ARMANINO™
FOODS OF DISTINCTION, INC.

QUARTERLY DISCLOSURE REPORT
MARCH 31, 2019
UNAUDITED

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CONTENTS

OTC PINK BASIC DISCLOSURE GUIDELINES

1. NAME OF THE ISSUER AND ITS PREDESSORS (IF ANY):
   Armanino Foods of Distinction, Inc. (The Company)

2. ADDRESS OF THE ISSUER'S PRINCIPAL EXECUTIVE OFFICES:
   Company Headquarters:
   Address 1: 30588 San Antonio Street
   Address 2: Hayward, CA 94544
   Phone: (510) 441-9300
   Email: amnf@armaninofoods.com
   Website: www.armaninofoods.com

   IR Contact:
   Address 1: 30588 San Antonio Street
   Address 2: Hayward, CA 94544
   Phone: (510) 441-9300
   Email: amnf@armaninofoods.com
   Website: www.armaninofoods.com

3. SECURITY INFORMATION:
   a. Trading Symbol: AMNF

   b. Title and class of securities outstanding: Common Stock
      CUSIP: 042166801
      Par or Stated Value: no par

	March 31, 2019	March 31, 2018
Common Shares authorized	40,000,000	40,000,000
Common Shares outstanding	32,065,645	32,065,645
Freely tradable shares	31,273,617	31,265,997
# of beneficial shareholders (1)	1,300	1,300
# of shareholders of record	106	109

(1) The number of beneficial shareholders for each year represent estimates, only, as the actual information is not readily available.

c. Additional class of securities: Preferred Stock
CUSIP: 042166801
Par or Stated Value: no par

	March 31, 2019	March 31, 2018
Shares authorized	10,000,000	10,000,000
Shares outstanding	-	-
Freely tradable shares	-	-
# of beneficial shareholders	-	-
# of shareholders of record	-	-

d. Transfer Agent:
Name: Computershare Trust Company, N.A.
Address 1: 250 Royall Street
Address 2: Canton, MA 02021
Phone: (303) 262-0710

e. Is the Transfer Agent registered under the Exchange Act? Yes: ☒ No: ☐

f. Restrictions on the transfer of security:
792,028 shares of common stock are restricted as of 3/31/19; and 799,648 shares as of 3/31/18.

g. Trading suspension orders issued by the SEC in the past 12 months: None

h. Stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months: None

4. ISSUANCE HISTORY

The Company had no events which resulted in changes in total shares outstanding by the issuer in the past two fiscal years and any interim period, including offerings of equity securities, debt convertible into equity securities, whether private or public, and all shares or any other securities or options to acquire such securities issued for services.

5. FINANCIAL STATEMENTS

The Company's financial statements are prepared in accordance with US GAAP. Refer to the Company's interim financial statements starting on page 10.

6. ISSUER'S BUSINESS, PRODUCTS, AND SERVICES

a. Issuer's business operations:
The Company is currently engaged in the production of upscale and innovative frozen and refrigerated food products, including pesto and other sauces, stuffed pasta products, and cooked meat products.

b. Date and State (or Jurisdiction) of Incorporation:
Colorado, 1986

c. Issuer's primary and secondary SIC Codes:
2030

d. Issuer's fiscal year end date:
December 31

e. Principal products or services, and their markets:
The Company's line of frozen products presently includes pesto and other sauces, stuffed pastas and pasta sheets, as well as value-added specialty Italian pastas, and cooked meat products.

7. ISSUER'S FACILITIES

The Company leases approximately 24,375 square feet of office, production and warehouse space located at 30588 San Antonio Street, Hayward, California, 94544. The Company also leases approximately 7,408 square feet of additional office and warehouse space located at 30641 San Antonio Street, Hayward, California, 94544. The Company owned all of its manufacturing equipment as of March 31, 2019.

8. OFFICERS, DIRECTORS, AND CONTROL PERSONS

a. Name of Officers, Directors, and Control Persons:

Name	Business Address	Positions and Offices Held & Term as a Director	Shares Owned
Edmond J. Pera	30588 San Antonio Street Hayward, CA 94544	President and Chief Executive Officer since February 2009. Also, Secretary, Treasurer until February 2009, and Director since August 2000. Served as Chief Operating Officer (Principal Financial Officer) from May 2003 to February 2009.	450,000
Douglas R. Nichols	30588 San Antonio Street Hayward, CA 94544	Chairman of the Board since February 2009. Previously served as Director since June 2001.	764,541
John Micek III	30588 San Antonio Street Hayward, CA 94544	Director since February 1988.	142,960
Patricia A. Fehling	30588 San Antonio Street Hayward, CA 94544	Director since December 2004.	95,000
Deborah Armanino LeBlanc	30588 San Antonio Street Hayward, CA 94544	Director and Secretary since February 2009.	626,925
Albert Banisch	30588 San Antonio Street Hayward, CA 94544	Director since March 2019.	-
Edgar Estonina	30588 San Antonio Street Hayward, CA 94544	Chief Operating Officer since December 2015; Chief Financial Officer since February 2009; Controller from June 2006 to February 2009.	*N/A Information Voluntary*

On March 19, 2019, the Company announced that two of its long serving board members have retired from the board of directors. David Scatena retired after serving on the board of Armanino Foods for over 31 years; Joseph Barletta retired after serving on the board for over 19 years. Neither of these retirements were due to any disagreements or qualifications regarding Company matters. The Company also announced the addition of a new board member, Albert Banisch, who will fill one of these board vacancies. Mr. Banisch is a seasoned executive with extensive food industry experience. He is currently Executive Vice President, New Product Strategy & Insights, at Mattson, which is an internationally recognized innovation and consulting firm in the food and beverage industry. Mr. Banisch holds an MBA from Carnegie Mellon University. The board will continue its search to fill the second board opening.

b. Legal/Disciplinary History – persons who have, in the last five years, been the subject of:

- A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses): None
- The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that

permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities: None

- A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated: None
- The entry of an order by a self-regulatory organization that permanently or temporarily barred suspended or otherwise limited such person's involvement in any type of business or securities activities: None

c. Beneficial Shareholders -- Name, address and shareholdings or the percentage of shares owned by all persons beneficially owning more than ten percent (10%) of any class of the issuer's equity securities: None

9. THIRD PARTY PROVIDERS

a. Legal Counsel
   Name: Mark Cassanego
   Firm: Carr McClellan, P.C.
   Address 1: 216 Park Road
   Address 2: Burlingame, CA 94011-0513
   Phone: (650) 342-9600
   Email: amnf@armaninofoods.com

b. Accountant or Auditor
   Name: Tyler Neves
   Firm: Sadler, Gibb, & Associates, LLC
   Address 1: 2455 East Parleys Way, Suite 320
   Address 2: Salt Lake City, UT 84109
   Phone: (801) 783-2950
   Email: tneves@sadlergibb.com

10. ISSUER CERTIFICATION

I, Edmond J. Pera certify that:

(i) I have reviewed this quarterly disclosure statement of Armanino Foods of Distinction, Inc.;

(ii) Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

(iii) Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

May 15, 2019
/s/Edmond J Pera
CEO

10. ISSUER CERTIFICATION (Continued)

I, Edgar Estonina certify that:

(i) I have reviewed this quarterly disclosure statement of Armanino Foods of Distinction, Inc.;

(ii) Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

(iii) Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

May 15, 2019
/s/Edgar Estonina
COO/CFO

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS:

	As of March 31 2019		As of December 31, 2018	
ASSETS				
CURRENT ASSETS				
Cash	$	6,045,072	$	6,374,142
Certificates of deposit		1,171,486		1,135,692
Accounts receivable, net		6,053,731		6,253,458
Inventories, net		4,492,407		4,143,233
Prepaid expenses		794,052		1,151,072
Total Current Assets		18,556,748		19,057,597
PROPERTY AND EQUIPMENT, net		5,751,665		5,776,716
NON-CURRENT ASSETS:				
Operating lease right of use, net		859,497		-
Deposits		20,000		20,000
Goodwill		375,438		375,438
Trademarks		74,503		72,742
Total Non-Current Assets		1,329,438		468,180
Total Assets	$	25,637,851	$	25,302,493
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Notes payable - current portion	$	732,488	$	731,293
Operating lease liability - current portion		234,135		-
Accounts payable - trade		928,469		1,757,901
Accrued payroll and payroll taxes		482,452		711,248
Dividends payable		801,641		721,477
Total Current Liabilities		3,179,185		3,921,919
NON-CURRENT LIABILITIES				
Notes payable and long-term debt		1,996,915		2,180,489
Operating lease liability less current portion		683,678		-
Deferred tax liabilities		1,017,952		1,017,952
Total Non-Current Liabilities		3,698,545		3,198,441
Total Liabilities		6,877,730		7,120,360
STOCKHOLDERS' EQUITY				
Preferred Stock; no par value, 10,000,000 shares authorized, no shares issued and outstanding		-		-
Common Stock; no par value, 40,000,000 shares authorized, 32,065,645, and 32,065,645 shares issued and outstanding at March 31, 2019 and December 31, 2018 , respectively		2,774,990		2,774,990
Additional paid-in capital		48,202		48,202
Retained earnings		15,936,929		15,358,941
Total Stockholders' Equity		18,760,121		18,182,133
Total Liabilities and Stockholders' Equity	$	25,637,851	$	25,302,493

The accompanying notes are an integral part of these financial statements

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CONSOLIDATED STATEMENT OF EARNINGS AND COMREHENSIVE INCOME:

	FOR THE THREE MONTHS ENDED MARCH 31, 2019	FOR THE THREE MONTHS ENDED MARCH 31, 2018
NET SALES	$ 9,769,191	$ 9,434,960
COST OF GOODS SOLD	6,286,990	6,163,803
GROSS PROFIT	3,482,201	3,271,157
OPERATING EXPENSES:		
General, administrative and selling expense	598,042	574,376
Salaries & wages	706,818	725,779
Commissions	298,245	307,384
Total Operating Expense	1,603,105	1,607,539
INCOME FROM OPERATIONS	1,879,096	1,663,618
OTHER INCOME (EXPENSE)		
Interest and other income	44,612	37,791
Interest (expense)	(33,464)	(20,787)
Total Other Income (Expense)	11,148	17,004
INCOME BEFORE INCOME TAXES	1,890,243	1,680,622
CURRENT TAX EXPENSE	453,747	369,737
DEFERRED TAX (BENEFIT)	-	-
NET INCOME	$ 1,436,496	$ 1,310,885
EARNINGS PER COMMON AND EQUIVALENT SHARES:		
BASIC EARNINGS PER SHARE	$ 0.0448	$ 0.0409
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	32,065,645	32,065,645
DILUTED EARNINGS PER SHARE	$ 0.0448	$ 0.0409
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING ASSUMING DILUTION	32,065,645	32,065,645

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY:

	Common Stock		Additional Paid-in	Retained
	Shares	**Amount**	**Capital**	**Earnings**
BALANCE, December 31, 2017	32,065,645	$ 2,774,990	$ 48,202	$ 11,979,063
Dividends on common shares	-	-	-	(2,885,909)
Net income for the year ended December 31, 2018	-	-	-	6,265,787
BALANCE, December 31, 2018	32,065,645	$ 2,774,990	$ 48,202	$ 15,358,941
Modified Retrospective Adoption of ASC 842 Leases	-	-	-	(56,868)
Dividends on common shares	-	-	-	(801,641)
Net income for the three months ended March 31, 2019	-	-	-	1,436,496
BALANCE, March 31, 2019	32,065,645	$ 2,774,990	$ 48,202	$ 15,936,929

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENTS OF CASH FLOW:

	FOR THE THREE MONTHS ENDED MARCH 31, 2019	2018
Cash Flows from Operating Activities:		
Net Income	$ 1,436,496	$ 1,310,885
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	155,309	137,971
Change in deferred tax asset / liability	-	-
Changes in assets and liabilities:		
Accounts receivable	199,728	390,541
Inventory	(349,175)	(287,258)
Prepaid expenses	(5,787)	(159,167)
Operating lease right of use asset	78,136	-
Accounts payable, accrued expenses, and taxes payable	(686,941)	17,626
Operating lease liability	(85,167)	-
Total Adjustments	(693,897)	99,713
Net Cash Provided by Operating Activities	742,599	1,410,598
Cash Flows from Investing Activities:		
Purchase of property and equipment	(130,258)	(81,279)
Purchase of Trademarks	(1,761)	-
Proceeds (Purchase) of certificates of deposit	(35,794)	74,447
Net Cash Used by Investing Activities	(167,813)	(6,832)
Cash Flows from Financing Activities:		
Payments on notes payable	(182,379)	(181,235)
Dividends paid	(721,477)	(641,313)
Net Cash Used by Financing Activities	(903,856)	(822,548)
Net Increase (Decrease) in Cash and Cash Equivalents	(329,070)	581,218
Cash and Cash Equivalents at Beginning of Period	6,374,142	4,578,645
Cash and Cash Equivalents at End of Period	$ 6,045,072	$ 5,159,863
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest	$ 33,464	$ 20,787
Income Taxes	$ -	$ -

Supplemental disclosure of non cash investing and financing activities:

During March 2019 and 2018, the Company accrued dividends payable of $801,641 and $721,477 which were paid in April of 2019 and 2018, respectively.

The accompanying notes are an integral part of these financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business and Basis of Presentation - The consolidated financial statements include the accounts of Armanino Foods of Distinction, Inc. (the “Company”), which engages in the production and marketing of upscale and innovative food products, including primarily frozen pesto and other sauces, frozen pasta products, cooked and frozen meat and poultry products and its wholly-owned dormant subsidiary AFDI, Inc. which was incorporated in May 1995.

Consolidation - All significant inter-company accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents - The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company had $6,086,219 and $6,351,187 in excess of federally insured amounts in its bank accounts at March 31, 2019 and December 31, 2018.

Certificates of Deposit - The Company accounts for investments in debt and equity securities in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) ASC Topic 320 Investments – Debt and Equity Securities. Under Topic 320 the Company’s certificates of deposit and treasury bills (debt securities) have been classified as held-to-maturity and are recorded at amortized cost. Held-to-maturity securities represent those securities that the Company has both the positive intent and ability to hold until maturity. At March 31, 2019, the Company had ten certificates of deposit with a purchase value of $1,163,184 and a fair value totaling $1,171,486, amortized value totaling $1,171,486 and mature through October 4, 2021. At December 31, 2018, the Company had eleven certificates of deposit with a purchase value of $1,125,325 and a fair value totaling $1,135,692, amortized value totaling $1,135,692 and mature through October 4, 2021.

Accounts Receivable - Accounts receivable consist of trade receivables arising in the normal course of business. At March 31, 2019 and December 31, 2018, the Company has established an allowance for doubtful accounts of $10,000 and $10,000, respectively, which reflects the Company’s best estimate of probable losses inherent in the accounts receivable balance. The Company determines the allowance based on known troubled accounts, historical experience, and other currently available evidence. Amounts written off for the years presented are insignificant for disclosure.

Inventory - Inventory is carried at the lower of cost or market, as determined on the first-in, first-out method.

Property and Equipment - Property and equipment are stated at cost. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized, upon being placed in service. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed for financial statement purposes on a straight-line basis over the estimated useful lives of the assets which range from two to twenty-five years (See Note 4).

Intangible Assets - Intangible assets consist of goodwill and indefinite life intangible assets which include proprietary formulas and trademarks. Goodwill represents the excess of purchase price paid over the fair market value of identifiable net assets of companies acquired. The Company accounts for goodwill and indefinite life intangible assets in accordance with FASB ASC Topic 350, "Goodwill and Other Intangible Assets" and accordingly tests these assets at least annually for impairment.

Leases – The Company accounts for leases in accordance with FASB ASC Topic 842 Leases wherein the Company (except for short-term leases) recognizes at the commencement date, an operating lease liability equal to the discounted present value of the lease payments excluding non-lease components, and an operating lease right-of-use asset based on the Company incremental borrowing rate (3.5%). Lease payments are applied against the operating lease liability and interest expense. The operating lease right of use asset is amortized to expense on a straight-line basis over the term of the lease.

Revenue Recognition and Sales Incentives - The Company's accounts for revenue recognition in accordance with FASB ASC 606. Accordingly, we apply a principles-based five step model to recognize revenue upon the transfer of control of promised goods to customers and in an amount that reflects the consideration for which we expect to be entitled to in exchange for those goods. The principles-based five step model includes: 1) identifying the contract(s) with a customer; 2) identifying the performance obligations in the contract; 3) determining the transaction price; 4) allocating the transaction price to the performance obligations in the contract; and 5) recognizing revenue when (or as) we satisfy a performance obligation.

Our revenues primarily result from contracts with customers and distributors and generally have a single performance obligation – the delivery of product. The Company recognizes revenue when the performance obligation has been completed. The company has concluded that this occurs when the rights and risk of ownership have passed to the customer, when there is persuasive evidence of an arrangement, product has been shipped or delivered to the customer, the price and terms are finalized, and collections of resulting receivable is reasonably assured. Products are primarily shipped FOB shipping point at which time title passes to the customer. In some instances the Company uses common carriers for the delivery of products. In these arrangements, sales are recognized upon delivery to the customer. The Company's revenue arrangements with its customers often include early payment discounts and such sales incentives as trade allowances, promotions and co-operative advertising. These sales incentives are recorded at the later of when revenue is recognized or when the incentives are offered. Sales incentives that do not provide an identifiable benefit or provide a benefit where the Company could not have entered into an exchange transaction with a party other than the customer are netted against revenues. Incentives providing an identifiable benefit, where the Company could have entered into the same transaction with a party other than the customer, are classified under "General, administrative and selling expenses" in the Operating Expenses section of the Consolidated Statements of Earnings. We do not have material contract assets or liabilities arising from our contracts with customers.

Receivables from customers generally do not bear interest. Payment terms and collection patterns are short-term, and we do not have any significant financing components. Our allowance for doubtful accounts represents our estimate of probable non-payments and credit losses in our existing receivables, as determined based on a review of past due balances and other specific account data. Account balances are written off against the allowance when we deem the amount is uncollectible.

For a disaggregation of our revenue into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors, see Note 12.

Net sales comprised of the following for the three months ending March 31, 2019 and 2018:

	FOR THE THREE MONTHS ENDE MARCH 31	
	2019	**2018**
Gross Sales	$ 11,857,407	$ 11,239,169
Less: Discounts	(195,636)	(189,122)
Slotting	-	-
Promotions	(1,892,580)	(1,615,087)
Net Sales	$ 9,769,191	$ 9,434,960

Advertising Cost - Cost incurred in connection with advertising of the Company's products are expensed as incurred. Such costs amounted to $708 and $295 for the three months ending March 31, 2019 and 2018, respectively.

Research and Development Cost - The Company expenses research and development costs for the development of new products as incurred. Included in general and administrative expense for the three months at March 31, 2019 and 2018 are $4,844 and $1,267, respectively, of research and development costs.

Income Taxes - The Company accounts for income taxes in accordance with FASB ASC Topic 740 for Income Taxes. This statement requires an asset and liability approach for accounting for income taxes.

Earnings Per Share – The Company calculates earnings per share in accordance with FASB ASC 260 Earnings Per Share. Basic earnings per common share (EPS) are based on the weighted average number of common shares outstanding during each period. Diluted earnings per common share are based on shares outstanding (computed as under basic EPS) and potentially dilutive common shares. Potential common shares included in the diluted earnings per share calculation include in-the-money stock options that have been granted but have not been exercised.

Fair Value of Financial Instruments - The Company accounts for fair value measurements for financial assets and financial liabilities in accordance with FASB ASC Topic 820. The authoritative guidance, which, among other things, defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. Fair value is defined as the exit price, representing the amount that would either be received to sell an asset or be 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 guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities;
- Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Unless otherwise disclosed, the fair value of the Company’s financial instruments including cash, accounts receivable, prepaid expenses, accounts payable, accrued expenses and notes payable approximates their recorded values due to their short-term maturities.

Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimated.

Stock Options - The Company accounts for the stock option issued in accordance with FASB ASC Topic 718, Stock Compensation, accordingly the fair value of options issued is recognized over the vesting period of the underlying options.

Reclassification – The financial statements for the period ended prior to March 31, 2019 have been reclassified to conform to the headings and classifications used in the March 31, 2019 financial statements.

Recent Accounting Pronouncements - Recent accounting pronouncements issued by the FASB did not or are not believed by management to have a material impact on the Company’s present or future financial statements.

In May 2014, the FASB issued ASU No. 2014- 09, Revenue from Contracts with Customers (Topic 606), which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The new standard requires companies to recognize revenue when control of promised goods or services is transferred to customers at an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. The new model requires companies to identify contractual performance obligations and determine whether revenue should be recognized at a point in time or over time for each of these obligations. The new standard also significantly expands disclosure requirements regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. We adopted this standard beginning in the first quarter of 2019. The adoption of ASU No. 2014-09 did not have a material impact on our consolidated financial statements.

On January 1, 2019 the Company adopted ASU No. 2016-02, Leases (Topic 842), or ASU 2016-02. ASU 2016-02 requires lessees to recognize for all leases (with the exception of short-term leases) at the commencement date, a lease liability which is a lessee‘s obligation to make lease payments arising from a lease measured on a discounted basis, and a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. The standard required a modified retrospective adoption. We could choose to apply the provisions at the beginning of the earliest comparative period presented in the financial statements or at the beginning of the period of adoption. We have elected to apply the guidance at the beginning of the period of adoption. Our leased assets and corresponding liabilities will exclude non-lease components. The effect of the standard was the company recording a $937,633 operating lease right of use asset and a $994,501 operating lease liability and decreasing retained earnings by the cumulative effect of $56,868 from $15,358,941 to $15,302,073 as of January 1, 2019. Had the Company elected to adopt the standard as of January 1, 2018, the company would have recorded $6,241 less net income and $4,801 more income from operations and no effect on earnings per share, resulting from $11,042 more interest expense net of $4,801 less general and administrative expense for the three months ending March 31, 2018. The Company further would have recorded $71,894 more in cash flow from operations and $71,894 more cash used by financing activities for the three months ending March 31, 2018.

NOTE 2 - RELATED PARTY TRANSACTIONS

During the three months ending March 31, 2018, the Company paid accounting fees of $3,933 to a company controlled by a director/shareholder. Services provided by this accounting firm are in the area of tax preparation and related services, management and business consulting. No audit services were provided by this company.

NOTE 3 - INVENTORY

Inventory consists of the following at March 31, 2019 and December 31, 2018:

	March 31, 2019	December 31, 2018
Raw Materials and Supplies	1,111,504	1,185,296
Finished Goods	3,405,903	2,982,937
Reserve for Obsolescence	(25,000)	(25,000)
	$ 4,492,407	$ 4,143,233

The Company's inventory is held as collateral to secure the Company's notes payable to its financial institution lender.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at March 31, 2019 and December 31, 2018:

	Useful Life	March 31, 2019	December 31, 2018
Office equipment & furniture	**2 – 10**	640,304	622,804
Machinery and equipment	**5 – 20**	4,904,944	4,792,186
Vehicles	**7**	45,989	45,989
Leasehold improvements	**3 – 25**	3,583,657	3,583,657
		9,174,894	9,044,636
Less Accumulated Depreciation		(3,423,229)	(3,267,920)
Net Property and Equipment		$ 5,751,665	$ 5,776,716

Depreciation expense amounted to $155,309 and $137,971 for the three months ending March 31, 2019 and 2018, respectively. The Company's inventory is held as collateral on the Company's notes payable.

NOTE 5 - INTANGIBLE ASSETS

Goodwill - Goodwill represents the excess of the cost of purchasing Alborough, Inc. over the fair market value of the assets on May 20, 1996 less applicable amortization prior to the adoption of FASB ASC Topic 350. At March 31, 2019 and December 31, 2018, Goodwill amounted $375,438.

Trademarks - Trademarks represent the current costs seeking Trademarks. At March 31, 2019 and December 31, 2018, Trademarks amounted $74,503 and $72,742.

During the fourth quarter of each year, the Company tested the Company's intangible assets for impairment in accordance with FASB ASC Topic 350. The Company used the quoted market price of its stock and projected earnings to test goodwill and trademarks for impairment and determined that the Company's goodwill and Trademarks were not impaired.

NOTE 6 - LEASES

Operating Leases - During 2016, the Company renewed the lease of 30588 San Antonio Street in Hayward for another five years through December 31, 2021, and negotiated two additional five year options to extend the lease thereafter. Under the amended and restated lease agreement, the monthly base rent commencing January 1, 2017 is $21,000, with fixed annual rent increases ranging from 2.6% to 2.8%. If the Company elects to exercise its first five year option, the base rent will be set at the then prevailing fair market rental value, but not less than $23,806, with annual rent increases fixed at 2%. If the Company elects to exercise its second five year option, the base rent will be set at the then prevailing fair market rental value, but not less than $26,283, with annual rent increases fixed at 2%.

During 2016, the Company renewed the lease of 30641 San Antonio Street in Hayward for another five years through December 31, 2021, and negotiated one additional five year option to extend the lease thereafter. Under the amended and restated lease agreement, the monthly base rent commencing January 1, 2017 is $4,300 plus $1,622 in common operating expenses, with fixed annual rent increases of 3%. If the Company elects to exercise its five year option, the base rent will be set at the prevailing fair market rental value.

Operating lease right of use, net – Right of use to operating leased property consists of the following at March 31, 2019:

	Expiring	March 31, 2019
Right of use 30588 San Antonio	**12/31/2021**	$ 1,217,055
Right of Use 30641 San Antonio	**12/31/2021**	345,667
		1,562,722
Less Accumulated Amortization		(703,225)
Net Operating lease right of use		$ 859,497

Amortization charged to expense for the three months ended March 31, 2019 was $78,136. Lease expense charged to operations was $82,917 for the three months ending March 31, 2018.

Operating lease liability - The future minimum lease payments for non-cancelable operating leases having remaining terms in excess of one year as of March 31, 2019 are as follows:

Year Ended December 31,	Future Minimum Lease Payments
2019	$ 255,500
2020	349,825
2021	359,231
2022	-
2023	-
Thereafter	-
Future Minimum Lease Payments	964,556
Less amounts represent imputed interest	(46,743)
Present value of minimum lease payments	917,813
Less current portion of operating lease liability	(234,135)
Operating Lease liability less current Portion	$ 683,678

Other Information - Cash payments included in the measurement of our operating lease liabilities were $89,778 for the three months ended March 31, 2019.

NOTE 7 – LINE OF CREDIT / NOTE PAYABLE

Line of Credit / Note Payable – On September 30, 2016, the Company entered into a non-revolving $3,100,000 line of credit agreement with a financial institution to support its plant expansion project. The availability period for this line ended on January 1, 2018. The line was converted to a note payable calling for monthly principal payments of $51,667 plus interest totaling approximately $60,000, maturing September 2022. The note accrues interest at a fixed rate of 3.35% and is secured by all of the Company's personal property. At March 31, 2019 and December 31, 2018, there was $2,281,606 and $2,436,606 outstanding on the note, respectively.

Equipment Financing Agreement – During 2017, the Company entered into an equipment financing agreement with a financial institution to support the purchase of new equipment for its plant expansion project. The note accrues interest at a fixed rate of 4.28% and is secured by the equipment purchased. At March 31, 2019 and December 31, 2018, there was $447,798 and $475,177 outstanding on the note, respectively, payable in monthly installments of $10,789 and maturing December 2022.

A summary of the lines of credit, notes payable and financing agreements is as follows:

	March 31, 2019	December 31, 2018
3.35% Note payable for plant reconstruction Payable in monthly principal installments of $51,667 totaling approximately $60,000 maturing September 2022.	2,281,606	2,436,606
4.28% Equipment financing agreement, Payable in monthly installments of		

$10,789, maturing December 2022.	447,798	475,177
	2,729,403	2,911,783
Less Current Portion of Notes Payable	(732,488)	(731,293)
Long Term Portion of Notes Payable	$ 1,996,915	$ 2,180,490

Future Maturities of the notes payable at March 31, 2019 are as follows:

Year ending March 31,		
2019	$	548,913
2020		736,151
2021		741,221
2022		703,118
2023		-
Thereafter		-
	$	2,729,403

NOTE 8 - AGREEMENTS AND COMMITMENTS

Manufacturing - Certain of the Company's products are manufactured and packaged on a "co-pack" or "toll-pack" basis by third parties at agreed upon prices. The agreements with the co-packers have terms of one year and allow for periodic price adjustments. These agreements generally allow for either party to give a two months cancellation notice.

401(K) Profit Sharing Plan - The Company has a 401(K) profit sharing plan and trust that covers all employees. The Company matches 50% up to a maximum of 7% deferral. Any employees who are employed by the Company during a six consecutive month period and have reached age 21 are eligible to participate in the plan. The plan became effective January 1, 1993 and has a plan year of January 1 through December 31. During the three months ending March 31, 2019 and 2018 the Company matching contributions to the plan expensed were $22,021 and $22,712, respectively.

NOTE 9 - INCOME TAXES

The Company accounts for income taxes in accordance with FASB ASC Topic 740 which requires the Company to provide a net deferred tax asset or liability equal to the expected future tax benefit or expense of temporary reporting differences between book and tax accounting and any available operating loss or tax credit carry forwards. At March 31, 2019, and December 31, 2018, the total of all deferred tax assets was $95,933 and $95,933, respectively, and the total of the deferred tax liabilities was $1,113,885 and $1,113,885, respectively. The amount of and ultimate realization of the benefits from the deferred tax assets for income tax purposes is dependent, in part, upon the tax laws in effect, the Company’s future earnings, and other future events, the effects of which cannot be determined.

The temporary differences, tax credits and carry forwards gave rise to the following deferred tax asset (liabilities) at March 31, 2019 and December 31, 2018:

	March 31, 2019	December 31, 2018
Inventory 263A adjustment	$ 38,603	$ 38,603
Reserve for accrued vacation	43,353	43,353
Allowance for bad debt	2,588	2,588
Allowance for obsolete inventory	6,471	6,471
Reserve for sales returns	4,918	4,918
Excess of tax over book depreciation	(1,113,885)	(1,113,885)
Deferred Tax Liability, Net	$ (1,017,951)	$ (1,017,951)

Management estimates that the Company will generate adequate net profits to use the deferred tax assets, consequently, a valuation allowance has not been recorded.

The Company files U.S. Federal and California, New York, Colorado, Florida, Illinois, Texas, Georgia and Maryland state income tax returns, and we are generally no longer subject to tax examinations for years prior to 2013 for Federal and US state tax returns. The Company submitted amended California tax returns for 2013 through 2016 related to the apportionment of taxes between states that retroactively applied to these years. In response, the State of California has decided to audit those tax returns. The amount of the tax refund due the Company from these amended tax returns will be finalized after the State of California completes their audits.

NOTE 10 - EARNINGS PER SHARE

The following data shows the amounts used in computing earnings per share and the effect on income and the weighted average number of shares of potential dilutive common stock:

For the three months ended March 31, 2019 and 2018, the Company had no options that were not included in the computation of diluted earnings per share.

	FOR THE THREE MONTH ENDED MARCH 31	
	2016	2015
Net Income	$ 1,436,496	$ 1,310,885
Weighted average number of common shares outstanding used in basic earnings per share	32,065,645	32,065,645
Effect of dilutive securities: Stock Options	-	-
Weighted average number of common shares and pontential dilutive shares outstanding used in diluted earnings per share	32,065,645	32,065,645

NOTE 11 - STOCKHOLDERS' EQUITY

Preferred Stock - The Company is authorized to issue 10,000,000 shares of no par value preferred stock with such rights and preferences and in such series as determined by the Board of Directors at the time of issuance. No shares are issued or outstanding as of March 31, 2019 and December 31, 2018.

Dividends - During the three months ended March 31, 2019 and 2018, the Company paid $721,477 and $641,313, respectively, in dividends to common shareholders, none of which was considered a liquidating dividend.

Repurchase of Common Shares - The Board of Directors has authorized the Company to repurchase up to $2,500,000 of the Company's Common Stock at market prices. The amount and timing of the shares to be repurchased are at the discretion of management. Through March 31, 2019, 3,102,135 shares, at $0.70 to $0.94 per share at an aggregate cost of $2,394,294, were repurchased and canceled under this program. At March 31, 2019, the Company was authorized to repurchase an additional $105,706 of the Company's common stock.

2019 Phantom Stock Plan - In March 2019, the Company's Board of Directors approved the adoption of a phantom stock bonus program: the "2019 Phantom Stock Plan" or the "Plan". The Plan provides a means to promote company profitability by awarding cash bonuses upon each participants' exercise that simulate the financial benefits of common stock ownership. The Plan allows for the issuance of up to 1,000,000 shares of phantom stock expiring 10 years from the date of grant with vesting terms and exercise prices to be determined by the Board of Directors from time to time upon the issuance of phantom stock to employees, directors and consultants of the Company.

On March 7, 2019, the Company issued 450,000 shares of phantom stock to various directors and management with an exercise price of $3.33 and with vesting terms over 48 months of continued service. Under the plan the Company will pay to the holder of the phantom stock the difference between the current share price and exercise price on the date of exercise. The phantom stock has been accounted for as a stock appreciation right using the liability method of accounting for stock awards. The Company has estimated the fair value of the award as of March 31, 2019 to be $0.41 per share using the Black Scholes option pricing model using the following assumptions: expected term of 4 years, volatility of 19.15%, risk free interest rate of 2.44%, dividend yield of 3.16% and expected forfeiture of 5% for an estimated aggregate fair value of $184,785. As of March 31, 2019, the Company has recorded a phantom stock award liability of $3,657 and recognized stock based compensation expense of $3,657 related to the awards. At March 31, 2019, the Company had unrecognized compensation expense of $181,128 expected to be recognized through March 7, 2023.

At the end of each reporting period, the Company will remeasure the current fair value of the award and adjust phantom stock award liability and cumulative compensation expense to the appropriate portion of the total fair value in relation to the portion of the vesting period that has been completed. After the awards are fully vested the Company will remeasure the awards fair value at the end of each reporting period, recognizing the entire change in fair value immediately in the income statement. On exercise, the Company will remeasure the SARs' fair value (which will equal the intrinsic value) and recognize the change in fair value as an adjustment to compensation cost.

A summary of the status of the phantom stock outstanding at March 31, 2019 is presented below:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life
$ 3.33	450,000	9.9

A summary of the status of the phantom stock outstanding under the Plan at March 31, 2019 is presented below:

	Shares	Weighted Average Exercise Price	Intrinsic Value
Outstanding 12/31/08			
Granted	450,000	$ 3.33	$ 370
Exercised	-	-	-
Forfeited	-	-	-
Expired	-	-	-
Outstanding 3/31/19	450,000	$ 3.33	$ 370
Exercisable 3/31/19	9,375	$ 3.33	-
Vested and expected to vest	427,500	$ 3.33	-

NOTE 12 - SIGNIFICANT CUSTOMERS / CONCENTRATION

The Company's products are marketed by a network of food brokers and sold to retail, foodservice, club-type stores, and industrial accounts. The Company's products are sold by the Company and through distributors.

The Company had two customers who accounted for 64% and 14% of outstanding receivables at March 31, 2019, 73% and 5% at December 31, 2018.

During the three months ending March 31, 2019 and 2018, 52% and 57% of the Company's total gross sales, respectively, were handled by a non-exclusive national distributor.

During the three months ending March 31, 2019 and 2018, sales in the Company's Asian markets amounted to 14% and 10% of the Company's total gross sales, respectively.

The Company's food brokers are paid commissions ranging from 2% to 4% of sales depending on products sold and selling price. The following table lists the total gross sales from continuing operations through each of the Company's top three brokers for the three months ending March 31:

	FOR THE THREE MONTH ENDED MARCH 31	
	2019	**2018**
Broker A	$ 1,530,817	$ 1,543,260
Broker B	1,094,977	1,155,546
Broker C	858,126	810,517

NOTE 13 – SUBSEQUENT EVENT

The Company's management has reviewed all material events through May 15, 2019.

On March 7, 2019, the Company's Board of Directors declared a regular cash dividend of $0.025 per share that was paid on April 26, 2019 to shareholders of record on April 1, 2019.

SUPPLEMENTAL INFORMATION

1. MANAGEMENT DISCUSSION AND ANALYSIS

A. Results of Operations

Liquidity and Capital Resources:

At March 31, 2019, the Company had working capital of $15,377,563, compared to $15,135,678 at December 31, 2018, an increase of $241,885, or 2%. This increase was largely due to the increase in inventory levels built to keep up with the Company's expected growth in sales, the timing of payments of trade payables, as well as accrued payroll and taxes. This increase was offset by the timing related to the collection of receivables; a decrease in cash mainly because of the effects from an increase in the purchase of property and equipment, an increase in the dividend rate; the accounting effects related to prepaid taxes from the prior year, and the current year implementation of the new accounting rules with respect to certain leases. The Company's strong cash position has continued to enable it to pay down debt incurred to fund its plant expansion in 2017, and to increase and declare another quarterly dividend - the Company's 76th consecutive regular quarterly dividend.

In the third quarter of 2016, the Company's Board of Directors approved a plant expansion of the Company's manufacturing plant facility that was budgeted to cost approximately $3.5 million. To help finance the plant expansion project, on September 30, 2016 the Company secured a non-revolving $3,100,000 line of credit with a financial institution. The availability period for this line ended on January 1, 2018. The line accrues interest at a fixed rate of 3.35% and is secured by all of the Company's personal property. At March 31, 2019, there was $2,281,606 outstanding on the line. On January 3, 2017, the Company also secured an equipment loan with a financial institution. At March 31, 2019, $447,798 was outstanding on the loan. The loan was secured by the new equipment and accrues interest at a fixed rate of 4.28%.

Results of Operations:

The Company achieved its highest first quarter sales and net income results in the first quarter of 2019. Net sales for the quarter ending March 31, 2019 increased by 4% to $9,769,191 from $9,434,960 in the same quarter last year. The Company achieved record-breaking net sales and net income for the first quarter, with sales growth in both its US and Asian markets.

Cost of goods sold as a percentage of net sales for the quarter ending March 31, 2019 was 64%, compared to 65% achieved during the first quarter last year.

Operating expenses as a percentage of net sales for the quarter ending March 31, 2019 were 16% compared to 17% during the same quarter last year. The Company's headcount has remained static over the past two years while net sales volume has grown.

Net income of $1,436,496 for the three months ended March 31, 2019 increased $125,611 or 10% over net income of $1,310,885 for the three months ended March 31, 2018. This is the Company's 63rd quarter in a row of profitability. For the year 2019, the Company slightly increased its estimated tax rate because the Company expects that certain one-time tax benefits from 2018 will not carry over into 2019. The Company plans to continue investing in strategic planning efforts to find ways to profitably reinvest into its business.

While the Company is excited about several promising opportunities that it is pursuing, the Company is also cautious about the upcoming 2nd quarter of this year because last year's 2nd quarter was impacted by significant timing differences. As the Company previously mentioned in the 2nd quarter of 2018, several customers had increased their purchases in advance of price increases which were implemented on July 1, 2018. The Company believes that the prior year effect of these timing differences will be offset in total by the end of this year. For further perspective, the 2nd and 3rd quarter of 2018 posted respectively the highest and second highest quarterly net sales in the Company's history.

The Company is encouraged by the development of several new products which the Company is confident will be well-received by existing and targeted customers, as well as in new markets. The Company anticipates that the sale of these new products will start to ramp up sometime in the 2nd half of this year. Given all of this, the overall outlook on the Company's financial performance for the entire year remains cautiously optimistic.

The Company believes that its sales pipeline and its cash position are currently strong. The Company continues to aggressively invest in domestic promotional expenditures in order to grow in the US market. While first quarter sales in its Asian Markets improved significantly over last year, the Company remains guarded on its outlook in that part of the world.

Cash Flow:

For the three months ending March 31, 2019, cash flow provided by operating activities decreased by $667,999 to $742,599 from $1,410,598 in the same period last year. While net income grew by 10%, this was largely overshadowed by the timing in the collection of receivables, payments to suppliers, and changes in inventory levels.

Net cash used in investing activities for the three months ending March 31, 2019 increased by $160,981 to $<167,813> this year, from $<6,832> in the prior year. This increase is largely due to the purchase of new production and office equipment, as well as the result of timing differences associated with the maturity and purchases of certificates of deposits.

Net cash used by financing activities for the three months ending March 31, 2019 increased by $81,308 to $<903,856> from $<822,548> in the same period of 2018. The increase mainly reflects the impact from the Company’s increase in dividend.

While the Company’s cash flow is currently strong, it intends to closely manage its cash flow activities for the remainder of 2019.

B. Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

2. LEGAL PROCEEDINGS
The Company is not party to any material legal proceedings or administrative actions.

3. DEFAULTS UPON SENIOR SECURITIES
The Company is not in default upon any of its debts.

4. EXHIBITS
There are no updates to the “Material Contracts”, or “Articles of Incorporation and Bylaws” described in the Company’s 2018 Annual Report.