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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 26, 2021
or

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

For the transition period from to .

Commission File Number: 001-36704

BGSF, INC.
(exact name of registrant as specified in its charter)

Delaware	**26-0656684**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

5850 Granite Parkway, Suite 730
Plano, Texas 75024
(972) 692-2400
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

Indicate by check mark whether the registrant has submitted electronically 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 and post such files). Yes ☑ No ☐

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

Large accelerated filer	☐		Accelerated Filer	☑
Non-accelerated filer	☐	(Do not check if a smaller reporting company)	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 new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	BGSF	NYSE

The number of shares outstanding of the registrant's common stock as of November 3, 2021 was 10,403,869.

TABLE OF CONTENTS

Forward-Looking Statements

This Quarterly Report on Form-10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These statements relate to our expectations for future events and time periods. All statements other than statements of historical fact are statements that could be deemed to be forward-looking statements, including, but not limited to, statements regarding:

- future financial performance and growth targets or expectations;
- market and industry trends and developments; and
- the benefits of our completed and future merger, acquisition and disposition transactions.

You can identify these and other forward-looking statements by the use of words such as “aim,” “potential,” “may,” “could,” “can,” “would,” “might,” “likely,” “will,” “expect,” “intend,” “plan,” "predict", "ongoing", "project",“budget,” “scheduled,” “estimate,” “anticipate,” “believe,” “forecast,” “committed,” “future” or “continue” or the negative thereof or similar variations.

These forward-looking statements are based on information available to us as of the date of this Quarterly Report on Form 10-Q and our current expectations, forecasts and assumptions and involve a number of risks and uncertainties. Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date. Future performance cannot be ensured. Actual results may differ materially from those in the forward-looking statements. Some factors that could cause actual results to differ include:

- the availability of field talents’ workers' compensation insurance coverage at commercially reasonable terms;
- the availability of qualified field talent;
- compliance with federal, state and local labor and employment laws and regulations and changes in such laws and regulations;
- the ability to compete with new competitors and competitors with superior marketing and financial resources;
- management team changes;
- the favorable resolution of current or future litigation;
- the impact of outstanding indebtedness on the ability to fund operations or obtain additional financing;
- the ability to leverage the benefits of recent acquisitions and successfully integrate newly acquired operations;
- the impact of, and the ability to mitigate or manage disruptions posed by, the novel coronavirus pandemic (“COVID-19”) or other pandemics;
- adverse changes in the economic conditions of the industries or markets that we serve;
- disturbances in world financial, credit, and stock markets;
- unanticipated changes in regulations affecting the company’s business;
- a decline in consumer confidence and discretionary spending;
- the general performance of the U.S. and global economies;
- continued or escalated conflict in the Middle East or elsewhere; and
- other risks referenced from time to time in our past and future filings with the Securities and Exchange Commission (“SEC”), including in our Annual Report on Form 10-K for the fiscal year ended December 27, 2020.

You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. Except as required by law, we do not undertake any obligation to update or release any revisions to these forward-looking statements to reflect any events or circumstances, whether as a result of new information, future events, changes in assumptions or otherwise, after the date hereof.

Where You Can Find Other Information

Our website is www.bgsf.com. Information contained on our website is not part of this Quarterly Report on Form 10-Q. Information that we file with or furnish to the SEC, including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to or exhibits included in these reports are available for download, free of charge, on our website soon after such reports are filed with or furnished to the SEC. These reports and other information, including exhibits filed or furnished therewith, are also available at the SEC’s website at www.sec.gov.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

BGSF, Inc. and Subsidiaries
UNAUDITED CONSOLIDATED BALANCE SHEETS

	September 26, 2021	December 27, 2020
ASSETS		
Current assets		
Accounts receivable (net of allowance for credit losses of $521,001 and $492,087 for 2021 and 2020, respectively)	$ 54,051,208	$ 41,493,800
Prepaid expenses and other current assets	1,842,650	2,154,966
Other current assets	19,898	—
Total current assets	55,913,756	43,648,766
Property and equipment, net	3,046,081	3,723,582
Other assets		
Deposits	4,142,234	4,016,002
Other assets	1,321,368	1,195,143
Deferred income taxes, net	4,887,702	5,827,673
Right-of-use asset - operating leases	4,674,345	6,009,054
Intangible assets, net	35,959,677	33,781,168
Goodwill	34,155,493	32,076,880
Total other assets	85,140,819	82,905,920
Total assets	$ 144,100,656	$ 130,278,268
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Long-term debt, current portion	$ 3,375,000	$ 2,625,000
Accrued interest	125,072	78,134
Accounts payable	362,785	219,693
Accrued payroll and expenses	15,515,677	11,448,403
Contingent consideration, current portion	1,052,750	—
Lease liability, current portion	2,060,525	2,031,898
Other current liabilities	3,549,785	—
Income taxes payable	592,188	1,861,116
Total current liabilities	26,633,782	18,264,244
Line of credit (net of deferred finance fees of $211,967 and $268,076 at 2021 and 2020, respectively)	13,430,982	5,709,266
Long-term debt, less current portion	24,050,000	26,300,000
Contingent consideration, less current portion	969,057	2,287,926
Lease liability, less current portion	3,366,279	4,903,539
Other long-term liabilities	3,619,830	7,355,541
Total liabilities	72,069,930	64,820,516
Commitments and contingencies		
Preferred stock, $0.01 par value per share, 500,000 shares authorized, -0- shares issued and outstanding	—	—
Common stock, $0.01 par value per share; 19,500,000 shares authorized, 10,401,312 and 10,328,379 shares issued and outstanding for 2021 and 2020, respectively, net of treasury stock, at cost, 1,845 and 1,235 shares for 2021 and 2020, respectively.	66,121	73,834
Additional paid in capital	61,487,340	60,457,044
Retained earnings	10,531,878	5,049,748
Accumulated other comprehensive loss	(54,613)	(122,874)
Total stockholders' equity	72,030,726	65,457,752
Total liabilities and stockholders' equity	$ 144,100,656	$ 130,278,268

The accompanying notes are an integral part of these unaudited consolidated financial statements.

BGSF, Inc. and Subsidiaries
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

For the Thirteen and Thirty-nine Week Periods Ended September 26, 2021 and September 27, 2020

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	2021	2020	2021	2020
Revenues	$ 82,352,022	$ 71,518,691	$ 224,455,249	$ 208,192,454
Cost of services	57,685,150	51,806,765	159,190,832	151,299,654
Gross profit	24,666,872	19,711,926	65,264,417	56,892,800
Selling, general and administrative expenses	18,488,691	14,869,009	52,980,905	45,379,075
Gain on contingent consideration	(1,208,269)	(76,102)	(2,402,844)	(76,102)
Impairment losses	—	—	—	7,239,514
Depreciation and amortization	1,190,710	1,270,951	2,940,967	4,129,615
Operating income	6,195,740	3,648,068	11,745,389	220,698
Interest expense, net	431,332	359,805	1,026,392	1,245,489
Income (Loss) before income taxes	5,764,408	3,288,263	10,718,997	(1,024,791)
Income tax expense (benefit)	1,120,799	722,700	1,920,753	(259,951)
Net income (loss)	$ 4,643,609	$ 2,565,563	$ 8,798,244	$ (764,840)
Change in unrealized (gains) losses on cash flow hedges	(6,232)	(17,241)	(68,261)	154,482
Other comprehensive (income) loss	(6,232)	(17,241)	(68,261)	154,482
Net comprehensive income (loss)	$ 4,649,841	$ 2,582,804	$ 8,866,505	$ (919,322)
Net income (loss) per share:				
Basic	$ 0.45	$ 0.25	$ 0.85	$ (0.07)
Diluted	$ 0.45	$ 0.25	$ 0.85	$ (0.07)
Weighted-average shares outstanding:				
Basic	10,380,900	10,312,939	10,351,319	10,309,457
Diluted	10,427,112	10,326,493	10,404,900	10,309,457
Cash dividends declared per common share	$ 0.12	$ 0.05	$ 0.32	$ 0.40

The accompanying notes are an integral part of these unaudited consolidated financial statements.

BGSF, Inc. and Subsidiaries
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

For the Thirty-nine Week Periods Ended September 27, 2020

		Common Stock						
	Preferred Stock	Shares	Par Value	Treasury Stock Amount	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Stockholders' equity, December 29, 2019	$ —	10,309,236	$ 103,093	$ (27,318)	$ 59,617,787	$ 8,763,428	$ —	$ 68,456,990
Share-based compensation	—	—	—	—	192,913	—	—	192,913
Cancellation of restricted shares	—	(2,250)	(23)	—	23	—	—	—
Cash dividend declared	—	—	—	—	—	(3,092,771)	—	(3,092,771)
Net income	—	—	—	—	—	1,498,860	—	1,498,860
Stockholders' equity, March 29, 2020	—	10,306,986	103,070	(27,318)	59,810,723	7,169,517	—	67,055,992
Share-based compensation	—	—	—	—	193,077	—	—	193,077
Share issuance cost	—	—	—	—	(10,000)	—	—	(10,000)
Cash dividend declared	—	—	—	—	—	(515,349)	—	(515,349)
Net loss	—	—	—	—	—	(4,829,263)	—	(4,829,263)
Unrealized losses on cash flow hedges							(171,723)	(171,723)
Stockholders' equity, June 28, 2020	—	10,306,986	103,070	(27,318)	59,993,800	1,824,905	(171,723)	61,722,734
Share-based compensation	—	—	—	—	244,567	—	—	244,567
Issuance of restricted shares	—	10,032	100	—	(100)	—	—	—
Cash dividend declared	—	—	—	—	—	(515,349)	—	(515,349)
Net income	—	—	—	—	—	2,565,563	—	2,565,563
Unrealized gains on cash flow hedges	—	—	—	—	—		17,241	17,241
Stockholders' equity, September 27, 2020	$ —	10,317,018	$ 103,170	$ (27,318)	$ 60,238,267	$ 3,875,119	$ (154,482)	$ 64,034,756

The accompanying notes are an integral part of these unaudited consolidated financial statements.

BGSF, Inc. and Subsidiaries
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

For the Thirty-nine Week Periods Ended September 26, 2021

	Preferred Stock	Common Stock Shares	Common Stock Par Value	Treasury Stock Amount	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Stockholders' equity, December 27, 2020	$ —	10,328,379	$ 103,284	$ (29,450)	$ 60,457,044	$ 5,049,748	$ (122,874)	$ 65,457,752
Share-based compensation	—	—	—	—	236,007	—	—	236,007
Share issuance cost	—	—	—	—	(10,000)	—	—	(10,000)
Issuance of restricted shares	—	7,518	75	—	(75)	—	—	—
Exercise of common stock options	—	213	2	—	(2)	—	—	—
Cash dividend declared	—	—	—	—	—	(1,033,597)	—	(1,033,597)
Net income	—	—	—	—	—	711,797	—	711,797
Unrealized gains on cash flow hedges	—	—	—	—	—	—	32,215	32,215
Stockholders' equity, March 28, 2021	—	10,336,110	103,361	(29,450)	60,682,974	4,727,948	(90,659)	65,394,174
Share-based compensation	—	—	—	—	225,380	—	—	225,380
Issuance of restricted shares	—	7,230	72	—	(72)	—	—	—
Cash dividend declared	—	—	—	—	—	(1,034,334)	—	(1,034,334)
Net income	—	—	—	—	—	3,442,838	—	3,442,838
Unrealized gains on cash flow hedges	—	—	—	—	—	—	29,814	29,814
Stockholders' equity, June 27, 2021	—	10,343,340	103,433	(29,450)	60,908,282	7,136,452	(60,845)	68,057,872
Share-based compensation	—	—	—	—	424,328	—	—	424,328
Share issuance cost	—	—	—	—	(3,500)	—	—	(3,500)
Issuance (cancellation) of restricted shares	—	42,814	428	(8,442)	(428)	—	—	(8,442)
Issuance of ESPP Shares	—	14,758	148	—	154,774	—	—	154,922
Exercise of common stock options	—	400	4	—	3,884	—	—	3,888
Cash dividend declared	—	—	—	—	—	(1,248,183)	—	(1,248,183)
Net income	—	—	—	—	—	4,643,609	—	4,643,609
Unrealized gains on cash flow hedges	—	—	—	—	—	—	6,232	6,232
Stockholders' equity, September 26, 2021	$ —	10,401,312	$ 104,013	$ (37,892)	$ 61,487,340	$ 10,531,878	$ (54,613)	$ 72,030,726

The accompanying notes are an integral part of these unaudited consolidated financial statements.

BGSF, Inc. and Subsidiaries
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Thirty-nine Week Periods Ended September 26, 2021 and September 27, 2020

	2021	2020
Cash flows from operating activities		
Net income (loss)	$ 8,798,244	$ (764,840)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	589,465	653,199
Amortization	2,351,502	3,476,416
Impairment losses	—	7,239,514
Loss on disposal of property and equipment	8,197	—
Contingent consideration adjustment	(2,402,844)	(76,102)
Amortization of deferred financing fees	56,109	56,109
Interest expense on contingent consideration payable	210,002	144,911
Provision for credit losses	322,144	153,805
Share-based compensation	885,715	630,557
Deferred income taxes, net of acquired deferred tax liability	939,971	(1,352,702)
Net changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(12,534,431)	4,231,482
Prepaid expenses and other current assets	315,942	244,699
Other current assets	(19,898)	508,986
Deposits	(126,232)	(128,805)
Other assets	281,439	(849,454)
Accrued interest	46,938	21,295
Accounts payable	117,664	(66,069)
Accrued payroll and expenses	4,018,994	(21,446)
Other current liabilities	18,977	(1,016,565)
Income taxes receivable and payable	(1,268,928)	197,426
Operating leases	(117,458)	(16,649)
Other long-term liabilities	(136,642)	5,022,287
Net cash provided by operating activities	2,354,870	18,288,054
Cash flows from investing activities		
Business acquired, net of cash received	(3,780,000)	(21,657,689)
Capital expenditures	(1,566,389)	(1,960,179)
Proceeds from the sale of property and equipment	5,158	—
Net cash used in investing activities	(5,341,231)	(23,617,868)
Cash flows from financing activities		
Net borrowings (payments) under line of credit	7,665,607	(12,336,717)
Proceeds from issuance of long-term debt	—	22,500,000
Principal payments on long-term debt	(1,500,000)	(700,000)
Payments of dividends	(3,316,114)	(4,123,469)
Issuance of ESSP Shares	154,922	—
Issuance of shares, net of offering costs	(18,054)	(10,000)
Net cash provided by financing activities	2,986,361	5,329,814
Net change in cash and cash equivalents	—	—
Cash and cash equivalents, beginning of period	—	—
Cash and cash equivalents, end of period	$ —	$ —
Supplemental cash flow information:		
Cash paid for interest	$ 563,280	$ 890,918
Cash paid for taxes, net of refunds	$ 2,187,334	$ 855,101

The accompanying notes are an integral part of these unaudited consolidated financial statements.

NOTE 1 - NATURE OF OPERATIONS

BGSF, Inc., along with its wholly owned subsidiaries BG Staffing, LLC, B G Staff Services Inc., BG Personnel, LP, BG Finance and Accounting, Inc., BG California IT Staffing, Inc., BG California Multifamily Staffing, Inc., BG California Finance & Accounting Staffing, Inc., EdgeRock Technology Holdings, Inc., EdgeRock Technologies, LLC, and BG Personnel of Texas, LLC (collectively, the “Company”), is a national provider of workforce solutions.

The Company operates primarily within the United States of America in three industry segments: Real Estate, Professional, and Light Industrial.

The Real Estate segment provides office and maintenance field talent to various apartment communities and commercial buildings currently in 34 states and D.C., via property management companies responsible for the apartment communities' and commercial buildings' day-to-day operations. The Real Estate segment operates through two divisions, BG Multifamily and BG Talent.

The Professional segment provides skilled field talent on a nationwide basis for information technology (“IT”) and finance, accounting, legal and human resource client partner projects. The Professional segment operates through three divisions, IT Consulting, IT Infrastructure & Development, and Finance and Accounting under various trade names including Extrinsic, American Partners, Donovan & Watkins, Vision Technology Services, Zycron, Smart Resources, L.J. Kushner & Associates, EdgeRock Technology Partners, and Momentum Solutionz.

The Light Industrial segment provides field talent primarily to manufacturing, distribution, logistics, and call center client partners needing a flexible workforce currently out of 11 locations and 11 on-sites in 7 states. The Light Industrial segment operates through one division under the InStaff trade name.

The Company normally experiences seasonal fluctuations. The quarterly operating results are affected by the number of billing days in a quarter, as well as the seasonality of client partners’ businesses. Demand for the Real Estate workforce solutions increase in the second quarter and is highest during the third quarter of the year due to the increased turns in multifamily units during the summer months when schools are not in session. Demand for the Light Industrial workforce solutions increases during the third quarter of the year and peaks in the fourth quarter due to increases in the demand for holiday help. Overall first quarter demand can be affected by adverse weather conditions in the winter months. In addition, the cost of services typically increases in the first quarter primarily due to the reset of payroll taxes. Normal seasonal demand has been significantly affected by COVID-19.

The Company has adjusted, and continues to monitor and change, its operations in response to COVID-19 in all of its segment, client partner, and home office locations. The outbreak continues to impact both operational and financial performance. The duration of the pandemic, as well as the continued spread of the outbreak, impacts the Company's client partners, and the ongoing government and community reactions to the pandemic remain unpredictable.

The accompanying unaudited consolidated financial statements have been prepared by the Company in accordance with generally accepted accounting principles in the United States of America (“GAAP”), pursuant to the applicable rules and regulations of the SEC. The information furnished herein reflects all adjustments (consisting only of normal recurring adjustments) that are, in the opinion of management, necessary to present a fair statement of the financial position and operating results of the Company as of and for the respective periods. However, these operating results are not necessarily indicative of the results expected for a full fiscal year or any other future period. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been omitted pursuant to such rules and regulations. However, management of the Company believes, to the best of its knowledge, that the disclosures herein are adequate to make the information presented not misleading. The Company has determined that there were no subsequent events that would require disclosure or adjustments to the accompanying consolidated financial statements through the date the financial statements were issued. The accompanying unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the fiscal year ended December 27, 2020, included in its Annual Report on Form 10-K.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of the Company. All significant intercompany transactions and balances have been eliminated in consolidation.

Fiscal Periods

The Company has a 52/53 week fiscal year. Fiscal periods for the consolidated financial statements included herein are as of September 26, 2021 and December 27, 2020, and include the thirteen and thirty-nine week periods ended September 26, 2021 and September 27, 2020, referred to herein as Fiscal 2021 and 2020, respectively.

Reclassifications

Certain reclassifications have been made to the 2020 financial statements to conform with the 2021 presentation.

Management Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates affecting the financial statements include allowances for credit losses, goodwill, intangible assets, lease liability, contingent consideration obligations related to acquisitions, and income taxes. Additionally, the valuation of share-based compensation expense uses a model based upon interest rates, stock prices, maturity estimates, volatility and other factors. The Company believes these estimates and assumptions are reliable. However, these estimates and assumptions may change in the future based on actual experience as well as market conditions.

The COVID-19 pandemic continues to have a significant impact on our economy as a result of measures designed to stop the spread of the virus. In light of the ultimate duration and severity of COVID-19, we face a greater degree of uncertainty than normal in making the judgments and estimates needed to apply the Company’s significant accounting policies. While the ongoing COVID-19 response continues to evolve, management may continue to make changes to these estimates and judgments over time, which could result in meaningful impacts to the Company’s financial statements in future periods. Actual results and outcomes may differ from management’s estimates and assumptions.

Financial Instruments

The Company uses fair value measurements in areas that include, but are not limited to, interest rate swap agreements used to mitigate interest rate risk, and the allocation of purchase price consideration to tangible and identifiable intangible assets and contingent consideration. The carrying values of cash and cash equivalents, accounts receivables, prepaid expenses, accounts payable, accrued liabilities, and other current assets and liabilities approximate their fair values because of the short-term nature of these instruments. The carrying value of bank debt approximates fair value due to the variable nature of the interest rates under the credit agreement led by BMO Harris Bank, N.A. (“BMO”) that provides for a revolving credit facility and term loan and current rates available to the Company for debt with similar terms and risk. The fair value on the interest rate swap is based on quoted prices from BMO.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less.

Concentration of Credit Risk

Concentration of credit risk is limited due to the Company's diverse client partner base and their dispersion across many different industries and geographic locations nationwide. No single client partner accounted for more than 10% of the Company’s accounts receivable as of September 26, 2021 and December 27, 2020 or revenue for the thirty-nine week periods ended September 26, 2021 and September 27, 2020. Geographic revenue in excess of 10% of the Company's consolidated revenue in Fiscal 2021 and the related percentage for Fiscal 2020 was generated in the following areas:

	Thirty-nine Weeks Ended	
	September 26, 2021	September 27, 2020
ennessee	11 %	14 %
exas	28 %	23 %

Consequently, weakness in economic conditions in these regions could have a material adverse effect on the Company’s financial position and results of future operations.

Accounts Receivable

The Company extends credit to its client partners in the normal course of business. Accounts receivable represents unpaid balances due from client partners. The Company maintains an allowance for credit losses for expected losses resulting from client partners’ non-payment of balances due to the Company. The Company’s determination of the allowance for uncollectible amounts is based on management’s judgments and assumptions, including general economic conditions, portfolio composition, prior loss experience, evaluation of credit risk related to certain individual client partners and the Company’s ongoing examination process. Receivables are written off after they are deemed to be uncollectible after all reasonable means of collection have been exhausted. Recoveries of receivables previously written off are recorded when received. The Company will continue to actively monitor the impact of COVID-19 on expected credit losses.

Changes in the allowance for credit losses are as follows:

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 26, 2021	September 27, 2020	September 26, 2021	September 2[illegible] 2020
Beginning balance	$ 521,001	$ 467,200	$ 492,087	$ 468,[illegible]
EdgeRock Technology Holdings, Inc. (“EdgeRock”) acquisition	—	—	—	47,[illegible]
Provision for credit losses, net	88,862	53,896	322,144	153,[illegible]
Amounts written off, net	(88,862)	(44,109)	(293,230)	(192,[illegible]
Ending balance	$ 521,001	$ 476,987	$ 521,001	$ 476,[illegible]

Property and Equipment

Property and equipment are stated net of accumulated depreciation and amortization of $4.7 million and $4.3 million at September 26, 2021 and December 27, 2020, respectively.

Deposits

The Company maintains guaranteed costs policies for workers' compensation coverage in monopolistic states and minimal loss retention coverage in all other states. Under these policies, the Company is required to maintain refundable deposits of $3.9 million and $3.8 million, as of September 26, 2021 and December 27, 2020, respectively, which are included in Deposits in the accompanying consolidated balance sheets.

Long-Lived Assets

The Company capitalizes direct costs incurred in the development of internal-use software. Cloud computing implementation costs incurred in hosting arrangements are capitalized and reported as a component of other assets. All other internal-use software development costs are capitalized and reported as a component of computer software within intangible assets.

The Company reviews its long-lived assets, primarily fixed assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Company looks primarily to the undiscounted future cash flows in its assessment of whether or not long-lived assets have been impaired. There were no impairments with respect to long-lived assets during Fiscal 2021 or Fiscal 2020.

Leases

The Company leases all their office space through operating leases, which expire at various dates through 2025. Many of the lease agreements obligate the Company to pay real estate taxes, insurance and certain maintenance costs, which are accounted for separately. Certain of the Company's lease arrangements contain renewal provisions from 3 to 10 years, exercisable at the Company's option. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Company determines if an arrangement is an operating lease at inception. Leases with an initial term of 12 months or less are not recorded on the balance sheet. All other leases are recorded on the balance sheet as right-of-use assets and lease liabilities for the lease term.

Right of use lease assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term and include options to extend or terminate the lease when they are reasonably certain to be exercised. The present value of lease payments is determined primarily using the incremental borrowing rate based on the information available at lease commencement date. The Company's operating lease expense is recognized on a straight-line basis over the lease term and is recorded in selling, general and administrative expenses.

Intangible Assets

The Company holds intangible assets with indefinite and finite lives. Intangible assets with indefinite useful lives are not amortized. Intangible assets with finite useful lives are amortized over their respective estimated useful lives, ranging from three to ten years, based on a pattern in which the economic benefit of the respective intangible asset is realized.

Identifiable intangible assets recognized in conjunction with acquisitions are recorded at fair value. Significant unobservable inputs are used to determine the fair value of the identifiable intangible assets based on the income approach valuation model whereby the present worth and anticipated future benefits of the identifiable intangible assets are discounted back to their net present value.

The Company capitalizes purchased software and internal payroll costs directly incurred in the modification of software for internal use. Software maintenance and training costs are expensed in the period incurred.

The Company evaluates the recoverability of intangible assets whenever events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable. The Company annually evaluates the remaining useful lives of all intangible assets to determine whether events and circumstances warrant a revision to the remaining period of amortization. The Company considered the current and expected future economic and market conditions surrounding COVID-19 and its impact on each of the reporting units. The Company determined there were no impairment indicators for these assets during Fiscal 2021.

Goodwill

Goodwill is not amortized, but instead is evaluated at the reporting unit level for impairment annually at the end of each fiscal year, or more frequently, if conditions indicate an earlier review is necessary. If the Company has determined that it is more likely than not that the fair value for one or more reporting units is greater than their carrying value, the Company may use a qualitative assessment for the annual impairment test. The Company considered the current and expected future economic and market conditions surrounding COVID-19 and its impact on each of the reporting units. The Company determined there were no impairment indicators for goodwill assets during Fiscal 2021 or Fiscal 2020.

Deferred Financing Fees

Deferred financing fees are amortized using the effective interest method over the term of the respective loans. Debt issuance costs related to a recognized debt liability are presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability.

Contingent Consideration

The Company has obligations, to be paid in cash, related to its acquisitions if certain operating and financial goals are met. The fair value of this contingent consideration is determined using expected cash flows and present value technique. The fair value calculation of the expected future payments uses a discount rate commensurate with the risks of the expected cash flow. The resulting discount is amortized as interest expense over the outstanding period using the effective interest method.

Revenue Recognition

The Company derives its revenues from three segments: Real Estate, Professional, and Light Industrial. The Company provides workforce solutions and placement services. Revenues are recognized when promised services are delivered to client partners, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services. Revenues as presented on the consolidated statements of operations represent services rendered to client partners less sales adjustments and allowances. Reimbursements, including those related to out-of-pocket expenses, are also included in revenues, and the related amounts of reimbursable expenses are included in cost of services.

The Company records revenue on a gross basis as a principal versus on a net basis as an agent in the presentation of revenues and expenses. The Company has concluded that gross reporting is appropriate because the Company (i) has the risk of identifying and hiring qualified field talent, (ii) has the discretion to select the field talent and establish their price and duties and (iii) bears the risk for services that are not fully paid for by client partners.

Workforce solutions revenues - Field talent revenues from contracts with client partners are recognized in the amount to which the Company has a right to invoice, when the services are rendered by the Company’s field talent.

Contingent placement revenues - Any revenues associated with workforce solutions that are provided on a contingent basis are recognized once the contingency is resolved, as this is when control is transferred to the client partner, usually when employment candidates start their employment.

Retained search placement revenues - any revenues from these workforce solutions are recognized based on the contractual amount for services completed to date which best depicts the transfer of control of services, which is less than 1% of consolidated revenues.

The Company estimates the effect of placement candidates who do not remain with its client partners through the guarantee period (generally 90 days) based on historical experience. Allowances, recorded as a liability, are established to estimate these losses. Fees to client partners are generally calculated as a percentage of the new worker’s annual compensation. No fees for placement workforce solutions are charged to employment candidates. These assumptions determine the timing of revenue recognition for the reported period.

Refer to Note 13 for disaggregated revenues by segment.

Payment terms in the Company's contracts vary by the type and location of its client partner and the workforce solutions offered. The term between invoicing and when payment is due is not significant. There were no unsatisfied performance obligations as of September 26, 2021. There were no revenues recognized during the thirty-nine week period ended September 26, 2021 related to performance obligations satisfied or partially satisfied in previous periods. There are no contract costs capitalized. The Company did not recognize any contract impairments during the thirty-nine week period ended September 26, 2021.

Share-Based Compensation

The Company recognizes compensation expense in selling, general and administrative expenses over the service period for options or restricted stock that are expected to vest and records adjustments to compensation expense at the end of the service period if actual forfeitures differ from original estimates.

Earnings Per Share

Basic earnings per common share are computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by dividing income available to common stockholders by the weighted average number of common shares outstanding during the period adjusted to reflect potentially dilutive securities. Antidilutive shares are excluded from the calculation of earnings per share.

The following is a reconciliation of the number of shares used in the calculation of basic and diluted earnings per share for the respective periods:

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 26, 2021	September 27, 2020	September 26, 2021	September 2[illegible] 2020
Weighted-average number of common shares outstanding:	10,380,900	10,312,939	10,351,319	10,309,[illegible]
Effect of dilutive securities:				
Stock options and restricted stock	46,212	13,554	53,581	
Weighted-average number of diluted common shares outstanding	10,427,112	10,326,493	10,404,900	10,309,[illegible]
Stock options and restricted stock	408,050	606,557	408,050	419,[illegible]
Warrants	—	25,862	—	25,[illegible]
Antidilutive shares	408,050	632,419	408,050	445,[illegible]

Income Taxes

The effective tax rates of 19.4% and 17.9% for the thirteen and thirty-nine week periods ended September 26, 2021, respectively, and 22.0% and 25.4% for thirteen and thirty-nine week periods ended September 27, 2020, respectively, were primarily due to state taxes offset by the Work Opportunity Tax Credit in Fiscal 2021 and Fiscal 2020 and the non-deductibility of transaction costs related to the EdgeRock acquisition in Fiscal 2020.

Deferred tax assets and liabilities are recorded for the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts are classified as noncurrent in the consolidated balance sheets. Deferred tax assets are also recognized for net operating loss and tax credit carryovers. The overall change in deferred tax assets and liabilities for the period measures the deferred tax expense or benefit for the period. Effects of changes in enacted tax laws on deferred tax assets and liabilities are reflected as adjustments to tax expense in the period of enactment. As of September 26, 2021, the Company has a $5.5 million net operating loss carry forward from the 2020 EdgeRock acquisition with no expiration date. These net operating losses are subject to an annual Internal Revenue Code Section 382 limitation of $1.3 million.

When appropriate, the Company will record a valuation allowance against net deferred tax assets to offset future tax benefits that may not be realized. In determining whether a valuation allowance is appropriate, the Company considers whether it is more likely than not that all or some portion of our deferred tax assets will not be realized, based in part upon management's judgments regarding future events and past operating results.

The Company recognizes any penalties when necessary as part of selling, general and administrative expenses. As of September 26, 2021, goodwill with an adjusted tax basis of $30.9 million is remaining to be amortized for tax purposes.

The Company follows the guidance of Accounting Standards Codification ("ASC") Topic 740, Accounting for Uncertainty in Income Taxes. ASC Topic 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return.

Recent Accounting Pronouncements

In March 2020 and January 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-04, Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting ("ASU 2020-04") and ASU No. 2021-01, Reference Rate Reform: Scope ("ASU 2021-01"), respectively. Together, ASU 2020-04 and ASU 2021-01 provide optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) contract modifications, hedging relationships, and other arrangements that are expected to be impacted by the global transition away from certain reference rates, such as the London Interbank Offered Rate, towards new reference rates. The guidance in ASU 2020-04 and ASU 2021-01 was effective upon issuance and, once adopted, may be applied prospectively to contract modifications and hedging relationships through December 31, 2022. The Company is evaluating the impact that the guidance will have on its consolidated financial statements and related disclosures, if adopted, and currently does not expect that it would be material.

NOTE 3 - ACQUISITIONS

EdgeRock Technology Holding, Inc.

On February 3, 2020, the Company acquired 100% of the equity of EdgeRock for a net purchase price cash consideration of $21.7 million. The purchase price at closing was paid out of available funds under the Company's credit agreement led by BMO.

The acquired business was assigned to the Professional segment. The acquisition of EdgeRock allows the Company to strengthen its operations in specialized IT consultants and technology professionals specialized in leading software and data ecosystems, as well as expand its IT geographic operations with offices in Arizona, Florida and Massachusetts.

For the thirteen week period ended September 27, 2020, EdgeRock operations included approximately $9.2 million of revenue and $0.5 million of operating income. For the thirty-nine week period ended September 27, 2020, EdgeRock operations included thirty-four weeks for approximately $25.4 million of revenue and $1.1 million of operating income. The purchase price has been allocated to the assets acquired and liabilities assumed as of the date of acquisition. All amounts recorded to goodwill are non-deductible for tax purposes.

For the thirty-nine week period ended September 27, 2020, the Company incurred costs of $0.5 million related to the EdgeRock acquisition. These costs were expensed as incurred in selling, general and administrative expenses.

Momentum Solutionz LLC

On February 8, 2021, the Company acquired substantially all of the assets and assumed certain liabilities of Momentum Solutionz ("Momentum") for a purchase price of $3.8 million cash, subject to customary purchase price adjustments as specified in the purchase agreement. The purchase agreement further provides for contingent consideration of up to $2.2 million based on the performance of the acquired business for the two years following the date of acquisition. At closing, the purchase price was paid out of currently available funds under the Company's credit agreement led by BMO.

The acquired business was assigned to the Professional segment. The acquisition of Momentum allows the Company to strengthen its operations in IT consultants and technology professionals. Momentum provides IT consulting and managed workforce solutions for organizations utilizing ERP systems. The IT consulting workforce solutions include strategic planning, software selection, road mapping, cloud migration, and implementation of ERP systems. The IT managed workforce solutions include optimization and maintenance of ERP systems. Momentum provides workforce solutions to clients throughout the United States in a variety of industries, including but not limited to hospitals, retail, universities and mid-size businesses.

The 2020 consolidated statement of income does not include any operating results of Momentum. For the thirteen week period ended September 26, 2021, Momentum operations included approximately $1.1 million of revenue and $0.3 million of operating income. For the thirty-nine week period ended September 26, 2021, Momentum operations included thirty-four weeks for approximately $2.3 million of revenue and $0.5 million of operating income. All amounts recorded to goodwill are expected to be deductible for tax purposes. The preliminary acquisition has been allocated to the assets acquired and liabilities assumed as of the date of acquisition as follows:

Accounts receivable	$	345,121
Prepaid expenses and other assets		3,626
Property and equipment, net		5,101
Intangible assets		3,347,970
Goodwill		2,078,613
Liabilities assumed		(73,708)
Total net assets acquired	$	5,706,723
Cash	$	3,780,000
Fair value of contingent consideration		1,926,723
Total fair value of consideration transferred for acquired business	$	5,706,723

The preliminary allocation of the intangible assets is as follows:

		Estimated Fair Value	Estimated Useful Lives
Covenants not to compete	$	37,800	5 years
Trade name		1,420,000	Indefinite
Client partner list		1,890,170	10 years
Total	$	3,347,970	

For the thirty-nine week period ended September 26, 2021, the Company incurred costs of $0.2 million related to the Momentum acquisition. These costs were expensed as incurred in selling, general and administrative expenses.

Supplemental Unaudited Pro Forma Information

The Company estimates the revenues and net income for the periods below that would have been reported if the EdgeRock and Momentum acquisitions had taken place on the first day of the Company's 2020 fiscal year would be as follows (dollars in thousands, except per share amounts):

	Thirteen Weeks Ended				Thirty-nine Weeks Ended			
	September 26, 2021		September 27, 2020		September 26, 2021		September 27, 2020	
Revenues	$	82,352	$	72,028	$	224,691	$	213,475
Gross profit	$	24,667	$	20,004	$	65,430	$	59,106
Net income (loss)	$	4,646	$	2,584	$	8,842	$	(601)
Income (Loss) per share:								
Basic	$	0.45	$	0.25	$	0.85	$	(0.06)
Diluted	$	0.45	$	0.25	$	0.85	$	(0.06)

Pro forma net income includes amortization of identifiable intangible assets, interest expense on additional borrowings on the Revolving Facility (as defined below) at a rate of 2.4% and tax (benefit) expense of the pro forma adjustments at effective tax rates of and 17.9% and 25.4% for thirteen and thirty-nine week periods ended Fiscal 2021 and Fiscal 2020, respectively. The pro forma operating results include adjustments to EdgeRock and Momentum related to synergy adjustments for expenses that would be duplicative and other non-recurring, non-operating and out of period expense items once integrated with the Company.

Amounts set forth above are not necessarily indicative of the results that would have been attained had the EdgeRock and Momentum acquisitions taken place on the first day of the Company's 2020 fiscal year or of the results that may be achieved by the combined enterprise in the future.

NOTE 4 - LEASES

For operating leases, the weighted average remaining lease term was 2.9 years and 3.5 years at September 26, 2021 and December 27, 2020, respectively. The weighted average discount rate was 4.9% at September 26, 2021 and December 27, 2020. The Company's future operating lease obligations that have not yet commenced are immaterial.

The supplement cash flow information related to the Company's operating leases were as follows:

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
Cash paid for operating leases	$ 579,844	$ 601,248	$ 1,739,688	$ 1,612,201
Operating lease costs	$ 519,496	$ 525,679	$ 1,565,289	$ 1,536,718
Short-term lease costs	$ 75,406	$ 108,359	$ 108,514	$ 308,543

The undiscounted annual future minimum lease payments consist of the following at:

	September 26 2021
Less than one year	$ 585,
One to two years	2,215,
Two to three years	1,660,
Three to four years	1,038,
Four to five years	311,
Total lease payments	5,811,
Interest	(384,
Present value of lease liabilities	$ 5,426,

NOTE 5 - INTANGIBLE ASSETS

Intangible assets are stated net of accumulated amortization of $50.9 million and $48.5 million at September 26, 2021 and December 27, 2020, respectively. During the thirty-nine week periods ended September 26, 2021, the Company added software assets of $0.1 million and reclassified $1.1 million from property and equipment related to the information technology improvement project. Amortization expense for the fiscal years are comprised of following:

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 26, 2021	September 27, 2020	September 26, 2021	September 2 2020
Client partner lists	$ 554,962	$ 918,349	$ 1,655,250	$ 3,009,
Covenant not to compete	55,246	66,395	165,105	202,
Acquisition intangibles	610,208	984,744	1,820,355	3,211,
Computer software - amortization expense	389,797	79,486	531,147	264,
Amortization expense	1,000,005	1,064,230	2,351,502	3,476,
Computer software - selling, general and administrative expense	18,822	18,823	56,467	56,
Total expense	$ 1,018,827	$ 1,083,053	$ 2,407,969	$ 3,532,

NOTE 6 - ACCRUED PAYROLL AND EXPENSES, OTHER LONG-TERM LIABILITIES, AND CONTINGENT CONSIDERATION

Accrued payroll and expenses consist of the following at:

	September 26, 2021	December 27 2020
Field talent payroll	$ 6,844,894	$ 5,574,
Field talent payroll related	1,645,870	1,036,
Accrued bonuses and commissions	2,984,227	1,884,
Other	4,040,686	2,952,
Accrued payroll and expenses	$ 15,515,677	$ 11,448,

As of September 26, 2021, other current liabilities includes $3.5 million of deferred employer FICA and other long-term liabilities includes $3.5 million of deferred employer FICA and $0.1 million of interest rate swap (see Note 7). The deferred employer FICA is under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which allows relief to employers affected by the coronavirus pandemic. The CARES Act only applies to taxes incurred from March 27, 2020 through December 31, 2020. Half of the delayed payments are due by December 31, 2021, and the other half by December 31, 2022. The Company elected to delay the payment of these taxes.

The following is a schedule of future estimated contingent consideration payments due as of September 26, 2021:

	Estimated Cash Payment	Discount	Net
Due in:			
Less than one year	$ 1,110,000	$ (57,250)	$ 1,052,
One to two years	1,110,000	(140,943)	969,
Contingent consideration	$ 2,220,000	$ (198,193)	$ 2,021,

NOTE 7 - DEBT

On July 16, 2019, the Company entered into a Credit Agreement (the “Credit Agreement”), maturing July 16, 2024, led by BMO, as administrative agent, lender, letters of credit issuer, and swing line lender. The Credit Agreement provides for a revolving credit facility (the “Revolving Facility”) permitting the Company to borrow funds from time to time in an aggregate amount up to $35 million. The Credit Agreement also provided for a term loan commitment (the “Term Loan”) permitting the Company to borrow funds from time to time in an aggregate amount not to exceed $30 million with principal payable quarterly, based on an annual percentage of the original principal amount as defined in the Credit Agreement, all of which has been funded. The Company may from time to time, with a maximum of two, request an increase in the aggregate Term Loan up to $40 million, with minimum increases of $10 million. The Company’s obligations under the Credit Agreement are secured by a first priority security interest in substantially all tangible and intangible property of the Company and its subsidiaries. The Credit Agreement bears interest either at the Base Rate plus the Applicable Margin or LIBOR plus the Applicable Margin (as such terms are defined in the Credit Agreement). The Company also pays an unused commitment fee on the daily average unused amount of Revolving Facility and Term Loan.

The Credit Agreement contains customary affirmative and negative covenants. The Company is subject to a maximum Leverage Ratio and a minimum Fixed Charge Coverage Ratio as defined in the Credit Agreement. The Company was in compliance with these covenants as of September 26, 2021.

On February 8, 2021, the Company borrowed $3.8 million on the Revolving Facility in conjunction with the closing of the Momentum acquisition.

Letter of Credit

In March 2020, in conjunction with the 2020 EdgeRock acquisition, the Company entered into a standby letter of credit arrangement, which expires December 31, 2024, for purposes of protecting a lessor against default on lease payments. As of September 26, 2021, the Company had a maximum financial exposure from this standby letter of credit totaling $0.1 million, all of which is considered usage against the Revolving Facility. The Company has no history of default, nor is it aware of circumstances that would require it to perform under any of these arrangements and believes that the resolution of any disputes thereunder that might arise in the future would not materially affect the Company's consolidated financial statements. Accordingly, no liability has been recorded in respect to these arrangements as of September 26, 2021.

Line of Credit

At September 26, 2021 and December 27, 2020, $13.6 million and $6.0 million, respectively, was outstanding on the revolving facilities. Average daily balance for the thirteen week periods ended September 26, 2021 and September 27, 2020 was $12.3 million and $9.2 million, respectively. Average daily balance for the thirty-nine week periods ended September 26, 2021 and September 27, 2020 was $9.2 million and $13.8 million, respectively.

Borrowings under the revolving facilities consisted of and bore interest at:

	September 26, 2021				December 27, 2020		
Base Rate	$	4,642,949	4.25	%	$	1,977,342	4.25
LIBOR		9,000,000	2.35	%		4,000,000	2.15
Total	$	13,642,949			$	5,977,342	

Long-Term Debt

Long-term debt consists of and bore interest at:

	September 26, 2021				December 27, 2020		
Base Rate	$	2,800,000	2.34	%	$	4,300,000	2.15
Fixed rate		24,625,000	2.39	%		24,625,000	2.39
Long-term debt	$	27,425,000			$	28,925,000	

Cash Flow Hedge

In April 2020, the Company entered into a pay-fixed/receive-floating interest rate swap agreement with our bank syndicate lead by BMO that reduces the floating interest rate component on the Term Loan obligation. The $25.0 million notional amount was effective on June 3, 2020 and designed as a cash flow hedge on the underlying variable rate interest payments against a fixed interest rate that terminates on June 1, 2023. In accordance with cash flow hedge accounting treatment, the Company has determined that the hedge is perfectly effective using the change-in-variable-cash-flow method.

The unrealized gains or losses associated with the change in the fair value of the effective portion of the hedging instrument is recorded in accumulated other comprehensive loss. The Company reclassifies the interest rate swap from accumulated other comprehensive gain or loss against interest expense in the same period in which the hedge transaction affects earnings. Hedge effectiveness is tested quarterly. As of September 26, 2021, the instrument was perfectly effective and no additional amounts were reclassed from accumulated other comprehensive loss into income in the thirteen and thirty-nine week periods ended September 26, 2021 or September 27, 2020. See Note 8 for location on the balance sheet.

NOTE 8 - FAIR VALUE MEASUREMENTS

The accounting standard for fair value measurements defines fair value and establishes a market-based framework or hierarchy for measuring fair value. The standard is applicable whenever assets and liabilities are measured at fair value. The fair value hierarchy established prioritizes the inputs used in valuation techniques into three levels as follows:

Level 1 - Observable inputs - quoted prices in active markets for identical assets and liabilities;

Level 2 - Observable inputs other than the quoted prices in active markets for identical assets and liabilities - includes quoted prices for similar instruments, quoted prices for identical or similar instruments in inactive markets, and amounts derived from valuation models where all significant inputs are observable in active markets, for substantially the full term of the financial instrument; and

Level 3 - Unobservable inputs - includes amounts derived from valuation models where one or more significant inputs are unobservable and require us to develop relevant assumptions.

The following table summarizes the financial assets and liabilities measured at fair value on a recurring basis and the level they fall within the fair value hierarchy:

Amounts Recorded at Fair Value	Financial Statement Classification	Fair Value Hierarchy		September 26, 2021		December 27 2020
Interest rate swap	Other long-term liabilities	Level 2	$	54,613	$	122,
Contingent consideration, net	Contingent consideration, net - current and long-term	Level 3	$	2,021,807	$	2,287,

The changes in the Level 2 fair value measurements from December 27, 2020 to September 26, 2021 change in the fair market value of the interest rate swap agreement. Key inputs in determining the fair value of the interest rate swap as of September 26, 2021 and December 27, 2020 are quoted prices from BMO (See Note 7).

The changes in the Level 3 fair value measurements from December 27, 2020 to September 26, 2021 relates to $1.9 million attributable to the Momentum acquisition, $0.2 million in accretion, and the remaining in gains included in earnings. Key inputs in determining the fair value of the contingent consideration as of September 26, 2021 and December 27, 2020 included discount rates ranging from 8.9% to 9.2% as well as management's estimates of future sales volumes and earnings before interest, income taxes, depreciation, and amortization "EBITDA."

NOTE 9 - CONTINGENCIES

The Company is engaged from time to time in legal matters and proceedings arising out of its normal course of business. The Company establishes a liability related to its legal proceedings and claims when it has determined that it is probable that the Company has incurred a liability and the related amount can be reasonably estimated. If the Company determines that an obligation is reasonably possible, the Company will, if material, disclose the nature of the loss contingency and the estimated range of possible loss, or include a statement that no estimate of the loss can be made.

The Company insures against, subject to and upon the terms and conditions of various insurance policies, claims or losses from workers’ compensation, general liability, automobile liability, property damage, professional liability, employment practices, fiduciary liability, fidelity losses, crime and cyber risk, and director and officer liability. Under the Company's bylaws, the Company’s directors and officers are indemnified against certain liabilities arising out of the performance of their duties to the Company. The Company also has an insurance policy for our directors and officers to insure them against liabilities arising from the performance of their positions with the Company or its subsidiaries. The Company has also entered into indemnification agreements with its directors and certain officers.

Impact of COVID-19

Our business, results of operations, and financial condition have been, and may continue to be, adversely impacted in material respects by COVID-19 and by related government actions, non-governmental organization recommendations, and public perceptions, all of which have led and may continue to lead to disruption in economic and labor markets.

NOTE 10 – EQUITY

Authorized capital stock consists of 19,500,000 shares of common stock, par value $0.01 per share and 500,000 shares of undesignated preferred stock, par value $0.01 per share.

Restricted Stock

The Company issued net restricted common stock of 23,172 shares to non-team member (non-employee) directors in Fiscal 2021. The restricted shares of $0.01 par value per share were issued under the 2013 Long-Term Incentive Plan and contain a three-year service condition. The restricted stock constitutes issued and outstanding shares of the Company’s common stock, except for the right of disposal, for all purposes during the period of restriction including voting rights and dividend distributions.

NOTE 11 – SHARE-BASED COMPENSATION

Stock Options

For the thirteen week periods ended September 26, 2021 and September 27, 2020, the Company recognized $0.2 million of compensation expense related to stock options. For the thirty-nine week periods ended September 26, 2021 and September 27, 2020, the Company recognized $0.5 million and $0.4 million, respectively, of compensation expense related to stock options. Unamortized share-based compensation expense as of September 26, 2021 amounted to $0.9 million which is expected to be recognized over the next 2.7 years.

A summary of stock option activity is presented as follows:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life	Total Intrins Value of Award (in thousands)
Options outstanding at December 27, 2020	652,655	$ 17.63	7.1	$ [illegible]
Granted	116,374	$ 11.57		
Exercised	(1,000)	$ 9.72		
Forfeited / Canceled	(20,150)	$ 17.56		
Options outstanding at September 26, 2021	747,879	$ 16.70	6.9	$ [illegible]
Options exercisable at December 27, 2020	416,717	$ 16.96	6.3	$ [illegible]
Options exercisable at September 26, 2021	528,315	$ 17.26	6.1	$ [illegible]

	Number of Shares	Weighted Average Grant D Fair Value
Nonvested outstanding at December 27, 2020	235,938	$ 18
Nonvested outstanding at September 26, 2021	219,564	$ 15

For the thirty-nine week period ended September 26, 2021, the Company issued 213 shares of common stock upon the cashless exercise of 600 stock options.

Restricted Stock

For the thirteen week periods ended September 26, 2021 and September 27, 2020, the Company recognized $0.2 million and $0.1 million of compensation expense related to restricted stock awards. For the thirty-nine week periods ended September 26, 2021 and September 27, 2020, the Company recognized $0.4 million and $0.2 million, respectively, of compensation expense related to restricted stock awards. Unamortized share-based compensation expense as of September 26, 2021 amounted to $0.6 million which is expected to be recognized over the next 2.6 years.

A summary of restricted stock activity is presented as follows:

	Number of Shares	Weighted Average Grant D Fair Value
Restricted stock outstanding at December 27, 2020	25,218	$ 16
Issued	58,172	$ 11
Vested	(26,048)	$ 17
Restricted stock outstanding at September 26, 2021	57,342	$ 11
Nonvested outstanding at December 27, 2020	25,218	$ 16
Nonvested outstanding at September 26, 2021	57,342	$ 11

Warrant Activity

For the thirteen and thirty-nine week periods ended September 26, 2021 and September 27, 2020, the Company did not recognize compensation cost related to warrants. There was no unamortized stock compensation expense to be recognized as of September 26, 2021.

A summary of warrant activity is presented as follows:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life	Total Intrins Value of Option (in thousands)
Warrants outstanding at December 27, 2020	25,862	$ 16.80	0.4	$
Forfeited	(25,862)	$ 16.80		
Warrants outstanding at September 26, 2021	—	$ —	0.0	$
Warrants exercisable at December 27, 2020	25,862	$ 16.80	0.4	$
Warrants exercisable at September 26, 2021	—	$ —	0.0	$

There were no nonvested warrants outstanding at September 26, 2021 or December 27, 2020.

The intrinsic value in the tables above is the amount by which the market value of the underlying stock exceeded the exercise price of outstanding options or warrants, before applicable income taxes and represents the amount holders would have realized if all in-the-money options or warrants had been exercised on the last business day of the period indicated.

2020 Employee Stock Purchase Plan ("2020 ESPP")

In November 2020, the Company's shareholders approved the 2020 ESPP. Under the 2020 ESPP, eligible team members of the Company may elect for payroll deductions to purchase shares on each purchase date during an offering period. A total of 250,000 shares of common stock of BGSF, Inc. were initially reserved for issuance pursuant to the 2020 ESPP. For the thirty-nine week period ended September 26, 2021, the Company issued 14,758 shares of common stock under the ESPP.

NOTE 12 - TEAM MEMBER BENEFIT PLAN

Defined Contribution Plan

The Company provides a defined contribution plan (the "401(k) Plan") for the benefit of its eligible team members and field talent. The 401(k) Plan allows participants to make contributions subject to applicable statutory limitations. The Company matches participants contributions 100% up to the first 3% and 50% of the next 2% of a team member's or field talent's compensation. The Company contributed $0.4 million and $0.3 million to the 401(k) Plan for the thirteen week periods ended September 26, 2021 and September 27, 2020. The Company contributed $1.2 million and $1.0 million to the 401(k) Plan for the thirty-nine week periods ended September 26, 2021 and September 27, 2020.

NOTE 13 - BUSINESS SEGMENTS

The Company operates within three industry segments: Real Estate, Professional, and Light Industrial.

Segment operating income includes all revenue and cost of services, direct selling expenses, depreciation and amortization expense and excludes all general and administrative (home office) expenses. Assets of home office include cash, unallocated prepaid expenses, property and equipment, deferred tax assets, and other assets.

The following table provides a reconciliation of revenue and operating income by reportable segment to consolidated results for the periods indicated:

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 26, 2021	September 27, 2020	September 26, 2021	September 27 2020
Revenue:				
Real Estate	$ 24,788,784	$ 19,156,486	$ 64,613,631	$ 50,964,
Professional	39,396,028	34,041,737	106,719,095	107,035,
Light Industrial	18,167,210	18,320,468	53,122,523	50,192,
Total	$ 82,352,022	$ 71,518,691	$ 224,455,249	$ 208,192,
Depreciation:				
Real Estate	$ 51,696	$ 54,549	$ 160,482	$ 163,
Professional	97,141	100,727	294,174	309,
Light Industrial	21,307	22,733	69,483	74,
Home office	20,561	28,712	65,326	105,
Total	$ 190,705	$ 206,721	$ 589,465	$ 653,
Amortization:				
Professional	$ 610,273	$ 1,004,964	$ 1,820,554	$ 3,353,
Home office	389,732	59,266	530,948	123,
Total	$ 1,000,005	$ 1,064,230	$ 2,351,502	$ 3,476,
Operating income:				
Real Estate	$ 4,369,878	$ 3,346,316	$ 9,795,540	$ 7,159,
Professional - without impairment losses	3,399,330	1,793,937	7,476,688	5,232,
Professional - impairment losses	—	—	—	(7,239,
Light Industrial	1,164,117	1,272,796	3,330,564	3,240,
Home office - selling	(222,361)	(186,549)	(660,330)	(426,
Home office - general and administrative	(3,723,494)	(2,654,534)	(10,599,917)	(7,821,
Home office - gain on contingent consideration	1,208,270	76,102	2,402,844	76,
Total	$ 6,195,740	$ 3,648,068	$ 11,745,389	$ 220,
Capital expenditures:				
Real Estate	$ 29,733	$ 25,000	$ 94,674	$ 68,
Professional	16,229	28,693	96,124	102,
Light Industrial	7,390	9,519	34,505	12,
Home office	409,537	—	1,341,086	1,776,
Total	$ 462,889	$ 63,212	$ 1,566,389	$ 1,960,

	September 26, 2021	December 27 2020
Total Assets:		
Real Estate	$ 20,016,373	$ 15,598,[illegible]
Professional	93,544,514	81,671,[illegible]
Light Industrial	14,510,863	16,122,[illegible]
Home office	16,028,906	16,886,[illegible]
Total	$ 144,100,656	$ 130,278,[illegible]

NOTE 14 - SUBSEQUENT EVENTS

Dividend

On November 3, 2021, the Company's board of directors declared a cash dividend in the amount of $0.12 per share of common stock to be paid on November 22, 2021 to all shareholders of record as of the close of business on November 15, 2021.

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

This Management’s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our accompanying Unaudited Consolidated Financial Statements and related notes thereto and our Annual Report on Form 10-K for the fiscal year ended December 27, 2020. Comparative segment revenues and related financial information are discussed herein and are presented in Note 13 to our Unaudited Consolidated Financial Statements. See “Forward Looking Statements” on page 3 of this report and “Risk Factors” included in our filings with the SEC, including our Quarterly Reports on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended December 27, 2020, for a description of important factors that could cause actual results to differ from expected results. Our historical financial information may not be indicative of our future performance.

Overview

We are a leading national provider of professional workforce solutions and have completed a series of acquisitions including the acquisition of BG Personnel, LP and B G Staff Services Inc. in June 2010, substantially all of the assets of JNA Staffing, Inc. in December 2010, Extrinsic, LLC in December 2011, American Partners, Inc. in December 2012, InStaff Holding Corporation and InStaff Personnel, LLC in June 2013, D&W Talent, LLC in March 2015, Vision Technology Services, Inc., Vision Technology Services, LLC, and VTS-VM, LLC in October 2015, Zycron, Inc. in April 2017, Smart Resources, Inc. and Accountable Search, LLC in September 2017, and LJK in December 2019, 100% of the equity of EdgeRock in February 2020, and substantially all of the assets of Momentum in February 2021. We operate within three industry segments: Real Estate, Professional, and Light Industrial. We provide workforce solutions to client partners primarily within the United States of America. We currently operate across 42 states and D.C., as well as 11 on-site locations.

Our Real Estate segment provides office and maintenance field talent to various apartment communities and commercial buildings currently in 34 states and D.C., via property management companies responsible for the apartment communities' and commercial buildings' day-to-day operations. Our Real Estate segment operates through two divisions, BG Multifamily and BG Talent.

Our Professional segment provides skilled field talent on a nationwide basis for IT and finance, accounting, legal and human resource client partner projects. Our Professional segment operates through three divisions, IT Consulting, IT Infrastructure & Development, and Finance and Accounting under various trade names including Extrinsic, American Partners, Donovan & Watkins, Vision Technology Services, Zycron, Smart Resources, L.J. Kushner & Associates, EdgeRock Technology Partners, and Momentum Solutionz.

Our Light Industrial segment provides field talent primarily to manufacturing, distribution, logistics, and call center client partners needing a flexible workforce currently out of 11 locations and 11 on-sites in 7 states. Our Light Industrial segment operates through one division under the InStaff trade name.

Our business normally experiences seasonal fluctuations. Our quarterly operating results are affected by the number of billing days in a quarter, as well as the seasonality of our client partners’ businesses. Demand for our Real Estate workforce solutions increase in the second quarter and is highest during the third quarter of the year due to the increased turns in multifamily units during the summer months when schools are not in session. Demand for our Light Industrial workforce solutions increases during the third quarter of the year and peaks in the fourth quarter due to increases in the demand for holiday help. Overall first quarter demand can be affected by adverse weather conditions in the winter months. In addition, our cost of services typically increases in the first quarter primarily due to the reset of payroll taxes. Normal seasonal demand has been significantly affected by COVID-19.

Impact of COVID-19

We continue to observe the impact of the COVID-19 outbreak on our consolidated operating results, our candidate and field talent supply chain, and our client partners demand in all segments. We expect that the social distancing measures, the changing operational status of our client partners, production levels at client partners facilities, and general business uncertainty will continue to effect demand in all our segments.

During this uncertain time, our critical priorities are the health and safety of our team members, field talent, candidates and client partners.

Our business, results of operations, and financial condition have been, and may continue to be, adversely impacted in material respects by COVID-19 and by related government actions, non-governmental organization recommendations, and public perceptions, all of which have led and may continue to lead to disruption in global economic and labor markets.

Real Estate was strongly affected by COVID-19 in both 2020 and early 2021, due to many factors including the eviction moratoriums.

We will continue to actively monitor the situation and may take further actions that alter our business operations as may be required by federal, state, local authorities, or that we determine are in the best interests of our team members, field talent, client partners, and stockholders. The potential effects are not clear for any such alterations or modifications on our business, our client partners, candidates, vendors, or on our financial results.

Results of Operations

The following tables summarize key components of our results of operations for the periods indicated, both in dollars and as a percentage of revenues, and have been derived from our unaudited consolidated financial statements. The Fiscal 2021 (as defined below) consolidated statement of operations and comprehensive income includes thirty-four weeks of Momentum operations. The Fiscal 2020 (as defined below) consolidated statement of operations and comprehensive income includes thirty-four weeks of EdgeRock operations.

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 26, 2021	September 27, 2020	September 26, 2021	September 2[illegible] 2020
	(dollars in thousands)			
Revenues	$ 82,352	$ 71,519	$ 224,455	$ 208,[illegible]
Cost of services	57,685	51,807	159,191	151,[illegible]
Gross profit	24,667	19,712	65,264	56,[illegible]
Selling, general and administrative expenses	18,489	14,869	52,981	45,[illegible]
Gain on contingent consideration	(1,208)	(76)	(2,403)	[illegible]
Impairment losses	—	—	—	7,[illegible]
Depreciation and amortization	1,191	1,271	2,941	4,[illegible]
Operating income	6,195	3,648	11,745	[illegible]
Interest expense, net	431	360	1,026	1,[illegible]
Income (Loss) before income tax	5,764	3,288	10,719	(1,[illegible]
Income tax expense (benefit)	1,121	723	1,921	([illegible]
Net income (loss)	$ 4,644	$ 2,566	$ 8,798	$ ([illegible]

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
Revenues	100.0 %	100.0 %	100.0 %	100.0 %
Cost of services	70.0 %	72.4 %	70.9 %	72.7 %
Gross profit	30.0 %	27.6 %	29.1 %	27.3 %
Selling, general and administrative expenses	22.5 %	20.8 %	23.6 %	21.8 %
Gain on contingent consideration	(1.5) %	(0.1) %	(1.1) %	— %
Impairment losses	— %	— %	— %	3.5 %
Depreciation and amortization	1.4 %	1.8 %	1.3 %	2.0 %
Operating income	7.5 %	5.1 %	5.2 %	0.1 %
Interest expense, net	0.5 %	0.5 %	0.5 %	0.6 %
Income (Loss) before income tax	7.0 %	4.6 %	4.8 %	(0.5) %
Income tax expense (benefit)	1.4 %	1.0 %	0.9 %	(0.1) %
Net income (loss)	5.6 %	3.6 %	3.9 %	(0.4) %

Thirteen Week Fiscal Period Ended September 26, 2021 ("Fiscal 2021") Compared with Thirteen Week Fiscal Period Ended September 27, 2020 ("Fiscal 2020")

Revenues:

	Thirteen Weeks Ended							
	September 26, 2021				September 27, 2020			
	(dollars in thousands)							
Revenues by segment:								
Real Estate	$	24,789	30.1	%	$	19,156	26.8	%
Professional		39,396	47.8	%		34,042	47.6	%
Light Industrial		18,167	22.1	%		18,321	25.6	%
Total Revenues	$	82,352	100.0	%	$	71,519	100.0	%

Real Estate Revenues**:** Real Estate revenues increased approximately $5.6 million (29.4%). The increase was due to a 16.0% increase in billed hours and a 10.7% increase in average bill rate.

Professional Revenues**:** Professional revenues increased approximately $5.4 million (15.7%), primarily due to a 21.2% increase in billed hours, $0.5 million of an increase in permanent placements, and the 2021 Momentum acquisition that provided new revenues of $1.1 million. These increases were partially offset by a 6.3% decrease in average bill rate and a decline in the IT Infrastructure & Development division.

Light Industrial Revenues**:** Light Industrial revenues decreased approximately $0.1 million (0.8%). The decrease was due to an 11.1% decrease in billed hours, which was partially offset by a 11.5% increase in average bill rate.

Gross Profit:

Gross profit represents revenues from workforce solutions less cost of services expenses, which consist of payroll, payroll taxes, payroll-related insurance, field talent costs, and reimbursable costs.

	Thirteen Weeks Ended							
	September 26, 2021				September 27, 2020			
	(dollars in thousands)							
Gross Profit by segment:								
Real Estate	$	9,515	38.7	%	$	7,145	36.2	%
Professional		12,532	50.8	%		9,978	50.6	%
Light Industrial		2,620	10.5	%		2,589	13.2	%
Total Gross Profit	$	24,667	100.0	%	$	19,712	100.0	%

	Thirteen Weeks Ended			
	September 26, 2021		September 27, 2020	
Gross Profit Percentage by segment:				
Real Estate	38.4	%	37.3	%
Professional	31.8	%	29.3	%
Light Industrial	14.4	%	14.1	%
Company Gross Profit	30.0	%	27.6	%

Overall, our gross profit increased approximately $5.0 million (25.1%). As a percentage of revenue, gross profit has increased to 30.0% from 27.6%, primarily due to higher gross profits from our Professional segment and increased Real Estate contributions.

We determine spread as the difference between average bill rate and average pay rate.

Real Estate Gross Profit: Real Estate gross profit increased approximately $2.5 million (33.2%) in line with increased revenue and a 12.2% increase in average spread.

Professional Gross Profit: Professional gross profit increased approximately $2.5 million (25.6%) overall revenue growth from the increase in permanent placements that provided an additional $0.5 million of gross profit and the 2021 Momentum acquisition which contributed an additional $0.5 million. The overall increase in gross profit was affected by a 3.3% decrease in average spread.

Light Industrial Gross Profit: Light Industrial gross profit was up slightly effected by an 14.3% increase in average spread.

Selling, General and Administrative Expenses: Selling, general and administrative expenses increased approximately $3.6 million (24.3%), primarily due to additional compensation generated from increased gross profit. The 2021 Momentum acquisition contributed an additional $0.1 million. The components of selling, general and administrative expense are detailed in the following table:

	Thirteen Weeks Ended					
	September 26, 2021		September 27, 2020			
	Amount	% of Revenue	Amount	% of Revenue	$ Change	% Change
	(dollars in thousands)					
Compensation and related	$ 14,490	18 %	$ 11,313	16 %	$ 3,177	28
Advertising and recruitment	357	— %	377	1 %	(20)	(5)
Occupancy and office operations	908	1 %	939	1 %	(31)	(3)
Client engagement	152	— %	28	— %	124	443
Software	744	1 %	665	1 %	78	12
Professional fees	238	— %	208	— %	30	14
Public company related costs	182	— %	180	— %	2	1
Bad debt	89	— %	54	— %	35	65
Share-based compensation	424	1 %	245	— %	179	73
Transaction fees	1	— %	15	— %	(14)	(93)
IT roadmap	375	— %	401	1 %	(25)	(6)
Other	528	1 %	445	1 %	83	19
Total	$ 18,489	22 %	$ 14,869	21 %	$ 3,618	24

Gain on contingent consideration: As a result of the certain business developments in Fiscal 2021, the Company recognized a $1.2 million gain on contingent consideration related to the 2019 LJK acquisition.

Depreciation and Amortization: Depreciation and amortization charges decreased approximately $0.1 million (6.3%). The decrease in depreciation and amortization is primarily due to the Professional segment with a decrease related to the 2015 Vision Technology Services acquisition, which was partially offset by an increase related to the information technology improvement project.

Interest Expense, net: Interest expense, net was higher primarily due to higher average balance on the Revolving Facility.

Income Tax Expense (Benefit): Income tax expense increased approximately $0.4 million (55.0%) primarily due to higher pre-tax 2021 income, offset by a lower effective rate in 2021 and a higher Work Opportunity Tax Credit in 2021.

Thirty-nine Week Fiscal Period Ended September 26, 2021 ("Fiscal 2021") Compared with Thirty-nine Week Fiscal Period Ended September 27, 2020 ("Fiscal 2020")

Revenues:

	Thirty-nine Weeks Ended			
	September 26, 2021		September 27, 2020	
	(dollars in thousands)			
Revenues by segment:				
Real Estate	$ 64,614	28.8 %	$ 50,965	24.5
Professional	106,719	47.5 %	107,035	51.4
Light Industrial	53,122	23.7 %	50,192	24.1
Total Revenues	$ 224,455	100.0 %	$ 208,192	100.0

Real Estate Revenues**:** Real Estate revenues increased approximately $13.6 million (26.8%). The increase was due to a 15.0% increase in billed hours and a 10.1% increase in average bill rate.

Professional Revenues**:** Professional revenues decreased approximately $0.3 million (0.3%), primarily due to a 0.4% decrease in billed hours primarily in the IT Infrastructure & Development division and a decrease of 1.1% in average bill rate. These decreases were partially offset by the 2020 EdgeRock acquisition which contributed thirty-nine weeks of revenue in Fiscal 2021 vs. thirty-four weeks in Fiscal 2020 for an additional $8.3 million, an increase in permanent placements of $1.3 million, and the 2021 Momentum acquisition provided new revenues of $2.3 million.

Light Industrial Revenues**:** Light Industrial revenues increased approximately $2.9 million (5.8%), primarily due to a 9.2% increase in average bill rate. These increases were offset by a 3.1% decrease in billed hours.

Gross Profit:

Gross profit represents revenues from workforce solutions less cost of services expenses, which consist of payroll, payroll taxes, payroll-related insurance, field talent costs, and reimbursable costs.

	Thirty-nine Weeks Ended			
	September 26, 2021		September 27, 2020	
	(dollars in thousands)			
Gross Profit by segment:				
Real Estate	$ 24,235	37.1 %	$ 19,220	33.8
Professional	33,274	51.0 %	30,506	53.6
Light Industrial	7,755	11.9 %	7,167	12.6
Total Gross Profit	$ 65,264	100.0 %	$ 56,893	100.0

	Thirty-nine Weeks Ended	
	September 26, 2021	September 27, 2020
Gross Profit Percentage by segment:		
Real Estate	37.5 %	37.7
Professional	31.2 %	28.5
Light Industrial	14.6 %	14.3
Company Gross Profit	29.1 %	27.3

Overall, our gross profit increased approximately $8.4 million (14.7%). As a percentage of revenue, gross profit has increased to 29.1% from 27.3%, primarily due to higher gross profits from our Professional segment and increased Real Estate contributions.

We determine spread as the difference between average bill rate and average pay rate.

Real Estate Gross Profit: Real Estate gross profit increased approximately $5.0 million (26.1%) consistent with the increase in revenue and an 9.8% increase in average spread.

Professional Gross Profit: Professional gross profit increased approximately $2.8 million (9.1%) from the 2020 EdgeRock acquisition which contributed thirty-nine weeks of gross profit in Fiscal 2021 vs. thirty-four weeks in Fiscal 2020 for aan additional $2.7 million, the 2021 Momentum acquisition which provided gross profit of $1.1 million, and an overall 0.7% increase in average spread.

Light Industrial Gross Profit: Light Industrial gross profit increased approximately $0.6 million (8.2%) primarily from the increase in revenue and a 11.6% increase in average spread.

Selling, General and Administrative Expenses: Selling, general and administrative expenses increased approximately $7.6 million (16.8%), primarily due to additional compensation generated from increased overall gross profit, from EdgeRock acquisition with thirty-nine weeks of gross profit in Fiscal 2021 vs. thirty-four weeks in Fiscal 2020 for an additional $1.5 million, and the 2021 Momentum acquisition that provided $0.4 million of new expense. The components of selling, general and administrative expense are detailed in the following table:

	Thirty-nine Weeks Ended					
	September 26, 2021		September 27, 2020			
	Amount	% of Revenue	Amount	% of Revenue	$ Change	% Change
	(dollars in thousands)					
Compensation and related	$ 41,253	18 %	$ 34,184	16 %	$ 7,069	21
Advertising and recruitment	1,115	— %	1,214	1 %	(99)	(8)
Occupancy and office operations	2,750	1 %	3,051	1 %	(301)	(10)
Client engagement	265	— %	328	— %	(63)	(19)
Software	2,165	1 %	1,705	1 %	461	27
Professional fees	1,046	— %	881	— %	165	19
Public company related costs	558	— %	443	— %	116	26
Bad debt	322	— %	154	— %	168	109
Share-based compensation	886	— %	631	— %	255	40
Transaction fees	155	— %	605	— %	(450)	(74)
IT roadmap	1,306	1 %	1,292	1 %	14	1
Workers' compensation loss retention return	(348)	— %	(464)	— %	116	(25)
Other	1,507	1 %	1,358	1 %	149	11
Total	$ 52,981	24 %	$ 45,379	22 %	$ 7,599	17

Gain on contingent consideration: As a result of the certain business developments in Fiscal 2021, the Company recognized a $2.4 million gain on contingent consideration related to the 2019 LJK acquisition.

Depreciation and Amortization: Depreciation and amortization charges decreased approximately $1.2 million (28.8%). The decrease in depreciation and amortization is primarily due to the Professional segment with a decrease related to the 2015 Vision Technology Services acquisition and a decrease related to the 2020 impairment losses, which was partially offset by an increase related to the information technology improvement project.

Impairment loss: As a result of the certain business developments in Fiscal 2020 and changes in the Company's long-term projections, the Company calculated the quantitative impairment test of the finance and accounting group using the relief from royalty method for the indefinite-lived intangible assets and residual method for the definite-lived intangible assets by asset group. In the professional segment, the Company recognized a $3.7 million trade name impairment loss and a $3.5 million client partner list impairment loss.

Interest Expense, net: Interest expense, net decreased approximately $0.2 million (17.6%) primarily due to the lower average balance on the Revolving Facility, lower rates, and an increase in interest income from our workers compensation loss retention program.

Income Tax Expense: Income tax expense increased approximately $2.2 million (838.8%) primarily due to higher pre-tax 2021 income, intangible impairment losses in 2020, non-deductible transaction fees in 2020 related to the EdgeRock acquisition, offset by a lower effective rate in 2021 and a higher Work Opportunity Tax Credit in 2021.

Use of Non-GAAP Financial Measures

We present Adjusted EBITDA (defined below), a measure that is not in accordance with accounting principles generally accepted in the United States of America ("GAAP"), in this Quarterly Report to provide investors with a supplemental measure of our operating performance. We believe that Adjusted EBITDA is a useful performance measure and is used by us to facilitate a comparison of our operating performance on a consistent basis from period-to-period and to provide for a more complete understanding of factors and trends affecting our business than measures under GAAP can provide alone. Our board and management also use Adjusted EBITDA as one of the primary methods for planning and forecasting overall expected performance and for evaluating on a quarterly and annual basis actual results against such expectations, and as a performance evaluation metric in determining achievement of certain compensation programs and plans for our management. In addition, the financial covenants in our credit agreement are based on EBITDA as defined in the credit agreement.

We define "Adjusted EBITDA" as earnings before interest expense, income taxes, depreciation and amortization expense, intangible impairment losses, transaction fees, and the non-capital information technology project ("IT roadmap") and certain non-cash expenses such as the gain on contingent consideration and share-based compensation expense. Omitting interest, taxes and the other items provides a financial measure that facilitates comparisons of our results of operations with those of companies having different capital structures. Since the levels of indebtedness and tax structures that other companies have are different from ours, we omit these amounts to facilitate investors' ability to make these comparisons. Similarly, we omit depreciation and amortization because other companies may employ a greater or lesser amount of property and intangible assets. We also believe that investors, analysts and other interested parties view our ability to generate Adjusted EBITDA as an important measure of our operating performance and that of other companies in our industry. Adjusted EBITDA should not be considered as an alternative to net income (loss) for the periods indicated as a measure of our performance. Other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

The use of Adjusted EBITDA has limitations as an analytical tool, and you should not consider this performance measure in isolation from, or as an alternative to, GAAP measures such as net income (loss). Adjusted EBITDA is not a measure of liquidity under GAAP or otherwise, and is not an alternative to cash flow from continuing operating activities. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by the expenses that are excluded from that term or by unusual or non-recurring items. The limitations of Adjusted EBITDA include: (i) it does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments; (ii) it does not reflect changes in, or cash requirements for, our working capital needs; (iii) it does not reflect income tax payments we may be required to make; and (iv) it does not reflect the cash requirements necessary to service interest or principal payments associated with indebtedness.

To properly and prudently evaluate our business, we encourage you to review our unaudited consolidated financial statements included elsewhere in this report and the reconciliation to Adjusted EBITDA from net income (loss), the most directly comparable financial measure presented in accordance with GAAP, set forth in the following table. All of the items included in the reconciliation from net income (loss) to Adjusted EBITDA are either (i) non-cash items or (ii) items that management does not consider in assessing our on-going operating performance. In the case of the non-cash items, management believes that investors may find it useful to assess our comparative operating performance because the measures without such items are less susceptible to variances in actual performance resulting from depreciation, amortization and other non-cash charges and more reflective of other factors that affect operating performance. In the case of the other items that management does not consider in assessing our on-going operating performance, management believes that investors may find it useful to assess our operating performance if the measures are presented without these items because their financial impact may not reflect ongoing operating performance.

	Thirteen Weeks Ended		Thirty-nine Weeks Ended		Trailing Twelve Months Ended
	September 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020	September 26, 2021
	(dollars in thousands)				
Net income (loss)	$ 4,644	$ 2,566	$ 8,798	$ (765)	$ 11,004
Interest expense, net	431	360	1,026	1,245	1,364
Income tax expense (benefit)	1,121	723	1,921	(260)	2,694
Operating income	6,196	3,649	11,745	220	15,062
Depreciation and amortization	1,191	1,271	2,941	4,130	3,771
Impairment losses	—	—	—	7,240	—
Gain on contingent consideration	(1,208)	(76)	(2,403)	(76)	(2,403)
Share-based compensation	424	245	886	631	1,105
Transaction fees	1	15	155	605	164
IT roadmap	375	401	1,306	1,292	1,578
Adjusted EBITDA	$ 6,979	$ 5,505	$ 14,630	$ 14,042	$ 19,277

Liquidity and Capital Resources

Our working capital requirements are primarily driven by field talent payments, tax payments and client partner accounts receivable receipts. Since receipts from client partners lag payments to field talent, working capital requirements increase substantially in periods of growth.

Our primary sources of liquidity are cash generated from operations and borrowings under our credit agreement with BMO Harris Bank, N.A. (“BMO”), that provides for a revolving credit facility maturing July 16, 2024 (the “Revolving Facility”). Our primary uses of cash are payments to field talent, team members, related payroll liabilities, operating expenses, capital expenditures, cash interest, cash taxes, dividends, contingent consideration and debt payments. We believe that the cash generated from operations, together with the borrowing availability under our Revolving Facility, will be sufficient to meet our normal working capital needs for at least the next twelve months, including investments made, and expenses incurred, in connection with opening new branches throughout the next year. Our ability to continue to fund these items may be affected by general economic, competitive and other factors, many of which are outside of our control. If our future cash flow from operations and other capital resources are insufficient to fund our liquidity needs, we may be forced to obtain additional debt or equity capital or refinance all or a portion of our debt.

While we believe we have sufficient liquidity and capital resources to meet our current operating requirements and expansion plans, we may elect to pursue additional growth opportunities within the next year that could require additional debt or equity financing. If we are unable to secure additional financing at favorable terms in order to pursue such additional growth opportunities, our ability to pursue such opportunities could be materially adversely affected.

During this period of uncertainty of volatility related to COVID-19, we will continue to monitor our liquidity, particularly payments from our client partners.

A summary of our working capital, operating, investing and financing activities are shown in the following table:

	September 26, 2021	December 27, 2020
	(dollars in thousands)	
Working capital	$ 29,280	$ 25,[illegible]

	Thirty-nine Weeks Ended	
	September 26, 2021	September 27, 2020
	(dollars in thousands)	
Net cash provided by operating activities	$ 2,355	$ 18,[illegible]
Net cash used in investing activities	(5,341)	(23,[illegible]
Net cash provided by financing activities	2,986	5,[illegible]
Net change in cash and cash equivalents	$ —	$

Operating Activities

Cash provided by operating activities consists of net income (loss) adjusted for non-cash items, including depreciation and amortization, share-based compensation expense, intangible impairment losses, interest expense on contingent consideration payable, gain on contingent consideration, and the effect of working capital changes. The primary drivers of cash inflows and outflows are accounts receivable and accrued payroll and expenses.

During Fiscal 2021, net cash provided by operating activities was $2.4 million, a decrease of $15.9 million compared with $18.3 million for Fiscal 2020. This decrease is primarily attributable to increased accounts receivable and payments on accrued payroll and expenses, which were partially offset by an increase in the accrual in other long-term liabilities from deferred employer FICA for the CARES Act in 2020.

Investing Activities

Cash used in investing activities consists primarily of cash paid for businesses acquired and capital expenditures.

In Fiscal 2021, we paid $3.8 million in connection with the Momentum acquisition and we made capital expenditures of $1.6 million mainly related to software and computer equipment purchased in the ordinary course of business and for the IT roadmap. In Fiscal 2020, we paid $21.7 million in connection with the EdgeRock acquisition and we made capital expenditures of $2.0 million mainly related to software and computer equipment purchased in the ordinary course of business and for the IT roadmap.

Financing Activities

Cash flows from financing activities consisted principally of borrowings and payments under our credit agreement and payment of dividends.

For Fiscal 2021, we borrowed $7.7 million on our Revolving Facility for increased working capital needs and to fund the Momentum acquisition, paid $3.3 million in cash dividends on our common stock, and paid down $1.5 million on the Term Loan, as defined below. For Fiscal 2020, we borrowed $22.5 million on our Term Loan, described below, to fund the EdgeRock acquisition, we reduced $12.3 million on our Revolving Facility, and paid $4.1 million in cash dividends on our common stock, and paid down $0.7 million on long-term debt.

Credit Agreements

On July 16, 2019, we entered into a Credit Agreement (the "Credit Agreement"), maturing July 16, 2024, with BMO, as administrative agent, lender, letters of credit issuer, and swing line lender. The Credit Agreement provides for a Revolving Facility permitting us to borrow funds from time to time in an aggregate amount up to $35 million. The Credit Agreement also provided for a term loan commitment (the "Term Loan") permitting us to borrow funds from time to time in an aggregate amount not to exceed $30 million with principal paid quarterly, based on an annual percentage of the original principal amount as defined in the Credit Agreement, all of which has been funded. We may from time to time, with a maximum of two, request an increase in the aggregate Term Loan up to $40 million, with minimum increases of $10 million. Our obligations under the Credit Agreement are secured by a first priority security interest in substantially all our tangible and intangible property. The Credit Agreement bears interest either at the Base Rate plus the Applicable Margin or LIBOR plus the Applicable Margin (as such terms are defined in the Credit Agreement). We also pay an unused commitment fee on the daily average unused amount of Revolving Facility and Term Loan.

The Credit Agreement contains customary affirmative covenants and negative covenants, including certain limitations on our ability to pay cash dividends. We are subject to a maximum Leverage Ratio and a minimum Fixed Charge Coverage Ratio as defined in the Credit Agreement.

In April 2020, we entered into a pay-fixed/receive-floating interest rate swap agreement with BMO that reduces the floating interest rate component on the Term Loan obligation. The $25.0 million notional amount was effective on June 3, 2020 and designed as a cash flow hedge on the underlying variable rate interest payments against a fixed interest rate that terminates on June 1, 2023. In accordance with cash flow hedge accounting treatment, we have determined that the hedge is perfectly effective using the change-in-variable-cash-flow method.

On February 8, 2021, the Company borrowed $3.8 million on the Revolving Facility in conjunction with the closing of the Momentum acquisition, as described in Note 3 in the Notes to Consolidated Financial Statements.

Off-Balance Sheet Arrangements

Letter of Credit

In March 2020, in conjunction with the 2020 EdgeRock acquisition, we entered into a standby letter of credit arrangement, which expires December 31, 2024, for purposes of protecting a lessor against default on lease payments. As of September 26, 2021, we had a maximum financial exposure from this standby letter of credit totaling $0.1 million, all of which is considered usage against our Revolving Facility.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with GAAP. In connection with the preparation of our consolidated financial statements, we are required to make assumptions and estimates about future events, and apply judgments that affect the reported amount of assets, liabilities, revenue, expenses and the related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends, and other factors that management believes to be relevant at the time our consolidated financial statements are prepared. On a regular basis, management reviews the accounting policies, estimates, assumptions and judgments to ensure that our consolidated financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material.

Our significant accounting policies are discussed in Note 2, Summary of Significant Accounting Policies, of the Notes to Unaudited Consolidated Financial Statements included in "Item 1. Financial Statements." Please also refer to our Annual Report on Form 10-K for the fiscal year ended December 27, 2020 for a more detailed discussion of our critical accounting policies.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements and their potential effect on our results of operations and financial condition, refer to Note 2 in the Notes to the Unaudited Consolidated Financial Statements in this Quarterly Report on Form 10-Q and Note 2 in the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended December 27, 2020.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to certain market risks from transactions we enter into in the normal course of business. Our primary market risk exposure relates to interest rate risk.

Interest Rates

A portion of our Revolving Facility and Term Loan are priced at variable interest rates. Accordingly, future interest rate increases could potentially put us at risk for an adverse impact on future earnings and cash flows.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, our CEO and CFO have concluded that, as of the end of such period, our disclosure controls and procedures are effective, at a reasonable assurance level, in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act and are effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls Over Financial Reporting

For the fiscal quarter ended September 26, 2021, there have been no changes in our internal control over financial reporting identified in connection with the evaluations required by Rule 13a-15(d) or Rule 15d-15(d) under the Exchange Act that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting despite the fact that most of our team members are working remotely due to COVID-19. We are continually monitoring and assessing the impact of the ongoing COVID-19 situation on our internal controls to minimize the impact on their design and operating effectiveness.

Inherent Limitations on Effectiveness of Controls

Our management, including our CEO and our CFO, do not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

No change from the information provided in ITEM 3. LEGAL PROCEEDINGS included in our Annual Report on Form 10-K for the fiscal year ended December 27, 2020.

ITEM 1A. RISK FACTORS

In evaluating us and our common stock, we urge you to carefully consider the risks and other information in this Quarterly Report on Form 10-Q, as well as the risk factors disclosed in Item 1A. of Part I of our Annual Report on Form 10-K for the fiscal year ended December 27, 2020 (our "2020 Form 10-K"), and filed with the SEC on March 11, 2021. Any of the risks discussed in this Quarterly Report on Form 10-Q or any of the risks disclosed in Item 1A. of Part I of our 2020 Form 10-K, as well as additional risks and uncertainties not currently known to us or that we currently deem immaterial, could materially and adversely affect our results of operations or financial condition.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

Item 6. Exhibits

The following exhibits are filed or furnished with this Quarterly Report on Form 10-Q.

Exhibit Number	Description
2.1	Securities Purchase Agreement, dated as of February 3, 2020, by and between BG Staffing, LLC, EdgeRock Technology Holdings, Inc., and CDI Holding Company LLC (incorporated by reference from the registrant's Current Report on Form 8-K filed on February 6, 2020)
2.2	Asset Purchase Agreement, dated as of February 8, 2021, between BG Staffing, LLC, Momentum Solutionz LLC, Lorne Kaufman, and Jeff Servidio (incorporated by reference from the registrant's Current Report on Form 8-K filed on February 11, 2021)
3.1	Certificate of Incorporation of BG Staffing, Inc. (incorporated by reference from Amendment No. 2 to the Company's registration statement on Form S-1 (File No. 333-191683) filed on November 4, 2013).
3.2	Certificate of Amendment to Certificate of Incorporation of BGSF, Inc. (incorporated by reference from the registrant's Current Report on Form 8-K filed on February 12, 2021).
3.3	Bylaws of BG Staffing, Inc. (incorporated by reference from Amendment No. 2 to the Company's registration statement on Form S-1 (File No. 333-191683) filed on November 4, 2013).
4.1	Form of Common Stock Certificate (incorporated by reference from Amendment No. 1 to the Company's registration statement on Form S-1 (File No. 333-191683) filed on October 28, 2013).
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 implementing Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 implementing Section 302 of the Sarbanes-Oxley Act of 2002.
32.1†	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following financial information from BGSF's Quarterly Report on Form 10-Q for the quarter ended September 26, 2021 formatted in Inline XBRL (Extensible Business Reporting Language) includes: (i) the Unaudited Consolidated Balance Sheets, (ii) the Unaudited Consolidated Statements of Operations and Comprehensive Income (Loss), (iii) the Unaudited Statements of Changes in Stockholders' Equity, (iv) the Unaudited Consolidated Statements of Cash Flows, and (vi) Notes to the Unaudited Consolidated Financial Statements.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

† This certification is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act.

SIGNATURES

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

BGSF, INC.

	/s/ Beth Garvey
Name:	Beth Garvey
Title:	President and Chief Executive Officer (Principal Executive Officer)
	/s/ Dan Hollenbach
Name:	Dan Hollenbach
Title:	Chief Financial Officer and Secretary (Principal Financial Officer)

Date: November 3, 2021

Exhibit 31.1

Certification of Chief Executive Officer Pursuant to

Section 302 of the Sarbanes-Oxley Act of 2002

I, Beth Garvey, certify that:

1 I have reviewed this quarterly report on Form 10-Q for the quarterly period ended September 26, 2021 of BGSF, Inc.

2 Based on my knowledge, this report 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 report;

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4 The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.

5 The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 3, 2021

By:	/s/ Beth Garvey
Name:	Beth Garvey
Title:	President and Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

Certification of Chief Financial Officer Pursuant to

Section 302 of the Sarbanes-Oxley Act of 2002

I, Dan Hollenbach, certify that:

1 I have reviewed this quarterly report on Form 10-Q for the quarterly period ended September 26, 2021 of BGSF, Inc.

2 Based on my knowledge, this report 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 report;

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4 The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5 The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2021

By:	/s/ Dan Hollenbach
Name:	Dan Hollenbach
Title:	Chief Financial Officer and Secretary (Principal Financial Officer)

Exhibit 32.1

Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of BGSF, Inc. (the “Company”) on Form 10-Q for the quarterly period ended September 26, 2021 as filed with the Securities and Exchange Commission on the date hereof, we, the undersigned, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of our knowledge, that:

(1) The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
(2) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2021

By:	/s/ Beth Garvey	By:	/s/ Dan Hollenbach
Name:	Beth Garvey	Name:	Dan Hollenbach
Title:	President and Chief Executive Officer (Principal Executive Officer)	Title:	Chief Financial Officer and Secretary (Principal Financial Officer)

This certification accompanies this report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability pursuant to that section. The certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

A signed original of this written statement required by Section 906 has been provided to the Secretary of the Company and will be retained by the Secretary of the Company and furnished to the Securities and Exchange Commission or its staff upon request.