice cream and WHOLE FRUIT contains pieces of fruit.

Churros

The Company's churros are sold primarily under the TIO PEPE'S and CALIFORNIA CHURROS brand names. Churros are sold to the Food Service and Retail Supermarkets segments. Churro sales were 5% of the Company's sales in fiscal year 2020, 6% in 2019 and 6% in 2018. Churros are Hispanic pastries in stick form which the Company produces in several sizes according to a proprietary formula. The churros are deep fried, frozen and packaged. At food service point-of-sale they are reheated and topped with a cinnamon sugar mixture. The Company also sells fruit and crème-filled churros. The Company supplies churro merchandising equipment similar to that used for its soft pretzels.

Handheld Products

The Company's dough enrobed handheld products are marketed under the SUPREME STUFFERS and SWEET STUFFERS brand names and under private labels. Handheld products are sold to the Food Service and Retail Supermarket segments. Handheld product sales amounted to 5% of the Company's sales in fiscal year 2020, 4% in 2019 and 5% in 2018.

Bakery Products

The Company's bakery products are marketed under the MRS. GOODCOOKIE, READI-BAKE, COUNTRY HOME, MARY B'S, DADDY RAY'S and HILL & VALLEY brand names, and under private labels. Bakery products include primarily biscuits, fig and fruit bars, cookies, breads, rolls, crumb, muffins and donuts. Bakery products are sold to the Food Service segment. Bakery products sales amounted to 35% of the Company's sales in fiscal year 2020, 32% in 2019 and 33% in 2018.

Frozen Beverages

The Company markets frozen beverages primarily under the names ICEE, SLUSH PUPPIE and PARROT ICE which are sold primarily in the United States, Mexico and Canada. Frozen beverages are sold in the Frozen Beverages segment.

Frozen beverage sales amounted to 10% of the Company's revenue in fiscal year 2020, 15% in 2019 and 15% in 2018.

Under the Company's principal marketing program for frozen carbonated beverages, it installs frozen beverage dispensers for its ICEE brand at customer locations and thereafter services the machines, arranges to supply customers with ingredients required for production of the frozen beverages, and supports customer retail sales efforts with in-store promotions and point-of-sale materials. The Company sells frozen non-carbonated beverages under the SLUSH PUPPIE and PARROT ICE brands through a distributor network and through its own distribution network. The Company also provides repair and maintenance service to customers for customers' owned equipment and sells equipment in its Frozen Beverages segment. Revenue from equipment sales and repair and maintenance services totaled 11% of the Company's sales in fiscal year 2020, 11% in 2019 and 10% in 2018.

Each new frozen carbonated customer location requires a frozen beverage dispenser supplied by the Company or by the customer. Company-supplied frozen carbonated dispensers are purchased from outside vendors or rebuilt by the Company.

The Company provides managed service and/or products to approximately 145,000 Company-owned and customer-owned dispensers.

The Company has the rights to market and distribute frozen beverages under the name ICEE to the entire continental United States as well as internationally.

Other Products

Other products sold by the Company include funnel cakes sold under the FUNNEL CAKE FACTORY brand name and smaller amounts of various other food products. These products are sold in the Food Service and Frozen Beverages segments.

Customers

The Company sells its products to two principal channels: food service and retail supermarkets. The primary products sold to the food service channel are soft pretzels, frozen beverages, frozen juice treats and desserts, churros, dough enrobed handheld products and baked goods. The primary products sold to the retail supermarket channel are soft pretzels, frozen juice treats and desserts and dough enrobed handheld products.

We have several large customers that account for a significant portion of our sales. Our top ten customers accounted for 43%, 43% and 43% of our sales during fiscal years 2020, 2019 and 2018, respectively, with our largest customer accounting for 13% of our sales in 2020, 11% of our sales in 2019 and 9-1/2% of our sales in 2018. Three of the ten customers in 2020 are food distributors who sell our product to many end users. The loss of one or more of our large customers could adversely affect our results of operations. These customers typically do not enter into long-term contracts and make purchase decisions based on a combination of price, product quality, consumer demand and customer service performance. If our sales to one or more of these customers are reduced, this reduction may adversely affect our business. If receivables from one or more of these customers become uncollectible, our operating income would be adversely impacted.

The Food Service and the Frozen Beverages segments sell primarily to food service channels. The Retail Supermarkets segment sells primarily to the retail supermarket channel.

The Company's customers in the food service segment include snack bars and food stands in chain, department and mass merchandising stores, malls and shopping centers, fast food and casual dining restaurants, stadiums and sports arenas, leisure and theme parks, convenience stores, movie theatres, warehouse club stores, schools, colleges and other institutions, and independent retailers. Machines and machine parts are sold to other food and beverage companies. Within the food service industry, the Company's products are purchased by the consumer primarily for consumption at the point-of-sale.

The Company sells its products to an estimated 85-90% of supermarkets in the United States. Products sold to retail supermarket customers are primarily soft pretzel products, including SUPERPRETZEL and AUNTIE ANNE'S, frozen juice treats and desserts including LUIGI'S Real Italian Ice, MINUTE MAID Juice Bars and Soft Frozen Lemonade, WHOLE FRUIT frozen fruit bars, WHOLE FRUIT Sorbet, PHILLY SWIRL cups and sticks and ICEE Squeeze-Up Tubes, MARY B'S biscuits and dumplings, DADDY RAY'S fig and fruit bars and HILL & VALLEY baked goods. Within the retail supermarket industry, the Company's frozen and prepackaged products are purchased by the consumer for consumption at home.

Marketing and Distribution

The Company has developed a national marketing program for its products. For the Food Service and Frozen Beverages segments' customers, this marketing program includes providing ovens, mobile merchandisers, display cases, warmers, frozen beverage dispensers and other merchandising equipment for the individual customer's requirements and point-of-sale materials as well as participating in trade shows and in-store demonstrations. The Company's ongoing advertising and promotional campaigns for its Retail Supermarket segment's products include trade shows, newspaper advertisements with coupons and consumer advertising campaigns.

The Company develops and introduces new products on a routine basis. The Company evaluates the success of new product introductions on the basis of sales levels, which are reviewed no less frequently than monthly by the Company's Chief Operating Decision Makers.

The Company's products are sold through a network of about 50 food brokers, independent sales distributors and the Company's own direct sales force. For its snack food products, the Company maintains warehouse and distribution facilities in Pennsauken, Bellmawr and Bridgeport, New Jersey; Vernon (Los Angeles) and Colton, California; Brooklyn, New York; Scranton, Pittsburgh, Hatfield and Lancaster, Pennsylvania; Carrollton (Dallas), Texas; Atlanta, Georgia; Moscow Mills (St. Louis), Missouri; Tampa, Florida; Solon, Ohio; Weston, Oregon; Holly Ridge, North Carolina and Rock Island, Illinois. Frozen beverages and machine parts are distributed from 177 Company managed warehouse and distribution facilities located in 44 states, Mexico and Canada, which allow the Company to directly service its customers in the surrounding areas. The Company's products are shipped in refrigerated and other vehicles from the Company's manufacturing and warehouse facilities on a fleet of Company operated tractor-trailers, trucks and vans, as well as by independent carriers.

Seasonality

The Company's sales are seasonal because frozen beverage sales and frozen juice treats and desserts sales are generally higher during the warmer months.

Trademarks and Patents

The Company has numerous trademarks, the most important of which are SUPERPRETZEL, TEXAS TWIST, NEW YORK PRETZEL, BAVARIAN BAKERY, MR. TWISTER, SOFT PRETZEL BITES, SOFTSTIX, PRETZEL FILLERS, PRETZELFILS, BRAUHAUS and LABRIOLA for its pretzel products; SHAPE-UPS, WHOLE FRUIT, PHILLY SWIRL and LUIGI'S for its frozen juice treats and desserts; TIO PEPE'S and CALIFORNIA CHURROS for its churros; ARCTIC BLAST, SLUSH PUPPIE and PARROT ICE for its frozen beverages; FUNNEL CAKE FACTORY for its funnel cake products and MRS. GOODCOOKIE, READI-BAKE, COUNTRY HOME, CAMDEN CREEK, MARY B'S, DADDY RAY'S and HILL & VALLEY for its bakery products.

The Company markets frozen beverages under the trademark ICEE in all of the United States and in Mexico and Canada. Additionally, the Company has the international rights to the trademark ICEE.

The trademarks, when renewed and continuously used, have an indefinite term and are considered important to the Company as a means of identifying its products. The Company considers its trademarks important to the success of its business.

The Company has numerous patents related to the manufacturing and marketing of its product.

Supplies

The Company's manufactured products are produced from raw materials which are readily available from numerous sources. With the exception of the Company's churro production equipment, funnel cake production equipment and soft pretzel twisting equipment, all of which are made for J & J by independent third parties, and certain specialized packaging equipment, the Company's manufacturing equipment is readily available from various sources. Syrup for frozen beverages is purchased primarily from The Coca-Cola Company, Dr Pepper Snapple Group, Inc., the Pepsi Cola Company, and Jogue, Inc. Cups, straws and lids are readily available from various suppliers. Parts for frozen beverage dispensing machines are purchased from several sources. Frozen beverage dispensers are purchased primarily from IMI Cornelius, Inc. and FBD Partnership.

Competition

Snack food and bakery products markets are highly competitive. The Company's principal products compete against similar and different food products manufactured and sold by numerous other companies, some of which are substantially larger and have greater resources than the Company. As the soft pretzel, frozen juice treat and dessert, bakery products and related markets evolve, additional competitors and new competing products may enter the markets. Competitive factors in these markets include product quality, customer service, taste, price, identity and brand name awareness, method of distribution and sales promotions.

The Company believes it is the only national distributor of soft pretzels. However, there are numerous regional and local manufacturers of food service and retail supermarket soft pretzels as well as several chains of retail pretzel stores.

In Frozen Beverages the Company competes directly with other frozen beverage companies. There are many other regional frozen beverage competitors throughout the country and one large retail chain which uses its own frozen beverage brand.

The Company competes with large soft drink manufacturers for counter and floor space for its frozen beverage dispensing machines at retail locations and with products which are more widely known than the ICEE, SLUSH PUPPIE and PARROT ICE frozen beverages.

The Company competes with several other companies in the frozen juice treat and dessert and bakery products markets.

Risks Associated with Foreign Operations

Foreign operations generally involve greater risk than doing business in the United States. Foreign economies differ favorably or unfavorably from the United States' economy in such respects as the level of inflation and debt, which may result in fluctuations in the value of the country's currency and real property. Sales of our foreign operations were $15,421,000, $33,906,000 and $32,459,000 in fiscal years 2020, 2019 and 2018, respectively. At September 26, 2020, the total assets of our foreign operations were approximately $20 million or 1.9% of total assets. At September 28, 2019, the total assets of our foreign operations were approximately $26 million or 2.6% of total assets.

Employees

The Company has about 4,100 full and part time employees and approximately 1,000 workers employed by staffing agencies as of September 26, 2020. About 1,200 production and distribution employees throughout the Company are covered by collective bargaining agreements.

The Company considers its employee relations to be good.

Available Information

The Company's internet address is www.jjsnack.com. On the investor relations section of its website, the Company provides free access to its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to these reports, as soon as reasonably practicable after such materials are electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC"). The information on the website listed above is not and should not be considered part of this annual report on Form 10-K and is not incorporated by reference in this document.

Item 1A. Risk Factors

You should carefully consider the risks described below, together with all the other information included in this report, in considering our business and prospects. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently deem insignificant may also impair our business operations. Following is a discussion of known potentially significant risks which could result in harm to our business, financial condition or results of operations.

Risks Related to COVID-19

The global COVID-19 pandemic of 2020 continues to affect our operations. Approximately 2/3 of our sales are to venues and locations that have shut down or sharply curtailed their foodservice operations over the past nine months so we anticipate COVID-19 will continue to have a negative impact on our business as the uncertainty surrounding the future of the pandemic and varying state and local laws on public gatherings, shelter in place ordinances and virtual schooling at all levels continues. The impact of the pandemic on our operations to date is discussed in Item 7. Management's Discussion And Analysis Of Financial Condition And Results Of Operations of this Form 10-K. The extent of the future impact of COVID-19 on our operations depends on future developments of the virus and its effects which is uncertain at this point in time.

Risks of Shortages or Increased Cost of Raw Materials

We are exposed to the market risks arising from adverse changes in commodity prices, affecting the cost of our raw materials and energy. The raw materials and energy which we use for the production and distribution of our products are largely commodities that are subject to price volatility and fluctuations in availability caused by changes in global supply and demand, weather conditions, agricultural uncertainty or governmental controls. We purchase these materials and energy mainly in the open market. Our procurement practices are intended to reduce the risk of future price increases, but also may potentially limit the ability to benefit from possible price decreases. If commodity price changes result in increases in raw materials and energy costs, we may not be able to increase our prices to offset these increased costs without suffering reduced volume, revenue and operating income.

General Risks of the Food Industry

Food processors are subject to the risks of adverse changes in general economic conditions; evolving consumer preferences and nutritional and health-related concerns; changes in food distribution channels; federal, state and local food processing controls or other mandates; changes in federal, state, local and international laws and regulations, or in the application of such laws and regulations; consumer product liability claims; risks of product tampering and contamination; and negative publicity surrounding actual or perceived product safety deficiencies. The increased buying power of large supermarket chains, other retail outlets and wholesale food vendors could result in greater resistance to price increases and could alter the pattern of customer inventory levels and access to shelf space.

Risks of Shortages or Increased Costs of Labor

Our businesses operate in highly competitive markets. The labor market in the United States is very competitive and the unemployment rate is at historic lows. We depend on the skills, working relationships, and continued services of key personnel, including our experienced management team. We must hire, train and develop effective employees. We compete with other companies both within and outside of our industry for talented personnel, and we may lose key personnel or fail to attract, train, and retain other talented personnel. In addition, our ability to achieve our operating goals depends on our ability to identify, hire, train, and retain qualified individuals. Any such loss or failure could adversely affect our product sales, financial condition, and operating results.

Environmental Risks

The disposal of solid and liquid waste material resulting from the preparation and processing of foods is subject to various federal, state and local laws and regulations relating to the protection of the environment. Such laws and regulations have an important effect on the food processing industry as a whole, requiring substantially all firms in the industry to incur material expenditures for modification of existing processing facilities and for construction of upgraded or new waste treatment facilities.

We cannot predict what environmental legislation or regulations will be enacted in the future, how existing or future laws or regulations will be administered or interpreted or what environmental conditions may be found to exist. Enactment of more stringent laws or regulations or more strict interpretation of existing laws and regulations may require additional expenditures by us, some of which could be material.

Risks Resulting from Customer Concentration

We have several large customers that account for a significant portion of our sales. Our top ten customers accounted for 43%, 43% and 43% of our sales during fiscal years 2020, 2019 and 2018, respectively, with our largest customer accounting for 13% of our sales in 2020, 11% of our sales in 2019 and 9-1/2% of our sales in 2018.

Three of the ten customers in 2020 are food distributors who sell our product to many end users. The loss of one or more of our large customers could adversely affect our results of operations. These customers typically do not enter into long-term contracts and make purchase decisions based on a combination of price, product quality, consumer demand and customer service performance. If our sales to one or more of these customers are reduced, this reduction may adversely affect our business. If receivables from one or more of these customers become uncollectible, our operating income would be adversely impacted.

Competition

Our businesses operate in highly competitive markets. We compete against national and regional manufacturers and distributors on the basis of price, quality, product variety and effective distribution. Many of our major competitors in the market are larger and have greater financial and marketing resources than we do. Increased competition and anticipated actions by our competitors could lead to downward pressure on prices and/or a decline in our market share, either of which could adversely affect our results. See "Competition" in Item 1 for more information about our competitors.

Risks Relating to Manufacturing and Distribution

Our ability to purchase, manufacture and distribute products is critical to our success. Because we source certain products from single manufacturing sites, it is possible that we could experience a production disruption that results in a reduction or elimination of the availability of some of our products. If we are not able to obtain alternate production capability in a timely manner, or on favorable terms, it could have a negative impact on our business, results of operations, financial condition and cash flows, including the potential for long-term loss of product placement with various customers. We are also subject to risks of other business disruptions associated with our dependence on production facilities and distribution systems. Natural disasters, terrorist activity, cyberattacks or other unforeseen events could interrupt production or distribution and have a material adverse effect on our business, results of operations, financial condition and cash flows, including the potential for long-term loss of product placement with our customers.

Risks Relating to the Availability and Costs of Transportation

Our ability to obtain adequate and reasonably priced methods of transportation to distribute our products, including refrigerated trailers for many of our products, is a key factor to our success. Delays in transportation, including weather-related delays, could have a material adverse effect on our business and results of operations. Further, higher fuel costs and increased line haul costs due to industry capacity constraints, customer delivery requirements and a more restrictive regulatory environment could also negatively impact our financial results. We pay fuel surcharges that fluctuate with the price of diesel fuel to third-party transporters of our products, and such surcharges can be substantial. Any sudden or dramatic increases in the price of diesel fuel would serve to increase our fuel surcharges and our cost of goods sold. If we were unable to pass higher freight costs to our customers in the form of price increases, those higher costs could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Risks Relating to Manufacturing Capacity Constraints

Our current manufacturing resources may be inadequate to meet significantly increased demand for some of our food products. Our ability to increase our manufacturing capacity depends on many factors, including the equipment delivery, construction lead-times, installation, qualification, regulatory permitting and regulatory requirements. A lack of sufficient manufacturing capacity to meet demand could cause our customer service levels to decrease, which may negatively affect customer demand for our products and customer relations generally, which in turn could have a material adverse effect on our business, results of operations, financial condition and cash flows. In addition, operating facilities at or near capacity may also increase production and distribution costs and negatively affect relations with our employees or contractors, which could result in disruptions in our operations.

New Jersey Law and Provisions of Our Amended and Restated Certificate of Incorporation and Bylaws May Inhibit a Change In Control

The New Jersey Shareholders' Protection Act, N.J.S.A. 14A:10A-1, *et seq.*, may delay, deter or prevent a change in control by prohibiting the Company from engaging in a business combination transaction with an interested shareholder for a period of five years after the person becomes an interested stockholder, even if a majority of our shareholders believe a change in control would be in the best interests of the Company and its shareholders. In addition, our Amended and Restated Certificate of Incorporation and Bylaws contain provisions that may delay, deter or prevent a future acquisition of J & J Snack Foods Corp. not approved by our Board of Directors. This could occur even if our shareholders are offered an attractive value for their shares or if a substantial number or even a majority of our shareholders believe the takeover is in their best interest. These provisions are intended to encourage any person interested in acquiring us to negotiate with and obtain the approval of our Board of Directors in connection with the transaction. Provisions of our Amended and Restated Certificate of Incorporation and Bylaws that could delay, deter or prevent a future acquisition include the following:

-- a classified Board of Directors;
-- the requirement that our shareholders may only remove Directors for cause;

- limitations on share holdings and voting of certain persons;
- special Director voting rights;
- the ability of the Board of Directors to consider the interests of various constituencies, including our employees, customers, suppliers, creditors and the local communities in which we operate;
- shareholders do not generally have the right to call special meetings or to act by written consent;
- our Bylaws contain advance notice procedures for nominations of Directors or submission of shareholder proposals at an annual meeting; and
- our Bylaws contain a forum selection clause providing that certain litigation against the Company can only be brought in New Jersey state or federal courts.

Risks Relating to Gerald B. Shreiber

Gerald B. Shreiber is the founder and Chief Executive Officer and Chairman of the Board of Directors of the Company and the current beneficial owner of 19% of its outstanding common stock. Our Amended and Restated Certificate of Incorporation provides that Mr. Shreiber has three votes on any matter to be acted upon by the Board of Directors (subject to certain adjustments). Therefore, he and one other director would have the ability to approve any matter before the Board. The performance of the Company is greatly impacted by his leadership and decisions.

Risk Related to Increases in our Health Insurance Costs

The costs of employee health care insurance have been increasing in recent years due to rising health care costs, legislative changes, and general economic conditions. Because of the breadth and complexity of health care regulations as well as other health care reform legislation considered by Congress and state legislatures, we cannot predict with certainty the future effect of these laws on us. A continued increase in health care costs or additional costs incurred as a result of new or existing health care reform laws or changes in enforcement policies could have a negative impact on our financial position and results of operations.

Risk Related to Product Changes

There are risks in the marketplace related to trade and consumer acceptance of product improvements, packing initiatives and new product introductions.

Risks Related to Changes in the Business

Our ability to successfully manage changes to our business processes, including selling, distribution, product capacity, information management systems and the integration of acquisitions, will directly affect our results of operations.

Risks Associated with Foreign Operations

Foreign operations generally involve greater risk than doing business in the United States. Foreign economies differ favorably or unfavorably from the United States' economy in such respects as the level of inflation and debt, which may result in fluctuations in the value of the country's currency and real property. Further, there may be less government regulation in various countries, and difficulty in enforcing legal rights outside the United States. Additionally, in some foreign countries, there is the possibility of expropriation or confiscatory taxation limitations on the removal of property or other assets, political or social instability or diplomatic developments which could affect the operations and assets of U.S. companies doing business in that country. Sales of our foreign operations were $15,421,000, $33,906,000 and $32,459,000 in fiscal years 2020, 2019 and 2018, respectively. At September 26, 2020, the total assets of our foreign operations were approximately $20 million or 1.9% of total assets. At September 28, 2019, the total assets of our foreign operations were approximately $26 million or 2.6% of total assets.

Risks Associated with our Information Technology Systems

The efficient operation of our business depends on our information technology systems. We rely on our information technology systems to effectively manage our business data, communications, supply chain, manufacturing, order entry and fulfillment, and other business processes. The failure of our information technology systems (including those provided to us by third parties) to perform as we anticipate could disrupt our business and could result in billing, collecting, and ordering errors, processing inefficiencies, and the loss of sales and customers, causing our business and results of operations to suffer.

Our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control, including fire, natural disasters, systems failures, security breaches or intrusions (including theft of customer, consumer or other confidential data), and viruses. If we are unable to prevent physical and electronic break-ins, cyber-attacks and other information security breaches, we may suffer financial and reputational damage, be subject to litigation or incur remediation costs or penalties because of the unauthorized disclosure of confidential information belonging to us or to our partners, customers, suppliers or employees.

We may experience difficulties in implementing the final phases of our new enterprise resource planning system. We are in the late stages of a multi-year implementation of a new enterprise resource planning system ("ERP"), which is replacing our existing financial and operating systems. The design and implementation of this new ERP has required an investment of significant personnel and financial resources, including substantial expenditures for outside consultants and software. We may not be able to implement the ERP successfully without experiencing delays, increased costs and other difficulties, including potential design defects, miscalculations, testing requirements, and the diversion of management's attention from day-to-day business operations. If we are unable to implement the new ERP as planned, the effectiveness of our internal control over financial reporting could be adversely affected, our ability to assess those controls adequately could be delayed, and our business, results of operations, financial condition and cash flows could be negatively impacted.

Risks Associated with Real or Perceived Safety Issues Regarding our Food Products

We sell food products for human consumption, which involves risks such as product contamination or spoilage, product tampering, other adulteration of food products, mislabeling, and misbranding. We can be impacted by both real and unfounded claims regarding the safety of our operations, or concerns regarding mislabeled, adulterated, contaminated or spoiled food products. Any of these circumstances could necessitate a voluntary or mandatory recall due to a substantial product hazard, a need to change a product's labeling or other consumer safety concerns. A pervasive product recall may result in significant loss due to the costs of a recall, related legal claims, including claims arising from bodily injury or illness caused by our products, the destruction of product inventory, or lost sales due to product unavailability. A highly publicized product recall, whether involving us or any related products made by third parties, also could result in a loss of customers or an unfavorable change in consumer sentiment regarding our products or any category in which we operate. In addition, an allegation of noncompliance with federal or state food laws and regulations could force us to cease production, stop selling our products or create significant adverse publicity that could harm our credibility and decrease market acceptance of our products. Any of these events could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Seasonality and Quarterly Fluctuations

Our sales are affected by the seasonal demand for our products. Demand is greater during the summer months primarily as a result of the warm weather demand for our ICEE and frozen juice treats and desserts products. Because of seasonal fluctuations, there can be no assurance that the results of any particular quarter will be indicative of results for the full year or for future years.

Item 1B. Unresolved Staff Comments

We have no unresolved SEC staff comments to report.

Item 2. Properties

The Company's primary east coast manufacturing facility is located in Pennsauken, New Jersey in a 70,000 square foot building on a two-acre lot. Soft pretzels, churros, and funnel cake are manufactured at this Company-owned facility which also serves as the Company's corporate headquarters. The Company owns a 128,000 square foot building adjacent to this manufacturing facility which contains a large freezer for warehousing and distribution purposes. The Company leases, through January 2022, 16,000 square feet of office and warehouse space located next to the Pennsauken, New Jersey plant and owns a 43,000 square foot office and warehouse building in the same complex.

The Company owns a 150,000 square foot building on eight acres in Bellmawr, New Jersey. The facility is used by the Company to manufacture soft pretzels.

The Company's primary west coast manufacturing facility is located in Vernon (Los Angeles), California. It consists of a 137,000 square foot facility in which soft pretzels, churros and various lines of baked goods are produced and warehoused. Included in the 137,000 square foot facility is a 30,000 square foot freezer used for warehousing and distribution purposes. The facility is leased through November 2030. The Company leases an additional 80,000 square feet of office and warehouse space, adjacent to its manufacturing facility, through November 2030.

The Company leases a 22,000 square foot soft pretzel manufacturing facility located in Brooklyn, New York. The lease runs through August 2023.

The Company leases through June 2030 a 45,000 square foot churros and funnel cake manufacturing facility located in Colton, California.

The Company leases an 85,000 square foot bakery manufacturing facility located in Atlanta, Georgia. The lease runs through December 2022.

The Company leases a 129,000 square foot bakery manufacturing facility located in Rock Island, Illinois. The lease runs through December 2034.

The Company owns a 46,000 square foot frozen juice treat and dessert manufacturing facility and a 42,000 square foot dry storage warehouse located on six acres in Scranton, Pennsylvania.

The Company leases a 29,600 square foot soft pretzel manufacturing facility located in Hatfield, Pennsylvania. The lease runs through June 2032.

The Company leases a 48,000 square foot soft pretzel manufacturing facility located in Carrollton, Texas. The lease runs through April 2026. The Company leases an additional property containing a 6,500 square foot storage freezer across the street from the manufacturing facility, which lease expires May 2021.

The Company's fresh bakery products manufacturing facility and offices are located in Bridgeport, New Jersey in three buildings totaling 133,000 square feet. The buildings are leased through December 2025.

The Company owns a 165,000 square foot fig and fruit bar manufacturing facility located on 9-1/2 acres in Moscow Mills (St. Louis), Missouri.

The Company owns an 84,000 square foot handheld products manufacturing facility in Holly Ridge, North Carolina.

The Company leases a 70,000 square foot handheld products manufacturing facility in Weston, Oregon which is leased through May 13, 2021.

The Company leases 84,000 square feet of office space in LaVergne (Nashville) Tennessee through February 2035 for its ICEE headquarters.

The Company leases a 39,000 square foot frozen juice treat and dessert manufacturing facility in Tampa, Florida which is leased through September 2023.

The Company also leases approximately 160 warehouse and distribution facilities in 44 states, Mexico and Canada.

Item 3. Legal Proceedings

The Company has no material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the Company or any of its subsidiaries is a party or of which any of their property is subject.

Item 4. Mine Safety Disclosures

Not Applicable

PART II

Item 5. Market For Registrant's Common Equity, Related Stockholder Matters And Issuer Purchases Of Equity Securities

The Company's common stock is traded on the NASDAQ Global Select Market under the symbol "JJSF." The following table sets forth the high and low sale price quotations as reported by NASDAQ and dividend information for the common stock for each quarter of the years ended September 28, 2019 and September 26, 2020.

	Common Stock Market Price		
	High	Low	Dividend Declared
Fiscal 2019			
First quarter	$ 162.80	$ 138.65	$ 0.50
Second quarter	162.84	138.40	0.50
Third quarter	167.50	150.61	0.50
Fourth quarter	196.84	159.63	0.50
Fiscal 2020			
First quarter	$ 195.72	$ 178.87	$ 0.575
Second quarter	189.16	105.67	0.575
Third quarter	143.69	117.90	0.575
Fourth quarter	142.64	115.00	0.575

As of September 26, 2020, we had approximately 26,000 beneficial shareholders.

In our fiscal year ended September 29, 2018, we purchased and retired 20,604 shares of our common stock at a cost of $2,794,027.

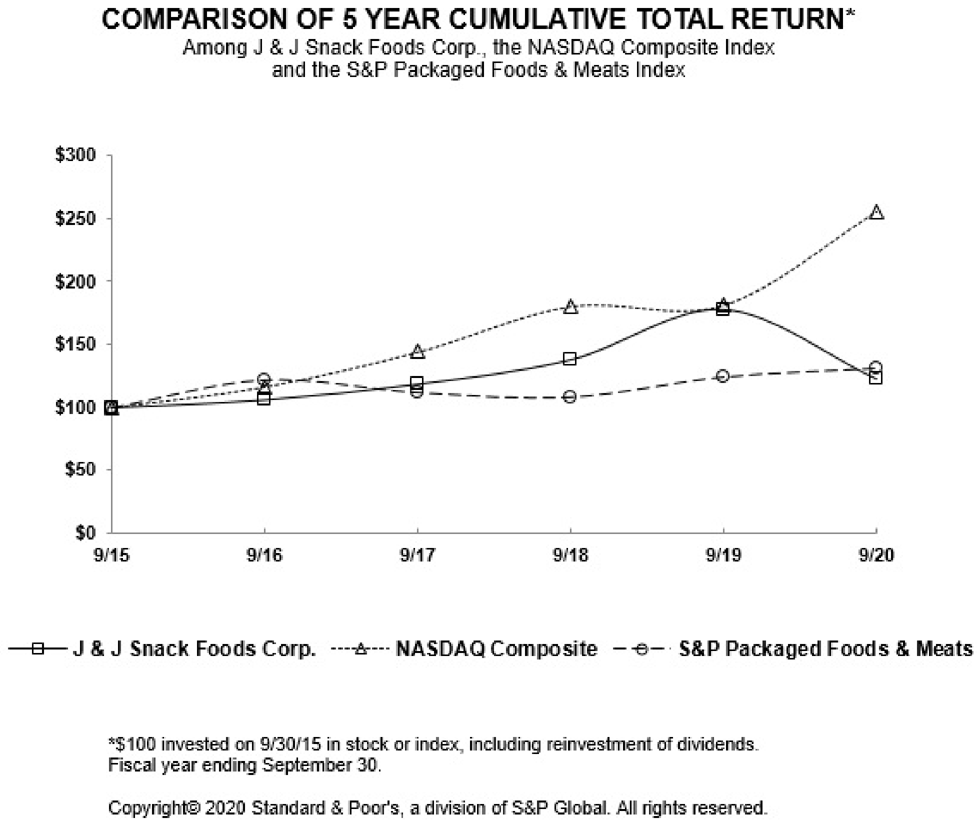
We did not purchase any shares of our common stock in our fiscal year ended September 28, 2019.

In our fiscal year ended September 26, 2020, we purchased and retired 65,648 shares of our common stock at a cost of $8,972,292, all of which was purchased in our second quarter.

A plan to purchase 500,000 shares was announced on November 8, 2012. 500,000 shares were purchased under this plan with the last purchase in August 2017. A plan to purchase 500,000 shares was announced on August 4, 2017 with no expiration date. 318,858 shares remain to be purchased under this plan.

For information on the Company's Equity Compensation Plans, please see Item 12 herein.

Stock Performance Graph



Item 6. Selected Financial Data

The selected financial data for the last five years was derived from our audited consolidated financial statements. The following selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes thereto, especially as the information pertains to fiscal 2018, 2019 and 2020.

	Fiscal year ended in September (In thousands except per share data)				
	2020	**2019**	**2018**	**2017**	**2016**
Net Sales	$ 1,022,038	$ 1,186,487	$ 1,138,265	$ 1,084,224	$ 992,781
Net Earnings	$ 18,305	$ 94,819	$ 103,596	$ 79,174	$ 75,975
Total Assets	$ 1,056,553	$ 1,019,339	$ 932,013	$ 867,228	$ 790,487
Long-Term Debt	$ -	$ -	$ -	$ -	$ -
Finance Lease Liabilities	$ 717	$ 1,057	$ 1,077	$ 1,244	$ 1,600
Stockholders' Equity	$ 809,498	$ 833,751	$ 759,091	$ 682,322	$ 637,974
Common Share Data					
Earnings Per Diluted Share	$ 0.96	$ 5.00	$ 5.51	$ 4.21	$ 4.05
Earnings Per Basic Share	$ 0.97	$ 5.04	$ 5.54	$ 4.23	$ 4.07
Common Shares Outstanding At Year End	18,915	18,895	18,754	18,663	18,668
Cash Dividends Declared Per Common Share	$ 2.30	$ 2.00	$ 1.80	$ 1.68	$ 1.56

Item 7. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

In addition to historical information, this document and analysis contains forward-looking statements. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements. Important factors that might cause such a difference include, but are not limited to, those discussed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations." Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. We undertake no obligation to publicly revise or update these forward-looking statements to reflect events or circumstances that arise after the date hereof.

Critical Accounting Policies, Judgments and Estimates

We prepare our financial statements in conformity with accounting principles generally accepted in the United States of America. The preparation of such financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of those financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Company discloses its significant accounting policies in the accompanying notes to its audited consolidated financial statements.

Judgments and estimates of uncertainties are required in applying the Company's accounting policies in certain areas. Following are some of the areas requiring significant judgments and estimates: revenue recognition, accounts receivable, cash flow and valuation assumptions in performing asset impairment tests of long-lived and intangible assets, estimates of the value and useful lives of intangible assets, insurance reserves, inventories and income taxes.

There are numerous critical assumptions that may influence accounting estimates in these and other areas. We base our critical assumptions on historical experience, third-party data and various other estimates we believe to be reasonable. A description of the aforementioned policies follows:

Revenue Recognition - We adopted the new revenue recognition guidance on the first day of our fiscal 2019 year using a modified retrospective approach; however, we did not record a cumulative-effect adjustment from initially applying the standard as the adoption did not have a material impact on our financial position or results of operations. We completed a review of customer contracts and evaluated the impact of the new standard on certain common practices currently employed by us. We also finalized our assessment of the impact on our accounting policies, processes, system requirements, internal controls and disclosures.

<u>When Performance Obligations Are Satisfied</u>
A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account for revenue recognition. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

The singular performance obligation of our customer contracts for product and machine sales is determined by each individual purchase order and the respective products ordered, with revenue being recognized at a point-in-time when the obligation under the terms of the agreement is satisfied and product control is transferred to our customer. Specifically, control transfers to our customers when the product is delivered to, installed or picked up by our customers based upon applicable shipping terms, as our customers can direct the use and obtain substantially all of the remaining benefits from the product at this point in time. The performance obligations in our customer contracts for product are generally satisfied within 30 days.

The singular performance obligation of our customer contracts for time and material repair and maintenance equipment service is the performance of the repair and maintenance with revenue being recognized at a point-in-time when the repair and maintenance is completed.

The singular performance obligation of our customer repair and maintenance equipment service contracts is the performance of the repair and maintenance with revenue being recognized over the time the service is expected to be performed. Our customers are billed for service contracts in advance of performance and therefore we have contract liability on our balance sheet.

Significant Payment Terms
In general, within our customer contracts, the purchase order identifies the product, quantity, price, pick-up allowances, payment terms and final delivery terms. Although some payment terms may be more extended, presently the majority of our payment terms are 30 days. As a result, we have used the available practical expedient and, consequently, do not adjust our revenues for the effects of a significant financing component.

Shipping
All amounts billed to customers related to shipping and handling are classified as revenues; therefore, we recognize revenue for shipping and handling fees at the time the products are shipped or when services are performed. The cost of shipping products to the customer is recognized at the time the products are shipped to the customer and our policy is to classify them as Distribution expenses.

Variable Consideration
In addition to fixed contract consideration, our contracts include some form of variable consideration, including sales discounts, trade promotions and certain other sales and consumer incentives, including rebates and coupon redemptions. In general, variable consideration is treated as a reduction in revenue when the related revenue is recognized. Depending on the specific type of variable consideration, we use the most likely amount method to determine the variable consideration. We believe there will be no significant changes to our estimates of variable consideration when any related uncertainties are resolved with our customers. We review and update our estimates and related accruals of variable consideration each period based on historical experience.

Warranties & Returns
We provide all customers with a standard or assurance type warranty. Either stated or implied, we provide assurance the related products will comply with all agreed-upon specifications and other warranties provided under the law. No services beyond an assurance warranty are provided to our customers.

We do not grant a general right of return. However, customers may return defective or non-conforming products. Customer remedies may include either a cash refund or an exchange of the product. We do not estimate a right of return and related refund liability as returns of our products are rare.

Contract Balances
Our customers are billed for service contracts in advance of performance and therefore we have contract liability on our balance sheet as follows:

	Fiscal Year Ended	
	September 26, 2020	**September 28, 2019**
	(in thousands)	
Beginning Balance	$ 1,334	$ 1,865
Additions to contract liability	5,526	6,308
Amounts recognized as revenue	(5,533)	(6,839)
Ending Balance	$ 1,327	$ 1,334

Disaggregation of Revenue
See Note O of the Notes to our Consolidated Financial Statements for disaggregation of our net sales by class of similar product and type of customer.

Allowance for Doubtful Receivables
We provide an allowance for doubtful receivables after taking into consideration historical experience and other factors. The allowance for doubtful receivables was $1,388,000 and $572,000 on September 26, 2020 and September 28, 2019, respectively. Our allowance has increased based on our assessment of collectability considering the impact of COVID-19 on some of our customers.

Accounts Receivable - We record accounts receivable at the time revenue is recognized. Bad debt expense is recorded in marketing and administrative expenses. The amount of the allowance for doubtful accounts is based on our estimate of the accounts receivable amount that is uncollectable. It is comprised of a general reserve based on historical experience and amounts for specific customers' accounts receivable balances that we believe are at risk due to our knowledge of facts regarding the customer(s). We continually monitor our estimate of the allowance for doubtful accounts and adjust it monthly. We have approximately 15 customers with accounts receivable balances of between $1 million to $10 million with one customer having a balance of approximately $15 million. Failure of these customers, and others with lesser balances, to pay us the amounts owed, could have a material impact on our consolidated financial statements.

Accounts receivable due from any of our customers is subject to risk. Our total bad debt expense was $1,105,000, $389,000 and $259,000 for the fiscal years 2020, 2019 and 2018, respectively. At September 26, 2020 and September 28, 2019, our accounts receivable were $126,587,000 and $140,938,000 net of an allowance for doubtful accounts of $1,388,000 and $572,000.

Asset Impairment – We have three reporting units with goodwill totaling $121,833,000 as of September 26, 2020. Goodwill is evaluated annually by the Company for impairment. We perform impairment tests at year end for our reporting units, which is also the operating segment level, with recorded goodwill utilizing primarily the discounted cash flow method. This methodology used to estimate the fair value of the total Company and its reporting units requires inputs and assumptions (i.e. revenue growth, operating profit margins, capital spending requirements and discount rates) that reflect current market conditions. The estimated fair value of each reporting unit is compared to the carrying value of the reporting unit. If the carrying value of the reporting unit exceeds its fair value, the goodwill of the reporting unit is potentially impaired, and the Company then determines the implied fair value of goodwill, which is compared to the carrying value of goodwill to determine if impairment exists. Our tests at September 26, 2020 show that the fair value of each of our reporting units with goodwill exceeded its carrying value. Therefore no further analysis was required. The inputs and assumptions used involve considerable management judgment and are based upon assumptions about expected future operating performance. Assumptions used in these forecasts are consistent with internal planning. The actual performance of the reporting units could differ from management's estimates due to changes in business conditions, operating performance, economic conditions, competition and consumer preferences.

Licenses and rights, customer relationships and non- compete agreements are being amortized by the straight-line method over periods ranging from 2 to 20 years and amortization expense is reflected throughout operating expenses. Long-lived assets, including fixed assets and amortizing intangibles, are reviewed for impairment as events or changes in circumstances occur indicating that the carrying amount of the asset may not be recoverable. Indefinite lived intangibles are reviewed annually for impairment. Cash flow and sales analyses are used to assess impairment. The estimates of future cash flows and sales involve considerable management judgment and are based upon assumptions about expected future operating performance. Assumptions used in these forecasts are consistent with internal planning. The actual cash flows and sales could differ from management's estimates due to changes in business conditions, operating performance, economic conditions, competition and consumer preferences.

Useful Lives of Intangible Assets - Most of our trade names which have carrying value have been assigned an indefinite life and are not amortized because we plan to receive the benefit from them indefinitely. If we decide to curtail or eliminate the use of any of the trade names or if sales that are generated from any particular trade name do not support the carrying value of the trade name, then we would record impairment or assign an estimated useful life and amortize over the remaining useful life. Rights such as prepaid licenses and non-compete agreements are amortized over contractual periods. The useful lives of customer relationships are based on the discounted cash flows expected to be received from sales to the customers adjusted for an attrition rate. The loss of a major customer or declining sales in general could create an impairment charge.

Insurance Reserves - We have a self-insured medical plan which covers approximately 1,600 of our employees. We record a liability for incurred but not yet reported or paid claims based on our historical experience of claims payments and a calculated lag time period. We maintain a spreadsheet that includes claims payments made each month according to the date the claim was incurred. This enables us to have an historical record of claims incurred but not yet paid at any point in the past. We then compare our accrued liability to the more recent claims incurred but not yet paid amounts and adjust our recorded liability up or down accordingly. Our recorded liability at September 26, 2020 and September 28, 2019 was $1,737,000 and $1,392,000, respectively. Considering that we have stop loss coverage of $200,000 for each individual plan subscriber, the general consistency of claims payments and the short time lag, we believe that there is not a material exposure for this liability. Because of the foregoing, we do not engage a third party actuary to assist in this analysis.

We self-insure, up to loss limits, worker's compensation, automobile and general liability claims. Accruals for claims under our self-insurance program are recorded on a claims-incurred basis. Under this program, the estimated liability for claims incurred but unpaid in fiscal years 2020 and 2019 was $5,300,000 and $3,300,000, respectively. Our total recorded liability for all years' claims incurred but not yet paid was $12,800,000 and $8,700,000 at September 26, 2020 and September 28, 2019, respectively. We estimate the liability based on total incurred claims and paid claims adjusting for loss development factors which account for the development of open claims over time. We estimate the amounts we expect to pay for some insurance years by multiplying incurred losses by a loss development factor which is based on insurance industry averages and the age of the incurred claims; our estimated liability is then the difference between the amounts we expect to pay and the amounts we have already paid for those years. Loss development factors that we use range from 1.0 to 2.0. However, for some years, the estimated liability is the difference between the amounts we have already paid for that year and the maximum we could pay under the program in effect for that particular year because the calculated amount we expect to pay is higher than the maximum. For other years, where there are few claims open, the estimated liability we record is the amount the insurance company has reserved for those claims. We evaluate our estimated liability on a continuing basis and adjust it accordingly. Due to the multi-year length of these insurance programs, there is exposure to claims coming in lower or higher than anticipated; however, due to constant monitoring and stop loss coverage of $350,000 on individual claims, we believe our exposure is not material. Because of the foregoing, we do not engage a third party actuary to assist in this analysis. In connection with these self-insurance agreements, we customarily enter into letters of credit arrangements with our insurers. At both September 26, 2020 and September 28, 2019, we had outstanding letters of credit totaling $9,275,000.

Inventories - Inventories are valued at the lower of cost (determined by the first-in, first-out method) or net realizable value. We recognize abnormal amounts of idle facilities, freight, handling costs, and spoilage as charges of the current period. Additionally, we allocate fixed production overhead to inventories based on the normal capacity of our production facilities. We calculate normal capacity as the production expected to be achieved over a number of periods or seasons under normal circumstances, taking into account the loss of capacity resulting from planned maintenance. This requires us to use judgment to determine when production is outside the range of expected variation in production (either abnormally low or abnormally high). In periods of abnormally low production (for example, periods in which there is significantly lower demand, labor and material shortages exist, or there is unplanned equipment downtime) the amount of fixed overhead allocated to each unit of production is not increased. However, in periods of abnormally high production the amount of fixed overhead allocated to each unit of production is decreased to assure inventories are not measured above cost.

Income Taxes - We account for our income taxes under the liability method. Under the liability method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates that will be in effect when these differences reverse. Deferred tax expense is the result of changes in deferred tax assets and liabilities.

Refer to Note A to the accompanying consolidated financial statements for additional information on our accounting policies.

RESULTS OF OPERATIONS:

Fiscal Year 2020 (52 weeks) Compared to Fiscal Year 2019 (52 weeks)

Net sales decreased $164,449,000, or 14%, to $1,022,038,000 in fiscal 2020 from $1,186,487,000 in fiscal 2019. Excluding sales from the acquisition of ICEE Distributors in October 2019 and BAMA ICEE in February 2020, sales decreased 15% for the year. Sales for our fourth quarter improved to being down approximately 19% from a year ago compared to being down 34% from a year ago in our third quarter as parts of the economy that impact our operations continue to open up. Approximately 2/3 of the Company's sales are to venues and locations that have shut down or sharply curtailed their foodservice operations, and therefore we anticipate COVID-19 will continue to have a negative impact on our business. As we have $278 million of cash and marketable securities on our balance sheet, up from $267 million at March 28, 2020, we do not expect to have any liquidity issues, nor do we anticipate a material amount of our assets would be impaired.

We have three reportable segments, as disclosed in the accompanying notes to the consolidated financial statements: Food Service, Retail Supermarkets and Frozen Beverages.

The Chief Operating Decision Maker for Food Service and Retail Supermarkets and the Chief Operating Decision Maker for Frozen Beverages monthly review detailed operating income statements and sales reports in order to assess performance and allocate resources to each individual segment. Sales and operating income are the key variables monitored by the Chief Operating Decision Makers and management when determining each segment's and the Company's financial condition and operating performance. In addition, the Chief Operating Decision Makers review and evaluate depreciation, capital spending and assets of each segment on a quarterly basis to monitor cash flow and asset needs of each segment.

FOOD SERVICE

Sales to food service customers decreased $117,094,000, or 16%, to $618,893,000 in fiscal 2020. Soft pretzel sales to the food service market decreased 28% to $150,786,000 for the year. Frozen juice bar and ices sales decreased $8,496,000, or 19%, to $35,176,000 for the year. Churro sales to food service customers were down 29% to $46,881,000 for the year. Sales of bakery products decreased $26,506,000, or 7%, to $332,514,000 for the year. Handheld sales to food service customers were up 14% to $36,088,000 in 2020 with sales of a new product to a warehouse club store customer accounting for all of the increase. Sales of funnel cake decreased $8,170,000, or 33% to $16,623,000. Sales were down across all product lines except handhelds as many of the venues and locations where our products are sold had been shut down or operated at reduced capacity for some or all of the third and fourth quarters due to COVID-19.

Sales of new products in the first twelve months since their introduction were approximately $5 million for the year. Operating income in our Food Service segment decreased from $76,546,000 in 2019 to $6,458,000 in 2020 primarily because of lower production and sales volume due to COVID-19. This year's operating income was impacted by plant shutdown impairment costs of $6,387,000 for the shutdown of one of our manufacturing plants. We expect to reduce manufacturing overhead and distribution costs by about $7-8 million annually as a result of this plant closure. This year also included approximately $6 million of costs for employee safety and increased COVID-19 compensation as well as increased expense of about $3.5 million for accounts receivable allowances and inventory losses due to the impact of COVID-19 on some of our customers and on sales of some of our products.

RETAIL SUPERMARKETS

Sales of products to retail supermarkets increased $32,573,000 or 23% to $177,165,000 in fiscal year 2020. Soft pretzel sales to retail supermarkets were $49,157,000, an increase of $12,893,000, or 36%, from sales in 2019. Sales of frozen juices and ices increased $14,992,000 or 20% to $88,743,000. Sales of biscuits and dumplings increased 12% to $28,317,000 for the year. Coupon redemption costs, a reduction of sales, of $3,569,000 were down less than 1 % from 2019. Handheld sales to retail supermarket customers increased 13% to $12,303,000 for the year. Sales were generally higher for all product lines as sales in the year ago periods were impacted by lost volume and placements due the price increases implemented in last year's first quarter and because of increased sales to supermarkets generally since mid-March 2020 due to COVID-19.

Sales of new products in the first twelve months since their introduction were approximately $1 million in fiscal year 2020. Operating income in our Retail Supermarkets segment increased from $10,460,000 to $23,202,000 for the year primarily due to higher volume.

FROZEN BEVERAGES

Total frozen beverage segment sales decreased 26% to 225,980,000 in fiscal 2020 and beverage sales decreased 38% or $64,816,000 for the year. Excluding sales from the acquisition of ICEE Distributors in October 2019 and BAMA ICEE in February 2020, total frozen beverage segment sales decreased 30% for the year and beverage sales decreased 45% for the year. Gallon sales were down 41% from last year exclusive of ICEE Distributors' gallons. Service revenue decreased 3% to $83,420,000 for the year with sales increases and decreases spread throughout our customer base with additional sales to existing customers and to new customers to largely offset declines in sales business to customers due to COVID-19. Machines revenue, primarily sales of machines, decreased from $45,811,000 in 2019 to $33,986,000 in 2020 with the decrease due to two significant install projects during the prior fiscal year, as well as the slowdown due to COVID-19. Sales are down across all product lines as many of the venues and locations where our products are sold have been shut down or operating at reduced capacity for some or all of the third and fourth quarters due to COVID-19.

The estimated number of Company owned frozen beverage dispensers was 27,000 and 26,000 at September 26, 2020 and September 28, 2019, respectively. Our Frozen Beverage segment had an operating loss of $12,466,000 in 2020 compared to operating income of $29,950,000 in 2019 primarily as a result of lower sales volume due to COVID-19. This year's operating income was also impacted by relocation costs of our ICEE's headquarters of $2.5 million.

CONSOLIDATED

Other than as commented upon above by segment, there are no material specific reasons for the reported sales increases or decreases. Sales levels can be impacted by the appeal of our products to our customers and consumers and their changing tastes, competitive and pricing pressures, sales execution, marketing programs, seasonal weather, customer stability and general economic conditions.

Gross profit as a percentage of sales decreased to 23.33% in 2020 from 29.53% in 2019. Gross profit percentage decreased because of lower volume in our food service and frozen beverages segments, higher costs related to production disruptions due to volume mix changes, expenses related to employee safety and increased COVID-19 compensation and increased cost compared to last year of about $4.5 million for the writedown and disposal of inventory.

Total operating expenses decreased $12,212,000 to $221,233,000 in fiscal 2020 but as a percentage of sales increased to 21.64% of sales from 19.68% in 2019. Operating expenses this year included $6,387,000 of plant shutdown impairment costs for the shutdown of one of our manufacturing plants. Marketing and selling expenses increased to 8.31% this year from 8.13% of sales in 2019. Distribution expenses as a percent of sales increased to 9.08% from 8.00% in 2019. Administrative expenses were 3.60% and 3.43% of sales in 2020 and 2019, respectively. The percentage increases mentioned above were because of the drop in sales (lower denominators) and our inability to reduce expenses in line with the decrease in sales because of fixed costs that do not fluctuate with sales.

Operating income decreased $99,762,000 or 85% to $17,194,000 in fiscal year 2020 as a result of the aforementioned items.

Our investments generated before tax income of $4,356,000 million this year, down from $7,741,000 last year due to decreases in the amount of investments and lower interest rates.

Other income in 2019 includes a $2.0 million payment received from a customer due to cancellation of production under a co-manufacturing agreement.

Other income in 2018 includes $520,000 gain on a sale of property and $869,000 reimbursement of business interruption losses due to the MARY B's biscuits recall in January 2018.

Net earnings in 2019 benefitted by a reduction of approximately $900,000 in tax as the provision for the one-time repatriation tax under the Tax Cuts and Jobs Act recorded in 2018 was reduced as the amount recorded in 2018 was an estimate. Excluding the reduction in the provision for the one-time repatriation tax, our effective tax rate was 25.8% for 2019. Net earnings for the 2020 year benefited from a reduction in income tax expense related to state taxes of approximately $2.2 million. Excluding this benefit, our effective tax rate in our fiscal 2020 year was 25.0%.

Net earnings decreased $76,514,000 or 81%, in fiscal 2020 to $18,305,000, or $.96 per diluted share, from $94,819,000 or $5.00 per diluted share, in fiscal 2019 as a result of the aforementioned items.

There are many factors which can impact our net earnings from year to year and in the long run, among which are the supply and cost of raw materials and labor, insurance costs, factors impacting sales as noted above, the continuing consolidation of our customers, our ability to manage our manufacturing, marketing and distribution activities, our ability to make and integrate acquisitions and changes in tax laws and interest rates.

RESULTS OF OPERATIONS:

Fiscal 2019 (52 weeks) Compared to Fiscal Year 2018 (52 weeks)

In fiscal 2020, due to a change in management and the reporting of our MARY B's biscuit operations, which had sales and operating income of $25,316,000 and $1,584,000, respectively, in our 2019 fiscal year, we have reclassified the operations from our Food Service segment to our Retail Supermarket segment. The amounts below have not been adjusted to reflect this reclassification.

Net sales increased $48,222,000, or 4%, to $1,186,487,000 in fiscal 2019 from $1,138,265,000 in fiscal 2018.

We have three reportable segments, as disclosed in the accompanying notes to the consolidated financial statements: Food Service, Retail Supermarkets and Frozen Beverages.

The Chief Operating Decision Maker for Food Service and Retail Supermarkets and the Chief Operating Decision Maker for Frozen Beverages monthly review detailed operating income statements and sales reports in order to assess performance and allocate resources to each individual segment. Sales and operating income are the key variables monitored by the Chief Operating Decision Makers and management when determining each segment's and the Company's financial condition and operating performance. In addition, the Chief Operating Decision Makers review and evaluate depreciation, capital spending and assets of each segment on a quarterly basis to monitor cash flow and asset needs of each segment.

FOOD SERVICE

Sales to food service customers increased $15,659,000, or 2 percent, to $761,603,000 in fiscal 2019. Soft pretzel sales to the food service market increased about 1/3 of 1 percent to $209,227,000 for the year with higher sales to convenience store chains offset by lower sales to restaurant chains and with sales increases and decreases throughout our customer base. Our line of BRAUHAUS pretzels contributed to the increased sales. Frozen juice bar and ices sales increased $1,308,000, or 3%, to $43,672,000 for the year due primarily to higher sales to warehouse club stores. Churro sales to food service customers were up 7% to $65,976,000 for the year with sales increases and decreases across our customer base but with particularly strong sales to warehouse club stores. Sales of bakery products increased $13,245,000, or 4%, to $384,636,000 for the year with increased sales to one customer accounting for all of the increase. Handheld sales to food service customers were down 19% to $31,685,000 in 2019 with sales decreases to three customers accounting for all of the decrease. Sales of funnel cake increased $3,223,000, or 15% to $24,793,000 due primarily to increased sales to a quick service restaurant under a limited time offer in our second quarter. Overall food service sales to restaurant chains were down about 2% for the year. Sales of new products in the first twelve months since their introduction were approximately $13.5 million for the year. Price increases accounted for approximately $15 million of sales for the year and net volume including new product sales were essentially flat. Operating income in our Food Service segment increased from $74,056,000 in 2018 to $78,130,000 in 2019 resulting from benefits of improved operations at several of our manufacturing facilities and increased pricing.

RETAIL SUPERMARKETS

Sales of products to retail supermarkets decreased $1,663,000 or 1% to $119,276,000 in fiscal year 2019. Soft pretzel sales to retail supermarkets were $36,264,000 compared to $36,438,000 in 2018. Strong pretzel sales increases from sales of AUNTIE ANNE'S products were offset by lower sales of our SUPER PRETZEL products. Sales of frozen juices and ices decreased $684,000 or 1% to $73,751,000 as we lost some volume and placements due to price increases. Coupon redemption costs, a reduction of sales, decreased 19% to $3,596,000 for the year. Handheld sales to retail supermarket customers decreased 12% to $10,902,000 for the year as sales of this product line in retail supermarkets continues its long-term decline.

Sales of new products in the first twelve months since their introduction were approximately $1 million in fiscal year 2019. Price increases provided about $4 million of sales for the year and net volume decreased about $5.5 million for the year. Operating income in our Retail Supermarkets segment increased from $8,304,000 to $8,876,000 for the year. The primary contribution to the higher operating income this year was increased pricing.

FROZEN BEVERAGES

Frozen beverage and related product sales increased 13% to $305,608,000 in fiscal 2019. Beverage sales alone increased 7% or $10,883,000 for the year with increases and decreases throughout our customer base. About one third of the beverage sales increase was from increased flow through sales to one distributor which did not benefit operating income. Gallon sales were up 3% in our base ICEE business, with sales increases spread throughout our customer base. Service revenue increased 8% to $85,103,000 for the year with sales increases and decreases spread throughout our customer base. Machines revenue, primarily sales of machines, increased from $28,652,000 in 2018 to $45,811,000 in 2019 with sales to two customers accounting for most of the increase. The estimated number of Company owned frozen beverage dispensers was 26,000 and 25,000 at September 28, 2019 and September 29, 2018, respectively. Operating income in our Frozen Beverage segment increased from $28,415,000 in 2018 to $29,950,000 in 2019 as a result of higher sales.

CONSOLIDATED

Other than as commented upon above by segment, there are no material specific reasons for the reported sales increases or decreases. Sales levels can be impacted by the appeal of our products to our customers and consumers and their changing tastes, competitive and pricing pressures, sales execution, marketing programs, seasonal weather, customer stability and general economic conditions.

Gross profit as a percentage of sales was essentially unchanged at 29.53% in 2019 and 29.54% in 2018 as the benefits of improved operations at several of our manufacturing facilities and increased pricing were offset by increases in lower margin sales of machines in our frozen beverages segment and increases in lower margin sales of bakery products in our food service segment.

Total operating expenses increased $7,934,000 to $233,445,000 in fiscal 2019 and as a percentage of sales decreased to 19.68% of sales from 19.81% in 2018. Marketing expenses decreased to 8.13% this year from 8.38% of sales in 2018 because of modest spending increases in all of our businesses. Distribution expenses as a percent of sales decreased to 8.00% from 8.11% in 2018 because freight rates have dropped from last year. Administrative expenses were 3.43% and 3.32% of sales in 2019 and 2018, respectively.

Operating income increased $6,181,000 or 6% to $116,956,000 in fiscal year 2019 as a result of the aforementioned items.

Our investments generated before tax income of $7.7 million this year, up from $6.3 million last year due to increases in the amount of investments and higher interest rates.

Other income in 2019 includes a $2.0 million payment received from a customer due to cancellation of production under a co-manufacturing agreement.

Other income in 2018 includes $520,000 gain on a sale of property and $869,000 reimbursement of business interruption losses due to the MARY B's biscuits recall in January 2018.

Other expenses in 2017 include $1,070,000 of expenses incurred to acquire Hill & Valley, the ICEE distributor and Labriola Bakery.

Net earnings for the year ended September 29, 2018 benefited from a $20.7 million gain, or $1.11 per diluted share, on the remeasurement of deferred tax liabilities and a $8.8 million, or $0.47 per diluted share, reduction in income taxes related primarily to the lower corporate tax rate enacted under the Tax Cuts and Jobs Act in December 2017 which was partially offset by a $1.2 million, or $.06 per diluted share, provision for the one time repatriation tax, both of which resulted from the Tax Cuts and Jobs Act enacted in December 2017. Net earnings for the year were also impacted by a $1.4 million, or $.07 per diluted share, expense on the remeasurement of deferred tax liabilities due to changes in New Jersey tax regulations effective July 2018. Excluding the deferred tax gain, the deferred tax expense and the one-time repatriation tax, our effective tax rate was 27.7% in the year ended September 29, 2018. Net earnings this year benefitted by a reduction of approximately $900,000 in tax as the provision for the one-time repatriation tax was reduced as the amount recorded last year was an estimate. Excluding the reduction in the provision for the one-time repatriation tax, our effective tax rate was 25.8% for this year.

Net earnings decreased $8,777,000 or 8%, in fiscal 2019 to $94,819,000, or $5.00 per diluted share, from $103,596,000, or $5.51 per diluted share, in fiscal 2018 as a result of the aforementioned items.

There are many factors which can impact our net earnings from year to year and in the long run, among which are the supply and cost of raw materials and labor, insurance costs, factors impacting sales as noted above, the continuing consolidation of our customers, our ability to manage our manufacturing, marketing and distribution activities, our ability to make and integrate acquisitions and changes in tax laws and interest rates.

RESULTS OF OPERATIONS

ACQUISITIONS

On December 30, 2016, we acquired Hill & Valley Inc., a premium bakery located in Rock Island, Illinois, for approximately $31 million. Hill & Valley, with sales of over $45 million annually, is a manufacturer of a variety of pre-baked cakes, cookies, pies, muffins and other desserts selling to retail in-store bakeries. Hill & Valley is a leading brand of Sugar Free and No Sugar Added pre-baked in-store bakery items. Additionally, Hill & Valley sustains strategic private labeling partnerships with retailers nationwide. Sales and operating income of Hill & Valley included in our 2017 fiscal year operating results were $35,770,000 and $653,000, respectively.

On May 22, 2017, we acquired an ICEE distributor doing business in Georgia and Tennessee for approximately $11 million. Sales and operating income of the acquired business included in our 2017 fiscal year operating results were $1,689,000 and $395,000, respectively.

On August 16, 2017, we acquired Labriola Baking Company, a premium bakery of breads and artisan soft pretzels located in Alsip, Illinois for approximately $6 million. Labriola Bakery, with sales of approximately $17 million annually, is a manufacturer of pre-baked breads, rolls and soft pretzels for retail in-store bakery and foodservice outlets nationwide. Sales of Labriola included in our 2017 fiscal year operating results were $2,061,000 with marginal operating income.

On October 1, 2019, we acquired the assets of ICEE Distributors LLC, based in Bossier City, Louisiana for approximately $45 million. ICEE Distributors does business in Arkansas, Louisiana and Texas with annual sales of approximately $13 million. Sales and operating income of ICEE Distributors were $11.4 million and $3.6 million for the year ended September 26, 2020.

On February 4, 2020, we acquired the assets of BAMA ICEE, based in Birmingham, Alabama for approximately $12 million. BAMA ICEE does business in Alabama and Georgia with annual sales of approximately $3.5 million. Sales and operating income of BAMA ICEE were $1.7 million and $630,000 for the year ended September 26, 2020.

These acquisitions were accounted for under the purchase method of accounting, and their operations are included in the accompanying consolidated financial statements from their respective acquisition dates.

LIQUIDITY AND CAPITAL RESOURCES

Although there are many factors that could impact our operating cash flow, most notably net earnings, we believe that our future operating cash flow, along with our borrowing capacity, our current cash and cash equivalent balances and our investment securities is sufficient to fund future growth and expansion. See Note C to our financial statements for a discussion of our investment securities.

Fluctuations in the value of the Mexican and Canadian currencies and the resulting translation of the net assets of our Mexican and Canadian subsidiaries caused an increase of $2,599,000 in accumulated other comprehensive loss in 2020, $909,000 in accumulated other comprehensive loss in 2019 and $2,738,000 in accumulated other comprehensive loss in 2018. In 2020, sales of the two subsidiaries were $15,421,000 as compared to $33,906,000 in 2019 and $32,459,000 in 2018. The sales decrease in 2020 was the result of COVID-19.

In our fiscal year ended September 29, 2018, we purchased and retired 20,604 shares of our common stock at a cost of $2,794,027.

We did not purchase any shares of our common stock in our fiscal year ended September 28, 2019.

In our fiscal year ended September 26, 2020, we purchased and retired 65,648 shares of our common stock at a cost of $8,972,292.

In November 2016, we entered into an amendment and modification to an amended and restated loan agreement with our existing banks which provides for up to a $50,000,000 revolving credit facility repayable in November 2021. The agreement contains restrictive covenants and requires commitment fees in accordance with standard banking practice. There were no outstanding balances under the facility at September 26, 2020 or at September 28, 2019. The significant financial covenants are:

- Tangible net worth must initially be more than $465 million.
- Total funded indebtedness divided by earnings before interest expense, income taxes, depreciation and amortization shall not be greater than 2.25 to 1.

We were in compliance with the financial covenants described above at September 26, 2020.

We self-insure, up to loss limits, certain insurable risks such as worker's compensation, automobile and general liability claims. Accruals for claims under our self-insurance program are recorded on a claims-incurred basis. Under this program, the estimated liability for claims incurred but unpaid in fiscal years 2020 and 2019 was $5,300,000 and $3,300,000, respectively. In connection with certain self-insurance agreements, we customarily enter into letters of credit arrangements with our insurers. At both September 26, 2020 and September 28, 2019, we had outstanding letters of credit totaling $9,275,000.

The following table presents our contractual cash flow commitments on long-term debt, operating leases and purchase commitments for raw materials and packaging. See Notes to the consolidated financial statements for additional information on our long-term debt and operating leases.

	Payments Due by Period (in thousands)				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long-term debt, including current maturities	$ -	$ -	$ -	$ -	$ -
Finance lease liabilities	717	349	247	121	-
Purchase commitments	75,000	75,000	-	-	-
Operating lease liabilities	68,560	13,906	22,412	12,713	19,529
Total	$ 144,277	$ 89,255	$ 22,659	$ 12,834	$ 19,529

The purchase commitments do not exceed our projected requirements over the related terms and are in the normal course of business.

Fiscal 2020 Compared to Fiscal 2019

Cash and cash equivalents and marketable securities held to maturity and available for sale decreased $64,886,000 or 19%, to $277,863,000 from a year ago for reasons described below.

Accounts receivables, net decreased $14,351,000, or 10%, to $126,587,000 in 2020 because of lower sales in this year's September month and timing of collections. Inventories decreased $7,242,000 or 6% to $108,923,000 in 2020 due to lower sales this year.

Prepaid expenses and other was $17,087,000 compared to $5,768,000 last year, as prepaid income tax increased by $11,552,000 as payments in the first six months were based on pre-COVID expectations.

Net property, plant and equipment increased $8,168,000 to $261,616,000 because purchases of property, plant and equipment for the improvement and expansion of our manufacturing capabilities and frozen carbonated beverage business and equipment of $6,573,000 acquired in the acquisitions in our frozen beverage segment exceeded depreciation on existing assets. Purchases of property, plant and equipment increased to $57,817,000 in 2020 from $57,128,000 in 2019, as we have completed and have ongoing several large projects across our manufacturing base to modernize our facilities to have state-of-the-art systems to produce high quality products, increase capacity and move some production closer to our customers. We are continually looking for opportunities to invest in projects at our manufacturing facilities that have a financial payback on capital invested with the goal of improving efficiency and reducing operating costs.

Goodwill increased to $121,833,000 from $102,511,000 in 2019 as $19,322,000 was acquired in the acquisitions in our frozen beverage segment.

Other intangible assets, less accumulated amortization increased $26,700,000 to $81,622,000 due to $29,902,000 acquired in the acquisitions in our frozen beverage segment, net of amortization.

Marketable securities available for sale and held to maturity decreased by $68,300,000 to $82,054,000 as we decreased our holdings of corporate bonds and available for sale securities primarily due to the decline in interest rates.

Accounts Payables increased 2% to $73,135,000 from $72,029,000 in 2019.

Accrued insurance liability increased 25% to $13,039,000 as our estimates for incurred but not yet paid claims under our group insurance and insurance liability programs increased from a year ago as our claims in 2020 were significantly higher than in prior years.

Accrued compensation expense decreased 24% to $16,134,000 due primarily to a decrease in our bonus accrual.

Dividends payable increased to $10,876,000 as our quarterly dividend payment increased to $.575/share from $.50/share.

Deferred income tax liabilities increased $2,493,000 to $64,413,000 from $61,920,000 because of increased liabilities related to depreciation of property and equipment.

Common stock increased $3,524,000 to $49,628,000 in 2020 because of proceeds from the exercise of incentive and nonqualified stock options and stock issued under our stock purchase plan for employees, stock issued under our deferred stock plan and share-based compensation expense exceeded buyback purchases of common stock of $8,972,000.

Net cash provided by operating activities decreased $55,356,000 to $92,143,000 in 2020 primarily because of a decrease in net earnings of $76,514,000.

Net cash used in investing activities increased $1,100,000 to $44,463,000 in 2020 from $43,363,000 in 2019 primarily because proceeds, net of purchases, of marketable securities of $67,123,000 in 2020 increased from proceeds, net of purchases, of marketable securities of $13,067,000 in 2019 which largely offset an increase in payments for purchases of companies of $56,056,000.

Net cash used in financing activities of $22,826,000 in 2019 increased to $43,464,000 in 2020 primarily because we had repurchases of common stock of $8,972,000 in 2020 compared to none in 2019 and our payments of cash dividends increased by $5,409,000.

In 2020, the major variables in determining our net increase in cash and cash equivalents and marketable securities were our decrease in net earnings, depreciation and amortization of fixed assets, changes in accounts receivable, accounts payable and accrued liabilities and changes in deferred tax liabilities, purchases of property, plant and equipment, payments for purchases of companies and payments of cash dividends and repurchases of common stock. Other variables which in the past have had a significant impact on our change in cash and cash equivalents and marketable securities are proceeds from borrowings and payments of long-term debt. As discussed in results of operations, our net earnings may be influenced by many factors. Depreciation and amortization of fixed assets is primarily determined by past purchases of property, plant and equipment although it could be impacted by a significant acquisition. Purchases of property, plant and equipment are primarily determined by our ongoing normal manufacturing and marketing requirements but could be increased significantly for manufacturing expansion requirements or large frozen beverage customer needs. We are actively seeking acquisitions that could be a significant use of cash. Although we have no long-term debt at September 26, 2020, we may borrow in the future depending on our needs.

Fiscal 2019 Compared to Fiscal 2018

Cash and cash equivalents and marketable securities held to maturity and available for sale increased $66,714,000 or 24%, to $342,749,000 from a year ago for reasons described below.

Accounts receivables, net increased $8,596,000, or 6%, to $140,938,000 in 2019 because of higher sales in this year's September month and timing of collections. Inventories increased $3,281,000 or 3% to $116,165,000 in 2019 due to higher sales this year and inventory build to support increased service revenue in our frozen beverages business.

Prepaid expenses and other was $5,768,000 compared to $5,044,000 last year, as prepaid income tax increased by $787,000.

Net property, plant and equipment increased $10,775,000 to $253,448,000 because purchases of property, plant and equipment for the improvement and expansion of our manufacturing capabilities and frozen carbonated beverage business exceeded depreciation on existing assets. Although purchases of property, plant and equipment decreased to $57,128,000 in 2019 from $60,022,000 in 2018, we have completed and have ongoing several large projects across our manufacturing base to modernize our facilities to have state-of-the-art systems to produce high quality products, increase capacity and move some production closer to our customers. We are continually looking for opportunities to invest in projects at our manufacturing facilities that have a financial payback on capital invested with the goal of improving efficiency and reducing operating costs.

Goodwill was $102,511,000 for fiscal year 2019 and $102,511,000 in 2018.

Other intangible assets, less accumulated amortization decreased $2,840,000 to $54,922,000 due to amortization during the year net of $480,000 of additions in our frozen beverage segment.

Marketable securities available for sale and held to maturity decreased by $14,202,000 to $150,354,000 as we decreased our holdings of corporate bonds and available for sale securities.

Accounts Payables increased 4% to $72,029,000 from $69,592,000 in 2018.

Accrued insurance liability decreased 7% to $10,457,000 as our estimates for incurred but not yet paid claims under our group insurance and insurance liability programs decreased from a year ago.

Accrued compensation expense increased 4% to $21,154,000 due to an increase in our bonus accrual.

Dividends payable increased to $9,447,000 as our quarterly dividend payment increased to $.50/share from $.45/share.

Deferred income tax liabilities increased $9,598,000 to $61,920,000 from $52,322,000 because of increased liabilities related to depreciation of property and equipment.

Common stock increased $18,404,000 to $45,744,000 in 2019 because of proceeds from the exercise of incentive and nonqualified stock options and stock issued under our stock purchase plan for employees, stock issued under our deferred stock plan and share-based compensation expense.

Net cash provided by operating activities increased $24,132,000 to $147,499,000 in 2019 primarily because of an increase of accounts payable and accrued liabilities of $2,150,000 compared to an decrease of $1,736,000 in 2018, an increase of $744,000 in prepaid expenses and other compared to an increase of prepaid expenses and other in 2018 of $1,120,000, and an increase in inventories of $3,231,000 compared to an increase of $9,639,000 in 2018.

Net cash used in investing activities decreased $29,776,000 to $43,363,000 in 2019 from $73,139,000 in 2018 primarily because proceeds, net of purchases, of marketable securities of $13,067,000 in 2019 compared to purchases, net of proceeds, of marketable securities of $15,810,000 in 2018.

Net cash used in financing activities of $27,336,000 in 2018 decreased to $22,826,000 in 2019 primarily because we did not repurchase any common stock in 2019 and proceeds from the issuance of common stock for stock option exercises was $5,288,000 higher in 2019 compared to 2018.

In 2019, the major variables in determining our net increase in cash and cash equivalents and marketable securities were our net earnings, depreciation and amortization of fixed assets, changes in accounts receivable, accounts payable and accrued liabilities and changes in deferred tax liabilities, purchases of property, plant and equipment and payments of cash dividends. Other variables which in the past have had a significant impact on our change in cash and cash equivalents and marketable securities are proceeds from borrowings, repurchases of our common stock, payments of long-term debt and purchases of companies. As discussed in results of operations, our net earnings may be influenced by many factors. Depreciation and amortization of fixed assets is primarily determined by past purchases of property, plant and equipment although it could be impacted by a significant acquisition. Purchases of property, plant and equipment are primarily determined by our ongoing normal manufacturing and marketing requirements but could be increased significantly for manufacturing expansion requirements or large frozen beverage customer needs. From time to time, we have repurchased common stock and we anticipate that we will do so again in the future. We are actively seeking acquisitions that could be a significant use of cash. Although we have no long-term debt at September 28, 2019, we may borrow in the future depending on our needs.

Off –Balance Sheet Arrangements

The Company has off-balance sheet arrangements for operating leases and purchase commitments as of September 26, 2020.

Item 7A. Quantitative And Qualitative Disclosures About Market Risk

The following is the Company's quantitative and qualitative analysis of its financial market risk:

Interest Rate Sensitivity

The Company has in the past entered into interest rate swaps to limit its exposure to interest rate risk and may do so in the future if the Board of Directors feels that such non-trading purpose is in the best interest of the Company and its shareholders. As of September 26, 2020, the Company had no interest rate swap contracts.

Interest Rate Risk

At September 26, 2020, the Company had no long-term debt obligations.

Purchasing Risk

The Company's most significant raw material requirements include flour, shortening, corn syrup, sugar, juice, cheese, chocolate, and a variety of nuts. The Company attempts to minimize the effect of future price fluctuations related to the purchase of raw materials primarily through forward purchasing to cover future manufacturing requirements, generally for periods from 1 to 12 months. Future contracts are not used in combination with forward purchasing of these raw materials. The Company's procurement practices are intended to reduce the risk of future price increases, but also may potentially limit the ability to benefit from possible price decreases.

Foreign Exchange Rate Risk

The Company has not entered into any forward exchange contracts to hedge its foreign currency rate risk as of September 26, 2020, because it does not believe its foreign exchange exposure is significant.

Item 8. Financial Statements And Supplementary Data

The financial statements of the Company are filed under this Item 8, beginning on page F-1 of this report.

Item 9. Changes In And Disagreements With Accountants On Accounting And Financial Disclosure

None.

Item 9A. Controls And Procedures

Disclosure Controls and Procedures

We carried out an evaluation under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"), as amended for financial reporting, as of September 26, 2020. Based on that evaluation, our chief executive officer and chief financial officer concluded that these controls and procedures are effective at a reasonable assurance level.

Our disclosure controls and procedures are designed 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 recorded, processed, summarized, and reported, within the time periods specified in the rules and forms of the SEC. These disclosure controls and procedures include, among other things, controls and procedures designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

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

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of our management and board of directors;

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of September 26, 2020. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the 2013 Internal Control-Integrated Framework.

Based on our assessment, our management believes that, as of September 26, 2020, our internal control over financial reporting is effective. There have been no changes that occurred during our fourth quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Our independent registered public accounting firm, Grant Thornton LLP, audited our internal control over financial reporting as of September 26, 2020. Their report, dated November 25, 2020, expressed an unqualified opinion on our internal control over financial reporting. That report appears in Item 15 of Part IV of this Annual Report on Form 10-K and is incorporated by reference to this Item 9A.

Item 9B. Other Information

There was no information required on Form 8-K during the quarter that was not reported.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following is a list of the executive officers of the Company and their principal past occupations or employment. All such persons serve at the pleasure of the Board of Directors and have been elected to serve until the Annual Meeting of Shareholders on February 10, 2021 or until their successors are duly elected.

Name	Age	Position
Gerald B. Shreiber	78	Chairman of the Board, Chief Executive Officer and Director
Ken A. Plunk	57	Senior Vice President and Chief Financial Officer and Treasurer
Dennis G. Moore	64	Senior Vice President and former Chief Financial Officer
Robert M. Radano	71	Senior Vice President, Sales and Chief Operating Officer
Dan Fachner	60	President
Robert J. Pape	63	Senior Vice President Sales

Gerald B. Shreiber is the founder of the Company and has served as its Chairman of the Board and Chief Executive Officer since its inception in 1971 and as President until Dan Fachner was named President of the Company in May 2020. His term as a director expires in 2025.

Ken A. Plunk joined the Company in September 2020 as Senior Vice President and Chief Financial Officer. Prior to joining the Company, Mr. Plunk held various senior positions with Walmart,Inc., The Home Depot and The Coca-Cola Company.

Dennis G. Moore joined the Company in 1984. He served in various controllership functions prior to becoming the Chief Financial Officer in June 1992. Mr. Plunk replaced Mr. Moore as Chief Financial Officer in September 2020 as Mr. Moore's retirement is pending.

Robert M. Radano joined the Company in 1972 and in May 1996 was named Chief Operating Officer of the Company. Prior to becoming Chief Operating Officer, he was Senior Vice President, Sales responsible for national food service sales of J & J.

Dan Fachner has been an employee of The ICEE Company, which was acquired by the Company in May 1987, since 1979. He was named Senior Vice President of The ICEE Company in April 1994 and became President of ICEE in May 1997. On May 4, 2020, he was appointed President of J & J Snack Foods Corp.

Robert J. Pape joined the Company in 1998. He served in various sales and sales management capacities prior to becoming Senior Vice President Sales in 2010.

Portions of the information concerning directors and executive officers, appearing under the captions "Information Concerning Nominees For Election To Board" and "Information Concerning Continuing Directors And Executive Officers" and information concerning Section 16(a) Compliance appearing under the caption "Compliance with Section 16(a) of the Securities Exchange Act of 1934" in the Company's Proxy Statement filed with the SEC in connection with the Annual Meeting of Shareholders to be held on February 10, 2021 ("2020 Proxy Statement") is incorporated herein by reference.

Portions of the information concerning the Audit Committee, the requirement for an Audit Committee Financial Expert and the Nominating Committee in the Company's 2020 Proxy Statement filed with the SEC in connection with the Annual Meeting of Shareholders to be held on February 10, 2021 is incorporated herein by reference.

The Company has adopted a Code of Ethics pursuant to Section 406 of the Sarbanes-Oxley Act of 2002, which applies to the Company's principal executive officer and senior financial officers. The Company has also adopted a Code of Business Conduct and Ethics which applies to all employees. The Company will furnish any person, without charge, a copy of the Code of Ethics upon written request to J & J Snack Foods Corp., 6000 Central Highway, Pennsauken, New Jersey 08109, Attn: Marjorie S. Roshkoff, Esq. A copy of the Code of Ethics can also be found on our website at www.jjsnack.com. Any waiver of any provision of the Code of Ethics granted to the principal executive officer or senior financial officer may only be granted by a majority of the Company's disinterested directors. If a waiver is granted, information concerning the waiver will be posted on our website www.jjsnack.com for a period of 12 months.

Item 11. Executive Compensation

Information concerning executive compensation appearing in the Company's 2020 Proxy Statement under the caption "Management Remuneration" is incorporated herein by reference.

Item 12. Security Ownership Of Certain Beneficial Owners And Management And Related Stockholder Matters

Information concerning the security ownership of certain beneficial owners and management appearing in the Company's 2020 Proxy Statement under the caption "Security Ownership of Certain Beneficial Owners and Management" is incorporated herein by reference.

The following table details information regarding the Company's existing equity compensation plans as of September 26, 2020.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstandng options, warrants and rights	(c) Number of Securities Remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	823,599	$ 130.23	766,000
Equity compensation plans not approved by security holders	-	-	-
Total	823,599	$ 130.23	766,000

Column A includes 347,000 from stock option plans that were replaced subsequent to September 30, 2017. Those plans have been replaced by a plan, approved by shareholders in February 2018, that has 454,000 shares available for future issuance as of the date of this Form 10-K.

Item 13. Certain Relationships And Related Transactions, and Director Independence

Information concerning the Certain Relationships and Related Transactions, and Director Independence in the Company's 2020 Proxy Statement is incorporated herein by reference.

Item 14. Principal Accountant Fees And Services

Information concerning the Principal Accountant Fees and Services in the Company's 2020 Proxy Statement is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of this Report:

(1) Financial Statements

The financial statements filed as part of this report are listed on the Index to Consolidated Financial Statements and Financial Statements Schedule on page F-1.

(2) Financial Statement Schedule – Page S-1

Schedule II – Valuation and Qualifying Accounts

All other schedules are omitted either because they are not applicable or because the information required is contained in the financial statements or notes thereto.

(b) Exhibits

3.1
Amended and Restated Certificate of Incorporation filed February 28, 1990 (Incorporated by reference from the Company's Form 10-Q dated May 4, 1990).

3.2
Revised Bylaws adopted November 19, 2013 (Incorporated by reference from the Company's Form 10-K dated November 26, 2013).

4.3
Amended and Restated Loan Agreement dated December 1, 2006 by and among J & J Snack Foods Corp. and Certain of its Subsidiaries and Citizens Bank of Pennsylvania, as Agent (Incorporated by reference from the Company's Form 10-K dated December 6, 2006).

4.4
First Amendment and Modification to Amended and Restated Loan Agreement (Incorporated by reference from the Company's Form 10-K dated December 7, 2011).

4.5
Fourth Amendment and Modification to Amended and Restated Loan Agreement (Incorporated by reference from the Company's Form 10-K dated November 21, 2016).

10.2*
J & J Snack Foods Corp. Stock Option Plan (Incorporated by reference from the Company's Definitive Proxy Statement dated December 22, 2017).

10.8*
J & J Snack Foods Corp. Employee Stock Purchase Plan (Incorporated by reference from the Company's Form S-8 dated May 16, 1996).

14.1
Code of Ethics Pursuant to Section 406 of the Sarbanes-Oxley Act of 2002 (Incorporated by reference from the Company's 10-Q dated July 20, 2004).

21.1**
Subsidiaries of J & J Snack Foods Corp.

23.1**
Consent of Independent Registered Public Accounting Firm.

31.1**

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2**

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.3**

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.4**

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1**

Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act of 2002.

32.2**

Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act of 2002.

32.3**

Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act of 2002.

32.4**

Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act of 2002.

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The following financial information from J&J Snack Foods Corp.'s Form 10-K for the year ended September 26, 2020, formatted in Inline XBRL (eXtensible Business Reporting Language):

(i) Consolidated Balance Sheets,
(ii) Consolidated Statements of Earnings,
(iii) Consolidated Statements of Comprehensive Income,
(iv) Consolidated Statements of Cash Flows,
(v) Consolidated Statement of Changes in Stockholders' Equity and
(vi) The Notes to the Consolidated Financial Statements

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Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

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*Compensatory Plan

**Filed Herewith

SIGNATURES

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

J & J SNACK FOODS CORP.

November 25, 2020

By: /s/ Gerald B. Shreiber
Gerald B. Shreiber,
Chairman of the Board,
Chief Executive Officer
and Director
(Principal Executive Officer)

November 25, 2020

By: /s/ Dan Fachner
Dan Fachner,
President
(Principal Executive Officer)

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

November 25, 2020

/s/ Gerald B. Shreiber
Gerald B. Shreiber,
Chairman of the Board,
Chief Executive Officer and Director
(Principal Executive Officer)

November 25, 2020

/s/ Dan Fachner
Dan Fachner,
President
(Principal Executive Officer)

November 25, 2020

/s/ Ken A. Plunk
Ken A. Plunk, Senior Vice
President and Chief Financial Officer
(Principal Financial Officer)

November 25, 2020

/s/ Dennis G. Moore
Dennis G. Moore, Senior Vice President
and former Chief Financial Officer
(Principal Financial Officer)
(Principal Accounting Officer)

November 25, 2020

/s/ Marjorie Shreiber Roshkoff
Marjorie Shreiber Roshkoff
Vice President, Secretary, In-House
Counsel and Director

November 25, 2020

/s/ Sidney R. Brown
Sidney R. Brown, Director

November 25, 2020

/s/ Peter G. Stanley
Peter G. Stanley, Director

November 25, 2020

/s/ Vincent A. Melchiorre
Vincent A. Melchiorre, Director

J & J SNACK FOODS CORP.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULE

Financial Statements:

Financial Statement Schedule:

Board of Directors and Shareholders
J&J Snack Foods Corp. and Subsidiaries

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of J&J Snack Foods Corp. (a New Jersey corporation) and subsidiaries (the "Company") as of September 26, 2020 and September 28, 2019, the related consolidated statements of earnings, comprehensive income, changes in shareholders' equity, and cash flows for each of the three fiscal years in the period ended September 26, 2020, and the related notes and financial statement schedule included under Item 15(a) (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of September 26, 2020 and September 28, 2019, and the results of its operations and its cash flows for each of the three fiscal years in the period ended September 26, 2020, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of September 26, 2020, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated November 25, 2020 expressed an unqualified opinion.

Basis for opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Net Revenue Adjustments

As described in Note A to the consolidated financial statements, contracts with customers include some form of variable consideration, including sales discounts, trade promotions and certain other sales and consumer incentives, including rebates and coupon redemption. Variable consideration is treated as a reduction in revenue when the related revenue is recognized, and is recorded using the most likely amount method, with updates to estimates and related accruals of variable consideration occurring each period based on historical experience and changes in circumstances.

We identified the estimation of the reserves for these net revenue adjustments by management as a critical audit matter because the inputs and assumptions utilized by management in estimating these reserves, including consistency of historical data and contract pricing, require significant judgment and create a high degree of estimation uncertainty. Consequently, auditing these assumptions requires subjective auditor judgment.

Our audit procedures related to the estimation of the reserves included the following, among others.

- We obtained an understanding of management's processes and controls over calculating the reserves for net revenue adjustments, including understanding relevant inputs and assumptions.
- We tested the design and operating effectiveness of key controls relating to the calculation of the reserves for net revenue adjustments, including key management review controls over the period-end accrual of allowances, end-user pricing adjustments, trade spending, coupon redemption costs, returned product and other adjustments.
- We re-performed management's process for calculating the reserves for net revenue adjustments.
- We evaluated key inputs and assumptions relevant to the net revenue adjustments, including contractual pricing and rebate arrangements with customers, historical allowance data and other contractual arrangements, which were compared to source documents.
- We considered transactions subsequent to year end occurring up to the date of our auditor's opinion, which involved inspecting customer contracts and relevant source documents submitted by customers in conjunction with the allowance, including end-user pricing adjustment, trade spending, coupon redemption, return or other adjustments.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 1984.

Philadelphia, Pennsylvania
November 25, 2020

Board of Directors and Shareholders
J&J Snack Foods Corp. and Subsidiaries

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of J&J Snack Foods Corp. (a New Jersey corporation) and subsidiaries (the "Company") as of September 26, 2020, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 26, 2020, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.
We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company as of and for the year ended September 26, 2020, and our report dated November 25, 2020 expressed an unqualified opinion on those financial statements.

Basis for opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and limitations of internal control over financial reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP

Philadelphia, Pennsylvania
November 25, 2020

J & J SNACK FOODS CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	September 26, 2020	September 28, 2019
Assets		
Current assets		
Cash and cash equivalents	$ 195,809	$ 192,395
Marketable securities held to maturity	51,151	51,091
Accounts receivable, net	126,587	140,938
Inventories	108,923	116,165
Prepaid expenses and other	17,087	5,768
Total current assets	499,557	506,357
Property, plant and equipment, at cost	717,261	676,724
Less accumulated depreciation and amortization	455,645	423,276
Property, plant and equipment, net	261,616	253,448
Other assets		
Goodwill	121,833	102,511
Other intangible assets, net	81,622	54,922
Marketable securities held to maturity	16,927	79,360
Marketable securities available for sale	13,976	19,903
Operating lease right-of-use assets	58,110	-
Other	2,912	2,838
Total other assets	295,380	259,534
Total Assets	$ 1,056,553	$ 1,019,339
Liabilities and Stockholders' Equity		
Current Liabilities		
Current finance lease liabilities	$ 349	$ 339
Accounts payable	73,135	72,029
Accrued insurance liability	13,039	10,457
Accrued liabilities	7,420	7,808
Current operating lease liabilities	13,173	-
Accrued compensation expense	16,134	21,154
Dividends payable	10,876	9,447
Total current liabilities	134,126	121,234
Noncurrent finance lease liabilities	368	718
Noncurrent operating lease liabilities	47,688	-
Deferred income taxes	64,413	61,920
Other long-term liabilities	460	1,716
Stockholders' Equity		
Preferred stock, $1 par value; authorized 10,000,000 shares; none issued	-	-
Common stock, no par value; authorized, 50,000,000 shares; issued and outstanding 18,915,000 and 18,895,000 respectively	49,268	45,744
Accumulated other comprehensive loss	(15,587)	(12,988)
Retained Earnings	775,817	800,995
Total stockholders' equity	809,498	833,751
Total Liabilities and Stockholders' Equity	$ 1,056,553	$ 1,019,339

The accompanying notes are an integral part of these statements.

J & J SNACK FOODS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(in thousands, except per share information)

	Fiscal Year Ended		
	September 26, 2020 (52 weeks)	**September 28, 2019 (52 weeks)**	**September 29, 2018 (52 weeks)**
Net Sales	$ 1,022,038	$ 1,186,487	$ 1,138,265
Cost of goods sold	783,611	836,086	801,979
Gross Profit	238,427	350,401	336,286
Operating expenses			
Marketing and selling	84,977	96,428	95,405
Distribution	92,759	94,888	92,281
Administrative	36,747	40,721	37,757
Plant shutdown impairment costs	6,387	-	-
Other expense	363	1,408	68
Total operating expenses	221,233	233,445	225,511
Operating Income	17,194	116,956	110,775
Other income (expenses)			
Investment income	4,356	7,741	6,267
Interest expense & other	(84)	1,880	1,110
Earnings before income taxes	21,466	126,577	118,152
Income taxes	3,161	31,758	14,556
NET EARNINGS	$ 18,305	$ 94,819	$ 103,596
Earnings per diluted share	$ 0.96	$ 5.00	$ 5.51
Weighted average number of diluted shares	19,032	18,959	18,817
Earnings per basic share	$ 0.97	$ 5.04	$ 5.54
Weighted average number of basic shares	18,901	18,812	18,694

The accompanying notes are an integral part of these statements.

J&J SNACK FOODS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Fiscal Year Ended		
	September 26, 2020 (52 weeks)	**September 28, 2019 (52 weeks)**	**September 29, 2018 (52 weeks)**
Net Earnings	$ 18,305	$ 94,819	$ 103,596
Foreign currency translation adjustments	(2,599)	(909)	(2,738)
Unrealized holding loss on marketable securities	-	-	(455)
Amount reclassified from accumulated other comprehensive income	-	-	74
Total Other Comprehensive (Loss) income, net of tax	(2,599)	(909)	(3,119)
Comprehensive Income	$ 15,706	$ 93,910	$ 100,477

The accompanying notes are an integral part of these statements.

J & J SNACK FOODS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock		Accumulated Other Comprehensive	Retained	
	Shares	Amount	Loss	Earnings	Total
Balance at September 30, 2017	18,663	$ 17,382	$ (8,875)	$ 673,815	$ 682,322
Issuance of common stock upon exercise of stock options	98	7,371	-	-	7,371
Issuance of common stock for employee stock purchase plan	13	1,523	-	-	1,523
Foreign currency translation adjustment	-	-	(2,738)	-	(2,738)
Unrealized holding gain on marketable securities	-	-	(381)	-	(381)
Issuance of common stock under deferred stock plan	1	97	-	-	97
Dividends declared	-	-	-	(33,666)	(33,666)
Share-based compensation	-	3,761	-	-	3,761
Repurchase of common stock	(21)	(2,794)	-	-	(2,794)
Net earnings	-	-	-	103,596	103,596
Balance at September 29, 2018	18,754	$ 27,340	$ (11,994)	$ 743,745	$ 759,091
Issuance of common stock upon exercise of stock options	128	12,658	-	-	12,658
Issuance of common stock for employee stock purchase plan	12	1,516	-	-	1,516
Foreign currency translation adjustment	-	-	(909)	-	(909)
Reclass from accumulated other comprehensive gain	-	-	(85)	85	-
Issuance of common stock under deferred stock plan	1	91	-	-	91
Dividends declared	-	-	-	(37,654)	(37,654)
Share-based compensation	-	4,139	-	-	4,139
Net earnings	-	-	-	94,819	94,819
Balance at September 28, 2019	18,895	$ 45,744	$ (12,988)	$ 800,995	$ 833,751
Issuance of common stock upon exercise of stock options	73	6,406	-	-	6,406
Issuance of common stock for employee stock purchase plan	12	1,495	-	-	1,495
Foreign currency translation adjustment	-	-	(2,599)	-	(2,599)
Issuance of common stock under deferred stock plan	1	91	-	-	91
Dividends declared	-	-	-	(43,483)	(43,483)
Share-based compensation	-	4,504	-	-	4,504
Repurchase of common stock	(66)	(8,972)	-	-	(8,972)
Net earnings	-	-	-	18,305	18,305
Balance as September 26, 2020	18,915	$ 49,268	$ (15,587)	$ 775,817	$ 809,498

The accompanying notes are an integral part of these statements.

J & J SNACK FOODS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Fiscal Year Ended		
	September 26, 2020 (52 weeks)	**September 28, 2019 (52 weeks)**	**September 29, 2018 (52 weeks)**
Operating activities:			
Net earnings	$ 18,305	$ 94,819	$ 103,596
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation of fixed assets	49,830	45,225	42,939
Amortization of intangibles and deferred costs	3,218	3,385	3,538
Gains from disposals of property & equipment	(303)	(347)	(912)
Plant shutdown impairment costs	6,387	-	-
Amortization of bond premiums	296	730	1,012
Share-based compensation	4,595	4,230	3,858
Deferred income taxes	2,622	9,637	(10,392)
Loss on sale of marketable securities	882	404	140
Changes in assets and liabilities, net of effects from purchase of companies:			
Decrease (increase) in accounts receivable, net	14,580	(8,759)	(7,917)
Decrease (increase) in inventories	7,877	(3,231)	(9,639)
Increase in prepaid expenses and other	(11,366)	(744)	(1,120)
(Decrease) increase in accounts payable and accrued liabilities	(4,780)	2,150	(1,736)
Net cash provided by operating activities	92,143	147,499	123,367
Investing activities:			
Payments for purchases of companies, net of cash acquired	(57,212)	(1,156)	-
Purchases of property, plant and equipment	(57,817)	(57,128)	(60,022)
Purchases of marketable securities	(6,103)	(26,091)	(91,112)
Proceeds from redemption and sales of marketable securities	73,226	39,158	75,302
Proceeds from disposal of property, plant and equipment	3,593	2,050	2,639
Other	(150)	(196)	54
Net cash used in investing activities	(44,463)	(43,363)	(73,139)
Financing activities:			
Payments to repurchase common stock	(8,972)	-	(2,794)
Proceeds from issuance of common stock	7,901	14,174	8,894
Payments on finance lease liabilities	(340)	(356)	(370)
Payment of cash dividend	(42,053)	(36,644)	(33,066)
Net cash used in financing activities	(43,464)	(22,826)	(27,336)
Effect of exchange rates on cash and cash equivalents	(802)	(394)	(2,375)
Net increase in cash and cash equivalents	3,414	80,916	20,517
Cash and cash equivalents at beginning of year	192,395	111,479	90,962
Cash and cash equivalents at end of year	$ 195,809	$ 192,395	$ 111,479

The accompanying notes are an integral part of these statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

J & J Snack Foods Corp. and Subsidiaries (the Company) manufactures, markets and distributes a variety of nutritional snack foods and beverages to the food service and retail supermarket industries. A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows. Our fiscal years 2020, 2019 and 2018 comprise 52 weeks.

1. Principles of Consolidation

The consolidated financial statements were prepared in accordance with U.S. GAAP. These financial statements include the accounts of J & J Snack Foods Corp. and its wholly-owned subsidiaries. Intercompany balances and transactions have been eliminated in the consolidated financial statements.

2. Revenue Recognition

On September 30, 2018, we adopted ASC 606, "Revenue from Contracts with Customers" and all the related amendments to ASC 606 in relation to all contracts that were not completed or expired as of September 30, 2018, using the modified retrospective method. There was no adjustment made to the opening balance of retained earnings as a result of applying ASC 606. Results for reporting periods beginning September 30, 2018 are presented under ASC 606, while the comparative information is not restated and will continue to be reported under the accounting standards in effect for those periods.

<u>When Performance Obligations Are Satisfied</u>
A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account for revenue recognition. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

The singular performance obligation of our customer contracts for product and machine sales is determined by each individual purchase order and the respective products ordered, with revenue being recognized at a point-in-time when the obligation under the terms of the agreement is satisfied and product control is transferred to our customer. Specifically, control transfers to our customers when the product is delivered to, installed or picked up by our customers based upon applicable shipping terms, as our customers can direct the use and obtain substantially all of the remaining benefits from the product at this point in time. The performance obligations in our customer contracts for product are generally satisfied within 30 days.

The singular performance obligation of our customer contracts for time and material repair and maintenance equipment service is the performance of the repair and maintenance with revenue being recognized at a point-in-time when the repair and maintenance is completed.

The singular performance obligation of our customer repair and maintenance equipment service contracts is the performance of the repair and maintenance with revenue being recognized over the time the service is expected to be performed. Our customers are billed for service contracts in advance of performance and therefore we have contract liability on our balance sheet.

<u>Significant Payment Terms</u>
In general, within our customer contracts, the purchase order identifies the product, quantity, price, pick-up allowances, payment terms and final delivery terms. Although some payment terms may be more extended, presently the majority of our payment terms are 30 days. As a result, we have used the available practical expedient and, consequently, do not adjust our revenues for the effects of a significant financing component.

<u>Shipping</u>
All amounts billed to customers related to shipping and handling are classified as revenues; therefore, we recognize revenue for shipping and handling fees at the time the products are shipped or when services are performed. The cost of shipping products to the customer is recognized at the time the products are shipped to the customer and our policy is to classify them as Distribution expenses.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Variable Consideration
In addition to fixed contract consideration, our contracts include some form of variable consideration, including sales discounts, trade promotions and certain other sales and consumer incentives, including rebates and coupon redemptions. In general, variable consideration is treated as a reduction in revenue when the related revenue is recognized. Depending on the specific type of variable consideration, we use the most likely amount method to determine the variable consideration. We believe there will be no significant changes to our estimates of variable consideration when any related uncertainties are resolved with our customers. We review and update our estimates and related accruals of variable consideration each period based on historical experience. Our recorded liability for allowances, end-user pricing adjustments and trade spending was approximately $14.3 million at September 26, 2020 and $14.8 million at September 28, 2019.

Warranties & Returns
We provide all customers with a standard or assurance type warranty. Either stated or implied, we provide assurance the related products will comply with all agreed-upon specifications and other warranties provided under the law. No services beyond an assurance warranty are provided to our customers.

We do not grant a general right of return. However, customers may return defective or non-conforming products. Customer remedies may include either a cash refund or an exchange of the product. We do not estimate a right of return and related refund liability as returns of our products are rare.

Contract Balances
Our customers are billed for service contracts in advance of performance and therefore we have contract liability on our balance sheet as follows:

	Fiscal Year Ended September 26, 2020	Fiscal Year Ended September 28, 2019
	(in thousands)	
Beginning Balance	$ 1,334	$ 1,865
Additions to contract liability	5,526	6,308
Amounts recognized as revenue	(5,533)	(6,839)
Ending Balance	$ 1,327	$ 1,334

Disaggregation of Revenue
See Note O for disaggregation of our net sales by class of similar product and type of customer.

Allowance for Doubtful Receivables
We provide an allowance for doubtful receivables after taking into consideration historical experience and other factors. The allowance for doubtful receivables was $1,388,000 and $572,000 at September 26, 2020 and September 28, 2019, respectively.

3. Foreign Currency

Assets and liabilities in foreign currencies are translated into U.S. dollars at the rate of exchange prevailing at the balance sheet date. Revenues and expenses are translated at the average rate of exchange for the period. The cumulative translation adjustment is recorded as a separate component of stockholders' equity and changes to such are included in comprehensive income.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. Cash Equivalents

Cash equivalents are short-term, highly liquid investments with original maturities of three months or less.

6. Concentrations and related risks

We maintain cash balances at financial institutions located in various states. We have cash balances at two banks totaling approximately $40 million that is in excess of FDIC insurance of $250,000 per bank.

Financial instruments that could potentially subject us to concentrations of credit risk are trade accounts receivable; however, such risks are limited due to the large number of customers comprising our customer base and their dispersion across geographic regions. We have approximately 16 customers with accounts receivable balances of between $1 million and $10 million and one customer with a balance of approximately $15 million.

We have several large customers that account for a significant portion of our sales. Our top ten customers accounted for 43%, 43% and 43% of our sales during fiscal years 2020, 2019 and 2018, respectively, with our largest customer accounting for 13% of our sales in 2020, 11% of our sales in 2019 and 9-1/2% of our sales in 2018. Three of the ten customers in 2020 are food distributors who sell our product to many end users.

About 28% of our employees are covered by collective bargaining agreements.

None of our vendors supplied more than 10% of our ingredients and packaging in 2020, 2019 or 2018.

Virtually all of our accounts receivable are due from trade customers. Credit is extended based on evaluation of our customers' financial condition and collateral is not required. Accounts receivable payment terms vary and are stated in the financial statements at amounts due from customers net of an allowance for doubtful accounts. At September 26, 2020 and September 28, 2019, our accounts receivable were $126,587,000 and $140,938,000, net of an allowance for doubtful accounts of $1,388,000 and $572,000. Accounts receivable outstanding longer than the payment terms are considered past due. We determine our allowance by considering a number of factors, including the length of time trade accounts receivable are past due, our previous loss history, customers' current ability to pay their obligations to us, and the condition of the general economy and the industry as a whole. We write off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

7. Inventories

Inventories are valued at the lower of cost (determined by the first-in, first-out method) or net realizable value. We recognize abnormal amounts of idle facilities, freight, handling costs, and spoilage as charges of the current period. Additionally, we allocate fixed production overhead to inventories based on the normal capacity of our production facilities. We calculate normal capacity as the production expected to be achieved over a number of periods or seasons under normal circumstances, taking into account the loss of capacity resulting from planned maintenance. This requires us to use judgment to determine when production is outside the range of expected variation in production (either abnormally low or abnormally high). In periods of abnormally low production (for example, periods in which there is significantly lower demand, labor and material shortages exist, or there is unplanned equipment downtime) the amount of fixed overhead allocated to each unit of production is not increased. However, in periods of abnormally high production the amount of fixed overhead allocated to each unit of production is decreased to assure inventories are not measured above cost.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Investment Securities

We classify our investment securities in one of three categories: held to maturity, trading, or available for sale. Our investment portfolio at September 26, 2020 consists of investments classified as held to maturity and available for sale. The securities that we have the positive intent and ability to hold to maturity are classified as held to maturity and are stated at amortized cost. Investments classified as available for sale are reported at fair market value with unrealized gains and losses related to the changes in fair value of the securities recognized in investment income. The mutual funds and preferred stock in our available for sale portfolio do not have contractual maturities; however, we classify them as long term assets as it is our intent to hold them for a period of over one year, although we may sell some or all of them depending on presently unanticipated needs for liquidity or market conditions. See Note C for further information on our holdings of investment securities.

9. Depreciation and Amortization

Depreciation of equipment and buildings is provided for by the straight-line method over the assets' estimated useful lives. We review our equipment and buildings to ensure that they provide economic benefit and are not impaired.

Amortization of leasehold improvements is provided for by the straight-line method over the term of the lease or the assets' estimated useful lives, whichever is shorter. Licenses and rights, customer relationships, non-compete agreements and certain tradenames are being amortized by the straight-line method over periods ranging from 2 to 20 years and amortization expense is reflected throughout operating expenses.

Long-lived assets, including fixed assets and amortizing intangibles, are reviewed for impairment as events or changes in circumstances occur indicating that the carrying amount of the asset may not be recoverable. Indefinite lived intangibles are reviewed annually for impairment. Cash flow and sales analyses are used to assess impairment. The estimates of future cash flows and sales involve considerable management judgment and are based upon assumptions about expected future operating performance. Assumptions used in these forecasts are consistent with internal planning. The actual cash flows and sales could differ from management's estimates due to changes in business conditions, operating performance, economic conditions, competition and consumer preferences.

10. Fair Value of Financial Instruments

The carrying value of our short-term financial instruments, such as accounts receivables and accounts payable, approximate their fair values, based on the short-term maturities of these instruments.

11. Income Taxes

We account for our income taxes under the liability method. Under the liability method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates that will be in effect when these differences reverse. Deferred tax expense is the result of changes in deferred tax assets and liabilities.

Additionally, we recognize a liability for income taxes and associated penalties and interest for tax positions taken or expected to be taken in a tax return which are more likely than not to be overturned by taxing authorities ("uncertain tax positions"). We have not recognized a tax benefit in our financial statements for these uncertain tax positions.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As of September 26, 2020 and September 28, 2019, the total amount of gross unrecognized tax benefits is $360,000 and $414,000; respectively, all of which would impact our effective tax rate over time, if recognized. We recognize interest and penalties related to income tax matters as a part of the provision for income taxes. We had $267,000 of accrued interest and penalties as of September 26, 2020 and $279,000 as of September 28, 2019. We recognized $12,000 of penalties and interest resulting from tax settlements in the year ended September 26, 2020 and none in September 28, 2019. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

		(in thousands)
Balance at September 29, 2019	$	414
Additions based on tax positions related to the current year		
Reductions for tax positions of prior years		-
Settlements		(54)
Balance at September 26, 2020	$	360

In addition to our federal tax return and tax returns for Mexico and Canada, we file tax returns in all states that have a corporate income tax. Virtually all the returns noted above are open for examination for three to four years.

Net earnings for the year ended September 29, 2018 benefited from a $20.7 million gain on the remeasurement of deferred tax liabilities and a $8.8 million reduction in income taxes related primarily to the lower corporate tax rate enacted under the Tax Cuts and Jobs Act in December 2017 which was partially offset by a $1.2 million provision for the one time repatriation tax, both of which resulted from the Tax Cuts and Jobs Act enacted in December 2017. Net earnings for the year were also impacted by a $1.4 million expense on the remeasurement of deferred tax liabilities due to changes in New Jersey tax regulations effective July 2018. Excluding the deferred tax gain, the deferred tax expense and the one-time repatriation tax, our effective tax rate was 27.7% in the year ended September 29, 2018. Net earnings in the year ended September 28, 2019 benefitted by a reduction of $885,000 in tax as the provision for the one-time repatriation tax was reduced as the amount recorded in 2018 was an estimate. Excluding the reduction in the provision for the one-time repatriation tax, our effective tax rate was 25.8% in 2019. Net earnings for the 2020 year benefited from a reduction in income tax expense related to state taxes of approximately $2.2 million. Excluding this benefit, our effective tax rate in our fiscal 2020 year was 25.0%.

12. Earnings Per Common Shares

Basic earnings per common share (EPS) excludes dilution and is computed by dividing income available to common shareholders by the weighted average common shares outstanding during the period. Diluted EPS takes into consideration the potential dilution that could occur if securities (stock options) or other contracts to issue common stock were exercised and converted into common stock.

Our calculation of EPS is as follows:

	Fiscal Year Ended September 26, 2020				
		Income (Numerator)	Shares (Denominator)		Per Share Amount
	(in thousands, except per share amounts)				
Earnings Per Basic Share					
Net Income available to common stockholders	$	18,305	18,901	$	0.97
Effect of Dilutive Securities					
Options		-	131		(0.01)
Earnings Per Diluted Share					
Net Income available to common stockholders plus assumed conversions	$	18,305	19,032	$	0.96

341,849 anti-dilutive shares have been excluded in the computation of 2020 diluted EPS.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

	Fiscal Year Ended September 28, 2019		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(in thousands, except per share amounts)		
Earnings Per Basic Share			
Net Income available to common stockholders	$ 94,819	18,812	$ 5.04
Effect of Dilutive Securities			
Options	-	147	(0.04)
Earnings Per Diluted Share			
Net Income available to common stockholders plus assumed conversions	$ 94,819	18,959	$ 5.00

162,070 anti-dilutive shares have been excluded in the computation of 2019 diluted EPS.

	Fiscal Year Ended September 29, 2018		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(in thousands, except per share amounts)		
Earnings Per Basic Share			
Net Income available to common stockholders	$ 103,596	18,694	$ 5.54
Effect of Dilutive Securities			
Options	-	123	(0.03)
Earnings Per Diluted Share			
Net Income available to common stockholders plus assumed conversions	$ 103,596	18,817	$ 5.51

1,000 anti-dilutive shares have been excluded in the computation of 2018 diluted EPS.

13. Accounting for Stock-Based Compensation

At September 26, 2020, the Company has three stock-based employee compensation plans. Share-based compensation was recognized as follows:

	Fiscal year ended		
	September 26, 2020	September 28, 2019	September 29, 2018
		(in thousands)	
Stock options	$ 2,874	$ 1,743	$ 1,432
Stock purchase plan	390	390	423
Stock issued to an outside director	66	66	64
Restricted stock issued to employees	-	-	4
Total share-based compensation	$ 3,330	$ 2,199	$ 1,923
The above compensation is net of tax benefits	$ 1,265	$ 2,030	$ 1,935

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

At September 26, 2020, the Company has unrecognized compensation expense of approximately $5.6 million to be recognized over the next three fiscal years.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes options-pricing model with the following weighted average assumptions used for grants in fiscal 2020, 2019 and 2018: expected volatility of 17.4% for fiscal year 2020, 17.2% for fiscal year 2019 and 17.4% for fiscal year 2018: weighted average risk-free interest rates of .3%, 2.1% and 2.7%; dividend rate of 1.8%, 1.2% and 1.3% and expected lives ranging between 5 and 10 years for all years. An expected forfeiture rate of 8% was used for 2020, 8% was used for 2019 and 10% was used for 2018.

Expected volatility is based on the historical volatility of the price of our common shares over the past 49 to 51 months for 5 year options and 10 years for 10 year options. We use historical information to estimate expected life and forfeitures within the valuation model. The expected term of awards represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Compensation cost is recognized using a straight-line method over the vesting or service period and is net of estimated forfeitures.

14. Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense was $6,461,000, $5,938,000 and $5,805,000 for the fiscal years 2020, 2019 and 2018, respectively.

15. Commodity Price Risk Management

Our most significant raw material requirements include flour, packaging, shortening, corn syrup, sugar, juice, cheese, chocolate, and a variety of nuts. We attempt to minimize the effect of future price fluctuations related to the purchase of raw materials primarily through forward purchasing to cover future manufacturing requirements, generally for periods from 1 to 12 months. As of September 26, 2020, we have approximately $75 million of such commitments. Futures contracts are not used in combination with forward purchasing of these raw materials. Our procurement practices are intended to reduce the risk of future price increases, but also may potentially limit the ability to benefit from possible price decreases. Our policy is to recognize estimated losses on purchase commitments when they occur. At each of the last three fiscal year ends, we did not have any material losses on our purchase commitments.

16. Research and Development Costs

Research and development costs are expensed as incurred. Total research and development expense was $680,000, $645,000 and $623,000 for the fiscal years 2020, 2019 and 2018, respectively.

17. Recent Accounting Pronouncements

In February 2016, the FASB issued guidance on lease accounting which requires that an entity recognize most leases on its balance sheet. The guidance retains a dual lease accounting model for purposes of income statement recognition, continuing the distinction between what are currently known as “capital” and “operating” leases for lessees. We adopted the guidance on September 29, 2019 using this alternate transition method, but we did not record a cumulative-effect adjustment from initially applying the standard. We elected the package of practical expedients that permits us not to reassess our prior conclusions about lease identification, lease classification and initial direct costs and made an accounting policy election to exclude short-term leases with an initial term of 12 months or less from our Consolidated Balance Sheets. We have completed the implementation of a lease accounting system to enable the preparation of financial information and have implemented relevant accounting policies and internal controls surrounding the lease accounting process. As a result of adoption, we recognized a right-of-use asset and lease liability of $71 million and $72 million, respectively. The right-of-use asset balance reflects the reclassification of deferred rent and prepaid rent against the initial asset. The adoption did not impact our results of operations or cash flows. See additional lease disclosures in Note R.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In June 2016, the FASB issued guidance to update the methodology used to measure current expected credit losses (CECL). This guidance applies to financial assets measured at amortized cost, including loans, held-to-maturity debt securities, net investments in leases, and trade accounts receivable as well as certain off-balance sheet credit exposures, such as loan commitments. This guidance replaces the current incurred loss impairment methodology with a methodology to reflect CECL and requires consideration of a broader range of reasonable and supportable information to explain credit loss estimates. The guidance must be adopted using a modified retrospective transition method through a cumulative-effect adjustment to retained earnings/(deficit) in the period of adoption. This guidance will be effective beginning in the first quarter of our fiscal year 2021. Early adoption is permitted. We are currently evaluating the impact this guidance will have on our financial statements and related disclosures.

18. Reclassifications

Certain prior year financial statement amounts have been reclassified to be consistent with the presentation for the current year.

NOTE B – ACQUISITIONS

On October 1, 2019, we acquired the assets of ICEE Distributors LLC, based in Bossier City, Louisiana. ICEE Distributors does business in Arkansas, Louisiana and Texas with annual sales of approximately $13 million. Sales and operating income of ICEE Distributors were $11.4 million and $3.6 million for the year ended September 26, 2020.

On February 4, 2020, we acquired the assets of BAMA ICEE, based in Birmingham, Alabama does business in Alabama and Georgia with annual sales of approximately $3.5 million. Sales and operating income of BAMA ICEE were $1.7 million and $630,000 for the year ended September 26, 2020.

The purchase price allocations for these two acquisitions are as follows:

	(in thousands)		
	ICEE Distributors	BAMA ICEE	Total
Accounts Receivable, net	$ 721	$ 71	$ 792
Inventories	866	77	943
Property, plant & equipment, net	4,851	1,722	6,573
Customer Relationships	569	133	702
Distribution rights	22,400	6,800	29,200
Goodwill	15,773	3,549	19,322
Accounts Payable	(210)	(110)	(320)
Purchase Price	$ 44,970	$ 12,242	$ 57,212

NOTE B – ACQUISITIONS (continued)

The goodwill and intangible assets acquired in the business combinations are recorded at estimated fair value. To measure fair value for such assets, we use techniques including discounted expected future cash flows (Level 3 input). The goodwill recognized is attributable to the assembled workforce of each acquired business and certain other strategic intangible assets that do not meet the requirements for recognition separate and apart from goodwill. Acquisition costs of $76,000 are included in other general expense for the year ended September 26, 2020.

Our unaudited proforma results, giving effect to these acquisitions and assuming an acquisition date of September 30, 2018, would have been:

	Fiscal Year Ended	
	September 26, 2020	September 28, 2019
Net Sales	$ 1,022,838	$ 1,201,804
Net Earnings	$ 18,303	$ 96,945

NOTE C – INVESTMENT SECURITIES

We have classified our investment securities as marketable securities held to maturity and available for sale. The FASB defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the FASB has established three levels of inputs that may be used to measure fair value:

Level 1 Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2 Observable inputs, other than Level 1 inputs in active markets, that are observable either directly or indirectly; and

Level 3 Unobservable inputs for which there is little or no market data, which require the reporting entity to develop its own assumptions.

Our marketable securities held to maturity and available for sale consist primarily of investments in mutual funds, preferred stock and corporate bonds. The fair values of mutual funds are based on quoted market prices in active markets and are classified within Level 1 of the fair value hierarchy. The fair values of preferred stock, corporate bonds and certificates of deposits are based on quoted prices for identical or similar instruments in markets that are not active. As a result, preferred stock, corporate bonds and certificates of deposits are classified within Level 2 of the fair value hierarchy.

The amortized cost, unrealized gains and losses, and fair market values of our marketable securities held to maturity at September 26, 2020 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
		(in thousands)		
Corporate Bonds	$ 68,078	$ 1,015	$ 32	$ 69,061
Total marketable securities held to maturity	$ 68,078	$ 1,015	$ 32	$ 69,061

NOTE C – INVESTMENT SECURITIES (continued)

The amortized cost, unrealized gains and losses, and fair market values of our marketable securities available for sale at September 26, 2020 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
	(in thousands)			
Mutual Funds	$ 3,588	$ -	$ 738	$ 2,850
Preferred Stock	11,596	116	586	11,126
Total marketable securities available for sale	$ 15,184	$ 116	$ 1,324	$ 13,976

The mutual funds seek current income with an emphasis on maintaining low volatility and overall moderate duration. The mutual funds presently generate income of about 5.0% per year. We have invested $11 million in Fixed-to-Floating Perpetual Preferred Stock which generates fixed income to call dates in 2020 and 2025 and then income is based on a spread above LIBOR if the securities are not called. The annual yield from these investments is presently 4.2%, of which 50% is not subject to income tax. The mutual funds and the Fixed-to-Floating Perpetual Preferred Stock investment securities do not have contractual maturities; however, we classify them as long term assets as it is our intent to hold them for a period of over one year, although we may sell some or all of them depending on presently unanticipated needs for liquidity or market conditions. We have invested $68 million in corporate bonds which generate fixed income to maturity dates in 2020 through 2022, with $51 million maturing prior to the end of our fiscal year 2021. The bonds presently generate income of about 2.8% per year based on purchase price. Our expectation is that we will hold the corporate bonds to their maturity dates and redeem them at our amortized cost.

The amortized cost, unrealized gains and losses, and fair market values of our marketable securities held to maturity at September 28, 2019 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
	(in thousands)			
Corporate Bonds	$ 127,571	$ 1,204	$ 36	$ 128,739
Certificates of Deposit	2,880	6	-	2,886
Total marketable securities held to maturity	$ 130,451	$ 1,210	$ 36	$ 131,625

The amortized cost, unrealized gains and losses, and fair market values of our marketable securities available for sale at September 28, 2019 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
	(in thousands)			
Mutual Funds	$ 5,549	$ -	$ 495	$ 5,054
Preferred Stock	14,598	266	15	14,849
Total marketable securities available for sale	$ 20,147	$ 266	$ 510	$ 19,903

NOTE C – INVESTMENT SECURITIES (continued)

The amortized cost and fair value of the Company's held to maturity securities by contractual maturity at September 26, 2020 and September 28, 2019 are summarized as follows:

	September 26, 2020		September 28, 2019	
	Amortized Cost	Fair Market Value	Amortized Cost	Fair Market Value
	(in thousands)			
Due in one year or less	$ 51,151	$ 51,815	$ 51,091	$ 51,325
Due after one year through five years	16,927	17,246	79,360	80,300
Due after five years through ten years	-	-	-	-
Total held to maturity securities	$ 68,078	$ 69,061	$ 130,451	$ 131,625
Less current portion	51,151	51,815	51,091	51,325
Long term held to maturity securities	$ 16,927	$ 17,246	$ 79,360	$ 80,300

Proceeds from the sale and redemption of marketable securities were $73,226,000, $39,158,000 and $75,302,000 in the years ended September 26, 2020, September 28, 2019 and September 29, 2018, respectively; with a gain of $83,000 in 2020, a gain of $27,000 in 2019 and a loss of $140,000 in 2018. We use the specific identification method to determine the cost of securities sold. Unrealized losses of $965,000 and 431,000 were recorded in 2020 and 2019, respectively.

NOTE D – INVENTORIES

Inventories consist of the following:

	September 26, 2020	September 28, 2019
	(in thousands)	
Finished goods	$ 40,184	$ 53,225
Raw materials	24,550	22,146
Packaging materials	10,545	9,703
Equipment parts and other	33,644	31,091
Total Inventories	$ 108,923	$ 116,165

NOTE E – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	September 26, 2020	September 28, 2019	Estimated Useful Lives (in years)
	(in thousands)		
Land	$ 2,494	$ 2,494	-
Buildings	26,582	26,582	15 - 39.5
Plant machinery and equipment	330,168	315,360	5 - 20
Marketing equipment	250,914	240,681	5 - 7
Transportation equipment	9,966	9,725	5
Office equipment	33,878	31,217	3 - 5
Improvements	43,264	40,626	5 - 20
Construction in Progress	19,995	10,039	-
	717,261	676,724	
Less accumulated depreciation and amortization	455,645	423,276	
Property, plant and equipment, net	$ 261,616	$ 253,448	

Depreciation expense was $49,830,000, $45,225,000 and $42,939,000 for fiscal years 2020, 2019 and 2018, respectively.

NOTE F – GOODWILL AND INTANGIBLE ASSETS

Our three reporting units, which are also reportable segments, are Food Service, Retail Supermarket and Frozen Beverages.

The carrying amount of acquired intangible assets for the reportable segments are as follows:

	September 26, 2020		September 28, 2019	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(in thousands)			
FOOD SERVICE				
Indefinite lived intangible assets				
Trade Names	$ 10,408	$ -	$ 10,408	$ -
Amortized intangible assets				
Non compete agreements	670	645	858	665
Customer relationships	19,737	11,595	19,900	9,954
License and rights	1,690	1,312	1,690	1,227
TOTAL FOOD SERVICE	$ 32,505	$ 13,552	$ 32,856	$ 11,846
RETAIL SUPERMARKETS				
Indefinite lived intangible assets				
Trade Names	$ 12,750	$ -	$ 12,750	$ -
Amortized Intangible Assets				
Trade names	676	519	676	389
Customer relationships	7,907	5,140	7,979	4,421
TOTAL RETAIL SUPERMARKETS	$ 21,333	$ 5,659	$ 21,405	$ 4,810
FROZEN BEVERAGES				
Indefinite lived intangible assets				
Trade Names	$ 9,315	$ -	$ 9,315	$ -
Distribution rights	36,100	-	6,900	-
Amortized intangible assets				
Customer relationships	1,439	257	737	102
Licenses and rights	1,400	1,002	1,400	933
TOTAL FROZEN BEVERAGES	$ 48,254	$ 1,259	$ 18,352	$ 1,035
CONSOLIDATED	$ 102,092	$ 20,470	$ 72,613	$ 17,691

The gross carrying amount of intangible assets is determined by applying a discounted cash flow model to the future sales and earnings associated with each intangible asset or is set by contract cost. The amortization period used for definite lived intangible assets is set by contract period or by the period over which the bulk of the discounted cash flow is expected to be generated. We currently believe that we will receive the benefit from the use of the trade names and distribution rights classified as indefinite lived intangible assets indefinitely and they are therefore not amortized.

NOTE F – GOODWILL AND INTANGIBLE ASSETS (continued)

Licenses and rights, customer relationships and non-compete agreements are being amortized by the straight-line method over periods ranging from 2 to 20 years and amortization expense is reflected throughout operating expenses.

Amortizing intangibles are reviewed for impairment as events or changes in circumstances occur indicating that the carrying amount of the asset may not be recoverable. Indefinite lived intangibles are reviewed annually at year end for impairment or more frequently if there are triggering events. Cash flow and sales analyses are used to assess impairment. The estimates of future cash flows and sales involve considerable management judgment and are based upon assumptions about expected future operating performance which include Level 3 inputs such as annual growth rates and discount rates. Assumptions used in these forecasts are consistent with internal planning. The actual cash flows and sales could differ from management's estimates due to changes in business conditions, operating performance, economic conditions, competition and consumer preferences. There were no impairments of intangible assets in 2020, 2019 or 2018.

In fiscal year 2020, intangible assets of $22,969,000 were added in the frozen beverages segment from the acquisition of ICEE Distributors in the quarter ended December 28, 2019 and $6,933,000 from the acquisition of BAMA ICEE in the quarter ended March 28, 2020. There were no intangible assets acquired in fiscal year 2018 and intangible assets of $480,000 were acquired in the Frozen Beverage segment in fiscal year 2019.

Aggregate amortization expense of intangible assets for the fiscal years 2020, 2019 and 2018 was $3,202,000, $3,320,000 and $3,510,000, respectively.

Estimated amortization expense for the next five fiscal years is approximately $2,500,000 in 2021, $2,300,000 in 2022 and 2023, $2,000,000 in 2024 and $1,400,000 in 2025. The weighted average amortization period of the intangible assets is 10.7 years.

Goodwill

The carrying amounts of goodwill for the reportable segments are as follows:

	Food Service	Retail Supermarkets	Frozen Beverages	Total
		(in thousands)		
Balance at				
September 26, 2020	$ 61,189	$ 4,146	$ 56,498	$ 121,833
September 28, 2019	$ 61,189	$ 4,146	$ 37,176	$ 102,511

The carrying value of goodwill is determined based on the excess of the purchase price of acquisitions over the estimated fair value of tangible and intangible net assets. Goodwill is not amortized but is evaluated annually at year end by management for impairment or more frequently if there are triggering events. Our impairment analysis for 2020, 2019 and 2018 was based on a combination of the income approach, which estimates the fair value of reporting units based on discounted cash flows, and the market approach, which estimates the fair value of reporting units based on comparable market prices and multiples. Under the income approach the Company used a discounted cash flow which requires Level 3 inputs such as: annual growth rates, discount rates based upon the weighted average cost of capital and terminal values based upon current stock market multiples. There were no impairment charges in 2020, 2019 and 2018.

No goodwill was acquired in fiscal years 2018 and 2019. In fiscal year 2020, goodwill of $15,773,000 was added in the frozen beverages segment from the acquisition of ICEE Distributors in the quarter ended December 28, 2019 and $3,549,000 from the acquisition of BAMA ICEE in the quarter ended March 28, 2020.

NOTE G – LONG-TERM DEBT

In November 2016, we entered into an amended and restated loan agreement with our existing banks which provides for up to a $50,000,000 revolving credit facility repayable in November 2021, with the availability of repayments without penalty. Interest is calculated based on LIBOR plus an applicable margin. The agreement contains financial covenants and requires commitment fees in accordance with standard banking practice. As of September 26, 2020 and September 28, 2019, there were no outstanding balances under the facility. We were in compliance with the financial covenants at September 26, 2020.

NOTE H – OBLIGATIONS UNDER FINANCE LEASES

The following is a schedule by years of future minimum lease payments under finance leases:

	(in thousands)
2021	349
2022	156
2023	91
2024	95
2025	26
2026 and thereafter	-
Total minimum finance lease payments	$ 717

NOTE I – INCOME TAXES

Income tax expense (benefit) is as follows:

	Fiscal year ended		
	September 26, 2020	September 28, 2019	September 29, 2018
		(in thousands)	
Current			
U.S. Federal	$ 1,992	$ 14,078	$ 16,591
Foreign	193	2,111	2,512
State	(1,517)	5,971	5,836
Total current expense	668	22,160	24,939
Deferred			
U.S. Federal	$ 3,139	$ 6,285	$ (14,613)
Foreign	(536)	849	514
State	(110)	2,464	3,716
Total deferred expense (benefit)	2,493	9,598	(10,383)
Total expense	$ 3,161	$ 31,758	$ 14,556

NOTE I – INCOME TAXES (continued)

The provisions for income taxes differ from the amounts computed by applying the statutory federal income tax rate of 21% for the fiscal years ended 2020 and 2019 and approximately 24.5% for the fiscal year ended September 29, 2018 to earnings before income taxes for the following reasons:

	Fiscal year ended		
	September 26, 2020	September 28, 2019	September 29, 2018
		(in thousands)	
Income taxes at federal statutory rates	$ 4,508	$ 26,581	$ 28,947
Increase (decrease) in taxes resulting from:			
State income taxes, net of federal income tax benefit	(1,285)	6,664	7,212
Domestic production activities deduction	-	-	(1,470)
Impact of rate change due to Tax Cuts and Jobs Act	-	-	(20,670)
Impact of rate differential-current and deferred	-	-	(1,236)
One-time repatriation tax	-	(885)	1,200
Increase in gross unrecognized tax benefits	-	20	20
Share based compensation	(183)	(777)	(696)
Non deductible employee compensation	-	490	514
Other, net	121	(335)	735
Income tax expense	$ 3,161	$ 31,758	$ 14,556

Net earnings for the year ended September 29, 2018 benefited from a $20.7 million gain on the remeasurement of deferred tax liabilities and a $8.8 million reduction in income taxes related primarily to the lower corporate tax rate enacted under the Tax Cuts and Jobs Act in December 2017 which was partially offset by a $1.2 million provision for the one time repatriation tax, both of which resulted from the Tax Cuts and Jobs Act enacted in December 2017. Net earnings for the year were also impacted by a $1.4 million expense on the remeasurement of deferred tax liabilities due to changes in New Jersey tax regulations effective July 2018. Excluding the deferred tax gain, the deferred tax expense and the one-time repatriation tax, our effective tax rate was 27.7% in the year ended September 29, 2018. Net earnings in the year ended September 28, 2019 benefitted by a reduction of $885,000 in tax as the provision for the one-time repatriation tax was reduced as the amount recorded in 2018 was an estimate. Excluding the reduction in the provision for the one-time repatriation tax, our effective tax rate was 25.8% in 2019. Net earnings for the 2020 year benefited from a reduction in income tax expense related to state taxes of approximately $2.2 million. Excluding this benefit, our effective tax rate in our fiscal 2020 year was 25.0%.

NOTE I – INCOME TAXES (continued)

Deferred tax assets and liabilities consist of the following:

	September 26, 2020	September 28, 2019
	(in thousands)	
Deferred tax assets		
Vacation accrual	$ 1,460	$ 1,281
Capital loss carry forwards	161	1,038
Unrealized gains/losses	345	-
Insurance accrual	3,060	2,454
Operating lease liabilities	16,368	-
Deferred income	105	485
Allowances	2,863	1,554
Inventory capitalization	1,058	994
Share-based compensation	1,637	1,607
Net Operating Loss	697	776
Plant shutdown impairment costs	1,721	-
Foreign tax credit	404	-
Total deferred tax assets	29,879	10,189
Valuation allowance	(506)	(1,038)
Total deferred tax assets, net	29,373	9,151
Deferred tax liabilities		
Amortization of goodwill and other intangible assets	29,587	27,267
Depreciation of property and equipment	48,303	43,804
Operating lease right-of-use assets	15,605	-
Accounting method change 481 (a)	291	-
Total deferred tax liabilities	93,786	71,071
Total deferred tax liabilities, net	$ 64,413	$ 61,920

As of September 26, 2020, we have federal and state capital loss carry forwards of approximately $2,046,000 primarily from the sale of marketable securities in fiscal year 2016 and unrealized losses incurred in fiscal years 2019 and 2020. These carry forwards will begin to expire in 2021. Except for current year usage, we have no foreseeable capital gains that would allow us to use this asset. Accordingly, we have recorded a valuation allowance for the full amount of this deferred tax asset.

As of September 26, 2020, we have a federal net operating loss carry forward of approximately $3.3 million from the PHILLY SWIRL acquisition. These carry forwards are subject to an annual limitation under Code Section 382 of approximately $378,000 and will expire in 2033. We have determined there are no limitations to the total use of this tax asset and accordingly, have not recorded a valuation allowance for this deferred tax asset.

We have undistributed earnings of our Mexican and Canadian subsidiaries. As a result of the Tax Act, we changed our assertion with respect to foreign earnings. We are no longer permanently reinvested in earnings of our foreign subsidiaries for any year. However, due to the impact of the Tax Act and the deemed repatriation of positive accumulated earnings and profits from our foreign subsidiaries in 2017, which resulted in a Sec. 965 liability of $315,000 for our fiscal year ended September 2018, no additional U.S. federal income taxes are anticipated if our undistributed earnings in our Mexican and Canadian subsidiaries were repatriated to the U.S. However, if such funds were repatriated, a portion of the funds remitted may be subject to applicable state income taxes and non-U.S. income and withholding taxes. The amount of unrecognized deferred income tax liabilities related to potential state income tax and foreign withholding taxes is immaterial.

The Tax Act was enacted on December 22, 2017 and introduced significant changes to U.S. income tax law. Effective in 2018, the Tax Act reduced the U.S. statutory tax rate from 35% to 21%. We have updated any provisional amounts related to the Tax Act and accounting for this is now final.

NOTE J - COMMITMENTS

We are a party to litigation which has arisen in the normal course of business which management currently believes will not have a material adverse effect on our financial condition or results of operations.

We self-insure, up to loss limits, certain insurable risks such as worker's compensation, automobile and general liability claims. Accruals for claims under our self-insurance program are recorded on a claims incurred basis. Our total recorded liability for all years' claims incurred but not yet paid was $12,800,000 and $8,700,000 at September 26, 2020 and September 28, 2019, respectively. In connection with certain self-insurance agreements, we customarily enter into letters of credit arrangements with our insurers. At both September 26, 2020 and September 28, 2019, we had outstanding letters of credit totaling $9,275,000.

We have a self-insured medical plan which covers approximately 1,600 of our employees. We record a liability for incurred but not yet reported or paid claims based on our historical experience of claims payments and a calculated lag time period. Our recorded liability at September 26, 2020 and September 28, 2019 was $1,737,000 and $1,392,000, respectively.

NOTE K - CAPITAL STOCK

In our fiscal year ended September 29, 2018, we purchased and retired 20,604 shares of our common stock at a cost of $2,794,027.

We did not purchase any shares of our common stock in our fiscal year ended September 28, 2019.

In our fiscal year ended September 26, 2020, we purchased and retired 65,648 shares of our common stock at a cost of $8,972,292.

NOTE L – STOCK OPTIONS

We have a Stock Option Plan (the "Plan"). Pursuant to the Plan, stock options may be granted to officers and our key employees which qualify as incentive stock options as well as stock options which are nonqualified. The exercise price of incentive stock options is at least the fair market value of the common stock on the date of grant. The exercise price for nonqualified options is determined by a committee of the Board of Directors. The options are generally exercisable after three years and expire no later than ten years from date of grant. There are 454,000 shares reserved under the Plan for which options have not yet been issued. There are options that were issued under prior option plans that have since been replaced that are still outstanding.

We have an Employee Stock Purchase Plan ("ESPP") whereby employees purchase stock by making contributions through payroll deductions for six-month periods. The purchase price of the stock is 85% of the lower of the market price of the stock at the beginning of the six-month period or the end of the six-month period. In fiscal years 2020, 2019 and 2018 employees purchased 12,292, 12,492 and 12,763 shares at average purchase prices of $121.62, $121.37 and $119.39, respectively. ESPP expense of $390,000, $390,000 and $423,000 was recognized for fiscal years 2020, 2019 and 2018, respectively.

NOTE L – STOCK OPTIONS (continued)

A summary of the status of our stock option plans as of fiscal years 2020, 2019 and 2018 and the changes during the years ended on those dates is represented below:

	Incentive Stock Options		Nonqualified Stock Options	
	Stock Options Outstanding	Weighted-Average Exercise Price	Stock Options Outstanding	Weighted-Average Exercise Price
Balance, September 30, 2017	392,981	$ 109.41	311,514	$ 92.58
Granted	122,595	141.07	58,083	144.41
Exercised	(64,470)	90.75	(37,328)	56.85
Canceled	(17,550)	115.21	-	-
Balance, September 29, 2018	433,556	120.90	332,269	105.66
Granted	118,934	163.14	66,236	171.78
Exercised	(100,018)	102.01	(35,763)	101.03
Canceled	(18,320)	127.88	-	-
Balance, September 28, 2019	434,152	136.53	362,742	118.19
Granted	124,414	126.33	37,074	125.83
Exercised	(51,350)	109.73	(24,182)	53.43
Canceled	(36,796)	138.34	(29,192)	135.79
Balance, September 26, 2020	470,420	$ 136.62	346,442	$ 122.04
Exercisable Options September 26, 2020	138,600	$ 121.73	180,725	$ 97.36

The weighted-average fair value of incentive stock options granted during fiscal years ended September 26, 2020, September 28, 2019 and September 29, 2018 was $14.43, $26.29 and $23.68, respectively. The weighted-average fair value of non-qualified stock options granted during the fiscal years ended September 26, 2020, September 28, 2019 and September 29, 2018 was $14.32, $33.11 and $31.44, respectively. The total intrinsic value of stock options exercised was $5.7 million, $9.4 million and $6.8 million in fiscal years 2020, 2019 and 2018, respectively.

The total cash received from these option exercises was $6.4 million, $12.7 million and $7.4 million in fiscal years 2020, 2019 and 2018, respectively; and the actual tax benefit realized from the tax deductions from these option exercises was $1.1 million, $1.8 million and $1.7 million in fiscal years 2020, 2019 and 2018, respectively.

The following table summarizes information about incentive stock options outstanding as of September 26, 2020:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at September 26, 2020	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at September 26, 2020	Weighted-Average Exercise Price
$108.69 - $158.97	362,734	2.7	$ 128.64	138,600	$ 121.73
$163.29 - $192.13	107,686	3.6	163.47	-	-
Total options	470,420			138,600	121.73

NOTE L – STOCK OPTIONS (continued)

The following table summarizes information about nonqualified stock options outstanding as of September 26, 2020:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	**Number Outstanding at September 26, 2020**	**Weighted-Average Remaining Contractual Life**	**Weighted-Average Exercise Price**	**Number Exercisable at September 26, 2020**	**Weighted-Average Exercise Price**
$47.59 - $57.33	40,000	1.5	$ 52.46	40,000	$ 52.46
$80.79 - $119.44	109,120	3.4	104.58	109,120	104.58
$125.83 - $191.40	197,322	4.6	145.81	31,605	129.26
Total options	346,442			180,725	97.36

NOTE M – 401(k) PROFIT-SHARING PLAN

We maintain a 401(k) profit-sharing plan for our employees. Under this plan, we may make discretionary profit-sharing and matching 401(k) contributions. Contributions of $2,390,000, $2,433,000 and $2,106,000 were made in fiscal years 2020, 2019 and 2018, respectively.

NOTE N – CASH FLOW INFORMATION

The following is supplemental cash flow information:

	Fiscal Year Ended		
	September 26, 2020	**September 28, 2019**	**September 29, 2018**
		(in thousands)	
Cash paid for:			
Interest	$ 29	$ 36	$ 43
Income taxes	11,556	23,002	25,820
Non cash items:			
Obtaining a right-of-use asset in exchange for a lease liability	$ 685	$ 336	$ 203

NOTE O – SEGMENT REPORTING

We principally sell our products to the food service and retail supermarket industries. Sales and results of our frozen beverages business are monitored separately from the balance of our food service business because of different distribution and capital requirements. We maintain separate and discrete financial information for the three operating segments mentioned above which is available to our Chief Operating Decision Makers. We have applied no aggregation criteria to any of these operating segments in order to determine reportable segments. Our three reportable segments are Food Service, Retail Supermarkets and Frozen Beverages. All inter-segment net sales and expenses have been eliminated in computing net sales and operating income. These segments are described below.

NOTE O – SEGMENT REPORTING (continued)

Food Service

The primary products sold by the food service segment are soft pretzels, frozen juice treats and desserts, churros, dough enrobed handheld products and baked goods. Our customers in the food service segment include snack bars and food stands in chain, department and discount stores; malls and shopping centers; casual dining restaurants; fast food outlets; stadiums and sports arenas; leisure and theme parks; convenience stores; movie theatres; warehouse club stores; schools, colleges and other institutions. Within the food service industry, our products are purchased by the consumer primarily for consumption at the point-of-sale.

Retail Supermarkets

The primary products sold to the retail supermarket channel are soft pretzel products – including SUPERPRETZEL, frozen juice treats and desserts including LUIGI'S Real Italian Ice, MINUTE MAID Juice Bars and Soft Frozen Lemonade, WHOLE FRUIT frozen fruit bars and sorbet, PHILLY SWIRL cups and sticks and ICEE Squeeze-Up Tubes and MARY B's biscuits. Within the retail supermarket channel, our frozen and prepackaged products are purchased by the consumer for consumption at home.

Frozen Beverages

The Company markets frozen beverages primarily under the names ICEE, SLUSH PUPPIE and PARROT ICE which are sold primarily in the United States, Mexico and Canada. We also provide repair and maintenance service to customers for customers' owned equipment.

The Chief Operating Decision Maker for Food Service and Retail Supermarkets and the Chief Operating Decision Maker for Frozen Beverages monthly review detailed operating income statements and sales reports in order to assess performance and allocate resources to each individual segment. Sales and operating income are key variables monitored by the Chief Operating Decision Makers and management when determining each segment's and the company's financial condition and operating performance. In addition, the Chief Operating Decision Makers review and evaluate depreciation, capital spending and assets of each segment on a quarterly basis to monitor cash flow and asset needs of each segment. Due to a change in management and the reporting of our MARY B's biscuit operations, which had sales and operating income of $25,316,000 and $1,584,000, respectively, in our 2019 fiscal year, we have reclassified the operations from our Food Service segment to our Retail Supermarket segment, which is reflected in all periods reported. Information regarding the operations in these three reportable segments is as follows:

NOTE O - SEGMENT REPORTING (continued)

	September 26, 2020 (52 weeks)	September 28, 2019 (52 weeks)	September 29, 2018 (52 weeks)
		(in thousands)	
Sales to External Customers:			
Food Service			
Soft pretzels	$ 150,786	$ 209,227	$ 208,544
Frozen juices and ices	35,176	43,672	42,364
Churros	46,881	65,976	61,726
Handhelds	36,088	31,685	38,928
Bakery	332,514	359,020	344,838
Other	17,448	26,407	22,991
Total Food Service	$ 618,893	$ 735,987	$ 719,391
Retail Supermarket			
Soft pretzels	$ 49,157	$ 36,264	$ 36,438
Frozen juices and ices	88,743	73,751	74,435
Biscuits	28,317	25,316	26,553
Handhelds	12,303	10,902	12,419
Coupon redemption	(3,569)	(3,596)	(4,439)
Other	2,214	1,955	2,086
Total Retail Supermarket	$ 177,165	$ 144,592	$ 147,492
Frozen Beverages			
Beverages	$ 107,004	$ 171,820	$ 160,937
Repair and maintenance service	83,420	85,834	78,805
Machines revenue	33,986	45,811	28,652
Other	1,570	2,143	2,988
Total Frozen Beverages	$ 225,980	$ 305,608	$ 271,382
Consolidated Sales	$ 1,022,038	$ 1,186,187	$ 1,138,265
Depreciation and Amortization:			
Food Service	$ 28,111	$ 26,978	$ 25,983
Retail Supermarket	1,577	1,418	1,313
Frozen Beverages	23,360	20,214	19,181
Total Depreciation and Amortization	$ 53,048	$ 48,610	$ 46,477
Operating Income:			
Food Service	$ 6,458	$ 76,546	$ 71,285
Retail Supermarket	23,202	10,460	11,075
Frozen Beverages	(12,466)	29,950	28,415
Total Operating Income	$ 17,194	$ 116,956	$ 110,775
Capital Expenditures:			
Food Service	$ 34,798	$ 29,197	$ 36,325
Retail Supermarket	1,763	1,979	928
Frozen Beverages	21,256	25,952	22,769
Total Capital Expenditures	$ 57,817	$ 57,128	$ 60,022
Assets:			
Food Service	$ 738,033	$ 766,081	$ 693,098
Retail Supermarket	31,704	29,369	27,586
Frozen Beverages	286,816	223,889	217,549
Total Assets	$ 1,056,553	$ 1,019,339	$ 938,233

NOTE P - ACCUMULATED OTHER COMPREHENSIVE LOSS:

Changes to the components of accumulated other comprehensive loss are as follows:

	Fiscal Year Ended September 26, 2020 (in thousands)
	Foreign Currency Translation Adjustments
Beginning Balance	$ (12,988)
Other comprehensive loss	(2,599)
Ending Balance	$ (15,587)

	Fiscal Year Ended September 28, 2019 (in thousands)		
	Foreign Currency Translation Adjustments	Unrealized Holding Gain on Marketable Securities	Total
Beginning Balance	$ (12,079)	$ 85	$ (11,994)
Other comprehensive loss before reclassifications	(909)	-	(909)
Amounts reclassified from accumulated other comprehensive income	-	(85)	(85)
Ending Balance	$ (12,988)	$ -	$ (12,988)

NOTE Q - QUARTERLY FINANCIAL DATA (UNAUDITED)

	Fiscal Year Ended September 26, 2020			
	Net Sales	Gross Profit	Net Earnings (Loss)	Net Earnings (Loss) Per Diluted Share(1)
	(in thousands, except per share information)			
1st Quarter	$ 282,897	$ 77,861	$ 17,059	$ 0.89
2nd Quarter	272,042	69,443	7,309	0.38
3rd Quarter	214,563	37,196	(12,647)	(0.67)
4th Quarter	252,536	53,927	6,584	0.35
Total	$ 1,022,038	$ 238,427	$ 18,305	$ 0.95

NOTE Q - QUARTERLY FINANCIAL DATA (UNAUDITED) (continued)

	Fiscal Year Ended September 28, 2019			
	Net Sales	Gross Profit	Net Earnings	Net Earnings Per Diluted Share(1)
	(in thousands, except per share information)			
1st Quarter	$ 271,612	$ 76,863	$ 17,526	$ 0.93
2nd Quarter	276,302	79,248	20,354	1.08
3rd Quarter	326,701	101,349	30,872	1.63
4th Quarter	311,872	92,941	26,067	1.36
Total	$ 1,186,487	$ 350,401	$ 94,819	$ 5.00

(1) Total of quarterly amounts do not necessarily agree to the annual amounts due to separate quarterly calculations of weighted average shares outstanding.

NOTE R – LEASES

General Lease Description

We have operating leases with initial noncancelable lease terms in excess of one year covering the rental of various facilities and equipment. Certain of these leases contain renewal options and some provide options to purchase during the lease term. Our operating lease include leases for real estate from some of our office and manufacturing facilities as well as manufacturing and non-manufacturing equipment used in our business. The remaining lease terms for these operating leases range from 1 month to 15 years.

We have finance leases with initial noncancelable lease terms in excess of one year covering the rental of various equipment. These leases are generally for manufacturing and non-manufacturing equipment used in our business. The remaining lease terms for these finance leases range from 1 year to 5 years.

Significant Assumptions and Judgments

Contract Contains a Lease

In evaluating our contracts to determine whether a contract is or contains a lease, we considered the following:

- Whether explicitly or implicitly identified assets have been deployed in the contract; and
- Whether we obtain substantially all of the economic benefits from the use of that underlying asset, and we can direct how and for what purpose the asset is used during the term of the contract.

Allocation of Consideration

In determining how to allocate consideration between lease and non-lease components in a contract that was deemed to contain a lease, we used judgment and consistent application of assumptions to reasonably allocate the consideration.

Options to Extend or Terminate Leases

We have leases which contain options to extend or terminate the leases. On a lease-by-lease basis, we have determined if the extension should be considered reasonably certain to be exercised and thus a right-of-use asset and a lease liability should be recorded.

NOTE R – LEASES (continued)

Discount Rate

The discount rate for leases, if not explicitly stated in the lease, is the incremental borrowing rate, which is the rate of interest that a lessee would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment.

We used a discount rate to calculate the present value of the lease liability at the date of adoption. In the development of the discount rate, we considered our internal borrowing rate, treasury security rates, collateral and credit risk specific to us, and our lease portfolio characteristics.

As of September 26, 2020, the weighted-average discount rate of our operating and finance leases was 3.3% and 3.1%, respectively.

Practical Expedients and Accounting Policy Elections

We elected the package of practical expedients that permits us not to reassess our prior conclusions about lease identification, lease classification and initial direct costs and made an accounting policy election to exclude short-term leases with an initial term of 12 months or less from our Consolidated Balance Sheets.

Amounts Recognized in the Financial Statements

The components of lease expense were as follows:

	Twelve Months Ended September 26, 2020
Operating lease cost in Cost of goods sold and Operating Expenses	$ 17,250
Finance lease cost:	
Amortization of assets in Cost of goods sold and Operating Expenses	$ 337
Interest on lease liabilities in Interest expense & other	29
Total finance lease cost	$ 366
Short-term lease cost in Cost of goods sold and Operating Expenses	-
Total net lease cost	$ 17,616

Supplemental balance sheet information related to leases is as follows:

	September 26, 2020
Operating Leases	
Operating lease right-of-use assets	$ 58,110
Current operating lease liabilities	$ 13,173
Noncurrent operating lease liabilities	47,688
Total operating lease liabilities	$ 60,861
Finance Leases	
Finance lease right-of-use assets in Property, plant and equipment, net	$ 684
Current finance lease liabilities	$ 349
Noncurrent finance lease liabilities	368
Total finance lease liabilities	$ 717

NOTE R – LEASES (continued)

$6.9 million of right of use assets was impaired in our foodservice segment, which represents the full right-of-use asset value of the lease of a Midwest manufacturing plant in which the lease was terminated.

Supplemental cash flow information related to leases is as follows:

	Twelve Months Ended September 26, 2020
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 17,324
Operating cash flows from finance leases	$ 340
Financing cash flows from finance leases	$ 29
Supplemental noncash information on lease liabilities arising from obtaining right-of-use assets	$ 685
Supplemental noncash information on lease liabilities removed due to purchase of leased asset	$ -

As of September 26, 2020, the maturities of lease liabilities were as follows:

	Operating Leases	Finance Leases
2021	$ 14,765	$ 369
2022	12,491	168
2023	10,637	98
2024	8,263	98
2025	5,204	26
Thereafter	16,288	-
Total minimum payments	$ 67,649	$ 759
Less amount representing interest	(6,788)	(42)
Present value of lease obligations	$ 60,861	$ 717

As of September 26, 2020, the weighted-average remaining term of our operating and finance leases was 7.1 years and 3.5 years, respectively.

As previously disclosed in our 2019 Annual Report on Form 10-K and under the previous lease accounting standard (Topic 840), as of September 28, 2019, future minimum lease payments under noncancelable leases with initial lease terms in excess of one year were as follows:

	Operating Leases	Capital Leases
2020	$ 14,814	$ 339
2021	12,686	349
2022	10,491	156
2023	8,971	91
2024	6,988	95
Thereafter	25,588	27
Total minimum payments	$ 79,538	$ 1,057
Less amount representing interest		-
Present value of capital lease obligations		$ 1,057

NOTE S - SUBSEQUENT EVENT:

We are continuing to experience the impacts of the COVID-19 pandemic on our operations after September 26, 2020, and although we cannot project how much our sales will continue to be affected going forward, we anticipate that our sales will continue to be down compared to the prior year for the immediate future. Approximately 2/3 of our sales are to venues and locations that have shut down or sharply curtailed their foodservice operations so we anticipate COVID-19 will continue to have a negative impact on our business. As we have $278 million of cash and marketable securities on our balance sheet as of September 26, 2020, we do not expect to have any liquidity issues, nor do we anticipate a material amount of our assets would be impaired.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

Year	Description	Opening Balance	Charged to Expense	Deductions	Closing Balance
2020	Allowance for doubtful accounts	$ 572,000	$ 1,105,000	$ 289,000 [1]	$ 1,388,000
2019	Allowance for doubtful accounts	$ 400,000	$ 389,000	$ 217,000 [1]	$ 572,000
2018	Allowance for doubtful accounts	$ 359,000	$ 259,000	$ 218,000 [1]	$ 400,000

(1) Write-offs of uncollectible accounts receivable.

Celebrating Our Past

(Reprint from Courier-Post, Camden, N.J. Sat., March 22, 1975)

Jerry Shreiber has a snack food company in Pennsauken and has dedicated himself to making the entire country conscious of the soft pretzel.

He's Trying To Twist The U.S. In Soft Pretzels

By GLENN R. McGINNIS
Special to the Courier-Post

Look out, America, here comes the soft pretzel.

Once considered the exclusive specialty of Philadelphia, soft pretzels are now selling from coast to coast at a rate of more than 260 million a year.

True, the Delaware Valley still accounts for an impressive 20 per cent of this total, or 52 million, but the rest of the nation is fast becoming aware of why the soft pretzel has been so popular in the Philadelphia area.

OTHER RENOWNED Philadelphia specialties such as scrapple and pepper pot soup, are seldom successfully marketed outside this area. Why, then, is the soft pretzel proving to be a notable exception?

It's due to the efforts of Gerry Shreiber, president of J & J Snack Food Company of Pennsauken. And, if Shreiber has his way an old saying will be changed to read "...as American as baseball, hot dogs, apple pie... and soft pretzels."

Shreiber acquired J & J Snack Food Co. not quite three-and-a-half-years ago and in that short time has established 36 distributorships throughout the nation, including one in Honolulu, Hawaii.

Business is so good that a second manufacturing facility had to be opened in Los Angeles last year.

In an economy where demand for many products is slackening, Shreiber recently acquired machinery and facilities which, within three months, will double present output, and permit the company to market ten times as many soft pretzels as it did less than four years ago.

ALL THIS is an incredible feat for one man to accomplish with a company that was financially ailing back in August of 1971.

"I'm competent, I'm bullish, I'm brash, and I'm aggressive. I had a plan and I was going to make it work," said Shreiber when asked how he had succeeded in turning J & J into the multimillion dollar company it is today.

But surely there was a gut factor explaining his enormous desire to succeed? Shreiber leaned back in his leather swivel chair and grinned. "Sure. I had $100,000 in this business," he replied.

Here sat the symbol of the modern entrepreneur: Thirty-three years old with a trim build, well-made clothes and a mod hairstyle, Shreiber also has the characteristics of that rare breed of men who founded and built this nation's industries, but a breed which some observers say is suffering the same fate as the American eagle.

THE EVENTS that led to Shreiber's becoming a manufacturer of soft pretzels were directed by chance. "I got into this business purely by accident," he explained.

CORPORATE INFORMATION

OFFICERS

Gerald B. Shreiber
Chairman of the Board and
Chief Executive Officer

Daniel Fachner
President

Robert M. Radano
Senior Vice President and
Chief Operating Officer

Ken Plunk
Senior Vice President and
Chief Financial Officer

Robert Pape
Senior Vice President, Sales

Marjorie S. Roshkoff, Esquire
Vice President, In-House Counsel
and Corporate Secretary

John Griffith
Chief Information Officer

DIRECTORS

Gerald B. Shreiber
Chairman of the Board and
Chief Executive Officer

Marjorie S. Roshkoff, Esquire
Vice President, In-House Counsel
and Corporate Secretary

Sidney R. Brown (1)(2)(3)
Chief Executive Officer
NFI Industries

Peter G. Stanley (1)(2)(3)
Chairman of the Board
Emerging Growth Equities, Ltd.

Vincent A. Melchiorre (1)(3)
Senior Vice President
Bimbo Bakeries, USA

SENIOR LEADERSHIP

Robert Cranmer
Senior Director and General Manager
J&J Snack Foods Corp.

Jeff Gaddy
Vice President, Bakery Operations
J&J Snack Foods Corp.

Jay Montgomery
Vice President and General Manager
J&J Snack Foods Corp.

Douglas Davidson
Senior Vice President, Bakery Division
J&J Snack Foods Corp.

Mary Lou Kehoe
Director Human Resources
J&J Snack Foods Corp.

Deborah Kane
Senior Director Food Safety
Quality and Regulatory
J&J Snack Foods Corp.

Steve Every
Senior Vice President
The ICEE Company

Natalie Peterson
Vice President, Marketing
The ICEE Company

Scott Carter
Senior Vice President, Operations
The ICEE Company

STOCK LISTING

The common stock of
J&J Snack Foods Corp. is traded
on the NASDAQ Global Select Market
with the symbol JJSF.

TRANSFER AGENT AND REGISTRAR

American Stock Transfer
& Trust Company
New York, NY

QUARTERLY COMMON STOCK DATA

	MARKET PRICE	
FISCAL 2020	HIGH	LOW
1st Quarter	$195.72	$178.87
2nd Quarter	189.16	105.67
3rd Quarter	143.69	117.90
4th Quarter	142.64	115.00
FISCAL 2019	HIGH	LOW
1st Quarter	$162.80	$138.65
2nd Quarter	162.84	138.40
3rd Quarter	167.50	150.61
4th Quarter	196.84	159.63

INDEPENDENT ACCOUNTANTS

Grant Thornton, LLP
Philadelphia, PA

COUNSEL

Cozen O'Connor
Philadelphia, PA

FORM 10-K

Copies of the Company's Annual Report to the Securities and Exchange Commission on Form 10-K may be obtained without charge by writing to:

J&J Snack Foods Corp.
6000 Central Highway
Pennsauken, NJ 08109
Attention: Marjorie Shreiber Roshkoff

or by accessing our website www.jjsnack.com on which our SEC filings are made available or by going to the SEC's Public Reference Room to read and copy filings or by accessing the SEC's website, www.sec.gov.

(1) Audit Committee Member (2) Compensation Committee Member (3) Nominating Committee Member

ANNUAL MEETING

YOU ARE INVITED TO ATTEND THE VIRTUAL ANNUAL MEETING OF STOCKHOLDERS OF J&J SNACK FOODS CORP.

THE MEETING WILL BE HELD ON:

WEDNESDAY, FEBRUARY 10, 2021
10AM EASTERN TIME

The annual meeting will be a completely "virtual meeting" of stockholders. You will be able to attend the annual meeting as well as vote and submit your questions during the live webcast of the meeting by visiting www.virtualshareholdermeeting.com/JJSF2021 and entering the 16-digit control number included in our notice of Internet availability of the proxy materials, on your proxy card or in the instructions that accompanied your proxy materials.

Record date: December 14, 2020