UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 26, 2021

☐ **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 of Incorporation)	*(I.R.S. Employer Identification Number)*
5850 Granite Parkway, Suite 730 Plano, Texas	**75024**
(Address of Principal Executive Offices)	*(Zip Code)*

Registrant's telephone number, including area code:
(972) 692-2400

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Exchange on Which Registered
Common Stock, par value $0.01 per share	**BGSF**	**NYSE**

Securities registered pursuant to Section 12(g) of the Act:
None

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

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

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or 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 and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (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 has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

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

The aggregate market value of the common stock held by non-affiliates of the Registrant as of June 25, 2021 (the last business day of the Registrant’s most recently completed second fiscal quarter) was $127,740,249 (based on the closing sale price of the Registrant's common stock on June 25, 2021 as reported on the NYSE).

As of March 9, 2022, there were 10,425,210 shares of the Registrant’s common stock outstanding.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements. Forward-looking statements may include, but are not limited to, statements with respect to our future financial or operating performance, future plans and objectives, competitive positioning, requirements for additional capital, government regulation of operations and the timing and possible outcome of litigation and regulatory matters. All statements, other than statements of historical fact, included or incorporated by reference in this Annual Report on Form 10-K, including statements that address activities, events or developments that we, or our subsidiaries, expect or anticipate may occur in the future, are forward-looking statements. Often, but not always, forward-looking statements can be identified by use of forward-looking words such as “aim,” “potential,” “may,” “could,” “can,” “would,” “might,” “likely,” “will,” “expect,” “intend,” “plan,” “predict,” “budget,” “scheduled,” “estimate,” “anticipate,” “believe,” “forecast,” “committed,” “future” or “continue” or the negative thereof or similar variations. Forward-looking statements are based on certain assumptions and analyses made by us, in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Readers are cautioned not to put undue reliance on such forward-looking statements, which are not a guarantee of performance and are subject to a number of uncertainties and known and unknown risks, many of which are outside our control, which could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Important factors which could cause actual results to differ materially from those expressed or implied by such forward-looking statements include, among other things, general business, economic, competitive, political and social uncertainties, the actual results of current operations, industry conditions, intellectual property and other proprietary rights, liabilities inherent in our industry, the novel coronavirus pandemic (COVID-19) or other pandemics, accidents, labor disputes, delays in obtaining regulatory approvals or financing and general market factors, including interest rates, equity markets, business competition, changes in government regulations. Additional risks and uncertainties include, but are not limited to, those listed under “Item 1A. Risk Factors.”

Although we have attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in the forward-looking statements, there may be other factors that cause results to differ from those anticipated. Forward-looking statements contained in this Annual Report on Form 10-K are made as of the date of the Annual Report on Form 10-K and we disclaim any obligation to update any forward-looking statements, whether as a result of new information, future events, results or otherwise, except as required by applicable securities laws.

Part I

ITEM 1. BUSINESS.

Overview and History

BGSF, Inc. ("BGSF," "we," or the "Company") is a leading national provider of professional workforce solutions with continuing operations that, along with its wholly owned subsidiaries, operate primarily within the U.S. in two industry segments Real Estate and Professional, with discontinued operations in the Light Industrial segment. We provide field talent to a variety of client partners that are seeking to match their workforce requirements to their business needs. Our client partners operate across a diverse set of industries.

We employ a diverse operating model, both from a skill set and a geographic standpoint, which we believe mitigates downside revenue risk.

Our workforce solutions consist of on-demand or short-term assignments, consulting services, and on-site management administration. Short-term workforce solutions assist employers in dealing with field talent demands caused by such factors as seasonality, fluctuations in client partner demand, vacations, illnesses, parental leave, and special projects without incurring the ongoing expense and administrative responsibilities associated with recruiting, hiring and retaining permanent field talent. As more and more companies focus on effectively managing variable costs and reducing fixed overhead, the use of short-term workforce solutions allows companies to utilize a contingent approach for their personnel needs, thereby converting a portion of their fixed personnel costs to a variable expense.

Our consulting workforce solutions place field talent with client partners for extended time-periods or for an indefinite time period. This type of arrangement may involve outsourcing an entire department in a large corporation or providing the workforce for a large project.

In an on-site management arrangement, we place an experienced manager on-site at a client partner's place of business. The manager is responsible for conducting all recruiting, candidate screening, interviewing, drug testing, hiring and placement for field talent at the client partner's facility for a long-term or indefinite period.

Management believes that these solutions and the field talent performing these workforce solutions are, and will remain, an integral part of the labor market in local, regional and national economies in which we operate.

BGSF, Inc. is the successor by conversion to LTN Staffing, LLC, a Delaware limited liability company that was formed on August 27, 2007. In 2011, we began doing business as BG Staffing. LTN Staffing, LLC converted into a Delaware corporation, BG Staffing, Inc., following the merger of LTN Acquisition, LLC (the former parent of LTN Staffing, LLC) with and into LTN Staffing, LLC. The conversion was completed on November 3, 2013. In 2021, we changed our name to BGSF, Inc.

We commenced operations on October 17, 2007 and since 2009 have began an on-going growth and diversification initiative. Since 2010, we have acquired twelve businesses:

- In June 2010, we purchased the interests of BG Personnel Services, LP and BG Personnel, LP, and purchased the common stock of B G Staff Services, Inc. Shortly after the purchase, we relocated our home office to Dallas, Texas. We operate under the BG Multifamily and BG Talent trade names.

- In December 2010, we purchased substantially all of the assets and assumed certain liabilities of JNA Staffing Inc., which specialized in providing light industrial workforce solutions within the State of Wisconsin. These operations were rolled into our existing operations in Milwaukee, Wisconsin.

- In December 2011, we purchased substantially all of the assets and assumed certain liabilities of Extrinsic, LLC, which specialized in providing information technology ("IT") workforce solutions to client partners within the U.S. We continue to operate under the Extrinsic trade name.

- In December 2012, we acquired substantially all of the assets and assumed certain liabilities of American Partners, Inc., which specialized in providing IT workforce solutions to client partners within the U.S. We continue to operate under the American Partners trade name.

- In June 2013, we acquired substantially all of the assets and assumed certain liabilities of InStaff Holding Corporation and InStaff Personnel, LLC, a wholly owned subsidiary of InStaff Holding Corporation (collectively, "InStaff").

- In March 2015, we acquired substantially all of the assets and assumed certain liabilities of D&W Talent, LLC ("D&W"), which specialized in providing part-time and full-time workforce solutions of accounting and finance personnel and secretarial and administrative personnel to client partners in Texas and Louisiana. We continue to operate under the Donovan & Watkins trade name.

- In October 2015, we acquired substantially all of the assets and assumed certain liabilities of Vision Technology Services, Inc., Vision Technology Services, LLC, and VTS-VM, LLC (collectively, "VTS"), which provided IT workforce solutions and project management workforce solutions. We continue to operate under the Vision Technology Services trade name.

- In April 2017, we acquired substantially all of the assets and assumed certain liabilities of Zycron, Inc. ("Zycron"), which provided IT workforce solutions and project management workforce solutions. We continue to operate under the Zycron trade name.

- In September 2017, we acquired substantially all of the assets and assumed certain liabilities of Smart Resources Inc. and Accountable Search, LLC (collectively, "Smart"), which specialized in providing part-time and full-time workforce solutions of accounting and finance personnel and secretarial and administrative personnel to client partners in Chicago market. We continue to operate under the Accountable Search and Smart Resources trade names.

- In December 2019, we acquired substantially all of the assets and assumed certain liabilities of L.J. Kushner & Associates, L.L.C. ("LJK"), which provided cybersecurity retained search workforce solutions specializing in recruiting high and mid-level IT security professionals. We continue to operate under the L.J. Kushner & Associates trade name.

- In February 2020, we acquired 100% of the equity of EdgeRock Technology Holdings, Inc. ("EdgeRock"), which provides specialized IT consultants and focuses on the sourcing and placement of technology professionals specialized in leading software and data ecosystems. We continue to operate under the EdgeRock Technology Partners trade name.

- In February 2021, we acquired substantially all of the assets and assumed certain liabilities of Momentum Solutionz LLC (the "Momentum Solutionz"), which provided IT consulting and managed workforce solutions for organizations utilizing ERP systems. We continue to operate under the Momentum Solutionz trade name.

On February 28, 2022, we signed a definitive agreement to sell substantially all our Light Industrial segment ("InStaff") assets to Jobandtalent ("J&T"), through their wholly-owned subsidiary, Sentech Engineering Services, Inc.

The Company anticipates that the transaction will close during the first fiscal quarter of 2022, and anticipates using the proceeds from the transaction to, among other things, deploy additional capital into managed services and high-end consulting solutions, drive geographic expansion in the Company's Real Estate segment, pursue potential acquisition opportunities, reduce outstanding indebtedness, and for general corporate purposes.

Instaff's financial results for periods prior to the sale have been reflected in our Consolidated Statements of Operations and Comprehensive Income and Consolidated Statements of Cash Flows as discontinued operations. Additionally, the related assets and liabilities associated with the discontinued operations in the prior periods are classified as discontinued operations in our Consolidated Balance Sheets.

See "Note 4 - Discontinued Operations" in our Consolidated Financial Statements included elsewhere in this report for additional information.

We now operate across 46 states and D.C., as well as 13 on-site locations. We do not currently have any significant foreign operations.

Our Industry

The workforce solution industry supplies field talent to client partners helping them minimize the cost and effort of workforce planning. These workforce solutions also enable the client partner to rapidly respond to changes in business conditions, and in some cases to convert fixed labor costs to variable costs. Workforce solution companies act as intermediaries in matching available field talent to client partner assignments. The demand for a flexible workforce continues to grow with competitive and economic pressures to reduce costs and respond to changing market conditions.

The workforce solution market is subject to volatility based on overall economic conditions. Historically, in periods of economic growth, the number of companies providing workforce solutions has increased due to low barriers to entry. During recessionary periods, the number of companies has decreased through consolidation, bankruptcies, or other events. The workforce solution industry is experiencing increased demand in relation to total job growth as client partners have placed a greater priority on maintaining a more flexible workforce.

The workforce solution industry is large and highly fragmented with approximately 25,000 competing companies, while only 186 firms exceeded $100 million in annual revenues in 2020 according to Staffing Industry Analysts ("SIA"). As of September 2021, SIA estimated the 2022 U.S. temporary service market will be an estimated $163.8 billion, which is up from an estimated $157.4 billion in 2021. Workforce solution providers compete both to recruit and retain a supply of field talent and to attract and retain client partners to use these workers. Client partner demand for workforce solutions is dependent on the overall strength of the labor market and trends toward greater workforce flexibility. The workforce solution industry includes a number of markets focusing on business needs that vary widely in duration of assignment and level of technical specialization.

Our Operations

We have diversified our operations to provide field talent within distinct segments of the industry. We refer to our continuing operations as the Real Estate and Professional segments, and discontinuing operations is the Light Industrial segment.

We operate separate profit centers within each segment and provide managers considerable operational autonomy and financial incentives. Managers focus on business opportunities within their markets and are provided centralized support to achieve success in those markets. We believe this structure allows us to recruit and retain highly motivated managers who have demonstrated the ability to succeed in a competitive environment. This structure also allows managers and team members to focus on market development while relying on centralized services for support in back-office operations, such as risk management programs and unemployment insurance, credit, collections, accounting, advice on legal and regulatory matters, and quality standards.

Our Segments

Our continuing operations are organized into the Real Estate and Professional segments, and our discontinued operations is the Light Industrial segment.

Real Estate Segment

Our Real Estate segment is a leading provider of office and maintenance field talent to various apartment communities and commercial buildings. We currently operate in 35 states and D.C. The Real Estate division utilizes Virtual Talent Acquisition Center ("TAC") with team members located in various locations throughout the United States. All open positions nationally are recruited from this TAC. The field talent we assign to our Real Estate client partners are our employees, although our client partners provide on-the-job direction, control and supervision.

Professional Segment

Our Professional segment provides highly skilled IT professionals with expertise in SAP, Workday, Peoplesoft, Hyperion, Oracle, One Stream, cyber, project management and other IT workforce solutions to client partners on a national basis. Additionally, we provide finance, accounting, legal, human resource and related support personnel. Our client partners include large Fortune 500 companies, medium and small companies, as well as consulting firms engaged in systems integration projects. We operate our professional segment remotely and from our offices in Arizona, Florida, Illinois, Maryland, Massachusetts, New Jersey, North Carolina, Rhode Island, Tennessee, and Texas.

Light Industrial Segment

The Light Industrial segment, reported as discontinued operations, provides field talent to manufacturing, distribution, logistics and call center client partners needing a flexible workforce. We currently have 11 branch offices and 13 on-site locations operating in 11 states. The Light Industrial segment field talent perform workforce solutions in a variety of skilled and unskilled positions. The field talent we assign to the Light Industrial client partners are our employees, although our client partners provide on-the-job direction, control and supervision. See “Note 4 - Discontinued Operations” in our Consolidated Financial Statements for additional information.

Financial Information about Segments

Refer to Note 18 in the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K, which is incorporated by reference.

Financial Information about Geographic Areas

Refer to Notes 1 and 2 in the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K, which is incorporated by reference.

Our Client Partners

We currently provide workforce solutions to small and medium-sized companies as well as divisions of Fortune 500 companies. As is common in the industry, our engagements to provide workforce solutions to our client partners are generally of a non-exclusive, short-term nature and subject to termination by the client partner with little or no notice. No client partner accounted for more than 10% of our revenues in 2021, 2020, or 2019.

Marketing and Recruiting

We believe a key component of our success is the ability to recruit and maintain a pool of qualified field talent and regularly place them into desirable and appropriate positions. We use comprehensive methods to identify, assess, select and, when appropriate, measure the skills of our field talent and permanent placement candidates to meet the needs of our client partners.

We market our workforce solutions to client partners and field talent candidates via both national and local advertising activities. A significant portion of our total marketing efforts comes from direct marketing via telephone solicitation. Promotions consists of digital display, search engine marketing, social media, trade publications, job boards and events. As well, reputation management is a promotional utility that serves as the first impression; interactions on reviews, comments, posts, direct messages, etc. give our followers a cursory notion of our values and business practices. We market our hiring and career management advice through all digital platforms (websites, social media, and blogs) and have expanded our use of job boards and aggregators in all aspects of sales and recruitment. Joint marketing arrangements have been entered into with major software partners. We actively seek endorsements and affiliations with professional organizations in the accounting and finance, technology, apartment community, commercial building, creative and marketing fields. To enhance public recognition of us and our workforce solutions, we conduct public relations activities and team members and field talent are encouraged to be active in civic organizations and industry trade groups in their local communities.

Growth Strategy

We are committed to growing our operations. We have grown from $35 million of Light Industrial revenue in 2009 to $239 million of continuing revenue in 2021, by using a growth strategy reliant upon both acquisitions and organic growth.

We will continue to evaluate acquisition opportunities utilizing our proven approach to the assessment, valuation, and integration of acquisitions. Additionally, we are committed to continue to grow our operations in our current markets, as well as expand into new markets within the segments and industries that we currently serve.

We are organized to handle many of the administrative functions at our home office location so that our segment operations can focus on business development and the effective recruiting and assignment of field talent.

We continue to invest in technology and process improvements, as necessary, to ensure that we are operating at optimal productivity and performance. In April 2019, our board of directors authorized a three year plan to enhance our technology infrastructure, which is our "IT roadmap." We have organized our top information technology goals and success criteria into six workstreams designed to align similar technologies, project predecessors and business stakeholders that will guide the roadmap for delivery prioritization. These workstreams include front office, middle office, back office, modern workplace, IT infrastructure and project management. To date we have spent $10.8 million of which $4.0 million is in our selling and administrative expense over the past three years and we have been able to complete 19 projects across all of the workstreams. There are currently 6 active projects, estimated to be completed in the second quarter 2022.

Competition

The workforce solutions market is highly competitive with limited barriers to entry. We compete in national, regional and local markets with full-service and specialized workforce solution companies. Some of our competitors have significantly more marketing and financial resources than we do. Price competition in the industry is intense. We expect that the level of competition will remain high, which could limit our ability to maintain or increase our market share or profitability.

The principal competitive factors in attracting qualified candidates for assignments are pay rates, availability of assignments, duration of assignments and responsiveness to requests for placement. We believe that many potential candidates seeking assignments through us may also be pursuing assignments through other means. Therefore, the speed at which we place prospective field talent and the availability of appropriate assignments are important factors in our ability to complete assignments of qualified field talent. In addition to having high quality field talent to assign in a timely manner, the principal competitive factors in obtaining and retaining client partners in the workforce solution industry are properly assessing the client partners' specific job requirements, the appropriateness of the field talent assigned to the client partner, the price of services and the monitoring of client partner satisfaction. Although we believe we compete favorably with respect to these factors, we expect competition to continue to increase.

Seasonality and Other Fluctuations

Our business 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' business. Demand for our Real Estate workforce solutions typically 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. 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.

The industry has historically been cyclical, often acting as an indicator of both economic downturns and upswings. Client partners tend to use contingent workforce solutions to supplement their existing workforce and generally hire direct workers when long-term demand is expected to increase. As a consequence, our revenues tend to increase quickly when the economy begins to grow and, conversely, our revenues can also decrease quickly when the economy begins to weaken. Historically, demand for permanent placement workforce solutions is even more sensitive to economic and labor market conditions than demand for workforce and consultant solutions and this is expected to continue.

Our business, results of operations, and financial condition have been, and may continue to be, impacted by the COVID-19 pandemic. During 2020, the pandemic had a significant impact on our business, including reduced demand for our workforce solutions, early terminations or reductions in projects, hiring freezes, and a shift of a majority of our workforce to remote operations. These factors contributed to a decline in revenues and other significant adverse impacts on our financial results in 2020.

Human Capital

We are a workforce solutions company dedicated to connecting people to work in ways that enrich their lives. At BGSF, we define our purpose by championing the future of people, transforming lives, and positively impacting entire communities. We are more than a transactional business. Our focus is on the big picture. We believe we can be a powerful force for good by connecting people to opportunities that enrich their lives and support their personal and professional development. Embedded in our character is the positive energy we embrace that drives a happy work environment, that shapes a happy home, which cascades into happier communities. We believe small actions can turn into big impacts, creating a ripple that becomes a wave powerful enough to change the world around us. This is what we call The BG Ripple Effect. In order to compete and succeed in our highly competitive and rapidly evolving markets, it is crucial that we attract and retain experienced internal team members, as well as talent to work for our client partners. As part of these efforts, we strive to offer competitive total rewards programs, foster an inclusive and diverse environment, and give team members the opportunity to give back to their communities and make a social impact.

First and foremost, the success of our business is fundamentally connected to the well-being of our people. Accordingly, we are committed to the health, safety and wellness of our team members and talent. In response to the COVID-19 pandemic, we implemented significant operating environment changes that we determined were in the best interest of our team members and talent, as well as the communities in which we operate, and which comply with government regulations. This includes having the vast majority of our internal team members work from home, while implementing additional safety measures for team members and talent continuing critical on-site work.

Team Members

As of February 2, 2022, we employed approximately 400 team members working remotely or in our various market locations in the United States.

Field Talent

In addition to our team members, BGSF matches talent with our client partners. In 2021, we placed approximately 20,200 individuals in positions with our client partners. In significantly all of these instances, we remain the employer of record for substantially all of our talent working at our client partner locations. This means that we retain responsibility for all assignments, wages, benefits, workers’ compensation insurance, and the employers’ share of applicable payroll taxes as well as the administration of the team members' share of these taxes. We also offer our talent access to competitive health and benefit programs while they are working with us.

Compensation and Benefits

BGSF is committed to providing competitive, equitable and fiscally responsible total rewards programs to our team members. Our compensation programs are designed to attract, retain and reward talented individuals who possess the skills necessary to achieve our strategic goals and create long-term value for our shareholders. We provide team members with competitive compensation opportunities, with pay for performance opportunities that include a mix of base salary, commissions, short-term incentives and, in the case of our more senior team members, long-term equity awards. We believe that our programs provide fair and competitive opportunities that align team member and shareholder interests. In addition to cash and equity compensation, we also offer team members competitive benefits such as life and health (medical, dental and vision) insurance, paid time off including volunteer time off, wellness benefits, education/tuition reimbursement, a defined contribution retirement plan and in 2021 we began an Employee Stock Purchase Plan.

Diversity, Equity, and Inclusion

We are committed to fostering an inclusive and diverse workforce. Our responsibility commitment is overseen by executive leadership, along with board-level oversight led by our Nominating and Governance Committee. In September 2020, we formed a diversity, equity and inclusion council called Voices Inspiring Inclusion, Belonging, and Equity (“VIIBE”), which now comprises more than 34 team members and represents broad perspectives across our organization. VIIBE is chaired by our Director of Diversity, Development and Learning, whose appointment was made in February 2021. Later in the year, we expect to launch our first two team member resource groups: African American/Black Employees & Allies and Single-Working Parents and Allies. Our team member resource groups are designed to create a strong sense of belonging within our work culture, to provide awareness and gain collaborative support from allies, and to help drive equitable opportunities throughout our organization for all. The essential work of VIIBE has already begun with the development of foundational pillars of excellence that promote this philosophy. We are focused on how we source, recruit, develop, appreciate, and leverage perspectives and experiences of underrepresented talent. This focus will extend to our collaboration with client partners, selection of vendor partners, engagement in our communities and prioritization of overall work-life harmony. Our commitment to diversity, equity and inclusion does not sit with a singular individual, but with every team member at BGSF. BGSF leaders will continue to be provided additional inclusive-leadership growth opportunities, understanding the importance of mitigating biases, as an ongoing effort to shape our future talent pool selections, onboard new talent, and support future career trajectories.

As of November 26, 2021, we employed approximately 4,900 people, of which 8% were internal team members and 92% were field talent supporting our client partners across the country.

- Women represented 42% of all team members, and underrepresented minorities ("URMs", defined as those who identify as Black/African American, Hispanic/Latinx, Native American/Alaska Native, Asian, Native Hawaiian/Pacific Islander and/or two or more races) represented 78% of our all of our reporting team members (9% of team members in contingent roles chose not to disclose this information);

- Women represented 64% of our internal team members and 56% of internal team members in managerial and leadership roles; and

- URMs represent 40% of our internal team members and 13% of internal team members in managerial and leadership roles identified as URMs.

Our focus is to ensure BGSF is cultivating equality and equity, while recognizing and celebrating our differences at work, in our homes, and out in the communities.

Community Involvement

We consider sustainability to be a guiding principle in strengthening the relationship with our workforce, vendor partners and client partners. Through our programs and initiatives, we seek to contribute to improving the quality of life of our team members, their families, as well as the communities in which they operate. Designed on the concept of social investment, our approach ensures the creation of future development capacities instead of aiding on isolated occasions. Supporting our communities has always been an important part of how we uphold our company values. To this end, we support volunteerism through two paid days so team members can serve their charity, cause or not-for-profit organization of choice. In 2021, BGSF team members donated more than $29,000 to support the work of 31 nonprofit organizations, including The American Red Cross and United Way to support relief efforts for people affected by 2021 Winter Storm Uri. Team members also served more than 700 hours at several nonprofits of personal importance as well as BGSF-organized volunteer projects including "The Great BGSF Cleanup," an Earth Day initiative; market-led back to school supply drives; and the 2021 State Fair of Texas Youth Job Interview Contest. BGSF named Junior Achievement its 2021 Charity of Choice, furthering the organization's mission to prepare students for successful futures by providing work-readiness, entrepreneurship, and financial literacy learning programs.

Team Engagement

As part of BGSF's continued initiative to provide its team members with feedback opportunities, in 2021, we conducted several pulse surveys to understand team member needs and provide support. Survey results were analyzed and reviewed by our senior leadership, as well as shared with individual managers, who were then tasked with taking action based on their team members' confidential feedback (both quantitative and qualitative). By paying close attention to the results, both at an aggregate enterprise level as well as at a department/business/workgroup level, we have been able to continue the enhancement of our culture of rewards and recognition, drive efforts to promote inclusion and diversity, increase communication in support of team member well-being and modernize our approach to foster a culture of continuous learning and feedback. In 2021, we rolled out our social recognition "BiG Deal" platform to align awards and recognition to our BGSF values.

Learning and Development

We emphasize team member development and learning as a priority for the organization. We believe learning and development are key elements to overall retention, engagement, and team member experience strategy. This direction is led by our Director of Diversity, Development and Learning. Our strategy is designed to empower team members to reach their full potential, and we provide a wide range of development programs, opportunities, and resources needed to be successful. As we move towards the creation of the BGSF University, our goal is to provide a variety of learning channels including instructor-led, facilitated custom workshops, leader-led, cohort and mentorships, self-paced, e-learning and a catalog of vendor-provided courses, videos, resources, and books. We are committed to the organization's overall health and providing career progression by providing individual development, readiness, and transition plans as a part of our talent review and succession planning process.

Intellectual Property

We own or have rights to various copyrights, trademarks, service marks, trade names and domain names used in our business, including, but not limited to, BGSF, BG Staffing, BG Staffing Group, BG Personnel Services, Extrinsic, American Partners, InStaff, BG Temporary Staffing, BG Multifamily, BG Talent, Triance, Donovan & Watkins, D&W Talent, Vision Technology Services, Zycron, Smart Resources, Accountable Search, L.J. Kushner & Associates, EdgeRock, EdgeRock Technology Partners, EdgeRock Technology Partners & Design, Momentum Solutionz, Creative Data Solutions, bgsf.com, bgstaffing.com, bgstaffinggroup.com, bgpersonnel.com, bgpersonnel.net, bgstaffing.net, bgcompanies.net, bgmail.com, ltnstaffing.com, milwaukeetemps.com, milwaukeetmepsinc.com, extrinsicllc.com, extrinsicgroup.com, extrinsicresources.com, jnastaffing.com, therightpeoplerightnow.com, rightpeoplerightnow.com, americanpartnersinc.com, instaff.com, donwat.com, vistechs.com, zycron.com, smartstaffing.com, accountablesearch.com, executiveassistantsearch.com, ljkushner.com, edgerock.com, edgerock.net, edgerockblue.com, edgerockcares.com, edgerockcares.net, edgerockconsultants.com, edgerockit.com, edgerockpartners.com, edgerockperm.com, edgerockred.com, edgerocksearch.com, edgerocksolutions.com, edgerockstaffing.com, edgerocktech.com, edgerocktech.net, edgerocktechnologies.com, etphome.com, joinedgerock.com, myedgerock.com, and momentumsolutionz.com. Our trade names are valuable assets that reinforce the distinctiveness of our brands.

Regulation

We are subject to regulation by numerous federal, state and local regulatory agencies, including but not limited to the U.S. Department of Labor, which sets employment practice standards for workers, and similar state and local agencies. We are subject to the laws and regulations of the jurisdictions within which we operate. While the specific laws and regulations vary among these jurisdictions, some require some form of licensing and often have statutory requirements for workplace safety and notice of change in obligation of workers' compensation coverage in the event of contract termination. Although compliance with these requirements imposes some additional financial risk on us, particularly with respect to those client partners who breach their payment obligation to us, such compliance has not had a material adverse effect on our business to date. Increased government regulation of the workplace or of the employer-employee relationship, or judicial or administrative proceedings related to such regulation, could also materially harm our business.

Available Information

We file electronically with the SEC our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended. Our website address is www.bgsf.com. The information included on our website is not included as a part of, or incorporated by reference into, this Annual Report on Form 10-K. We will make available free of charge through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we have filed or furnished such material to the SEC. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov. Furthermore, we will provide electronic or paper copies of filings free of charge upon written request to our Corporate Secretary.

ITEM 1A. RISK FACTORS.

There are numerous and varied risks that may prevent us from achieving our goals, including those described below. You should carefully consider the risks described below and the other information included in this Annual Report on Form 10-K, including our consolidated financial statements and related notes. If any of the events or circumstances described below were to occur, our business, the financial condition and the results of operations could be materially adversely affected. As a result, the trading price of our common stock could decline, and investors could lose part or all of their investment. The risks below are not the only risks we face. Additional risks not currently known to us or that we currently deem to be immaterial may also adversely affect our business, financial condition or results of operations. Past financial performance should not be considered to be a reliable indicator of future financial performance, and investors or prospects should not use historical trends to anticipate results or trends in future periods.

Risks Related to Our Company and Our Business

We operate in a highly competitive industry with low barriers to entry, and may be unable to compete successfully against existing or new competitors.

The workforce solution market is highly competitive with limited barriers to entry. We compete in national, regional and local markets with approximately 25,000 full-service and specialized workforce solution companies. We expect that the level of competition will remain high, which could limit our ability to maintain or increase our market share or profitability.

Several of our existing or potential competitors have substantially greater financial, technical and marketing resources than we do, which may enable them to:

- Develop and expand their infrastructure and service offerings more quickly and achieve greater cost savings;
- Invest in new technologies;
- Expand operations into new markets more rapidly;
- Devote greater resources to marketing;
- Compete for acquisitions more effectively and complete acquisitions more easily; and
- Aggressively price products and services and increase benefits in ways that we may not be able to match.

In order to compete effectively in our markets, we must target our potential client partners carefully, continue to improve our efficiencies and the scope and quality of our workforce solutions, and rely on our service quality, innovation, education and program clarity. If our competitive advantages are not compelling or sustainable, then we are unlikely to increase or sustain profits and our stock price could significantly decline.

In addition, heightened competition among our existing competitors, especially on a price basis, or by new entrants into the market, could create additional competitive pressures that may reduce our margins and adversely affect our business. If we fail to successfully respond to these competitive pressures or to implement our strategies effectively, our revenues or gross margins could be significantly reduced.

Our business is subject to risks associated with geographic market concentration.

Geographic revenue in excess of 10% of our consolidated revenue from continuing operations in fiscal year 2021 and the related percentage for fiscal years 2020 and 2019 was generated in the following areas:

	2021	2020	2019
Tennessee	12 %	16 %	18 %
Texas	23 %	15 %	22 %

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

Our business remains subject to risks related to the COVID-19 pandemic

The continually changing situation of the COVID-19 outbreak has impacted demand for the Company's services, disrupted the Company's operations and may continue to do so. The COVID-19 outbreak emerged as a serious threat to the health and economic well-being of the Company's clients, candidates, team members, and the overall economy. At various times during the outbreak, many counties, states and countries took dramatic action including, without limitation, ordering all nonessential workers to stay home, mandating the closure of schools and nonessential business premises and imposing isolation measures on large portions of the population. These measures, while intended to protect human life, had serious adverse impacts on domestic and foreign economies and may do so in the future if they are continued or reintroduced. The COVID-19 pandemic has created significant uncertainty and volatility in the Company's business. Initially it caused a dramatic increase in unemployment in the United States and mandated business closures and slowing economic activity reduced the use of temporary workers and reduced businesses' recruitment of new team members resulting in less demand for the Company's services. During 2021, however, demand for workers and the Company's services increased as economic activity recovered, worksites reopened, and many business sought to restore or expand workforces that had shrunk during the course of the pandemic. There can be no assurance, however, that this increased demand for workers and the Company's services will be sustained. Furthermore, the emergence of new variants of the coronavirus or of other illnesses may cause a rapid deterioration of economic conditions and the financial and credit markets, which could have a material adverse impact on the Company's business, financial condition, results of operations and cash flows. The Company has transitioned a significant number of the Company's team member population to a remote work environment in an effort to mitigate the spread of COVID-19. This transition to remote working and the spread of COVID-19 may negatively impact the availability of key personnel necessary to conduct the Company's business and the business and operations of the Company's third-party service providers who perform critical services for the Company's business. This transition to remote working has also increased the Company's vulnerability to risks related to the Company's computer and communications hardware and software systems and exacerbated certain related risks, including risks of phishing and other cybersecurity attacks. The Company is continuing to monitor the spread of COVID-19, including the emerging variants of the disease, and related risks, including risks related to efforts to mitigate the disease's spread. The rapid development and fluidity of the situation, however, precludes any prediction as to its ultimate impact on us. The emergence of new variants of the coronavirus or of other illnesses may adversely impact global economies and financial markets resulting in an economic downturn that would likely impact demand for the Company's services. While the Company has navigated the COVID-19 pandemic thus far, its continuation or worsening may have a negative impact on the Company's business. Any of the above factors, or other cascading effects of the COVID-19 pandemic that are not currently foreseeable, could materially increase the Company's costs, severely negatively impact the Company's revenue, net income, and other results of operations, and impact the Company's liquidity position. The duration of any such impacts cannot be predicted, and such impacts may also have the effect of heightening many of the other material risks the Company faces.

Government imposed vaccine mandates could have a material adverse impact on our business and results of operations

In September 2021, President Biden announced two executive orders related to vaccine mandates that would impact the Company's operations in the United States. The first executive order-- the OSHA Vaccination and Testing Emergency Temporary Standard ("ETS") — was blocked by a stay of enforcement by the United States Supreme Court on January 13, 2022. On January 25, 2022, the Department of Labor withdrew the ETS; however, OSHA could still pursue a vaccine mandate through the regular federal rulemaking process. A second Executive Order on Ensuring Adequate COVID-19 Safety Protocols for Federal Contractors ("EO 14042") would apply to the Company as a federal contractor and subcontractor. EO 14042 is also subject to legal challenges and is currently subject to a nationwide injunction during the pendency of federal court proceedings. At this time, it is unclear, among other things, if or when any federal vaccine mandates may go into effect. Further, state and local governments in the United States and in international jurisdictions where we operate may implement vaccine mandates (currently New York City has a mandate) and it is not clear if such mandates will go into effect or stay in effect; whether any will apply to all team members or only to team members who work in the office; and how compliance will be documented. Should such mandates apply to us, we may be required to implement a requirement that all of our team members get vaccinated, subject to limited exceptions. At this time the Company does not have a vaccine requirement. Currently, it is not possible to predict the impact that a federal vaccine mandate, any other vaccine mandate, or a vaccine requirement should we elect to adopt one, will have on us or on our workforce. Any vaccine requirement or vaccine mandate, if implemented, may result in team members attrition; however, any failure to implement a vaccine requirement or mandate may also result in team members attrition or resistance to returning to onsite work, either of which could materially and adversely affect our business and results of operations.

A downturn of the U.S. or global economy could result in our client partners using fewer workforce solutions or becoming unable to pay us for our services on a timely basis or at all, which would materially adversely affect our business.

Because demand for workforce solutions is sensitive to changes in the level of economic activity, our business may suffer during economic downturns. During periods of weak economic growth or economic contraction, the demand for such workforce solutions typically declines. When demand drops, our operating profit is typically impacted unfavorably as we experience a deleveraging of our selling and administrative expense base as expenses may not decline as quickly as revenues. In periods of decline, we can only reduce selling and administrative expenses to a certain level without negatively impacting the long-term potential of our brands. Additionally, during economic downturns companies may slow the rate at which they pay their vendors, or they may become unable to pay their obligations. If our client partners become unable to pay amounts owed to us, or pay us more slowly, then our cash flow and profitability may materially suffer.

Our business depends on a strong reputation and anything that harms our reputation will likely harm our results.

As a provider of workforce solutions, as well as consultant services, our reputation is dependent upon the performance of the field talent we place with our client partners and the services rendered by our consultants. We depend on our reputation and name recognition to secure engagements and to hire qualified field talent and consultants. If our client partners become dissatisfied with the performance of those field talent or consultants or if any of those field talent or consultants engage in or are believed to have engaged in conduct that is harmful to our client partners, our ability to maintain or expand our client base may be significantly harmed. Moreover, use of our copyrights, trademarks, service marks, trade names, domain names, or other intellectual property by third parties, including but not limited to unauthorized use by third parties for criminal purposes or otherwise, even if such use is outside our reasonable control, may significantly harm our reputation or the value of our copyrights, trademarks, service marks, trade names, domain names, or other intellectual property, or subject us to legal proceedings, and therefore have a material adverse effect on our business, results of operations, or financial condition.

We would be adversely affected by the loss of key personnel.

Our operations and financial success depend significantly on our leadership management team and team members. The loss of any key members of this group could have a material adverse effect on our business, financial condition and results of operations.

We depend on our ability to attract and retain qualified field talent.

We depend on our ability to attract qualified field talent who possess the skills and experience necessary to meet the workforce solution requirements of our client partners. We must continually evaluate our base of available qualified personnel to keep pace with changing client partner needs. Competition for individuals with proven professional skills is intense, and demand for these individuals is expected to remain strong for the foreseeable future. There can be no assurance that qualified personnel will continue to be available. Our success is substantially dependent on our ability to recruit and retain qualified field talent.

Our workforce solution agreements may be terminated on short notice, leaving us vulnerable to loss of a significant amount of client partners in a short period of time.

Our workforce solution agreements with our client partners are generally cancellable by the client partners with little or no notice to us. As a result, a significant number of our client partners can terminate their agreements with us at any time, making us particularly vulnerable to a significant decrease in revenue within a short period of time that could be difficult to quickly replace.

If we are unable to retain existing client partners or attract new client partners, our results of operations could suffer.

Increasing the growth and profitability of our business is particularly dependent upon our ability to retain existing client partners and capture additional client partners. Our ability to do so is dependent upon our ability to provide high quality workforce solutions and offer competitive prices. If we are unable to execute these tasks effectively, we may not be able to attract a significant number of new client partners and our existing client partners base could decrease, either or both of which could have a materially adverse impact on our revenues.

Acquisitions and new business initiatives may not be successful.

We expect to continue making acquisitions and entering into new business initiatives, including, but not limited to, dispositions, joint ventures, and strategic investments, as part of our long-term business strategy. These acquisitions and new business initiatives involve significant challenges and risks, including that they may not advance our business strategy, that we may not realize a satisfactory return on our investment, that we may experience difficulty in integrating operations, or diversion of management's attention from our other business. We may be unable to identify suitable acquisition candidates in the future. Moreover, acquisitions may require substantial capital needs and the incurrence of additional indebtedness which may change significantly our capitalization and results of operations. Further, these acquisitions could result in post-closing discovery of material undisclosed liabilities of the acquired business or assets, title or other defects with respect to acquired assets, discrepancies or errors in furnished financial statements or other information or breaches of representations made by the sellers, or the unexpected loss of key team members or client partners from acquired businesses. These events could cause material harm to our operating results or financial condition.

We have debt that could adversely affect our financial health and prevent us from fulfilling our obligations or put us at a competitive disadvantage.

While we believe our current debt level is reasonable, we have utilized, and expect to continue to utilize, debt for acquisitions. Our level of debt and the limitations imposed on us by our lenders could have a material impact on investors, including the requirement to use a portion of our cash flow from operations for debt service rather than for our operations and the need to comply with the various covenants associated with such debt. Additionally, we may not be able to obtain additional debt financing for future working capital, capital expenditures or other home office purposes or may have to pay more for such financing. We could also be less able to take advantage of significant business opportunities, such as acquisition opportunities, and to react to changes in market or industry conditions, or we may be disadvantaged compared to competitors with less leverage.

We have significant working capital needs and if we are unable to satisfy those needs from cash generated from our operations or borrowings under our revolving credit facility, we may not be able to meet payroll requirements.

We require significant amounts of working capital to operate our business. If we experience a significant and sustained drop in operating profits, or if there are unanticipated reductions in cash inflows or increases in cash outlays, we may be subject to cash shortfalls. If such a shortfall were to occur for even a brief period of time, it may have a significant adverse effect on our business. In particular, we use working capital to pay expenses relating to our team members and field talent and to satisfy our workers' compensation and tax liabilities. Generally, we pay our field talent on a weekly basis while we receive payments from our client partners 30 to 60 days after billing. As a result, we must maintain sufficient cash availability to pay team members and field talent and fund related payroll liabilities prior to receiving payment from client partners.

We derive working capital for our operations through cash generated by our operating activities and borrowings under our revolving credit facility. We believe that our current sources of capital are adequate to meet our working capital needs. However, our available sources of capital are limited. If our working capital needs increase in the future, we may be forced to seek additional sources of capital, which may not be available on commercially reasonable terms, or at all.

The maximum amount we are entitled to borrow under our revolving credit facility is currently $35.0 million and the availability of unused funds is affected by financial, business, economic and other factors, as well as by the daily timing of cash collections and cash outflows.

We typically experience significant seasonal and other fluctuations in our borrowings and borrowing availability, and we aggressively manage our cash flow to ensure adequate funds to meet working capital needs. Such management steps include working to improve collections, adjusting the timing of cash expenditures and managing operating expenses. However, such steps may not always be successful.

Failure to comply with restrictive covenants under our credit agreement could trigger prepayment obligations or additional costs.

Our credit agreement includes various financial and other covenants with which we have to comply in order to maintain borrowing availability and avoid default interest, including minimum fixed charge coverage ratio and maximum leverage ratio.

Any future failure to comply with our covenants which may occur under our credit agreement could result in an event of default which, if not cured or waived, could trigger prepayment obligations. There can be no assurances that any lender will waive defaults that may occur in the future. If we are forced to refinance our credit agreement, there can be no assurance that such refinancing would be available or that such refinancing would not have a material adverse effect on our business and financial condition. Even if such refinancing were available, the terms could be less favorable and our results of operations and financial condition could be materially adversely affected by increased costs and interest rates.

We could be required to write-off goodwill or intangible assets in future periods if our future operating results suffer.

In accordance with generally accepted accounting principles, we are required to review our goodwill and intangible assets for impairment at least annually. Our goodwill and intangibles assets from continuing operations were $29.1 million and $33.6 million, respectively, at the end of fiscal year 2021. An unfavorable evaluation could cause us to write-off these assets in future periods. Any future write-offs could have a material adverse impact on our results of operations.

The amount of collateral that we are required to maintain to support our workers' compensation obligations could increase, reducing the amount of capital we have available to support and grow our field operations.

We are contractually obligated to collateralize our workers' compensation obligations under our workers' compensation program through irrevocable letters of credit, surety bonds or cash. Our workers' compensation program renews annually on January 1 of each year, and as part of the renewal, collateral is adjusted to reflect current operating levels. These collateral requirements are significant and place pressure on our liquidity and working capital capacity. We believe that our current sources of liquidity are adequate to satisfy our immediate needs for these obligations; however, our available sources of capital are limited. Depending on future changes in collateral requirements, we could be required to seek additional sources of capital in the future, which may not be available on commercially reasonable terms, or at all.

We are dependent on workers' compensation insurance coverage at commercially reasonable terms.

We provide workers' compensation insurance for our team members and field talent. Our workers' compensation insurance policies are renewed annually. We cannot be certain we will be able to obtain appropriate types or levels of insurance in the future or that adequate replacement policies will be available on commercially reasonable terms. The loss of our workers' compensation insurance coverage would prevent us from doing business in the majority of our markets. Further, we cannot be certain that our current and former insurance carriers will be able to pay claims we make under such policies. The loss of workers' compensation insurance could have a material adverse effect on our financial position and results of operations.

Because we assume the obligation to make wage, tax and regulatory payments in respect of our team members and field talent, we are exposed to client partner credit risks.

We generally assume responsibility for and manage the risks associated with our team members and field talent payroll obligations, including liability for payment of salaries and wages (including payroll taxes), as well as group health and retirement benefits. These obligations are fixed, whether or not the client partner makes payments required by our workforce solutions agreement, which exposes us to credit risks. We attempt to mitigate this risk by generally invoicing our client partners weekly and having a high number of client partners who are geographically and industry diverse. We also carefully monitor the timeliness of our client partners' payments and impose strict credit standards on our client partners. If we fail to successfully manage our credit risk, we may suffer significant losses which would decrease our profitability.

Our business is subject to federal, state and local labor and employment laws and a failure to comply could materially harm our business.

We are subject to regulation by numerous federal, state and local regulatory agencies, including but not limited to the U.S. Department of Labor, which sets employment practice standards for workers, and similar state and local agencies. We are subject to the laws and regulations of the jurisdictions within which we operate. While the specific laws and regulations vary among these jurisdictions, some require some form of licensing and often have statutory requirements for workplace safety and notice of change in obligation of workers' compensation coverage in the event of contract termination. Compliance with these requirements imposes some additional financial risk on us, particularly with respect to those client partners who breach their payment obligation to us. Any inability or failure to comply with government regulation could materially harm our business. Increased government regulation of the workplace or of the employer-employee relationship, or judicial or administrative proceedings related to such regulation, could also materially harm our business.

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the "Health Care Reform Laws") include various health-related provisions that took effect during 2014 and established new regulations on health plans. Although the Health Care Reform Laws do not mandate that employers offer health insurance, beginning in 2015 tax penalties were assessed on employers who do not offer health insurance that meets certain affordability or benefit requirements. A portion of the 2017 Tax Cuts and Jobs Act became effective in 2019 reducing the penalty to zero that requires most individuals to have health insurance, which effectively repealed the Health Care Reform Laws requirement. However, some states have begun proceedings to keep these mandates intact through state legislation. Unless modified by regulations or subsequent legislation, the payment of tax penalties if such coverage is not adequate, may increase our costs. Without the individual mandate, more individuals might decline coverage, which could have an impact on employer premiums. If we are unable to raise the rates we charge our client partners to cover these costs, such increases in costs could materially harm our business.

In addition, certain of our client partners may require that we indemnify them against losses in the event that the client partner is determined to be non-compliant with the Health Care Reform Laws with respect to one or more of our field talent assigned to such client partner. While we have not received notice from any client partner that acts or omissions by us may have resulted in losses to the client partner relating to non-compliance with the Health Care Reform Laws, any future liabilities that may be incurred by us pursuant to any such indemnification provisions could materially and adversely affect our results of operations.

It is likely that the U.S. Congress will continue to seek to modify, repeal, or otherwise invalidate all, or certain provisions of, the Health Care Reform Laws. It is unclear at this point what the scope of any future such legislation will be and when it will become effective. Because of the uncertainty surrounding this replacement health care reform legislation, we cannot predict with any certainty the likely impact of the Health Care Reform Laws' repeal or the adoption of any other health care reform legislation on our financial condition or operating results. Whether or not there is alternative health care legislation enacted in the U.S., there is likely to be significant disruption to the health care market in the coming months and years and the costs of our health care expenditures may increase.

We may be exposed to employment-related claims and losses, including class action lawsuits, which could have a material adverse effect on our business.

Workforce solution providers typically assign personnel in the workplaces of other businesses. The risks of these activities include possible claims relating to:

- discrimination and harassment;
- wrongful termination or denial of employment;
- violations of employment rights related to employment screening or privacy issues;
- classification of field talent;
- assignment of illegal aliens;
- violations of wage and hour requirements;
- retroactive entitlement to field talent benefits;
- errors and omissions by our field talent;
- misuse of client partners proprietary information;
- misappropriation of funds;
- damage to client partners facilities due to negligence of field talent; and
- criminal activity.

We may incur fines and other losses or negative publicity with respect to these claims. In addition, these claims may give rise to litigation, which could be time-consuming and expensive. New employment and labor laws and regulations may be proposed or adopted that may increase the potential exposure of employers to employment-related claims and litigation. There can be no assurance that the policies we have in place to help reduce our exposure to these risks will be effective or that we will not experience losses as a result of these risks. There can also be no assurance that the insurance policies we have purchased to insure against certain risks will be adequate or that insurance coverage will remain available on commercially reasonable terms or be sufficient in amount or scope of coverage.

U.S. federal tax regulations and interpretations could adversely affect us.

On December 22, 2017, the Tax Cuts and Jobs Act (the "TCJA") was signed into law. Notwithstanding the reduction in the corporate income tax rate, the overall impact of these changes on our results of operations will likely evolve as new regulations and interpretations relating to the TCJA are implemented. In addition, various political figures have pledged their support to overturning or modifying key aspects of the TCJA which could further increase the uncertainty relating to the impact of this or any future tax legislation on our results of operations.

Natural disasters and unusual weather conditions, pandemic outbreaks, terrorist acts, global political events and other serious catastrophic events could disrupt business and otherwise materially adversely affect our business and financial condition.

With operations in many states, we are subject to numerous risks outside of our control, including risks arising from natural disasters, such as fires, earthquakes, hurricanes, floods, tornadoes, unusual weather conditions, pandemic outbreaks and other health emergencies, terrorist acts or disruptive political events, or similar disruptions that could materially adversely affect our business and financial performance. Our operations are often dependent on the ability of team members, field talent and consultants to travel from business to business and from location to location. Any public health emergencies, including a real or potential pandemic such as those caused by the avian flu, SARS, Ebola, COVID-19, or even a particularly virulent flu, could decrease demand for our workforce solutions and our ability to offer them. Uncharacteristic or significant weather conditions can affect travel and the ability of businesses to remain open, which could lead to decreased ability to offer our workforce solutions and materially adversely affect our short-term results of operations. Although we cannot predict such events or their consequences, these events could materially adversely affect our stock price, reputation, business and financial condition.

Risks Related to Our Information Technology, Cybersecurity and Data Protection

Our results of operations and ability to grow could be materially negatively affected if we cannot successfully keep pace with technological changes impacting the development and implementation of our workforce solutions and the evolving needs of our client partners.

Our success depends on our ability to keep pace with rapid technological changes affecting both the development and implementation of our workforce solutions and the needs of our client partners. Technological advances such as artificial intelligence, machine learning, and automation are impacting industries served by all our lines of business. In addition, our business relies on a variety of technologies, including those that support hiring and tracking, order management, billing, and client data analytics. If we do not sufficiently invest in new technology and industry developments, appropriately implement new technologies, or evolve our business at sufficient speed and scale in response to such developments, or if we do not make the right strategic investments to respond to these developments, our workforce solutions, results of operations, and ability to develop and maintain our business could be negatively affected.

We are dependent upon technology services, and if we experience damage, service interruptions or failures in our computer and telecommunications systems, or if our security measures are breached, our client partner and field talent relationships and our ability to attract new client partners may be adversely affected.

Our business could be interrupted by damage to or disruption of our computer, telecommunications equipment, or software systems, some of which are managed by third-party vendors, and we may lose data. Our client partners' businesses may be adversely affected by any system or equipment failure we experience. As a result of any of the foregoing, our relationships with our client partners may be impaired, we may lose client partners, our ability to attract new client partners may be adversely affected and we could be exposed to contractual liability. Precautions in place to protect us from, or minimize the effect of, such events may not be adequate. In addition, our business involves the storage and transmission of field talent or client partners' proprietary information, and security breaches, computer viruses or Cyber-attacks, including attacks motivated by grievances against the business industry in general or against us in particular, could expose us to a risk of loss of this information, litigation and possible liability. If our security measures are breached as a result of third-party action, field talent error, malfeasance or otherwise, and, as a result, someone obtains unauthorized access to client partner data, our reputation may be damaged, we may be subject to government sanctions, our business may suffer and we could incur significant liability. Techniques used to obtain unauthorized access or to sabotage systems change frequently and are growing increasingly sophisticated. As a result, we may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of our security occurs, we could be liable and the market perception of our workforce solutions could be harmed or result in increased costs or loss of revenue. The potential risk of security breaches and cyber-attacks may increase as we introduce new workforce solution offerings.

We maintain insurance with respect to many of such claims; however, there can be no assurance that we will continue to be able to obtain insurance at a cost that does not have a material adverse effect upon us or that such claims (whether by reason of us not having sufficient insurance or by reason of such claims being outside the scope of our insurance) will not have a material adverse effect upon us.

Changes in data privacy and protection laws and regulations in respect of control of personal information could increase our costs or otherwise adversely impact our operations.

In the ordinary course of business, we collect, use, and retain personal information from our team members, field talent candidates, and contractors, including, without limitation, full names, government-issued identification numbers, addresses, birth dates, and payroll-related information. The possession and use of personal information in conducting our business subjects us to a variety of complex and evolving laws and regulations regarding data privacy, protection and security, which, in many cases, apply not only to third-party transactions, but also to transfers of information among us and our subsidiaries. Complying with the enhanced obligations and future laws and regulations relating to data transfer, residency, privacy and protection has increased and may continue to increase our operating costs and require significant management time and attention, while any failure by us or our subsidiaries to comply with applicable laws could result in governmental enforcement actions, fines, and other penalties that could potentially have a material adverse effect on our operations and reputation.

Risks Related to the Ownership of Our Securities

An investment in our common stock should be considered high risk.

An investment in our common stock requires a long-term commitment, with no certainty of return. Investment banks may not agree to underwrite primary or secondary offerings on behalf of our company or its stockholders in the future. If all or any of the foregoing risks occur, it would have a material adverse effect on our company.

We cannot predict whether an active trading market for our common stock will continue. Even if an active trading market continues, the market price of our common stock may remain volatile.

In the absence of an active trading market:

- you may have difficulty buying and selling our common stock at all or at the price you consider reasonable;
- market visibility for shares of our common stock may be limited, which may have a depressive effect on the market price for shares of our common stock and on our ability to raise capital or make acquisitions by issuing our common stock.

Even if an active market for our common stock continues, of which no assurances can be given, the market price for our common stock may be volatile and subject to wide fluctuations in response to factors including the following:

- actual or anticipated fluctuations in our quarterly or annual operating results;
- changes in financial or operational estimates or projections;
- duration and impact of the COVID-19 pandemic and efforts to mitigate its spread;
- changes in the economic performance or market valuations of companies similar to ours;
- conditions in markets generally;
- sales of significant amounts of our common stock; and
- general economic or political conditions in the United States or elsewhere.

The securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of shares of our common stock.

We will likely issue additional common stock in the future, which would dilute the holdings of our existing stockholders.

In the future we may issue additional securities up to our total authorized and unissued amounts, including shares of our common stock or securities convertible into or exchangeable or exercisable for our common stock, resulting in the dilution of the ownership interests of our stockholders. We may issue additional shares of our common stock or securities convertible into or exchangeable or exercisable for our common stock in connection with hiring or retaining personnel, option or warrant exercises, future acquisitions or future placements of our securities for capital-raising or other business purposes. Moreover, the exercise of our existing outstanding warrants and stock options, which are exercisable for or convertible into shares of our common stock, would dilute our existing common stockholders.

Our compliance with complicated regulations concerning corporate governance and public disclosure has resulted and may in the future result in additional expenses.

We are faced with expensive, complicated and evolving disclosure, governance and compliance laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, which we refer to as the Sarbanes-Oxley Act, and the Dodd-Frank Wall Street Reform and Consumer Protection Act. New or changing laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. As a result, our efforts to comply with evolving laws, regulations and standards of a public company are likely to continue to result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Our failure to comply with all laws, rules and regulations applicable to U.S. public companies could subject us or our management to regulatory scrutiny or sanction, which could harm our reputation and stock price.

There may be limitations on the effectiveness of our internal controls, and a failure of our control systems to prevent error or fraud may materially harm our company.

Proper systems of internal controls over financial reporting and disclosure are critical to the operation of a public company. Should such systems fail to detect or prevent error or fraud, it would leave us without the ability to reliably compile financial information about our company and significantly impair our ability to prevent or detect errors and fraud, all of which would have a negative impact on our company from many perspectives.

Moreover, we do not expect that disclosure controls or internal control over financial reporting, even if established, will prevent all errors and 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. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Failure of our control systems to prevent and detect errors or fraud could materially adversely impact us.

We cannot be sure we will pay dividends in the foreseeable future, and consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

While we have declared and paid dividends for the prior twenty-nine quarterly periods, we are limited in our ability to pay dividends by our credit agreement, and therefore, we cannot be certain if we will pay any cash dividends to holders of our common stock in the foreseeable future. Any future determination with respect to the payment of dividends will be at the discretion of our board of directors and will be dependent upon, among other things, our financial condition, results of operations, capital requirements, the terms of our then existing indebtedness, contractual restrictions, future prospects, general economic conditions and other factors considered relevant by our board of directors. Consequently, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments. There is no guarantee that shares of our common stock will appreciate in value or even maintain the price at which our stockholders have purchased their shares.

Upon dissolution of our company, you may not recoup all or any portion of your investment.

In the event of a liquidation, dissolution or winding-up of our company, whether voluntary or involuntary, the proceeds and/or assets of our company remaining after giving effect to such transaction, and the payment of all of our debts and liabilities will be distributed to the stockholders of common stock on a pro rata basis. There can be no assurance that we will have available assets to pay to the holders of common stock, or any amounts, upon such a liquidation, dissolution or winding-up of our company. In this event, you could lose some or all of your investment.

Certain provisions of our organizational documents may make it difficult for stockholders to change the composition of our board of directors and may discourage hostile takeover attempts that some of our stockholders may consider to be beneficial.

Certain provisions of our certificate of incorporation and bylaws may have the effect of delaying or preventing changes in control if our board of directors determines that such changes in control are not in the best interests of us and our stockholders. The provisions in such certificate of incorporation and bylaws include, among other things, the following:

- a classified board of directors with three-year staggered terms;
- the ability of our board of directors to issue shares of preferred stock and to determine the price and other terms, including preferences and voting rights, of those shares without stockholder approval;
- stockholder action can only be taken at a special or regular meeting and not by written consent except in limited circumstances;
- advance notice procedures for nominating candidates to our board of directors or presenting matters at stockholder meetings;
- removal of directors only for cause;
- allowing only our board of directors to fill vacancies on our board of directors or increase the size of our board of directors; and
- super-majority voting requirements to amend certain provisions of our certificate of incorporation.

We have elected in our certificate of incorporation not to be subject to Section 203 of the Delaware General Corporation Law (the "DGCL"), a statutory provision that may have the effect of delaying, hindering or preventing some takeovers of our company. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination, such as a merger, with a person or group owning 15% or more of the corporation's voting stock for a period of three years following the date the person became an "interested stockholder," unless (with certain exceptions) the business combination or the transaction in which the person became an "interested stockholder" is approved in a prescribed manner. Accordingly, we will not be subject to any anti-takeover effects of Section 203. Our certificate of incorporation contains provisions that have the same effect as Section 203, except that they generally provide that Taglich Private Equity LLC, Taglich Brothers, Inc. or any of their respective affiliates or associates, including any investment funds or portfolio companies managed by any of the foregoing, or any other person with whom any of the foregoing act as a group for the purpose of acquiring, voting or disposing of our shares, or any person that becomes an interested stockholder as a result of a transfer of 5% or more of our voting stock by the forgoing persons to such person, will be excluded from the "interested stockholder" definition in our certificate of incorporation and will therefore not be subject to the restrictions set forth therein that have the same effect as Section 203.

While these provisions have the effect of encouraging persons seeking to acquire control of our company to negotiate with our board of directors, they could enable the board of directors to hinder or frustrate a transaction that some, or a majority, of the stockholders might believe to be in their best interests and, in that case, may prevent or discourage attempts to remove and replace incumbent directors.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

Our home office is located at 5850 Granite Parkway, Suite 730, Plano, Texas 75024, and our telephone number is 972-692-2400. We lease our home office, which is approximately 6,200 square feet of space. We now operate across 46 states and D.C., as well as 13 on-site locations. We lease all of our offices, which are located throughout the U.S., through operating leases with terms that range from six months to five years. We also have month to month leases. We believe that our facilities are adequate for our current needs.

ITEM 3. LEGAL PROCEEDINGS.

From time to time we have been threatened with, or named as a defendant in, litigation, administrative claims and lawsuits. We carry insurance to mitigate potential liabilities associated therewith. The principal risks that we insure against, subject to and upon the terms and conditions of our various insurance policies, are workers' compensation, general liability, automobile liability, property damage, professional liability, employment practices, crime and cyber risk, directors and officer liability, fiduciary liability and fidelity losses. As of the date of this Annual Report on Form 10-K, management believes that the resolution of these matters will not have a material adverse effect on our consolidated financial statements.

ITEM 4. MINE SAFETY DISCLOSURE.

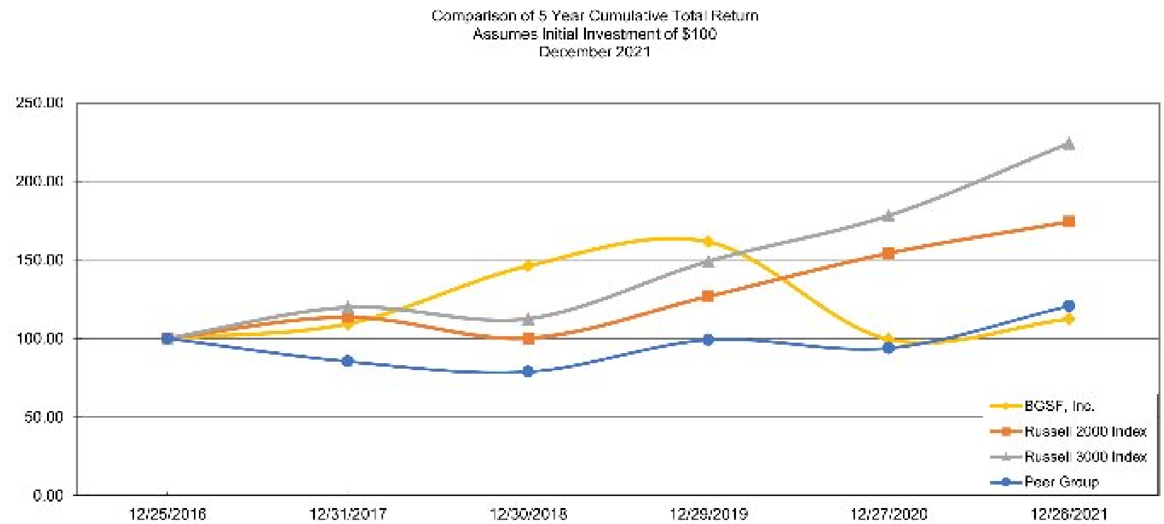
Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Stock Performance Graph

The following graph compares, through December 26, 2021, the cumulative total return of the Company's common stock, a peer group index of certain publicly traded workforce solutions companies, and the Russell 2000. The graph assumes the investment of $100 at the beginning of the period depicted in the chart and reinvestment of all dividends. Note that historic stock price performance is not necessarily indicative of future stock price performance. The following graph and related information shall not be deemed "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate it by reference into such filing.



Periodically, we review companies within our peer group and decide if we need to make any changes. The new peer group index represents the cumulative total return of the Company and the following corporations providing field talent or permanent employment workforce solutions: GEE Group, Mastech Digital, Resources Connection, Inc., and Staffing 360 Solutions. The old peer group index represents: GEE Group, Mastech Digital, RCM Technologies, and Staffing 360 Solutions.

Market Information and Holders

Our common stock commenced listing on the NYSE on November 14, 2019 under the symbol "BGSF," was listed on the NYSE American from to October 27, 2014 to November 13, 2019 under the symbol "BGSF" and was quoted on the OTC Bulletin Board, or OTCBB, under the symbol "BGSF" from April 30, 2014 to October 27, 2014. Prior to the quotation of our common stock on the OTCBB, there was no public market for our common stock. The table below sets forth information on the range of high and low sales prices for our common stock.

Quarter Ended:		High		Low
December 26, 2021	$	15.65	$	11.61
September 26, 2021	$	13.99	$	11.55
June 27, 2021	$	14.77	$	11.45
March 28, 2021	$	16.91	$	12.24
December 27, 2020	$	15.36	$	7.41
September 27, 2020	$	11.83	$	7.88
June 28, 2020	$	14.31	$	5.69
March 29, 2020	$	22.38	$	6.01

As of February 2, 2022, the last reported sales price for our common stock was $14.03 per share.
As of February 2, 2022, there were approximately 3,675 holders of record of our common stock.

Dividends

The board of directors has declared or paid the following cash dividends during the fiscal years ended 2021, 2020, and 2019:

Declared Date	Record Date	Distribution Date	Dividend per Share		Amount Paid
February 6, 2019	February 19, 2019	February 26, 2019	$0.30	$	3,068,847
April 25, 2019	May 6, 2019	May 13, 2019	$0.30		3,068,974
July 31, 2019	August 12, 2019	August 19, 2019	$0.30		3,071,862
October 29, 2019	November 11, 2019	November 18, 2019	$0.30		3,072,659
Total				$	12,282,342
January 30, 2020	February 10, 2020	February 18, 2020	$0.30	$	3,092,771
May 7, 2020	May 20, 2020	May 27, 2020	$0.05		515,349
August 5, 2020	August 18, 2020	August 25, 2020	$0.05		515,349
November 5, 2020	November 16, 2020	November 23, 2020	$0.10		1,031,679
Total				$	5,155,148
February 8, 2021	February 18, 2021	February 26, 2021	$0.10	$	1,033,597
May 6, 2021	May 17, 2021	May 24, 2021	$0.10		1,034,334
August 5, 2021	August 16, 2021	August 23, 2021	$0.12		1,248,183
November 3, 2021	November 15, 2021	November 22, 2021	$0.12		1,251,025
Total				$	4,567,139

On February 2, 2022, the Company's board of directors declared a cash dividend in the amount of $0.15 per share of common stock to be paid on February 22, 2022 to all shareholders of record as of the close of business on February 14, 2022.

Our ability to pay dividends is restricted under the terms of our credit agreement and may be restricted under other agreements governing our outstanding indebtedness from time to time. Any future determination with respect to the payment of dividends, including whether to declare a dividend, and, if so, the amount thereof, will be at the discretion of our board of directors and will be dependent upon, among other things, our financial condition, results of operations, capital requirements, the terms of our then existing indebtedness, contractual restrictions, future prospects, general economic conditions and other factors considered relevant by our board of directors. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations–Liquidity and Capital Resources–Credit Agreements” for a description of the restrictions in our credit agreements on our ability to pay dividends.

Equity Compensation Plans

The following equity compensation plan information is provided as of December 26, 2021:

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity Compensation Plans Approved by Security Holders			
2013 Long-Term Incentive Plan	756,173	$16.51	287,457
2020 Employee Stock Purchase Plan	—	$0.00	218,224
Total	756,173	$16.51	505,681

A description of the equity compensation plan is incorporated by reference to Note 15 in the Notes to Consolidated Financial Statements included in Item 8 in this Annual Report on Form 10-K.

Recent Sales of Unregistered Securities

There were no unregistered securities during the fiscal year ended 2021.

Share Repurchases

During 2021, we repurchased 610 shares of the Company's common stock at a cost of $8,442 and a weighted average price of $13.84 upon the vesting of restricted stock to satisfy statutory minimum tax withholding requirements.

Item 6. [Reserved].

The following tables set forth our summary consolidated historical financial data for continuing operations. You should read the information set forth below in conjunction with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated historical financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K. The statement of operations data for the fiscal years ended 2021, 2020, and 2019 and the balance sheet data as of December 26, 2021 and December 27, 2020 set forth below are derived from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The statement of operations data for the fiscal years ended 2018 and 2017 and the balance sheet data as of December 29, 2019, December 31, 2018, and December 25, 2017 set forth below were derived from our audited financial statements not included in this Annual Report on Form 10-K.

	Fiscal Years Ended				
	December 26, 2021	December 27, 2020	December 29, 2019	December 31, 2018	December 25, 2017
	(dollars in thousands, except per share data)				
Statement of Operations Data:					
Revenues	$ 239,027	$ 207,125	$ 219,764	$ 206,174	$ 198,448
Gross profit	$ 80,941	$ 66,040	$ 69,826	$ 64,520	$ 57,764
Selling, general and administrative expenses	$ 65,115	$ 55,244	$ 50,222	$ 44,787	$ 38,659
Gain on contingent consideration	$ (2,403)	$ (76)	$ —	$ (3,775)	$ (226)
Impairment losses	$ —	$ 7,240	$ —	$ —	$ —
Depreciation and amortization	$ 3,698	$ 4,861	$ 4,718	$ 4,833	$ 5,873
Operating income (loss)	$ 14,531	$ (1,229)	$ 14,886	$ 18,675	$ 13,458
Loss on extinguishment of debt	$ —	$ —	$ 541	$ —	$ —
Interest expense, net	$ 1,433	$ 1,584	$ 1,569	$ 2,850	$ 3,253
Income (loss) from continuing operations before income taxes	$ 13,098	$ (2,813)	$ 12,776	$ 15,825	$ 10,205
Income tax expense (benefit) from continuing operations(1)	$ 2,640	$ (741)	$ 3,135	$ 2,855	$ 6,090
Income (loss) from continuing operations	$ 10,458	$ (2,072)	$ 9,641	$ 12,970	$ 4,115
Income from discontinued operations, net of tax	$ 3,652	$ 3,513	$ 3,606	$ 4,579	$ 1,735
Net income	$ 14,110	$ 1,441	$ 13,247	$ 17,549	$ 5,850
Basic income (loss) per share:					
Continuing operations	$ 1.01	$ (0.20)	$ 0.94	$ 1.35	$ 0.47
Discontinued operations	0.35	0.34	0.35	0.48	0.20
Net income per share – basic	$ 1.36	$ 0.14	$ 1.29	$ 1.83	$ 0.67
Diluted income (loss) per share:					
Continuing operations	$ 1.00	$ (0.20)	$ 0.93	$ 1.32	$ 0.46
Discontinued operations	0.35	0.34	0.35	0.47	0.19
Net income per share – diluted	$ 1.35	$ 0.14	$ 1.28	$ 1.79	$ 0.65
Weighted average shares outstanding – basic	10,367	10,312	10,239	9,577	8,734
Weighted average shares outstanding – diluted	10,417	10,338	10,351	9,808	9,038
Other Financial Data:					
Adjusted EBITDA from continuing operations (2)	$ 16,659	$ 13,760	$ 21,609	$ 21,256	$ 19,970
Same Day EBITDA from continuing operations(2)	$ 16,659	$ 13,760	$ 21,609	$ 21,256	$ 19,449
Cash dividends declared per common share	$ 0.44	$ 0.50	$ 1.20	$ 1.15	$ 1.00

Balance Sheet Data from Continuing Operations:										
Working capital	$	25,851	$	17,960	$	20,532	$	13,079	$	9,797
Total assets	$	148,294	$	130,278	$	100,378	$	84,316	$	89,325
Total outstanding borrowings, net	$	39,450	$	34,634	$	27,494	$	20,089	$	44,123
Total other long-term liabilities	$	7,240	$	14,224	$	6,068	$	654	$	2,628
Stockholders' equity	$	76,592	$	65,458	$	68,457	$	65,702	$	39,135

(1) 2017 Include a $3.3 million re-measurement of the net deferred tax assets as a result of the TCJA.

(2) We present Adjusted EBITDA and Same Day EBITDA (defined below), measures that are not in accordance with accounting principles generally accepted in the United States of America ("non-GAAP"), in this Annual Report on Form 10-K to provide investors with a supplemental measure of our operating performance. We believe that Adjusted EBITDA and Same Day EBITDA are useful performance measures and are used by us to facilitate comparisons 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 accounting principles generally accepted in the United States of America ("GAAP") can provide alone. Our board and management also use Adjusted EBITDA and Same Day EBITDA as some 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, impairment losses, transaction fees and other non-capital information technology project ("IT roadmap") and certain non-cash expenses such as 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 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.

We define "Same Day EBITDA" as Adjusted EBITDA on a fifty-two week fiscal year basis. Omitting the additional revenue days in a fifty-three week fiscal year ended provides a financial measure that facilitates comparisons of our results of operations with those of our fifty-two week fiscal year and comparisons of our results with those companies having same number of days. Same Day EBITDA should not be considered as an alternative to net income for the periods indicated as a measure of our performance. Other companies in our industry may calculate Adjusted EBITDA or Same Day EBITDA differently than we do, limiting their usefulness as comparative measures.

The use of Adjusted EBITDA and Same Day EBITDA have limitations as analytical tools, and you should not consider these performance measures in isolation from, or as an alternative to, GAAP measures such as net income. Adjusted EBITDA and Same Day EBITDA are not measures of liquidity under GAAP or otherwise, and are not alternatives to cash flow from continuing operating activities. Our presentation of Adjusted EBITDA and Same Day 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 and Same Day EBITDA include: (i) they do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments; (ii) they do not reflect changes in, or cash requirements for, our working capital needs; (iii) they do not reflect income tax payments we may be required to make; and (iv) they do 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 consolidated financial statements included elsewhere in this Annual Report on Form 10-K and the reconciliation to Adjusted EBITDA and Same Day EBITDA from net income, 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 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.

	Fiscal Years Ended				
	December 26, 2021	December 27, 2020	December 29, 2019	December 31, 2018	December 25, 2017
	(dollars in thousands)				
Net income (loss) from continuing operations	$ 10,458	$ (2,072)	$ 9,641	$ 12,970	$ 4,115
Income tax expense (benefit) from continuing operations(1)	2,640	(741)	3,135	2,855	6,090
Interest expense, net	1,433	1,584	1,569	2,850	3,253
Loss on extinguishment of debt	—	—	541	—	—
CARES Act credit	(2,084)	—	—	—	—
Operating income (loss)	12,447	(1,229)	14,886	18,675	13,458
Depreciation and amortization	3,698	4,861	4,718	4,833	5,873
Gain on contingent consideration	(2,403)	(76)	—	(3,775)	(226)
Impairment losses[2]	—	7,240	—	—	—
Share-based compensation	1,058	786	850	1,015	401
Transaction fees	170	615	434	508	464
IT roadmap	1,689	1,563	721	—	—
Adjusted EBITDA from continuing operations	16,659	13,760	21,609	21,256	19,970
Same day adjustment	—	—	—	—	(521)
Same day EBITDA from continuing operations	$ 16,659	$ 13,760	$ 21,609	$ 21,256	$ 19,449

(1) 2020 Included a $3.3 million re-measurement of the net deferred tax assets as a result of the TCJA.

(2) In the professional segment, we recognized a $3.7 million trade name impairment loss and a $3.5 million client partner list impairment loss during the thirteen week period ended June 28, 2020.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations from continuing operations, our expectations regarding the future performance of our business and the other non-historical statements in the discussion and analysis are forward-looking statements. See "Forward-Looking Statements" in this Annual Report on Form 10-K. These forward-looking statements are subject to risks, uncertainties and other factors including those described in "Item 1A. Risk Factors" of this Annual Report on Form 10-K. Our actual results of operations may differ materially from those contained in any forward-looking statements. You should read the following discussion together with our audited consolidated financial statements and related notes thereto and other financial information included in this Annual Report on Form 10-K. Financial information provided is based on the results of our continuing operations. Please refer to "Note 4 — Discontinued Operations" of our audited consolidated financial statements for information regarding our discontinued operations.

Our historical financial information may not be indicative of our future performance.

Company 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 in June 2013, D&W in March 2015, VTS in October 2015, Zycron in April 2017, Smart 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 Solutionz in February 2021. We have continuing operations in two industry segments Real Estate and Professional, and discontinued operations in the Light Industrial segment. We provide workforce solutions to client partners primarily within the United States of America. We now operate across 46 states and D.C.

On February 28, 2022, we signed a definitive agreement to sell substantially all our Light Industrial segment, ("InStaff") assets to Jobandtalent ("J&T"), through their wholly-owned subsidiary, Sentech Engineering Services, Inc. We will receive approximately $30.3 million at the closing of the sale, and, subject to the terms of the Asset Purchase Agreement, receive an additional $2 million on the first anniversary of the closing of the transaction.

The Company anticipates that the transaction will close during the first fiscal quarter of 2022, and anticipates using the proceeds from the transaction to, among other things, deploy additional capital into managed services and high-end consulting solutions, drive geographic expansion in the Company's Real Estate segment, pursue potential acquisition opportunities, reduce outstanding indebtedness, and for general corporate purposes.

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 13 on-sites in 11 states.

We have classified the related assets and liabilities associated with our Light Industrial segment, InStaff, as discontinued operations in our Consolidated Balance Sheets. The results of InStaff business have been presented as discontinued operations in our Consolidated Statements of Operations and Comprehensive Income and Consolidated Statements of Cash Flows for all periods presented. The sale represents a strategic shift in our business that will have a major effect on our operations and financial results. See "Note 4 — Discontinued Operations" of our audited consolidated financial statements for information regarding our discontinued operations.

InStaff's historical financial results have been reflected in our Consolidated Statements of Operations and Comprehensive Income and Consolidated Statements of Cash Flows as discontinued operations. Additionally, the related assets and liabilities associated with the discontinued operations in the prior periods have been classified as discontinued operations in our Consolidated Balance Sheets.

The Real Estate segment provides office and maintenance field talent to various apartment communities and commercial buildings in 35 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.

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.

Impact of COVID-19

We continue to observe the impact of the COVID-19 on our consolidated operating results, our candidate and field talent supply chain, and our client partners demand in all segments.

We will continue to monitor the situation and may find it necessary, in the future, to 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.

Results of Operations

The following tables summarize key components of our results from continuing operations for the periods indicated, both in dollars and as a percentage of revenues, and have been derived from our consolidated financial statements.

	Fiscal Year Ended		
	December 26, 2021	December 27, 2020	December 29, 2019
	(dollars in thousands)		
Revenues	$ 239,027	$ 207,125	$ 219,764
Cost of services	158,086	141,085	149,938
Gross Profit	80,941	66,040	69,826
Selling, general and administrative expenses	65,115	55,244	50,222
Gain on contingent consideration	(2,403)	(76)	—
Impairment losses	—	7,240	—
Depreciation and amortization	3,698	4,861	4,718
Operating income (loss)	14,531	(1,229)	14,886
Loss on extinguishment of debt	—	—	541
Interest expense, net	1,433	1,584	1,569
Income (loss) from continuing operations before income taxes	13,098	(2,813)	12,776
Income tax expense (benefit) from continuing operations	2,640	(741)	3,135
Income (loss) from continuing operations	10,458	(2,072)	9,641
Income from discontinued operations, net of tax	3,652	3,513	3,606
Net income	$ 14,109	$ 1,441	$ 13,247

	Fiscal Year Ended		
	December 26, 2021	December 27, 2020	December 29, 2019
Revenues	100.0 %	100.0 %	100.0 %
Cost of services	66.1	68.1	68.2
Gross Profit	33.9	31.9	31.8
Selling, general and administrative expenses	27.2	26.7	22.9
Gain on contingent consideration	(1.0)	—	—
Impairment losses	—	3.5	—
Depreciation and amortization	1.5	2.3	2.1
Operating income (loss)	6.1	(0.6)	6.8
Loss on extinguishment of debt	—	—	0.2
Interest expense, net	0.6	0.8	0.7
Income (loss) from continuing operations before income taxes	5.5	(1.4)	5.8
Income tax expense (benefit) from continuing operations	1.1	(0.4)	1.4
Income (loss) from continuing operations	4.4 %	(1.0)%	4.4 %

Fifty-two Week Fiscal Year Ended December 26, 2021 (Fiscal 2021) Compared with Fifty-two Week Fiscal Year Ended December 27, 2020 (Fiscal 2020)

Revenues:

	Fiscal Year Ended			
	December 26, 2021		December 27, 2020	
	(dollars in thousands)			
Revenues by Segment:				
Real Estate	$ 92,018	38.5 %	$ 68,755	33.2 %
Professional	147,009	61.5 %	138,370	66.8 %
Total Revenues	$ 239,027	100.0 %	$ 207,125	100.0 %

Real Estate Revenues: Real Estate revenues increased approximately $23.3 million (33.8%). The increase was due to a 20.1% increase in billed hours and a 11.0% increase in average bill rate.

Professional Revenues: Professional revenues increased approximately $8.6 million (6.2%), primarily due to the 2020 EdgeRock acquisition which contributed fifty-two weeks of revenue in Fiscal 2021 vs. forty-seven weeks in Fiscal 2020, the 2021 Momentum acquisition which contributed $3.5 million of new revenues, an increase in permanent placements revenue of $1.2 million, and billed hours increased 5.5%. These increases were partially offset by a decrease in the IT Infrastructure & Development division of approximately $11.6 million in revenue and a decrease of 0.2% 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.

	Fiscal Year Ended			
	December 26, 2021		December 27, 2020	
	(dollars in thousands)			
Gross Profit by Segment:				
Real Estate	$ 34,969	43.2 %	$ 25,813	39.1 %
Professional	45,972	56.8 %	40,227	60.9 %
Total Gross Profit	$ 80,941	100.0 %	$ 66,040	100.0 %

	Fiscal Year Ended	
	December 26, 2021	December 27, 2020
Gross Profit Percentage by Segment:		
Real Estate	38.0 %	37.5 %
Professional	31.3 %	29.1 %
Company Gross Profit Percentage	33.9 %	31.9 %

Overall, our gross profit increased approximately $14.9 million (22.6%). As a percentage of revenue, gross profit has increased to 33.9% from 31.9%, primarily due to higher gross profits across all our segments.

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

Real Estate Gross Profit: Real Estate gross profit increased approximately $9.1 million (35.5%) consistent with the increase in revenue, and an 11.6% increase in average spread.

Professional Gross Profit: Professional gross profit increased approximately $5.8 million (14.3%) from the 2020 EdgeRock acquisition which contributed fifty-two weeks of gross profit in Fiscal 2021 vs. forty-seven weeks in Fiscal 2020, the Momentum acquisition which provided gross profit of $1.7 million, and an overall increase of 1.4% in average spread. These increases were partially offset by a decrease in the IT Infrastructure & Development division of approximately $2.4 million in gross profit.

Selling, General and Administrative Expenses: Selling, general and administrative expenses increased approximately $9.9 million (17.9%), primarily due to additional compensation generated from increased overall gross profit, from the EdgeRock acquisition with fifty-two weeks in Fiscal 2021 vs. forty-seven weeks in Fiscal 2020, and the Momentum acquisition. The components of selling, general and administrative expense are detailed in the following table:

	Fiscal Year Ended					
	December 26, 2021		December 27, 2020			
	Amount	% of Revenue	Amount	% of Revenue	$ Change	% Change
	(dollars in thousands)					
Compensation and related	$ 53,332	22 %	$ 41,563	20 %	$ 11,769	28 %
Advertising and recruitment	1,379	1 %	1,552	1 %	(173)	(11) %
Occupancy and office operations	3,128	1 %	3,456	2 %	(328)	(9) %
Client engagement	389	— %	321	— %	68	21 %
Software	2,538	1 %	2,044	1 %	494	24 %
Professional fees	1,111	— %	1,143	1 %	(32)	(3) %
Public company related costs	727	— %	691	— %	36	5 %
Bad debt	145	— %	344	— %	(199)	(58) %
Share-based compensation	1,058	— %	786	— %	272	35 %
Transaction fees	170	— %	615	— %	(445)	(72) %
IT roadmap	1,689	1 %	1,563	1 %	126	8 %
Workers' compensation loss retention return	(348)	— %	(464)	— %	116	(25) %
CARES Act credit, net	(2,083)	(1) %	—	— %	(2,083)	— %
Other	1,879	1 %	1,630	1 %	250	15 %
Total	$ 65,115	27 %	$ 55,244	27 %	$ 9,871	18 %

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 (23.9%). 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.

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 in Fiscal 2020.

Interest Expense, net: Interest expense, net decreased approximately $0.2 million (10)% primarily due to the lower average balance on the Revolving Facility, offset by an increase in interest income from our workers compensation loss retention program.

Income Taxes: Income tax expense increased $3.4 million primarily due to higher pre-tax 2021 income, intangible impairment losses in 2020, non-deductible transaction fees in 2020 related to the EdgeRock acquisition, and a higher Work Opportunity Tax Credit in 2021.

Fifty-two Week Fiscal Year Ended December 27, 2020 (Fiscal 2020) Compared with Fifty-two Week Fiscal Year Ended December 29, 2019 (Fiscal 2019)

Revenues:

	Fiscal Year Ended			
	December 27, 2020		December 29, 2019	
	(dollars in thousands)			
Revenues by Segment:				
Real Estate	$ 68,756	33.2 %	$ 96,422	43.9 %
Professional	138,370	66.8 %	123,342	56.1 %
Total Revenues	$ 207,126	100.0 %	$ 219,764	100.0 %

Real Estate Revenues: Real Estate revenues decreased approximately $27.7 million (28.7%) due to the effects of the COVID-19 pandemic discussed above. The decrease was due to a 31.7% decrease in billed hours partially offset by a 4.1% increase in average bill rate. Revenue from new offices was $0.8 million.

Professional Revenues: Professional revenues increased approximately $15.1 million (12.2%), primarily from LJK and EdgeRock acquisitions, which contributed $36.1 million of new revenues. The remaining professional group revenues decreased $21.1 million. Even with the overall increase, billed hours decreased 5.0% offsets by an increase of 17.7% in average bill rate and an increase in permanent placements revenue of $1.2 million.

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.

	Fiscal Year Ended			
	December 27, 2020		December 29, 2019	
	(dollars in thousands)			
Gross Profit by Segment:				
Real Estate	$ 25,812	39.1 %	$ 36,928	52.9 %
Professional	40,228	60.9 %	32,898	47.1 %
Total Gross Profit	$ 66,040	100.0 %	$ 69,826	100.0 %

	Fiscal Year Ended	
	December 27, 2020	December 29, 2019
Gross Profit Percentage by Segment:		
Real Estate	37.5 %	38.3 %
Professional	29.1 %	26.7 %
Company Gross Profit Percentage	31.9 %	31.8 %

Overall, our gross profit decreased approximately $3.8 million (5.4%). As a percentage of revenue, gross profit has increased to 31.9% from 31.8%, primarily due to higher gross profits in the Professional segment.

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

Real Estate Gross Profit: Real Estate gross profit decreased approximately $11.1 million (30.1%) consistent with the decrease in revenue, which was partially offset by a 2.2% increase in average spread.

Professional Gross Profit: Professional gross profit increased approximately $7.3 million (22.3%) consistent with the increase in revenue, primarily from LJK and EdgeRock acquisitions, which contributed $12.2 million of gross profit and an overall increase of 19.5% in average spread.

Selling, General and Administrative Expenses: Selling, general and administrative expenses increased approximately $5.0 million (10.0%), primarily related from LJK and EdgeRock acquisitions, which contributed $9.5 million of new expense that was partially offset by reduced compensation costs from the decline in gross profit and by many of our actions taken starting in March 2020 related to the COVID-19 pandemic to reduce actual and planned operating costs as detailed in the following table.

	Fiscal Year Ended					
	December 27, 2020		December 29, 2019			
	Amount	% of Revenue	Amount	% of Revenue	$ Change	% Change
	(dollars in thousands)					
Compensation and related	$ 41,563	20 %	$ 37,144	17 %	$ 4,419	12 %
Advertising and recruitment	1,552	1 %	1,796	1 %	(244)	(14) %
Occupancy and office operations	3,456	2 %	3,356	2 %	100	3 %
Client engagement	321	— %	1,348	1 %	(1,027)	(76) %
Software	2,044	1 %	1,571	1 %	473	30 %
Professional fees	1,143	1 %	1,132	1 %	11	1 %
Public company related costs	691	— %	675	— %	16	2 %
Bad debt	344	— %	115	— %	229	199 %
Share-based compensation	786	— %	850	— %	(64)	(8) %
Transaction fees	615	— %	434	— %	181	42 %
IT roadmap	1,563	1 %	721	— %	842	117 %
Workers' compensation loss retention return	(464)	— %	(357)	— %	(107)	30 %
Other	1,630	1 %	1,437	1 %	193	13 %
Total	$ 55,244	27 %	$ 50,222	23 %	$ 5,022	10 %

Depreciation and Amortization: Depreciation and amortization charges increased approximately $0.1 million (3.0%). The increase in depreciation and amortization is primarily due to the Professional segment with increases related to the 2019 LJK and 2020 EdgeRock acquisitions that are partially offset by decreases related to the 2015 VTS and 2015 D&W Talent acquisitions.

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 in Fiscal 2020.

Interest Expense, net: Interest expense, net was flat due to the increased borrowings on the Term Loan related to the EdgeRock acquisition that was partially offset by decreases in the Revolving Facility, deferred financing fees, and unused fee.

Income Taxes: Income tax expense decreased $3.9 million (123.6%) primarily due to lower pre-tax 2020 income and intangible impairment losses, which were partially offset by non-deductible fees related to the 2020 EdgeRock transaction.

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 and 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 markets 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:

	Fiscal Year Ended		
	December 26, 2021	December 27, 2020	December 29, 2019
	(dollars in thousands)		
Working capital from continuing operations	$ 25,851	$ 17,960	$ 20,532
Net cash provided by (used in):			
Continuing operating activities	$ 1,358	$ 19,680	$ 13,244
Continuing investing activities	(6,990)	(24,078)	(9,576)
Continuing financing activities	473	1,890	(8,225)
Net change in cash and cash equivalents discontinued operations	5,271	2,508	4,557
Net change in cash and cash equivalents	$ 112	$ —	$ —

Operating Activities

Cash provided by operating activities consists of net income 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, loss on extinguishment of debt, and the effect of working capital changes. The primary drivers of cash inflows and outflows are accounts receivable, accrued payroll and expenses, and income taxes payable.

During Fiscal 2021, net cash provided by continuing operating activities was $1.4 million, a decrease of $18.3 million compared with $19.7 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 Fiscal 2020.

During Fiscal 2020, net cash provided by continuing operating activities was $19.7 million, an increase of $6.4 million compared with $13.2 million for Fiscal 2019. This increase is primarily attributable to the non-cash impact of intangible impairment losses, additional other long-term liabilities that includes the deferred employer FICA, and payments on accounts receivable, additional income taxes payable, which were partially offset by lower net income, reduced deferred income taxes, payments on accrued payroll and expenses, reduced prepaid expenses and other current assets, payments on accounts payable, and loss on extinguishment of debt in Fiscal 2019.

During Fiscal 2019, net cash provided by continuing operating activities was $13.2 million primarily attributable to higher net income, the timing of payments on operating assets and liabilities, net deferred tax assets, which was partially offset by contingent consideration adjustments.

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 $3.2 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 net $22.0 million in connection with the 2020 EdgeRock and 2019 LJK acquisitions and we made capital expenditures of $2.1 million mainly related to software and computer equipment purchased in the ordinary course of business and for the IT roadmap. In Fiscal 2019 we paid $7.5 million in connection with the LJK acquisition, excluding the hold back paid in 2020, and we made capital expenditures of $2.1 million mainly related to software and computer equipment purchased in the ordinary course of business and for the IT roadmap project.

Financing Activities

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

For Fiscal 2021, we borrowed $6.8 million on our Revolving Facility for increased working capital needs and to fund the Momentum acquisition, paid $4.6 million in cash dividends on our common stock, and paid down $2.1 million on the Term Loan, as defined below.

For Fiscal 2020, we borrowed $22.5 million on our Term Loan, as defined below, to fund the EdgeRock acquisition and pay down the Revolving Facility, we reduced $14.4 million on our Revolving Facility, paid $5.2 million in cash dividends on our common stock, and paid down $1.1 million on the Term Loan.

For Fiscal 2019, we paid $12.3 million in cash dividends on our common stock, paid down $10.1 million on the term loan with Texas Capital Bank, National Association ("TCB"), and we paid $2.7 million of contingent consideration related to the Zycron acquisition. We borrowed $9.7 million on our Revolving Facility and borrowed $7.5 million on our Term Loan in connection with the LJK acquisition.

Credit Agreements

On July 16, 2019, we entered into a Credit Agreement (the "Credit Agreement"), maturing July 16, 2024, led by BMO, as lead administrative agent, lender, letters of credit issuer, and swing line lender. The Credit Agreement provides for the 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 payable 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 commitment by $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. We are 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 December 26, 2021.

On February 3, 2020, we borrowed $18.5 million on the Term Loan in conjunction with the closing of the EdgeRock acquisition. 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

Contractual Obligations

The following table summarizes our cash contractual obligations as of December 26, 2021.

	Payments due by period				
	Total	Less than 1 year	1–3 years	3–5 years	More than 5 years
	(dollars in thousands)				
Long-term debt obligations	$ 39,643	$ 3,563	$ 36,081	$ —	$ —
Contingent consideration	2,220	1,110	1,110	—	—
Deferred employer FICA*	7,100	3,550	3,550	—	—
Operating lease obligations	4,886	2,073	2,535	277	—
Contractual cash obligations	$ 53,849	$ 10,295	$ 43,276	$ 277	$ —

* included in Other current liabilities of continuing operations and Other long-term liabilities of continuing operations (see Note 9 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 December 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

We have identified the policies listed below as critical to our business and the understanding of our results of operations. For a detailed discussion of the application of these and other accounting policies, see Note 2 in the Notes to the Consolidated Financial Statements of this Annual Report on Form 10-K. The preparation of 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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

On an ongoing basis, management evaluates its estimates, including those related to revenue recognition, allowances for credit losses on accounts receivable, impairment of goodwill and intangible assets, lease liability and continent consideration obligations related to acquisitions, contingencies, litigation, income taxes, share-based compensation option expense. Management bases its estimates and judgments on historical experiences and on various other factors believed to be reasonable under the circumstances. However, these estimates and assumptions may change in the future based on actual experience as well as market conditions.

We have classified the related assets and liabilities associated with our Light Industrial segment, InStaff, as discontinued operations in our Consolidated Balance Sheets. The results of InStaff business have been presented as discontinued operations in our Consolidated Statements of Operations and Comprehensive Income and Consolidated Statements of Cash Flows for all periods presented. The sale represents a strategic shift in our business that will have a major effect on our operations and financial results. See “Note 4 — Discontinued Operations” for additional information.

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 currently unknown 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 our significant accounting policies. As COVID-19 continues to develop, management may make changes to these estimates and judgments over time, which could result in meaningful impacts to our financial statements in future periods. Actual results and outcomes may differ from management’s estimates and assumptions.

Revenue Recognition

We derive our revenues from continuing operations in Real Estate and Professional segments. We provide workforce solutions and placement services. Revenues are recognized when promised workforce solutions are delivered to client partners, in an amount that reflects the consideration we expect to be entitled to in exchange for those services. Revenues as presented on the consolidated statements of operations and comprehensive income represent workforce solutions 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.

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

Workforce solution revenues - Field talent revenues from contracts with client partners are recognized in the amount to which we have a right to invoice, when the services are rendered by our 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 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.

We estimate the effect of placement candidates who do not remain with our 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.

Payment terms in our contracts vary by the type and location of our client partner and the workforce solutions offered. The term between invoicing and when payment is due is not significant.

Intangible Assets

We hold 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.

We capitalize 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.

We evaluate the recoverability of intangible assets whenever events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable. We considered the current and expected future economic and market conditions surrounding COVID-19 and its impact on each of the reporting units. We annually evaluate the remaining useful lives of all intangible assets to determine whether events and circumstances warrant a revision to the remaining period of amortization. In the Professional segment, we recognized a \$3.7 million trade name impairment loss and a \$3.5 million client partner list impairment loss in Fiscal 2020 (see Note 7 in the Notes to Consolidated Financial Statements). We determined that there were no impairment indicators for these assets in Fiscal 2021 and 2019.

Goodwill

Goodwill represents the difference between the enterprise value/cash paid less the fair value of all recognized net asset fair values including identifiable intangible asset values in a business combination. We review goodwill for impairment annually during the fourth quarter or whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. We considered the current and expected future economic and market conditions surrounding COVID-19 and its impact on each of the reporting units. Based on annual testing, the Company has determined that there was no goodwill impairment in Fiscal 2021, 2020 or 2019.

We first evaluate qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of the reporting unit is less than its carrying amount, including goodwill. If after qualitatively assessing the totality of events or circumstances, we determine that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then further testing is unnecessary. If after assessing the totality of events or circumstances, we determine that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, we then estimate the fair value of the reporting unit and compare the fair value of the reporting unit with its carrying amount, including goodwill, as discussed below.

In assessing whether it is more likely than not that an indefinite-lived intangible asset is impaired, we assess relevant events and circumstances that could affect the significant inputs used to determine the fair value.

The quantitative impairment test for an indefinite-lived intangible asset consists of a comparison of the fair value of the asset with its carrying amount. If the carrying amount of an intangible asset exceeds its fair value, a reporting unit shall recognize an impairment loss in an amount equal to that excess.

The quantitative goodwill impairment test involves a two-step process. In the first step,we compare the fair value of each reporting unit to its carrying value. If the fair value of the reporting unit exceeds its carrying value, goodwill is not impaired and no further testing is required. If the fair value of the reporting unit is less than the carrying value, we must perform the second step of the impairment test to measure the amount of impairment loss. In the second step, the reporting unit's fair value is allocated to all of the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in a hypothetical analysis that calculates the implied fair value of goodwill in the same manner as if the reporting unit was being acquired in a business combination. If the implied fair value of the reporting unit's goodwill is less than the carrying value, the difference is recorded as an impairment loss.

Contingent Consideration

We have obligations, to be paid in cash, related to our acquisitions if certain future 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.

Leases

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

We determine 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. Our operating lease expense is recognized on a straight-line basis over the lease term and is recorded in selling, general and administrative expenses.

Financial Instruments

We use 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 with BMO that provides for the revolving credit facility and term loan and current rates available to us for debt with similar terms and risk. The fair value on the interest rate swap is based on quoted prices from BMO.

Share-Based Compensation

We recognize 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.

Income Taxes

The current provision for income taxes represents estimated amounts payable or refundable on tax returns filed or to be filed for the year. We recognizes any penalties when necessary as part of selling, general and administrative expenses. As of December 26, 2021, goodwill of $29.7 million, which is limited annually, is expected to be deductible for tax purposes.

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 net 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 December 26, 2021, we have a $5.2 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, we 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, we consider 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. We believe that it is more likely than not that all deferred tax assets will be realized and thus, believes that a valuation allowance is not required as of December 26, 2021 or December 27, 2020.

We follow 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

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 Consolidated Financial Statements of this Annual Report on Form 10-K.

Item 7A. 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 8. Financial Statements and Supplementary Data.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of BGSF, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of BGSF, Inc. (the “Company”) as of December 26, 2021 and December 27, 2020, and the related consolidated statements of operations and comprehensive income, changes in stockholders’ equity, and cash flows for each of the three years in the period ended December 26, 2021, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 26, 2021 and December 27, 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 26, 2021, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 26, 2021, based on criteria established in *2013 Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 9, 2022 expressed an unqualified opinion.

Basis for Opinion

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

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

Critical Audit Matter

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

Acquisition of Momentum Solutionz LLC – Fair Value of Intangible Assets and Contingent Consideration

Description of the Matter

As discussed in Note 3 to the financial statements, the Company acquired substantially all of the assets and assumed certain liabilities of Momentum Solutionz LLC ("Momentum") for a purchase price of $3.8 million in cash and contingent consideration of up to $2.2 million. The acquisition of Momentum resulted in a total of $3.3 million of intangible assets which are comprised primarily of customer relationships and tradename intangibles. The determination of fair value for the customer relationships required management to make estimates of discounted future cash flows and included their subjective assumptions of the appropriate discount rate, the growth of revenue, and rate of attrition for the related customers. Management estimated the fair value of the tradename using the relief from royalty method which is based on the costs saved by owning the tradename rather than licensing. This method also required management to estimate discounted cash flows with subjective assumptions of the appropriate discount rate, an appropriate royalty rate, and future revenues. The contingent consideration of up to $2.2 million is based on the forecasted performance of the acquired business for the two years following the date of the acquisition.

We identified the fair value of both the intangible assets acquired and contingent consideration liability in the Momentum business combination to be a critical audit matter due to the significant judgments made by management to estimate their fair values. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists, when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to the selection of discount, customer attrition, and royalty rates, as well as forecasts of future revenues and cash flows.

How We Addressed the Matter in Our Audit

Our audit procedures related to the discount rates, royalty rate, and forecasts of future revenues and cash flows used by management to estimate the fair value of both the intangible assets acquired and contingent consideration liability in the Momentum business combination included the following, among others:

- We tested the effectiveness of controls over management's Momentum purchase price allocation, including those over the determination of the fair value of intangible assets and contingent consideration, such as controls related to management's selection of discount rates, customer attrition rate, the royalty rate, and forecasts of future revenues and cash flows.

- With the assistance of our fair value specialists, we evaluated the reasonableness of the (i) valuation methodology, (ii) discount rates, (iii) customer attrition rate, (iv) the royalty rate, and (v) future revenue and growth rates, including testing the source information underlying the determination of the discount rates and the royalty rate, testing the mathematical accuracy of the calculations, and developing a range of independent estimates and comparing those to the discount rates selected by management.

- We evaluated management's ability to accurately forecast future revenues and cash flows by considering the past financial performance of Momentum and current economic factors.

/s/ Whitley Penn LLP

We have served as the Company's auditor since 2013.

Dallas, Texas
March 9, 2022

BGSF, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS

	December 26, 2021	December 27, 2020
ASSETS		
Current assets		
Cash and cash equivalents	$ 112,104	$ —
Accounts receivable (net of allowance for credit losses of $448,622 for 2021 and $492,087 for 2020)	48,132,896	32,831,016
Prepaid expenses	2,345,948	2,154,966
Other current assets	2,381,197	—
Current assets of discontinued operations	7,198,104	8,662,784
Total current assets	60,170,249	43,648,766
Property and equipment, net	4,331,052	3,463,876
Other assets		
Deposits	4,106,622	3,980,218
Other assets	1,283,629	1,195,143
Deferred income taxes, net	4,548,285	5,827,673
Right-of-use asset - operating leases	3,914,060	5,550,386
Intangible assets, net	33,584,910	32,133,168
Goodwill	29,141,883	27,052,060
Noncurrent assets of discontinued operations	7,213,276	7,426,978
Total other assets	83,792,665	83,165,626
Total assets	$ 148,293,966	$ 130,278,268
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Long-term debt, current portion	$ 3,562,500	$ 2,625,000
Accrued interest	102,304	78,134
Accounts payable	401,175	219,693
Accrued payroll and expenses	16,153,920	10,375,637
Contingent consideration, current portion	1,073,901	—
Lease liability, current portion	1,896,253	1,866,008
Other current liabilities	3,549,785	—
Income taxes payable	381,806	1,861,116
Current liabilities of discontinued operations	1,262,056	1,238,656
Total current liabilities	28,383,700	18,264,244
Line of credit (net of deferred finance fees of $193,264 and $268,076 for 2021 and 2020, respectively)	12,587,591	5,709,266
Long-term debt, less current portion	23,300,000	26,300,000
Contingent consideration, less current portion	989,608	2,287,926
Lease liability, less current portion	2,685,270	4,580,664
Other long-term liabilities	3,565,218	7,355,541
Noncurrent liabilities of discontinued operations	190,395	322,875
Total liabilities	71,701,782	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, 10,425,210 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	66,360	73,834
Additional paid in capital	61,875,406	60,457,044
Retained earnings	14,592,087	5,049,748
Accumulated other comprehensive income (loss)	58,331	(122,874)
Total stockholders' equity	76,592,184	65,457,752
Total liabilities and stockholders' equity	$ 148,293,966	$ 130,278,268

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

BGSF, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

Years ended December 26, 2021, December 27, 2020 and December 29, 2019

	2021	2020	2019
Revenues	$ 239,027,177	$ 207,125,480	$ 219,764,324
Cost of services	158,086,274	141,086,046	149,938,420
Gross profit	80,940,903	66,039,434	69,825,904
Selling, general and administrative expenses	65,115,223	55,244,147	50,222,419
Gain on contingent consideration	(2,402,844)	(76,102)	—
Impairment losses	—	7,239,514	—
Depreciation and amortization	3,698,329	4,860,788	4,718,367
Operating income (loss)	14,530,195	(1,228,913)	14,885,118
Loss on extinguishment of debt	—	—	540,705
Interest expense, net	1,432,733	1,583,630	1,568,815
Income (loss) from continuing operations before income taxes	13,097,462	(2,812,543)	12,775,598
Income tax expense (benefit) from continuing operations	2,639,587	(740,656)	3,134,767
Income (loss) from continuing operations	10,457,875	(2,071,887)	9,640,831
Income from discontinued operations, net of tax	3,651,603	3,513,355	3,606,159
Net income	$ 14,109,478	$ 1,441,468	$ 13,246,990
Change in unrealized (gains) losses on cash flow hedges	(181,205)	122,874	—
Other comprehensive (gain) loss	(181,205)	122,874	—
Net comprehensive income	$ 14,290,683	$ 1,318,594	$ 13,246,990
Net income per share - basic:			
Continuing operations	$ 1.01	$ (0.20)	$ 0.94
Discontinued operations	$ 0.35	$ 0.34	$ 0.35
Net income per share - basic	1.36	0.14	1.29
Net income per share - diluted:			
Continuing operations	1.00	$ (0.20)	0.93
Discontinued operations	0.35	0.34	0.35
Net income per share - diluted	1.35	0.14	1.28
Weighted average shares outstanding:			
Basic	10,367,054	10,311,606	10,238,565
Diluted	10,416,610	10,338,029	10,350,775
Cash dividends declared per common share	$ 0.44	$ 0.50	$ 1.20

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

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

Years ended December 26, 2021, December 27, 2020 and December 29, 2019

		Common Stock						
	Preferred Stock	Shares	Par Value	Treasury Stock Amount	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)/Income	Total
Stockholders' equity, December 30, 2018	—	10,227,247	$ 102,273	$ (24,027)	$ 57,624,379	$ 7,999,388	$ —	$ 65,702,013
Share-based compensation from continuing operations	—	—	—	—	849,665	—	—	849,665
Share-based compensation from discontinued operations	—	—	—	—	103,073	—	—	103,073
Cancellation of restricted shares	—	(2,250)	(23)	—	23	—	—	—
Issuance of shares	—	47,403	474	—	999,526	—	—	1,000,000
Exercise of common stock options and warrants, net of 176 shares of treasury stock	—	36,836	369	(3,291)	41,121	—	—	38,199
Change in accounting principle - operating leases	—	—	—	—	—	(200,608)	—	(200,608)
Cash dividends declared	—	—	—	—	—	(12,282,342)	—	(12,282,342)
Net income	—	—	—	—	—	13,246,990	—	13,246,990
Stockholders' equity, December 29, 2019	—	10,309,236	103,093	(27,318)	59,617,787	8,763,428	—	68,456,990
Share-based compensation from continuing operations	—	—	—	—	785,723	—	—	785,723
Share-based compensation from discontinued operations	—	—	—	—	63,725	—	—	63,725
Issuance of restricted shares, net of 231 shares of treasury stock	—	19,143	191	(2,132)	(191)	—	—	(2,132)
Share issuance costs	—	—	—	—	(10,000)	—	—	(10,000)
Cash dividends declared	—	—	—	—	—	(5,155,148)	—	(5,155,148)
Net income	—	—	—	—	—	1,441,468	—	1,441,468
Other comprehensive loss	—	—	—	—	—	—	(122,874)	(122,874)
Stockholders' equity, December 27, 2020	—	10,328,379	103,284	(29,450)	60,457,044	5,049,748	(122,874)	65,457,752

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

BGSF, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended December 26, 2021, December 27, 2020 and December 29, 2019

	Preferred Stock	Common Stock Shares	Common Stock Par Value	Treasury Stock Amount	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)/Income	T
Stockholders' equity, December 27, 2020	—	10,328,379	$ 103,284	$ (29,450)	$ 60,457,044	$ 5,049,748	$ (122,874)	$ 65,
Share-based compensation from continuing operations	—	—	—	—	1,058,096	—	—	1,
Share-based compensation from discontinued operations	—	—	—	—	53,550	—	—	
Issuance of shares, net of offering costs	—	—	—	—	(40,058)	—	—	
Issuance of restricted shares, net of 610 shares of treasury stock	—	64,092	640	(8,442)	(640)	—	—	
Issuance of ESSP shares	—	31,776	318	—	340,133	—	—	
Exercise of common stock shares	—	963	10	—	7,281	—	—	
Cash dividends declared	—	—	—	—		(4,567,139)	—	(4,
Net income	—	—	—	—	—	14,109,478	—	14,
Other comprehensive gain	—	—	—	—	—	—	181,205	
Stockholders' equity, December 26, 2021	—	10,425,210	$ 104,252	$ (37,892)	$ 61,875,406	$ 14,592,087	$ 58,331	$ 76,

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

BGSF, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 26, 2021, December 27, 2020 and December 29, 2019

	2021	2020	2019
Cash flows from operating activities			
Net income	$ 14,109,478	$ 1,441,468	$ 13,246,990
(Income) from discontinued operations, net of tax	(3,651,603)	(3,513,355)	(3,606,159)
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	685,546	757,038	728,410
Amortization	3,012,783	4,103,750	3,989,957
Impairment losses	—	7,239,514	—
CARES Act credit	(2,368,049)	—	—
Loss on disposal of property and equipment	8,347	—	30,767
Loss on extinguishment of debt, net	—	—	540,705
Contingent consideration adjustment	(2,402,843)	(76,102)	—
Amortization of deferred financing fees	74,812	83,052	173,018
Interest expense on contingent consideration payable	251,705	189,650	123,761
Provision for credit losses	221,240	349,362	114,982
Share-based compensation	1,058,096	785,723	849,665
Deferred income taxes, net of acquired deferred tax liability	1,279,388	(2,413,019)	799,150
Net changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	(15,177,999)	5,025,576	(2,765,135)
Prepaid expenses and other current assets	(200,504)	(855,112)	(222,794)
Deposits	(126,404)	(208,979)	(633,603)
Other assets	319,178	(916,123)	—
Accrued interest	24,170	5,107	(235,520)
Accounts payable	156,054	(279,326)	333,165
Accrued payroll and expenses	5,730,002	(1,342,377)	140,067
Other current liabilities	18,977	(16,565)	16,566
Income taxes receivable and payable	(1,479,310)	1,874,981	(125,490)
Operating leases	(106,871)	212,663	(254,783)
Other long-term liabilities	(78,311)	7,232,667	—
Net cash provided by continuing operating activities	1,357,882	19,679,593	13,243,719
Net cash provided by discontinued operating activities	5,305,572	2,577,357	4,710,125
Net cash provided by operating activities	6,663,454	22,256,950	17,953,844
Cash flows from investing activities			
Businesses acquired, net of cash received	(3,791,210)	(22,002,109)	(7,500,000)
Capital expenditures	(3,203,909)	(2,076,216)	(2,076,877)
Proceeds from sale of property and equipment	5,158	—	440
Net cash used in continuing investing activities	(6,989,961)	(24,078,325)	(9,576,437)
Net cash used in discontinued investing activities	(34,505)	(68,730)	(152,632)
Net cash used in investing activities	(7,024,466)	(24,147,055)	(9,729,069)

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

BGSF, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended December 26, 2021, December 27, 2020 and December 29, 2019

	2021	2020	2019
Cash flows from financing activities			
Net borrowings (payments) under line of credit	6,803,513	(14,367,615)	9,694,667
Proceeds from issuance of long-term debt	—	22,500,000	7,500,000
Principal payments on long-term debt	(2,062,500)	(1,075,000)	(10,121,000)
Payments of dividends	(4,567,139)	(5,155,148)	(12,282,342)
ESPP shares	340,451	—	—
Issuance of shares under the 2013 Long-Term Incentive Plan and Form S-3 registration statement, net of exercises	(41,209)	(12,132)	38,200
Contingent consideration paid	—	—	(2,672,000)
Deferred financing costs	—	—	(382,300)
Net cash provided by (used in) continuing financing activities	473,116	1,890,105	(8,224,775)
Net cash provided by discontinued financing activities	—	—	—
Net cash provided by (used in) financing activities	473,116	1,890,105	(8,224,775)
Net change in cash and cash equivalents	112,104	—	—
Cash and cash equivalents, beginning of year	—	—	—
Cash and cash equivalents, end of year	$ 112,104	$ —	$ —
Supplemental cash flow information:			
Cash paid for interest	$ 879,219	$ 1,133,323	$ 1,350,713
Cash paid for taxes, net of refunds	$ 3,675,842	$ 995,361	$ 3,563,703

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

NOTE 1 - NATURE OF OPERATIONS

BGSF, Inc., along with its wholly owned subsidiaries BGSF Professional, LLC (formally 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.

On February 28, 2022, we signed a definitive agreement to sell substantially all our Light Industrial segment ("InStaff") assets to Jobandtalent ("J&T"), through their wholly-owned subsidiary, Sentech Engineering Services, Inc. The Company anticipates that the transaction will close during the first fiscal quarter of 2022.

Instaff's financial results for reported periods have been reflected in our Consolidated Statements of Operations and Comprehensive Income and Consolidated Statements of Cash Flows as discontinued operations. Additionally, the related assets and liabilities associated with the discontinued operations are classified as discontinued operations in our Consolidated Balance Sheets.

See "Note 4 - Discontinued Operations" in our Consolidated Financial Statements included elsewhere in this report for additional information.

The Company continues to operate primarily within the United States of America in the Real Estate and Professional industry segments, and discontinued operations in Light Industrial (see Note 4).

The Real Estate segment provides office and maintenance field talent to various apartment communities and commercial buildings in 35 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.

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.

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 13 on-sites in 11 states. Light Industrial segment operates through one division under the InStaff trade name.

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.

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 Year

The Company has a 52/53 week fiscal year. Fiscal years for the consolidated financial statements included herein are for the 52 weeks ended December 26, 2021, December 27, 2020, and December 29, 2019, referred to herein as Fiscal 2021, 2020 and 2019, respectively.

Reclassifications

Certain reclassifications have been made to the 2019 and 2020 financial statements to conform with the 2021 presentation.

Management Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in United States of America ("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 an 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 with 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 from continuing operations as of December 26, 2021 and December 27, 2020 or revenue from continuing operations in Fiscal 2021, 2020 and 2019. Geographic revenue from continuing operations in excess of 10% of the Company's consolidated revenue in Fiscal 2021 and the related percentage for Fiscal 2020 and 2019 was generated in the following areas:

	2021	2020	2019
Tennessee	12 %	16 %	18 %
Texas	23 %	15 %	22 %

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 from continuing operations for the fiscal years are as follows:

	2021	2020
Beginning balance	$ 492,087	$ 468,233
Provision for credit losses - EdgeRock Technology Holdings, Inc. ("EdgeRock") acquisition	—	47,498
Provision for credit losses, net	221,240	349,362
Amounts written off, net	(264,705)	(373,006)
Ending balance	$ 448,622	$ 492,087

CARES Act Receivable

Other current assets from continuing operations includes $2.4 million of the Employee Retention Credit ("ERC") at December 26, 2021. The ERC was established by the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The CARES Act allows relief to businesses affected by the coronavirus pandemic, by providing payment to employers for qualified wages and health insurance benefits for team members. The CARES Act applies to taxes incurred from March 27, 2020, through the second quarter of 2021.

Property and Equipment

The Company depreciates the cost of property and equipment over the estimated useful lives of the assets using the straight-line method ranging from five to seven years. The costs of leasehold improvements are amortized over the shorter of the estimated useful life or lease term. The cost of normal maintenance and repairs is charged to operating expenses as incurred. Material expenditures that increase the life of an asset are capitalized and depreciated over the estimated remaining useful life of the asset. The cost of properties sold, or otherwise disposed of, and the related accumulated depreciation or amortization, are removed from the accounts, and any gains or losses are reflected in current operations.

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, which are included in Deposits and other assets from continuing operations in the accompanying consolidated balance sheets, as of December 26, 2021 and December 27, 2020, respectively.

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, 2020 or 2019.

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 considered the current and expected future economic and market conditions surrounding COVID-19 and its impact on each of the reporting units. 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. 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 in Fiscal 2020 (see Note 7). The Company determined that there were no impairment indicators for these assets in Fiscal 2021 or 2019.

Goodwill

Goodwill represents the difference between the enterprise value/cash paid less the fair value of all recognized net asset fair values including identifiable intangible asset values in a business combination. The Company reviews goodwill for impairment annually during the fourth quarter or whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. The Company considered the current and expected future economic and market conditions surrounding COVID-19 and its impact on each of the reporting units. Based on annual testing, the Company has determined that there was no goodwill impairment in Fiscal 2021, 2020 or 2019.

The Company first evaluates qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of the reporting unit is less than its carrying amount, including goodwill. If after qualitatively assessing the totality of events or circumstances, the Company determines that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then further testing is unnecessary. If after assessing the totality of events or circumstances, the Company determines that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, the Company then estimates the fair value of the reporting unit and compares the fair value of the reporting unit with its carrying amount, including goodwill, as discussed below.

In assessing whether it is more likely than not that an indefinite-lived intangible asset is impaired, the Company assesses relevant events and circumstances that could affect the significant inputs used to determine the fair value.

The quantitative impairment test for an indefinite-lived intangible asset consists of a comparison of the fair value of the asset with its carrying amount. If the carrying amount of an intangible asset exceeds its fair value, a reporting unit shall recognize an impairment loss in an amount equal to that excess.

The quantitative goodwill impairment test involves a two-step process. In the first step, the Company compares the fair value of each reporting unit to its carrying value. If the fair value of the reporting unit exceeds its carrying value, goodwill is not impaired and no further testing is required. If the fair value of the reporting unit is less than the carrying value, the Company must perform the second step of the impairment test to measure the amount of impairment loss. In the second step, the reporting unit's fair value is allocated to all of the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in a hypothetical analysis that calculates the implied fair value of goodwill in the same manner as if the reporting unit was being acquired in a business combination. If the implied fair value of the reporting unit's goodwill is less than the carrying value, the difference is recorded as an impairment loss.

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 continuing operations in Real Estate and Professional segments. 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 from continuing operations as presented on the consolidated statements of operations and comprehensive income 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 solution 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 18 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 December 26, 2021. There were no revenues recognized during Fiscal 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 Fiscal 2021.

Advertising

The Company recognizes advertising expense in selling, general and administrative expenses as the services are incurred. Total advertising expense from continuing operations for Fiscal 2021, 2020 and 2019 was $1.3 million, $1.6 million, and $1.8 million, respectively.

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:

	December 26, 2021	December 27, 2020	December 29, 2019
Weighted-average number of common shares outstanding:	10,367,054	10,311,606	10,238,565
Effect of dilutive securities:			
Stock options and restricted stock	49,556	26,423	90,681
Warrants	—	—	21,529
Weighted-average number of diluted common shares outstanding	10,416,610	10,338,029	10,350,775
Stock options and restricted stock	401,450	423,350	238,750
Warrants	—	25,862	—
Antidilutive shares	401,450	449,212	238,750

Income Taxes

The current provision for income taxes represents estimated amounts payable or refundable on tax returns filed or to be filed for the year. The Company recognizes any penalties when necessary as part of selling, general and administrative expenses. As of December 26, 2021, goodwill of $29.7 million, which is limited annually, is expected to be deductible for tax purposes.

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 December 26, 2021, the Company has a $5.2 million net operating loss carry forward from the 2020 EdgeRock acquisition (see Note 3) 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 believes that it is more likely than not that all deferred tax assets will be realized and thus, believes that a valuation allowance is not required as of December 26, 2021 or December 27, 2020.

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 FASB issued 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.

In November 2021, ASU No. 2021-10, Government Assistance: Disclosures by Business Entities about Government Assistance. The ASU provides for additional reporting details for entities that receive Government funds. Additional disclose will include, the type of assistance, the method for accounting used, and the effect of the assistance on the company's financials statements. The guidance was effective December 15, 2021, and once adopted, may be applied prospectively to Government funds received through December 31, 2022.

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 $21.0 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.

The 2019 consolidated statement of operations does not include any operating results of EdgeRock. The Fiscal 2020 consolidated statement of operations and comprehensive income includes forty-seven weeks of EdgeRock operations, which is approximately $34.7 million of revenue and $1.6 million of operating income. The acquisition has been allocated to the assets acquired and liabilities assumed as of the date of acquisition as follows:

Accounts receivable	$ 6,728,261
Prepaid expenses and other assets	56,108
Property and equipment	296,309
Right-of-use asset - operating leases	1,714,984
Intangible assets	10,264,000
Goodwill (non-deductible for tax purposes)	6,882,241
Current liabilities assumed	(2,567,617)
Deferred income taxes	(657,193)
Lease liability - operating leases	(1,714,984)
Total net assets acquired	$ 21,002,109
Cash	$ 21,600,000
Working capital adjustment	(597,891)
Total fair value of consideration transferred for acquired business	$ 21,002,109

The allocation of the intangible assets is as follows:

	Estimated Fair Value	Estimated Useful Lives
Covenants not to compete	$ 171,000	5 years
Trade name	6,000,000	Indefinite
Client partner list	4,093,000	6 years
Total	$ 10,264,000	

The Company incurred costs of $0.7 million related to the EdgeRock acquisition. These costs were expensed as incurred in selling, general and administrative expenses.

Momentum Solutionz

On February 8, 2021, the Company acquired substantially all of the assets and assumed certain liabilities of Momentum Solutionz LLC ("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 purchase agreement contained a provision for a "true up" of acquired working capital 60 days after the closing date.

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 operations does not include any operating results of Momentum. The Fiscal 2021 Momentum operations included forty-seven weeks for approximately $3.5 million of revenue and of $0.7 million operating income. All amounts recorded to goodwill are expected to be deductible for tax purposes. The 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 plant and equipment, net		5,101
Intangible assets		3,347,970
Goodwill		2,089,823
Liabilities Assumed	$	(73,708)
Total net assets acquired	$	5,717,933
Cash		3,791,210
Fair value of contingent consideration		1,926,723
Total fair value of consideration transferred for acquired business	$	5,717,933

The 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	

The Company incurred costs of approximately $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 from continuing operations 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 Fiscal 2020 would be as follows (dollars in thousands, except per share amounts):

		2021		2020
Revenues	$	239,263	$	212,934
Gross profit	$	81,106	$	68,580
Net income	$	10,500	$	(1,884)
Net income per share:				
Basic	$	1.01	$	(0.18)
Diluted	$	1.01	$	(0.18)

Pro forma net income from continuing operations includes amortization of identifiable intangible assets, interest expense on additional borrowings on the Revolving Facility (see Note 11) at a rate of 2.3% and tax expense of the pro forma adjustments at an effective tax rate of 20.1% for Fiscal 2021 and 26.3% for Fiscal 2020. The pro forma operating results include adjustments to EdgeRock and Momemtum 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 Fiscal 2020 or of the results that may be achieved by the combined enterprise in the future.

NOTE 4 – DISCONTINUED OPERATIONS

On February 28, 2022, the Company entered into an Asset Purchase Agreement ("APA") with Sentech Engineering Services, Inc., ("Sentech"), and Job and Talent Holding Limited, the indirect parent of Sentech, solely as guarantor of certain obligations of Sentech, pursuant to which the Company would sell to Sentech substantially all of the assets pertaining to the Company's Light Industrial segment ("InStaff").

Under the APA, Sentech will (i) pay to the Company approximately $30.3 million at the closing of the transaction, (ii) subject to the terms and conditions of the APA, pay to the Company an additional $2 million on the first anniversary of the closing of the transaction, and (iii) assume certain liabilities and obligations of the Company pertaining to the Light Industrial segment. The APA further provides for customary purchase price adjustments, including a net working capital adjustment. Job and Talent Holding Limited has guaranteed certain of Sentech's obligations under the APA.

The APA contains customary representations and warranties, covenants (including certain non-competition and non-solicitation covenants restricting the Company with respect to the light industrial staffing business), closing conditions, and indemnification provisions.

After the closing of the transaction, the Company will provide certain back-office services to Sentech for a limited period of time.

Discontinued operations – InStaff Operations

In accordance with ASC 205-10-05-3, the Light Industrial financial results for periods prior to the sale have been reflected in our Consolidated Statements of Operations and Comprehensive Income and Consolidated Statements of Cash Flows as discontinued operations. Additionally, the related assets and liabilities associated with the discontinued operations in the periods presented are classified as discontinued operations in our Consolidated Balance Sheets.

The following table presents the financial results of InStaff for the fiscal years presented (dollars in thousands):

	Fiscal Year		
	2021	2020	2019
Revenue	$ 71,292	$ 70,765	$ 74,549
Cost of services	60,948	60,585	63,694
Gross profit	10,344	10,180	10,855
Selling expenses	5,684	5,315	5,977
Depreciation	90	99	102
Income from operations of discontinued operations before taxes	4,570	4,766	4,776
Income taxes	(918)	(1,253)	(1,170)
Income from discontinued operations, net of income taxes	$ 3,652	$ 3,513	$ 3,606

The following table presents the aggregate carrying amounts of assets to be sold and liabilities to be assumed of discontinued operations for InStaff in the Consolidated Balance Sheet (dollars in thousands):

	December 26, 2021	December 27, 2020
Carrying amount of assets included as part of discontinued operations:		
Accounts receivable	$ 7,198	$ 8,663
Property and equipment, net	201	260
Deposits	36	36
Right-of-use assets - operating leases	303	459
Intangible assets, net	1,648	1,648
Goodwill	5,025	5,025
Total assets classified as discontinued operations	$ 14,411	$ 16,091
Carrying amount of liabilities included as part of discontinued operations:		
Accrued payroll and expenses	$ 1,129	$ 1,073
Lease liability, current portion	133	166
Lease liability, less current portion	190	323
Total liabilities classified as discontinued operations	$ 1,452	$ 1,562

NOTE 5 - PROPERTY AND EQUIPMENT, NET

Property and equipment as of December 26, 2021 and December 27, 2020 consist of the following:

	2021	2020
Leasehold improvements	$ 1,384,009	$ 1,376,599
Furniture and fixtures	1,401,015	1,486,553
Computer systems	5,839,675	4,289,870
	8,624,699	7,153,022
Accumulated depreciation	(4,293,647)	(3,689,146)
Property and equipment, net	$ 4,331,052	$ 3,463,876

Total depreciation expense from continuing operations in Fiscal 2021, 2020 and 2019 was $0.7 million, $0.8 million, and $0.7 million, respectively.

NOTE 6 - LEASES

At December 26, 2021, the weighted average remaining lease term and weighted average discount rate for continuing operating leases was 2.7 years and 5.0%, respectively. The Company's future continuing operating lease obligations that have not yet commenced are immaterial. For Fiscal 2021, the Company's cash paid for continuing operating leases was $2.1 million, and continuing operating lease and short-term lease costs were $1.9 million and $0.1 million, respectively.

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

	December 26, 2021
2022	$ 2,073,058
2023	1,561,952
2024	973,510
2025	277,095
Total lease payment	4,885,615
Interest	(304,092)
Present value of lease liabilities	$ 4,581,523

NOTE 7 - INTANGIBLE ASSETS

Finite and indefinite lived intangible assets from continuing operations consist of the following at:

	December 26, 2021		
	Gross Value	Accumulated Amortization	Net Carrying Value
Finite lives:			
Client partner lists	$ 44,732,838	$ 36,112,796	$ 8,620,042
Covenant not to compete	2,341,385	1,663,444	677,941
Computer software	3,594,313	1,851,952	1,742,361
	50,668,536	39,628,192	11,040,344
Indefinite lives:			
Trade names	23,977,000	1,432,434	22,544,566
Total	$ 74,645,536	$ 41,060,626	$ 33,584,910

	December 27, 2020		
	Gross Value	Accumulated Amortization	Net Carrying Value
Finite lives:			
Client partner lists	$ 42,842,668	$ 33,902,584	$ 8,940,084
Covenant not to compete	2,303,585	1,443,094	860,491
Computer software	2,355,805	1,147,778	1,208,027
	47,502,058	36,493,456	11,008,602
Indefinite lives:			
Trade names	22,557,000	1,432,434	21,124,566
Total	$ 70,059,058	$ 37,925,890	$ 32,133,168

Estimated future amortization expense from continuing operations for the next five years and thereafter is as follows:

Fiscal Years Ending:	
2022	$ 2,996,117
2023	2,458,254
2024	2,139,866
2025	1,548,327
2026	1,006,944
Thereafter	890,836
Total	$ 11,040,344

Total amortization expense from continuing operations for Fiscal 2021, 2020 and 2019 was $3.0 million, $4.1 million and $4.0 million, respectively.

NOTE 8 - GOODWILL

The changes in the carrying amount of goodwill from continuing operations as of and during the years ended were as follows at:

	Real Estate	Professional	Total
December 29, 2019	$ 1,073,755	$ 19,096,064	$ 20,169,819
Additions from acquisitions	—	6,882,241	6,882,241
December 27, 2020	1,073,755	25,978,305	27,052,060
Additions from acquisitions	—	2,089,823	2,089,823
December 26, 2021	$ 1,073,755	$ 28,068,128	$ 29,141,883

NOTE 9 - ACCRUED PAYROLL AND EXPENSES, CONTINGENT CONSIDERATION, AND OTHER LONG-TERM LIABILITIES

Accrued payroll and expenses from continuing operations consist of the following at:

	December 26, 2021	December 27, 2020
Field talent payroll	$ 6,042,341	$ 4,850,888
Field talent payroll related	1,310,918	955,410
Accrued bonuses and commissions	4,522,723	1,731,229
Other	4,277,938	2,838,110
Accrued payroll and expenses	$ 16,153,920	$ 10,375,637

Other current liabilities of continuing operations includes $3.5 million of deferred employer FICA and other long-term liabilities includes $3.5 million of deferred employer FICA at December 26, 2021. Under the CARES Act, employers affected by the coronavirus epidemic were allowed relief from the payment of employer FICA taxes. The CARES Act only applies to taxes incurred from March 27, 2020 through December 31, 2020. Half of the delayed payments were due by December 31, 2021, and the other half are due 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 from continuing operations to various parties as of December 26, 2021:

	Estimated Cash Payment	Discount	Net
Due in:			
Less than one year	$ 1,110,000	$ (36,099)	$ 1,073,901
One to two years	1,110,000	(120,392)	989,608
Contingent consideration	$ 2,220,000	$ (156,491)	$ 2,063,509

NOTE 10 - INCOME TAXES

The Company's income tax expense for the fiscal years are comprised of the following:

	2021	2020	2019
Current federal income tax	$ 594,483	$ 752,397	$ 1,210,078
Current state income tax	765,716	919,966	1,125,539
Deferred income tax (benefit)	1,279,388	(2,413,019)	799,150
Income tax expense (benefit) from continuing operations	2,639,587	(740,656)	3,134,767
Income tax expense (benefit) from discontinued operations	918,613	1,253,748	1,170,211
Income tax expense (benefit)	$ 3,558,200	$ 513,092	$ 4,304,978

Significant components of the Company's deferred income taxes from continuing operations are as follows at:

	December 26, 2021	December 27, 2020
Deferred tax assets:		
Allowance for credit losses	$ 103,609	$ 110,998
Goodwill and intangible assets	996,763	2,082,214
Accrued payroll and expenses	207,600	90,510
Contingent consideration	535,687	573,812
Other long-term liabilities (deferred employer FICA)	1,843,081	1,812,682
Share-based compensation	452,029	353,442
Net operating loss carry forward	1,356,294	1,632,187
Deferred tax liabilities:		
Prepaid expenses and other current assets	(579,027)	(517,271)
Fixed assets	(367,751)	(310,901)
Deferred income taxes, net	$ 4,548,285	$ 5,827,673

The income tax provision, reconciled to the tax computed at the statutory federal rate, is as follows:

	2021		2020		2019	
Tax expense (benefit) at federal statutory rate	$ 2,750,467	21.0 %	$ (590,634)	21.0 %	$ 2,682,876	21.0 %
State income taxes, net of federal benefit	1,100,072	8.4 %	96,269	(3.4)%	871,206	6.8 %
Equity, permanent differences and other	(503,123)	(3.9)%	239,020	(8.5)%	218,025	1.7 %
Work Opportunity Tax Credit, net	(707,829)	(5.4)%	(485,311)	17.3 %	(637,340)	(5.0)%
Income tax expense (benefit) from continuing operations	2,639,587	20.1 %	(740,656)	26.4 %	3,134,767	24.5 %
Income tax expense (benefit) from discontinued operations	918,613	20.1 %	1,253,748	26.4 %	1,170,211	24.5 %
Income tax expense (benefit)	$ 3,558,200	20.1 %	$ 513,092	26.4 %	$ 4,304,978	24.5 %

NOTE 11 - DEBT

On July 16, 2019, the Company entered into a Credit Agreement (the "Credit Agreement"), maturing July 16, 2024, led by BMO, as lead administrative agent, lender, letters of credit issuer, and swing line lender. The Credit Agreement provides for a revolving 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 by $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 December 26, 2021.

On February 3, 2020, the Company borrowed $18.5 million on the Term Loan in conjunction with the closing of the EdgeRock acquisition. On April 6, 2020, the Company borrowed the remaining $4.0 million on the Term Loan and the proceeds were used to pay down the Revolving Facility. On February 8, 2021, the Company borrowed $3.8 million on the Revolving Facility in conjunction with the closing of the Momentum Solutionz acquisition.

The Company borrowed $20 million under the Revolving Facility to pay off existing indebtedness of the Company under an Amended and Restated Credit Agreement with Texas Capital Bank, National Association ("TCB") and such agreement (and related ancillary documentation) was terminated on July 16, 2019 in connection with such repayment. The Company recognized a loss on extinguishment of debt of approximately $0.5 million related to the unamortized deferred finance fees.

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 December 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 December 26, 2021.

Line of Credit

At December 26, 2021 and December 27, 2020, $12.8 million and $6.0 million, respectively, was outstanding on the revolving facilities. Average daily balance for Fiscal 2021, 2020 and 2019 was $9.9 million, $11.7 million, and $16.5 million, respectively.

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

	December 26, 2021		December 27, 2020	
Base Rate	$ 2,780,855	4.50 %	$ 1,977,342	4.25 %
LIBOR	10,000,000	2.35 %	4,000,000	2.15 %
Total	$ 12,780,855		$ 5,977,342	

Long Term Debt

Long-term debt consisted of and bore interest at:

	December 26, 2021		December 27, 2020	
Base Rate	$ 2,237,500	2.35 %	$ 4,300,000	2.15 %
Fixed rate	24,625,000	2.39 %	24,625,000	2.39 %
Long-term debt	$ 26,862,500		$ 28,925,000	

Maturities on the Revolving Facility with BMO and long-term debt from continuing operations as of December 26, 2021, are as follows:

Fiscal:	
2022	$ 3,562,500
2023	3,750,000
2024	32,330,855
	39,643,355
Less deferred finance fees	(193,264)
Total, net	$ 39,450,091

Cash Flow Hedge

In April 2020, the Company entered into a pay-fixed/receive-floating interest rate swap agreement with our bank syndicate led 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 income or 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 December 26, 2021, the instrument was perfectly effective and no additional amounts were reclassed from accumulated other comprehensive income or loss into income for Fiscal 2021. See Note 12 for location on the balance sheet.

NOTE 12 - 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**	**December 26, 2021**	**December 27, 2020**
Interest rate swap	Other long-term assets	Level 2	$ 58,331	$ —
Interest rate swap	Other long-term liabilities	Level 2	$ —	$ 122,874
Contingent consideration, net	Contingent consideration, net - current and long-term	Level 3	$ 2,063,509	$ 2,287,926

The changes in the Level 2 fair value measurements from December 27, 2020 to December 26, 2021 relates to changes in the fair value of the interest rate swap agreement. Key inputs in determining the fair value of the interest rate swap as of December 26, 2021 are quoted prices from BMO (See Note 11).

The changes in the Level 3 fair value measurements from December 27, 2020 to December 26, 2021 relates to $1.9 million for the addition of the Momentum acquisition, partially offset by $0.3 million in accretion, and gains included in earnings. Key inputs in determining the fair value of the contingent consideration as of December 26, 2021 and December 27, 2020 included discount rates of approximately 9% as well as management's estimates of future sales volumes and earnings before interest, income taxes, depreciation, and amortization "EBITDA."

NOTE 13 - 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, 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.

Employment Agreements

The CEO's employment agreement was effective as of October 1, 2018 and the agreement remains in effect under successive one-year extensions unless terminated pursuant to its terms. In the event that her employment is terminated by the Company without cause or by her for good reason, she will be entitled to (i) twelve months of base salary, (ii) accrued bonus, and (iii) eighteen months of COBRA premiums for her and her dependents, grossed-up for federal income taxes. Additionally, she will become 100% vested in any awards outstanding under the Company's 2013 Long-Term Incentive Plan, as amended, ("2013 Plan") or similar plan. Should there be a sale of the Company that results in the termination of her employment or a material adverse change in her duties and responsibilities, she will be entitled to all of the amounts listed above, however, base salary shall equal eighteen months.

The CFO's employment agreement was effective as of October 1, 2018 and the agreement remains in effect under successive one-year extensions unless terminated pursuant to its terms. In the event that his employment is terminated by the Company without cause or by him for good reason, he will be entitled to (i) twelve months of base salary, (ii) accrued bonus, and (iii) eighteen months of COBRA premiums for him and his dependents, grossed-up for federal income taxes. Additionally, he will become 100% vested in any awards outstanding under the 2013 Plan or similar plan. Should there be a sale of the Company that results in the termination of his employment or a material adverse change in his duties and responsibilities, he will be entitled to all of the amounts listed above, however, base salary shall equal eighteen months.

NOTE 14 - 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 64,092 shares to non-team member (non-employee) directors in Fiscal 2021, and 19,143 shares to various team members and directors in Fiscal 2020. The restricted shares of $0.01 par value per share were issued under the 2013 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.

In connection with the vesting portions of the restricted stock, the Company repurchased 610, 231, and 176 shares of company stock, or treasury stock, to satisfy the withholding obligation in connection with the vesting of a portion of the restricted stock for Fiscal 2021, 2020, and 2019, respectively. Treasury stock is accounted for under the cost method whereby the entire cost of the acquired stock is recorded.

NOTE 15 - SHARE-BASED COMPENSATION

Stock Options

In December 2013, the board of directors adopted the original 2013 Plan. Under the original 2013 Plan team members, directors and consultants of the Company may receive incentive stock options and other awards. A total of 900,000 shares of common stock of BGSF, Inc. were initially reserved for issuance pursuant to the original 2013 Plan. On November 3, 2020 and May 16, 2017, stockholders of the Company approved and made effective amendments to the 2013 Plan, which each added an additional 250,000 shares of common stock reserved for issuance, for total of 500,000 shares. To the extent any option or award expires unexercised or is canceled, terminated or forfeited in any manner without the issuance of common stock thereunder, such shares shall again be available for issuance under the original 2013 Plan. As of December 26, 2021, a total of 1,043,630 shares remain available for issuance under the 2013 Plan.

The term of each option is determined by the board of directors but cannot exceed 10 years. Unless otherwise specified in an option agreement, options vest and become exercisable on the following schedule: 20% immediately and 20% on each anniversary date of the grant date. Each option shall be designated as an incentive stock option ("ISO") or a non-qualified option ("NQO"). The exercise price of an ISO shall not be less than the fair market value of the stock covered by the ISO at the grant date; provided, however, the exercise price of an ISO granted to any person who owns, directly or indirectly, stock of the Company constituting more than 10% of the total combined voting power of all classes of outstanding stock of the Company or of any affiliate of the Company, shall not be less than 110% of such fair market value.

The fair value of each option award was estimated on the date of grant using a Black-Scholes option pricing model and the assumptions in the following table. Because this option valuation model incorporates ranges of assumptions for inputs, those ranges are disclosed below. The Company bases the estimate of expected volatility on the historical volatilities of the Company for a period equal to the expected life of the option.

The risk-free rate for periods within the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The Company expects to use historical data to estimate team member termination within the valuation model; separate groups of team members that have similar historical termination behavior are considered separately for valuation purposes. The Company believes these estimates and assumptions are reasonable. However, these estimates and assumptions may change in the future based on actual experience as well as market conditions.

For Fiscal 2021, 2020 and 2019, the Company recognized $0.6 million, $0.5 million and $0.6 million of compensation expense from continuing operations related to stock awards, respectively. Unamortized share-based compensation expense from continuing operations as of December 26, 2021 amounted to $0.9 million which is expected to be recognized over the next 2.4 years.

The following assumptions were used to estimate the fair value of stock options for the years ended:

	2021	2020	2019
Weighted-average fair value of awards	$ 4.91	$ 4.60	$ 5.08
Weighted-average risk-free interest rate	0.8 %	0.4 %	2.3 %
Weighted-average dividend yield	$ 0.35	$ 0.96	$ 1.18
Weighted-average volatility factor	53.3 %	53.6 %	42.6 %
Weighted-average expected life	10.0 yrs	10.0 yrs	10.0 yrs

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 Intrinsic Value of Options (in thousands)
Awards outstanding at December 30, 2018	495,485	$ 17.53	8.0	$ 2,295
Granted	138,750	$ 21.49		
Exercised	(39,190)	$ 12.60		
Forfeited / Canceled	(30,200)	$ 16.53		
Awards outstanding at December 29, 2019	564,845	$ 18.90	7.7	$ 2,412
Granted	93,610	$ 10.28		
Forfeited / Canceled	(5,800)	$ 22.22		
Awards outstanding at December 27, 2020	652,655	$ 17.63	7.1	$ 665
Granted	116,374	$ 11.57		
Forfeited / Canceled	(72,350)	$ 15.01		
Awards outstanding at December 26, 2021	695,329	$ 16.91	6.7	$ 665
Awards exercisable at December 27, 2020	416,717	$ 16.96	6.3	$ 463
Awards exercisable at December 26, 2021	475,765	$ 17.62	5.9	$ 452

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested outstanding at December 27, 2020	235,938	$ 18.83
Non-vested outstanding at December 26, 2021	219,564	$ 12.73

During Fiscal 2021 the Company issued 213 shares of common stock upon the cashless exercise of 600 shares, during Fiscal 2020 there were no issuances of stock options, and during Fiscal 2019, the Company issued 16,777 shares of common stock upon the cashless exercise of 39,014 stock options.

Restricted Stock

For Fiscal 2021, 2020 and 2019, the Company recognized $0.5 million, $0.3 million, and $0.2 million, respectively, of compensation expense related to restricted stock. Unamortized share-based compensation expense as of December 26, 2021 amounted to $0.6 million which is expected to be recognized over the next 2.4 years.

A summary of restricted stock activity is presented as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Restricted outstanding at December 30, 2018	31,500	$ 28.61
Vested	(9,000)	$ 28.61
Forfeited / Canceled	(4,500)	$ 28.61
Restricted outstanding at December 29, 2019	18,000	$ 28.61
Issued	21,624	$ 9.02
Vested	(14,406)	$ 21.26
Restricted outstanding at December 27, 2020	25,218	16.01
Issued	64,702	$ 12.04
Vested	(29,076)	$ 15.75
Restricted outstanding at December 26, 2021	60,844	$ 11.91
Nonvested outstanding at December 27, 2020	25,218	$ 16.01
Nonvested outstanding at December 26, 2021	60,844	$ 11.91

Warrant Activity

For Fiscal 2021, 2020 and 2019, the Company did not recognize compensation cost related to warrants. There was no unamortized stock compensation expense remaining to be recognized as of December 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 Intrinsic Value of Warrants (in thousands)
Warrants outstanding at December 30, 2018	93,216	$ 11.59	1.3	$ 805
Exercised	(28,734)	$ 6.55		
Warrants exercisable at December 29, 2019	64,482	$ 13.84	0.8	$ 473
Expired	(38,620)	$ 11.85		
Warrants outstanding at December 27, 2020	25,862	$ 16.80	0.4	$ —
Expired	(25,862)	$ 16.80		
Warrants outstanding at December 26, 2021	—	$ —	0	$ —
Warrants exercisable at December 27, 2020	25,862	$ 16.80	0.4	$ —
Warrants exercisable at December 26, 2021	—	$ —	0	$ —

There were no non-vested warrants outstanding at December 26, 2021 and December 27, 2020.

There were no exercises of warrants in Fiscal 2021 and 2020. During Fiscal 2019, the Company issued 20,059 shares of common stock upon the cashless exercise of 28,734 warrants.

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 year-ended December 26, 2021, the Company issued 31,776 shares of common stock under the 2020 ESPP.

NOTE 16 - RELATED PARTY TRANSACTIONS

There were no related party transactions in Fiscal 2021, 2020, or 2019.

NOTE 17 - 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 or field talent's compensation. The Company contributed $1.5 million, $1.3 million and $1.1 million from continuing operations to the 401(k) Plan for Fiscal 2021, 2020 and 2019, respectively.

NOTE 18 - BUSINESS SEGMENTS

The Company has continuing operations within two industry segments: Real Estate and Professional.

Segment income from continuing operations 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 income from continuing operations by reportable segment to consolidated results for the periods indicated:

	2021	2020	2019
Revenue:			
Real Estate	$ 92,017,975	$ 68,755,975	$ 96,421,676
Professional	147,009,202	138,369,505	123,342,648
Total	$ 239,027,177	$ 207,125,480	$ 219,764,324
Depreciation:			
Real Estate	$ 210,180	$ 218,425	$ 197,029
Professional	389,995	404,590	341,529
Home office	85,371	134,023	189,852
Total	$ 685,546	$ 757,038	$ 728,410
Amortization:			
Professional	$ 2,430,827	$ 3,923,063	$ 3,964,878
Home office	581,956	180,687	25,079
Total	$ 3,012,783	$ 4,103,750	$ 3,989,957

	2021	2020	2019
Operating income (loss):			
Real Estate	$ 14,663,443	$ 9,671,504	$ 16,381,823
Professional - without CARES Act credit and impairment loss	10,340,171	7,514,924	7,702,174
Professional - CARES Act credit, net	921,093	—	—
Professional - impairment loss	—	(7,239,514)	—
Home office - selling	(931,974)	(663,110)	(516,190)
Home office - general and administrative	(14,015,822)	(10,588,819)	(8,682,689)
Home office - CARES Act credit, net	1,150,440	—	—
Home office - gain on contingent consideration	2,402,844	76,102	—
Total	$ 14,530,195	$ (1,228,913)	$ 14,885,118

Capital Expenditures:			
Real Estate	$ 105,547	$ 81,918	$ 251,461
Professional	107,476	184,611	582,573
Home office	2,990,886	1,809,687	1,242,843
Total	$ 3,203,909	$ 2,076,216	$ 2,076,877
Total Assets:			
Real Estate	$ 20,753,085	$ 15,598,575	
Professional	92,782,442	81,671,193	
Home office	20,347,059	16,918,737	
Discontinued operations	14,411,380	16,089,763	
Total	$ 148,293,966	$ 130,278,268	

NOTE 19 - QUARTERLY FINANCIAL DATA (UNAUDITED)

	2021				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
Revenues	$ 49,750,192	$ 57,397,722	$ 64,184,813	$ 67,694,450	$ 239,027,177
Gross profit	$ 16,214,709	$ 19,247,481	$ 22,046,888	$ 23,431,825	$ 80,940,903
(Loss) income from continuing operations	$ (211,583)	$ 2,635,226	$ 3,713,480	$ 4,320,752	$ 10,457,875
Income from discontinued operations, net of tax	$ 923,380	$ 807,612	$ 930,129	$ 990,482	$ 3,651,603
Net income	$ 711,797	$ 3,442,838	$ 4,643,609	$ 5,311,234	$ 14,109,478
Net (loss) income per share - basic:					
Continuing operations	$ (0.02)	$ 0.25	$ 0.36	$ 0.42	$ 1.01
Discontinued operations	$ 0.09	$ 0.08	$ 0.09	$ 0.09	$ 0.35
Net income per share - basic	$ 0.07	$ 0.33	$ 0.45	$ 0.51	$ 1.36
Net (loss) income per share - diluted:					
Continuing operations	$ (0.02)	$ 0.25	$ 0.36	$ 0.41	$ 1.00
Discontinued operations	$ 0.09	$ 0.08	$ 0.09	$ 0.09	$ 0.35
Net income per share - diluted	$ 0.07	$ 0.33	$ 0.45	$ 0.50	$ 1.35
Weighted-average shares outstanding:					
Basic	10,332,817	10,340,243	10,380,902	10,414,262	10,367,054
Diluted	10,394,841	10,391,925	10,427,114	10,464,885	10,416,610

	2020				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
Revenues	$ 56,371,739	$ 48,429,888	$ 53,198,223	$ 49,125,630	$ 207,125,480
Gross Profit	$ 17,736,770	$ 14,866,591	$ 17,122,340	$ 16,313,733	$ 66,039,434
Income (loss) from continuing operations	$ 690,298	$ (5,470,787)	$ 1,627,513	$ 1,081,089	$ (2,071,887)
Income from discontinued operations, net of tax	$ 808,561	$ 641,525	$ 938,050	$ 1,125,219	$ 3,513,355
Net income	$ 1,498,859	$ (4,829,262)	$ 2,565,563	$ 2,206,308	$ 1,441,468
Net income (loss) per share - basic:					
Continuing operations	$ 0.07	$ (0.53)	$ 0.16	$ 0.10	$ (0.20)
Discontinued operations	$ 0.08	$ 0.06	$ 0.09	$ 0.11	$ 0.34
Net income (loss) per share - basic	$ 0.15	$ (0.47)	$ 0.25	$ 0.21	$ 0.14
Net income (loss) per share - diluted:					
Continuing operations	$ 0.07	$ (0.53)	$ 0.16	$ 0.10	$ (0.20)
Discontinued operations	0.08	0.06	0.09	0.11	0.34
Net income (loss) per share - diluted	$ 0.15	$ (0.47)	$ 0.25	$ 0.21	$ 0.14
Weighted-average shares outstanding:					
Basic	10,308,445	10,306,986	10,312,939	10,318,053	10,311,606
Diluted	10,382,999	10,306,986	10,326,493	10,334,478	10,338,029

NOTE 20 - SUBSEQUENT EVENTS

Light Industrial Segment

On February 28, 2022, the Company signed a definitive agreement to sell substantially all our Light Industrial segment (“InStaff”) assets to Jobandtalent (“J&T”), through their wholly-owned subsidiary, Sentech Engineering Services, Inc. Under the terms of the agreement, the Company will receive approximately $30.3 million at the closing of the transaction, and subject to the terms of the agreement, an additional $2 million on the first anniversary of the closing.

The Company anticipates that the transaction will close during the first fiscal quarter of 2022, and anticipates using the proceeds from the transaction to, among other things, deploy additional capital into managed services and high-end consulting solutions, drive geographic expansion in the Company’s Real Estate segment, pursue potential acquisition opportunities, reduce outstanding indebtedness, and for general corporate purposes. See Note 4 for additional information.

Dividend

On February 2, 2022, the Company's board of directors declared a cash dividend in the amount of $0.15 per share of common stock to be paid on February 22, 2022 to all shareholders of record as of the close of business on February 14, 2022.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report to provide reasonable assurance that information we are required to disclose in reports that are filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms specified by the Securities and Exchange Commission and that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

We note that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving the stated goals under all potential future conditions.

Management's Annual Report on Internal Control Over Financial Reporting

Management of the Company, including the President and Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended) for the Company. The Company's internal control system was designed to provide reasonable assurance to management and the Company's Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 26, 2021, using criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and concluded that the Company maintained effective internal control over financial reporting as of December 26, 2021.

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

The effectiveness of our internal control over financial reporting as of December 26, 2021, has been audited by Whitley Penn LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Changes in Internal Control Over Financial Reporting

There have not been any changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act) during the fourth quarter of Fiscal 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of BGSF, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited BGSF, Inc.'s (the "Company") internal control over financial reporting as of December 26, 2021, based on criteria established in *2013 Internal Control— Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 26, 2021, based on criteria established in *2013 Internal Control— Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company, as of December 26, 2021 and December 27, 2020, and the related consolidated statements of operations and comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 26, 2021, and our report dated March 9, 2022 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

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

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

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ Whitley Penn LLP

Dallas, Texas
March 9, 2022

Item 9B. Other Information.

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions That Prevent Inspections

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by Items 10, 11, 12, 13 and 14 is or will be set forth in the definitive proxy statement relating to the 2022 Annual Meeting of Stockholders of BGSF, Inc., which is to be filed with the SEC pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended. The definitive proxy statement relates to a meeting of stockholders involving the election of directors and the portions therefrom containing the information required to be set forth in this Form 10-K under Items 10, 11, 12, 13 and 14 are incorporated herein by reference pursuant to General Instruction G(3) to Form 10-K.

Item 11. Executive Compensation.

The information required by Items 10, 11, 12, 13 and 14 is or will be set forth in the definitive proxy statement relating to the 2022 Annual Meeting of Stockholders of BGSF, Inc., which is to be filed with the SEC pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended. The definitive proxy statement relates to a meeting of stockholders involving the election of directors and the portions therefrom containing the information required to be set forth in this Form 10-K under Items 10, 11, 12, 13 and 14 are incorporated herein by reference pursuant to General Instruction G(3) to Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by Items 10, 11, 12, 13 and 14 is or will be set forth in the definitive proxy statement relating to the 2022 Annual Meeting of Stockholders of BGSF, Inc., which is to be filed with the SEC pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended. The definitive proxy statement relates to a meeting of stockholders involving the election of directors and the portions therefrom containing the information required to be set forth in this Form 10-K under Items 10, 11, 12, 13 and 14 are incorporated herein by reference pursuant to General Instruction G(3) to Form 10-K.

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

The information required by Items 10, 11, 12, 13 and 14 is or will be set forth in the definitive proxy statement relating to the 2022 Annual Meeting of Stockholders of BGSF, Inc., which is to be filed with the SEC pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended. The definitive proxy statement relates to a meeting of stockholders involving the election of directors and the portions therefrom containing the information required to be set forth in this Form 10-K under Items 10, 11, 12, 13 and 14 are incorporated herein by reference pursuant to General Instruction G(3) to Form 10-K.

Item 14. Principal Accountant Fees and Services.

The information required by Items 10, 11, 12, 13 and 14 is or will be set forth in the definitive proxy statement relating to the 2022 Annual Meeting of Stockholders of BGSF, Inc., which is to be filed with the SEC pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended. The definitive proxy statement relates to a meeting of stockholders involving the election of directors and the portions therefrom containing the information required to be set forth in this Form 10-K under Items 10, 11, 12, 13 and 14 are incorporated herein by reference pursuant to General Instruction G(3) to Form 10-K.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules.***

(1) Financial Statements

The following consolidated financial statements of the Company and the report of the Independent Registered Public Accounting Firm are contained in Item 8 of Part II of this Annual Report on Form 10-K as indicated:

) Financial Statement Schedules
Financial statement schedules are omitted because they are not applicable, or not required, or because the required information is included in the consolidated financial statements or notes thereto.

) Exhibits
See the list of exhibits in the Index to Exhibits to this Annual Report on Form 10-K, which is incorporated herein by reference.

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 on March 9, 2022.

BGSF, INC.

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 9, 2022.

/s/ Beth Garvey **Beth Garvey**	President and Chief Executive Officer and Director (Principal Executive Officer)
/s/ Dan Hollenbach **Dan Hollenbach**	Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)
/s/ C. David Allen, Jr. **C. David Allen, Jr.**	Director
/s/ Richard L. Baum, Jr. **Richard L. Baum, Jr.**	Director
/s/ Douglas E. Hailey **Douglas E. Hailey**	Director
/s/ Cynthia Marshall **Cynthia Marshall**	Director
/s/ Paul A. Seid **Paul A. Seid**	Director

EXHIBIT INDEX

Exhibit No.	Description
2.9	Asset Purchase Agreement, dated as of December 13, 2019, between BG Staffing, Inc., BG Staffing, LLC, L.J.Kushner & Associates, L.L.C., and Lee J. Kushner (incorporated by reference from the registrant's Current Report on Form 8-K filed on December 16, 2019)
2.10	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)
2.11	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)
2.12	Asset Purchase Agreement, dated as of February 28, 2022, between BGSF, Inc., Sentech Engineering Services, Inc., and Jobandtalent Holding Limited (incorporated by reference from the registrant's Current Report on Form 8-K filed on March 1, 2022)
3.1	Certificate of Incorporation of BG Staffing, Inc. (incorporated by reference from Amendment No. 2 to the registrant'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 registrant'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 registrant's registration statement on Form S-1 (File No. 333-191683) filed on October 28, 2013)
4.2	Description of Securities Registered Under Section 12 of the Securities Exchange Act of 1934, as amended (incorporated by reference from the registrant's Form 10-K filed on March 12, 2020)
10.1**	BG Staffing, Inc. 2013 Long-Term Incentive Plan (incorporated by reference from the registrant's definitive proxy statement on Schedule 14A filed on March 28, 2017)
10.2**	Form of Nonqualified Stock Option Agreement (Vested Options) (incorporated by reference from the registrant's Form 8-K filed on February 12, 2014)
10.3**	Form of Incentive Stock Option Agreement (incorporated by reference from the registrant's Form 8-K filed on February 12, 2014)
10.4**	Form of Nonqualified Stock Option Agreement (incorporated by reference from the registrant's Form 8-K filed on February 12, 2014)
10.5**	Form of Indemnification Agreement for Directors and Executive Officers (incorporated by reference from the registrant's Form 8-K filed on February 4, 2014)
10.6	Amended and Restated Securities Purchase Agreement, dated as of May 28, 2013, among LTN Acquisition, LLC, LTN Staffing, LLC, BG Staffing, LLC, BG Personnel Services, LP, BG Personnel, LP, and B G Staff Services Inc., and Legg Mason SBIC Mezzanine, L.P., Brookside Pecks Capital Partners, L.P. and Brookside Mezzanine Fund II, L.P. (incorporated by reference from the registrant's registration statement on Form S-1 (File No. 333-191683) filed on October 10, 2013)
10.7	First Amendment to Amended and Restated Securities Purchase Agreement and Other Documents, dated as of November 1, 2013, by and among LTN Acquisition, LLC, LTN Staffing, LLC, BG Staffing, LLC, BG Personnel Services, LP, BG Personnel, LP, and B G Staff Services Inc., and Legg Mason SBIC Mezzanine, L.P., Brookside Pecks Capital Partners, L.P. and Brookside Mezzanine Fund II, L.P. (incorporated by reference from Amendment No. 2 to the registrant's registration statement on Form S-1 (File No. 333-191683) filed on November 4, 2013)
10.8	Second Amendment to Amended and Restated Securities Purchase Agreement and Other Documents, dated as of January 29, 2014, by and among BG Staffing, Inc., BG Staffing, LLC, BG Personnel Services, LP, BG Personnel, LP, and B G Staff Services Inc., and Legg Mason SBIC Mezzanine, L.P., Brookside Pecks Capital Partners, L.P. and Brookside Mezzanine Fund II, L.P. (incorporated by reference from the registrant's Form 8-K filed on February 4, 2014)
10.10**	Executive Employment Agreement, entered into January 26, 2016 to be effective as of December 28, 2015, between B G Staff Services, Inc. and L. Allen Baker, Jr. (incorporated by reference from registrant's Form 8-K filed February 1, 2016)

10.12	Stock Option Cancellation Agreement, dated May 31, 2018 (incorporated by reference from the registrant's Form 8-K filed June 5, 2018)
10.13**	Executive Employment Agreement, entered into February 6, 2019 to be effective as of October 1, 2018, between B G Staff Services, Inc. and Beth Garvey (incorporated by reference from the registrant's Annual Report on Form 10-K filed on March 12, 2019)
10.14**	Executive Employment Agreement, entered into February 6, 2019 to be effective as of October 1, 2018, between B G Staff Services, Inc. and Dan Hollenbach (incorporated by reference from the registrant's Annual Report on Form 10-K filed on March 12, 2019)
10.15**	Form of Restricted Stock Agreement (incorporated by reference from the registrant's Quarterly Report on Form 10-Q filed on October 30, 2018
10.16	Credit Agreement, dated as of July 16, 2019, among BG Staffing, Inc., as borrower, the lenders from time to time party there to, and BMO Harris Bank, National Association, as administrative agent, letters of credit issuer, swing line lender, sole lead arranger, and sole book runner (incorporated by reference from the registrant's Current Report on Form 8-K filed on July 22, 2019)
10.17**	BG Staffing, Inc. 2020 Employee Stock Purchase Plan (incorporated by reference from the registrant's definitive proxy statement on Schedule 14A filed on September 15, 2020)
21.1*	List of Subsidiaries of the Registrant
23.1*	Consent of Independent Registered Public Accounting Firm (Whitley Penn LLP)
31.1*	Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 implementing Section 302 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer)
31.2*	Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 implementing Section 302 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer)
32.1†	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101document)

* Filed herewith.

** Management contract or compensatory plan or arrangement.

† This certification is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended ("Exchange Act"), 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.

Exhibit 21.1

Subsidiaries

Name of Subsidiary	Jurisdiction of Formation
BG Personnel, LP	Texas
BGSF Professional, LLC	Delaware
B G Staff Services, Inc.	Texas
BG Finance and Accounting, Inc.	Delaware
BG California Finance & Accounting Staffing, Inc.	Delaware
BG California IT Staffing, Inc.	Delaware
BG California Multifamily Staffing, Inc.	Delaware
EdgeRock Technologies Holdings, Inc.	Delaware
EdgeRock Technologies, LLC	Massachusetts
BG Personnel of Texas, LLC	Texas

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement No. 333-259971 on Form S-3, and No. 333-251192, No. 333-251193, No. 333-218869, and No. 333-193014 on Form S-8 of BGSF, Inc., of our reports dated March 9, 2022, relating to the consolidated financial statements, and the effectiveness of BGSF, Inc.'s internal control over financial reporting, appearing in this Annual Report on Form 10-K of BGSF, Inc. for the fiscal year ended December 26, 2021.

/s/ Whitley Penn LLP

Dallas, Texas

March 9, 2022

Exhibit 31.1

CERTIFICATIONS

I, Beth Garvey, certify that:

1. I have reviewed this Annual Report on Form 10-K 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(s) 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; and

5. The registrant's other certifying officer(s) 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: March 9, 2022

/s/ Beth Garvey
Beth Garvey
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Dan Hollenbach, certify that:

1. I have reviewed this Annual Report on Form 10-K 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(s) 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; and

5. The registrant’s other certifying officer(s) 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: March 9, 2022

/s/ Dan Hollenbach
Dan Hollenbach
Chief Financial Officer and Secretary
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. § 1350,

AS ADOPTED PURSUANT TO § 906

OF THE SARBANES-OXLEY ACT OF 2002

In connection with the filing of the Annual Report on Form 10-K of BGSF, Inc., a Delaware corporation (the "Company"), for the fiscal year ended December 26, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of such officer's knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; 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: March 9, 2022

/s/ Beth Garvey
Beth Garvey
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Dan Hollenbach
Dan Hollenbach
Chief Financial Officer and Secretary
(Principal Financial Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

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