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

FORM 10-K/A
(Amendment No. 1)

(Mark One)

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

For the Fiscal Year Ended December 31, 2021.

Or

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

For the Transition Period from to .

Commission File Number 001-33076

WILLDAN GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	**14-1951112**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2401 East Katella Avenue, Suite 300, Anaheim, California 92806
(Address of principal executive offices) (Zip Code)
(800) 424-9144
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of Exchange
Common Stock, par value $0.01 per share	WLDN	The Nasdaq Stock Market LLC (Nasdaq Global Market)

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. 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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, as reported on the Nasdaq Global Market, as of the last business day of the registrant's most recently completed second fiscal quarter was $400.6 million.

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 ☒

On March 9, 2022, there were 12,856,257 shares of the registrant's common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (this "Amendment") amends the Annual Report on Form 10-K of Willdan Group, Inc. (the "Company") for the year ended December 31, 2021 (the "Form 10-K"), as filed with the Securities and Exchange Commission on March 11, 2022, and is being filed solely to correct administrative errors in 1) the Report of Independent Registered Public Accounting Firm under Item 8 of the Form 10-K to correctly identify the city from which the report was issued, and 2) the consent of Crowe LLP attached as Exhibit 23.1 to the Form 10-K to correctly identify the city from which the consent was issued. These changes to the originally filed version of Crowe LLP's report and consent do not affect Crowe LLP's opinion on the Company's consolidated financial statements included in the original Form 10-K and this Amendment.

Only Item 8, as amended in its entirety, and a corrected Exhibit 23.1 are included in this Amendment. Except as described above and with respect to the exhibits referenced below, this Amendment does not otherwise amend, update or change any other information or disclosure contained in the original Form 10-K. This Amendment speaks only as of the date of the original Form 10-K and does not reflect any events that may have occurred subsequent to the date of the original Form 10-K. Accordingly, this Amendment should be read in conjunction with our filings made with the Securities and Exchange Commission subsequent to the filing of the Original Filing, including any amendments to those filings.

This Amendment includes currently-dated certifications by our Principal Executive Officer and Principal Financial Officer pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 as exhibits 31.1, 31.2, and 32.1 hereto, as well as a Power of Attorney as exhibit 24.1 in addition to the corrected Exhibit 23.1 as referenced above. Accordingly, Part IV, Item 15 of the Form 10-K is amended to reflect the filing of these exhibits.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

Shareholders and the Board of Directors of Willdan Group, Inc.
Anaheim, California

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Willdan Group, Inc. (the "Company") as of December 31, 2021 and January 1, 2021, the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control – Integrated Framework: (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and January 1, 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control – Integrated Framework: (2013) issued by COSO.

Basis for Opinions

The Company's management is responsible for these financial statements, 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 Controls Over Financial Reporting. Our responsibility is to express an opinion on the Company's financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements 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. 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 audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

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

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

Critical Audit Matters

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

Estimated costs to complete on fixed price contracts

As discussed in Note 1 to the consolidated financial statements, revenues from fixed price contracts are recognized over time since control of the services is transferred continuously to the client. Generally, revenue is recognized using costs incurred to date relative to total estimated costs at completion to measure progress toward satisfying the Company's performance obligations, which typically occurs over time periods ranging from six months to one year.

We identified auditing management's estimates of costs to complete on select fixed price contracts to be a critical audit matter. The critical audit matter relates to select long-term fixed price construction contracts, based on magnitude of estimated costs to complete and the stage of completion of the contract. These estimates require management to make assumptions about future events and, as a result, a high degree of auditor judgment is involved in auditing these estimates. Due to the factors above, auditing management's estimates of costs to complete required extensive audit procedures.

Our audit procedures related to the evaluation of estimated costs at completion for fixed price contracts included the following:

- Tested the design, implementation, and operating effectiveness of controls that are designed to address the reasonableness of estimates of costs to complete fixed price contracts.
- Evaluated the reasonableness of management's estimates related to the cost to complete for fixed price contracts through testing of the key components of the estimated costs to complete, including, labor, materials, and subcontractor costs.
- Agreed a sample of contract costs incurred to supporting documentation.
- Performed inquiries of management and project personnel regarding facts and circumstances relevant to the accounting for a sample of such contracts.
- Recalculated revenue recognition based on the percentage of completion.
- Performed a retrospective review procedures to assess management's historical ability to accurately estimate the transaction price and cost to complete of fixed price contracts.

Estimated realization of deferred income tax assets for net operating losses

As described in Notes 1 and 11 to the consolidated financial statements, the Company's consolidated net deferred tax assets includes the value of net operating losses that management expects to realize before the net operating losses expire. In assessing the need for a valuation allowance, management estimates future taxable income by jurisdiction. Significant estimates are required in estimating future taxable income, the reversal of income tax liabilities, leading to significant judgment from management.

The principal considerations for our determination that performing procedures relating to the income tax valuation allowances on deferred tax assets is a critical audit matter are there was significant judgment by management when estimating future taxable income and reversal of income tax liabilities. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and in evaluating audit evidence relating to the realization of deferred income tax assets. In addition, the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Our audit procedures related to the evaluation of management's estimates over the realization of deferred income tax assets included the following:

- Tested the design, implementation, and operating effectiveness of controls relating to the valuation allowances on deferred tax assets.
- Tested underlying historical data used in calculating the cumulative book income (loss) subject to tax.
- Assessed the reasonableness of management’s estimate of future book income, as adjusted for permanent income tax items, which included evaluating historical book income (loss) subject to tax, and the Company's sources of future taxable income, including verifiable signed contracts.
- Used professionals with specialized skill and knowledge to assist in evaluating management’s analysis, including cumulative book income (loss) subject to tax.

/s/Crowe LLP

We have served as the Company's auditor since 2018.

Los Angeles, California
March 10, 2022

WILLDAN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except par value)

	December 31, 2021	January 1, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 11,221	$ 28,405
Accounts receivable, net of allowance for doubtful accounts of $1,115 and $2,127 at December 31, 2021 and January 1, 2021, respectively	67,211	53,104
Contract assets	59,288	62,426
Other receivables	6,267	6,405
Prepaid expenses and other current assets	4,972	5,564
Total current assets	148,959	155,904
Equipment and leasehold improvements, net	16,757	12,506
Goodwill	130,124	130,124
Right-of-use assets	15,177	20,130
Other intangible assets, net	52,713	64,256
Other assets	13,843	5,993
Deferred income taxes, net	16,849	14,111
Total assets	$ 394,422	$ 403,024
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 36,672	$ 41,372
Accrued liabilities	35,680	34,455
Contingent consideration payable	10,206	12,321
Contract liabilities	13,499	7,434
Notes payable	15,036	14,996
Finance lease obligations	539	248
Lease liability	5,575	5,844
Total current liabilities	117,207	116,670
Contingent consideration payable	832	2,999
Notes payable	85,538	98,178
Finance lease obligations, less current portion	778	236
Lease liability, less current portion	10,768	15,649
Other noncurrent liabilities	78	128
Total liabilities	215,201	233,860
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value, 10,000 shares authorized, no shares issued and outstanding	—	—
Common stock, $0.01 par value, 40,000 shares authorized; 12,804 and 12,160 shares issued and outstanding at December 31, 2021 and January 1, 2021, respectively	128	122
Additional paid-in capital	167,032	149,014
Accumulated other comprehensive loss	(38)	(488)
Retained earnings	12,099	20,516
Total stockholders' equity	179,221	169,164
Total liabilities and stockholders' equity	$ 394,422	$ 403,024

See accompanying notes to consolidated financial statements.

WILLDAN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands, except per share amounts)

	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019
Contract revenue	$ 353,755	$ 390,980	$ 443,099
Direct costs of contract revenue (inclusive of directly related depreciation and amortization):			
Salaries and wages	65,648	65,149	64,485
Subcontractor services and other direct costs	152,233	196,438	243,641
Total direct costs of contract revenue	217,881	261,587	308,126
General and administrative expenses:			
Salaries and wages, payroll taxes and employee benefits	73,812	71,229	66,303
Facilities and facility related	9,896	10,481	8,568
Stock-based compensation	16,563	16,113	12,112
Depreciation and amortization	17,146	18,743	15,027
Other	27,148	29,054	23,600
Total general and administrative expenses	144,565	145,620	125,610
Income (loss) from operations	(8,691)	(16,227)	9,363
Other income (expense):			
Interest expense, net	(3,869)	(5,068)	(4,900)
Other, net	156	1,626	193
Total other expense, net	(3,713)	(3,442)	(4,707)
Income (loss) before income taxes	(12,404)	(19,669)	4,656
Income tax (benefit) expense	(3,987)	(5,173)	(185)
Net income (loss)	(8,417)	(14,496)	4,841
Other comprehensive income (loss):			
Net unrealized income (loss) on derivative contracts	450	(92)	(396)
Comprehensive income (loss)	$ (7,967)	$ (14,588)	$ 4,445
Earnings (loss) per share:			
Basic	$ (0.68)	$ (1.23)	$ 0.43
Diluted	$ (0.68)	$ (1.23)	$ 0.41
Weighted-average shares outstanding:			
Basic	12,458	11,793	11,162
Diluted	12,458	11,793	11,766

See accompanying notes to consolidated financial statements.

WILLDAN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock		Additional Paid-in	Accumulated other Comprehensive	Retained	
	Shares	Amount	Capital	Income (Loss)	Earnings	Total
Balance at December 28, 2018	10,968	$ 110	$ 114,008	$ —	$ 30,171	$ 144,289
Shares of common stock issued in connection with employee stock purchase plan	62	1	1,739	—	—	1,740
Shares of common stock issued in connection with incentive stock plan	115	1	930	—	—	931
Shares used to pay taxes on stock grants	(76)	(2)	(2,878)	—	—	(2,880)
Issuance of restricted stock award and units	213	2	(2)	—	—	—
Unregistered sales of stock	53	1	1,699	—	—	1,700
Stock issued to acquire businesses	162	2	4,939	—	—	4,941
Stock-based compensation expense	—	—	12,112	—	—	12,112
Net income	—	—	—	—	4,841	4,841
Net unrealized loss on derivative contracts	—	—	—	(396)	—	(396)
Balance at December 27, 2019	11,497	$ 115	$ 132,547	$ (396)	$ 35,012	$ 167,278
Shares of common stock issued in connection with employee stock purchase plan	94	1	2,223	—	—	2,224
Shares of common stock issued in connection with incentive stock plan	119	1	1,081	—	—	1,082
Shares used to pay taxes on stock grants	(95)	(1)	(2,945)	—	—	(2,946)
Issuance of restricted stock award and units	545	6	(5)	—	—	1
Stock-based compensation expense	—	—	16,113	—	—	16,113
Net loss	—	—	—	—	(14,496)	(14,496)
Net unrealized loss on derivative contracts	—	—	—	(92)	—	(92)
Balance at January 1, 2021	12,160	$ 122	$ 149,014	$ (488)	$ 20,516	$ 169,164
Shares of common stock issued in connection with employee stock purchase plan	106	2	2,653	—	—	2,655
Shares of common stock issued in connection with incentive stock plan	150	1	1,923	—	—	1,924
Shares used to pay taxes on stock grants	(79)	(1)	(3,116)	—	—	(3,117)
Issuance of restricted stock award and units	467	4	(5)	—	—	(1)
Stock-based compensation expense	—	—	16,563	—	—	16,563
Net income (loss)	—	—	—	—	(8,417)	(8,417)
Net unrealized gain on derivative contracts	—	—	—	450	—	450
Balance at December 31, 2021	12,804	$ 128	$ 167,032	$ (38)	$ 12,099	$ 179,221

See accompanying notes to consolidated financial statements.

WILLDAN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	2021	2020	2019
Cash flows from operating activities:			
Net income (loss)	$ (8,417)	$ (14,496)	$ 4,841
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	17,146	18,743	15,472
Deferred income taxes, net	(2,738)	(5,209)	(209)
(Gain) loss on sale/disposal of equipment	(24)	(15)	(8)
Provision for doubtful accounts	102	1,330	1,051
Stock-based compensation	16,563	16,113	12,112
Accretion and fair value adjustments of contingent consideration	2,333	7,707	(302)
Changes in operating assets and liabilities, net of effects from business acquisitions:			
Accounts receivable	(14,209)	3,070	11,627
Contract assets	3,138	35,498	(34,598)
Other receivables	138	(1,192)	(2,714)
Prepaid expenses and other current assets	828	577	(343)
Other assets	(7,849)	9,955	(6,520)
Accounts payable	(4,700)	7,372	(6,294)
Accrued liabilities	1,625	(34,509)	16,761
Contract liabilities	6,065	1,871	315
Right-of-use assets	(197)	210	430
Net cash provided by operating activities	9,804	47,025	11,621
Cash flows from investing activities:			
Purchase of equipment and leasehold improvements	(8,500)	(5,076)	(6,637)
Proceeds from sale of equipment	46	17	45
Cash paid for acquisitions, net of cash acquired	—	—	(71,756)
Net cash used in investing activities	(8,454)	(5,059)	(78,348)
Cash flows from financing activities:			
Payments on contingent consideration	(6,615)	(1,433)	(1,381)
Payments on notes payable	(1,909)	(205)	(1,842)
Payments on debt issuance costs	—	(327)	(709)
Proceeds from notes payable	2,074	1,140	—
Borrowings under term loan facility and line of credit	—	24,000	138,000
Repayments under term loan facility and line of credit	(13,000)	(42,000)	(78,000)
Principal payments on finance leases	(545)	(549)	(639)
Proceeds from stock option exercise	1,924	1,082	931
Proceeds from sales of common stock under employee stock purchase plan	2,655	2,224	1,740
Cash used to pay taxes on stock grants	(3,117)	(2,946)	(2,880)
Restricted Stock Award and Units	(1)	1	—
Proceeds from unregistered sales of equity	—	—	1,700
Net cash provided by (used in) financing activities	(18,534)	(19,013)	56,920
Net increase (decrease) in cash and cash equivalents	(17,184)	22,953	(9,807)
Cash and cash equivalents at beginning of period	28,405	5,452	15,259
Cash and cash equivalents at end of period	$ 11,221	$ 28,405	$ 5,452
Supplemental disclosures of cash flow information:			
Cash paid (received) during the period for:			
Interest	$ 3,545	$ 5,031	$ 4,169
Income taxes	(1,616)	174	4,052
Supplemental disclosures of noncash investing and financing activities:			
Other working capital adjustment	—	1,179	—
Equipment acquired under finance leases	1,376	467	661

See accompanying notes to consolidated financial statements.

WILLDAN GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

Willdan Group, Inc. (“Willdan”) is a provider of professional, technical and consulting services to utilities, private industry, and public agencies at all levels of government. As resources and infrastructures undergo continuous change, the Company helps organizations and their communities evolve and thrive by providing a wide range of technical services for energy solutions and government infrastructure. Through engineering, program management, policy advisory, and software and data management, the Company designs and delivers trusted, comprehensive, innovative, and proven solutions to improve efficiency, resiliency, and sustainability in energy and infrastructure.

Basis of Presentation

The Company has prepared its Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”).

The consolidated statement of stockholders' equity includes repurchases of shares of our common stock from employees to satisfy tax withholding obligations incurred in connection with the vesting of restricted stock or performance stock units, which amount is presented as a reduction of additional paid-in capital and common stock.

Fiscal Years

The Company operates and reports its annual financial results based on 52 or 53-week periods ending on the Friday closest to December 31. The Company operates and reports its quarterly financial results based on the 13-week period ending on the Friday closest to June 30, September 30, and December 31 and the 13 or 14-week period ending on the Friday closest to March 31, as applicable. Fiscal year 2021, which ended on December 31, 2021, was comprised of 52 weeks, with all quarters presented consisting of 13 weeks. Fiscal year 2020, which ended on January 1, 2021, was comprised of 53 weeks, with the first quarter consisting of 14 weeks and the remaining quarters consisting of 13 weeks each. Fiscal year 2019, which ended on December 27, 2019, was comprised of 52 weeks, with all quarters presented consisting of 13 weeks. All references to years in the notes to consolidated financial statements represent fiscal years.

Principles of Consolidation

The consolidated financial statements include the accounts of Willdan Group, Inc. and its wholly-owned subsidiaries and their respective subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Reclassifications

Certain prior year amounts have been reclassified in the consolidated balance sheets to conform to the current year presentation.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the U.S. 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 consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

All highly liquid investments purchased with a remaining maturity of three months or less are considered to be cash equivalents. The Company from time to time may be exposed to credit risk with its bank deposits in excess of the

FDIC insurance limits and with uninsured money market investments. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Fair Value of Financial Instruments

The Company uses the three-tier hierarchy of fair value measurement, which prioritizes the inputs. These tiers include: Level 1 (the highest priority), defined as observable inputs, such as quoted prices in active markets, Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3 (the lowest priority), defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Company’s financial instruments consist primarily of cash, cash equivalents, accounts receivable, contract assets, other receivables, prepaid expenses and other current assets, accounts payable, accrued liabilities and contract liabilities. The carrying amounts of certain other assets and contingent consideration are discounted to their present value because the time between the origination of these instruments and their expected realization or payment is greater than one year.

As of December 31, 2021 and January 1, 2021 the carrying amounts of the Company's cash and cash equivalents, accounts receivable, contract assets, other receivables, prepaid expenses and other current assets, accounts payable, accrued liabilities and contract liabilities, approximate their fair values because of the relatively short period of time between the origination of these instruments and their expected realization or payment. The carrying amounts of debt obligations approximate their fair values since the terms are comparable to terms currently offered by local lending institutions for loans of similar terms to companies with comparable credit risk.

The carrying amounts of the derivative financial instrument is valued based on Level 2 inputs.

Variable Interest Entities

The Company accounts for variable interest entities in accordance with Accounting Standards Codification (“ASC”) 810, Consolidation. Under ASC 810, a variable interest entity (“VIE”) is created when any of the following criteria are present: (a) the equity investment at risk in the entity is not sufficient to permit the entity to finance its activities without additional subordinated financial support provided by other parties, including the equity holders; (b) the entity’s equity holders as a group either (i) lack the direct or indirect ability to make decisions about the entity, (ii) are not obligated to absorb expected losses of the entity or (iii) do not have the right to receive expected residual returns of the entity; or (c) the entity’s equity holders have voting rights that are not proportionate to their economic interests, and the activities of the entity involve or are conducted on behalf of the equity holder with disproportionately few voting rights. If an entity is deemed to be a VIE pursuant to ASC 810, the enterprise that has both (i) the power to direct the activities of a VIE that most significantly impact the entity’s economic performance and (ii) the obligation to absorb the expected losses of the entity or right to receive benefits from the entity that could be potentially significant to the VIE is considered the primary beneficiary and must consolidate the VIE. In accordance with ASC 810, the Company performs ongoing reassessments of whether an enterprise is the primary beneficiary of a VIE.

As of December 31, 2021, the Company had one VIE — Genesys Engineering, P.C. (“Genesys”). Pursuant to New York law, the Company does not own capital stock of Genesys and does not have control over the professional decision making of Genesys’s engineering services. The Company, however, has entered into an administrative services agreement with Genesys pursuant to which WES, the Company’s wholly-owned subsidiary, will provide Genesys with ongoing administrative, operational and other non-professional support services. The Company manages Genesys and has the power to direct the activities that most significantly impact Genesys’s performance, in addition to being obligated to absorb expected losses from Genesys. Accordingly, the Company is the primary beneficiary of Genesys and consolidates Genesys as a VIE.

Management also concluded there is no noncontrolling interest related to the consolidation of Genesys because management determined that (i) the shareholder of Genesys does not have more than a nominal amount of equity investment at risk, (ii) WES absorbs the expected losses of Genesys through its deferral of Genesys's service fees owed to WES and the Company has, since entering into the administrative services agreement, had to continuously defer service fees for Genesys, and (iii) the Company believes Genesys will continue to have a shortfall on payment of its service fees for the foreseeable future, leaving no expected residual returns for the shareholder. For more information regarding Genesys, see Note 8 "Commitments and Variable Interest Entities."

Segment Information

The Company presents segment information externally consistent with the manner in which the Company's chief operating decision maker reviews information to assess performance and allocate resources. The Company's two segments are (i) Energy, and (ii) Engineering and Consulting.

Willdan Group, Inc. ("WGI") is a holding company and performs administrative functions on behalf of its subsidiaries, such as treasury, legal, accounting, information systems, human resources and certain business development activities, and earns revenue that is only incidental to the activities of the enterprise. As a result, WGI does not meet the definition of an operating segment.

Contract Assets and Liabilities

Billing practices are governed by the contract terms of each project based upon costs incurred, achievement of milestones or pre-agreed schedules. Billings do not necessarily correlate with revenue recognized using the percentage-of-completion method of revenue recognition. Contract assets include unbilled amounts typically resulting from revenue under contracts where the percentage-of-completion method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer. In addition, contract assets include retainage amounts withheld from billings to the Company's clients pursuant to provisions in our contracts. Contract liabilities consist of advance payments and billings in excess of revenue recognized and deferred revenue.

Adoption of ASC 606

On December 30, 2017, the Company adopted ASC 606, using the modified retrospective method applied to those contracts which were not completed as of December 29, 2017. Prior to adopting ASC 606, the Company established an implementation team, which included senior managers from its finance and accounting group. The implementation team evaluated the impact of adopting ASC 606 on its contracts expected to be uncompleted as of December 30, 2017 (the date of adoption). The evaluation included reviewing its accounting policies and practices to identify differences that would result from applying the requirements of the new standard. The Company identified and made changes to its processes, systems and controls to support recognition and disclosure under the new standard. The implementation team worked closely with various professional consultants and attended several formal conferences and seminars to conclude on certain interpretative issues.

The Company recognizes engineering and consulting contract revenue over time using the percentage-of-completion method, based primarily on contract cost incurred to date compared to total estimated contract cost. Revenue on the vast majority of its contracts will continue to be recognized over time because of the continuous transfer of control to the customer. Revenue recognition for software licenses issued by the Energy segment is recognized at a point in time, upon acceptance of the software by the customer and in recognition of the fulfillment of the performance obligation. Certain additional performance obligations beyond the base software license may be separated from the gross license fee and recognized on a straight-line basis over time.

Contract Accounting

The Company enters into contracts with its clients that contain various types of pricing provisions, including fixed price, time-and-materials, and unit-based provisions. The Company recognizes revenues in accordance with ASU 2014-09, Revenue from Contracts with Customer, codified as ASC Topic 606 and the related amendments (collectively "ASC 606"). As such, the Company identifies a contract with a customer, identifies the performance obligations in the contract, determines the transaction price, allocates the transaction price to each performance obligation in the contract and recognizes revenues when (or as) the Company satisfies a performance obligation.

The following table reflects the Company’s two reportable segments and the types of contracts that each most commonly enters into for revenue generating activities.

Segment	Contract Type	Revenue Recognition Method
Energy	Time-and-materials	Time-and-materials
	Unit-based	Unit-based
	Software license	Unit-based
	Fixed price	Percentage-of-completion
Engineering and Consulting	Time-and-materials	Time-and-materials
	Unit-based	Unit-based
	Fixed price	Percentage-of-completion

Revenue on the vast majority of the Company’s contracts is recognized over time because of the continuous transfer of control to the customer. Revenue on fixed price contracts is recognized on the percentage-of-completion method based generally on the ratio of direct costs incurred-to-date to estimated total direct costs at completion. The Company uses the percentage-of-completion method to better match the level of work performed at a certain point in time in relation to the effort that will be required to complete a project. In addition, the percentage-of-completion method is a common method of revenue recognition in the Company’s industry.

Many of the Company’s fixed price contracts involve a high degree of subcontracted fixed price effort and are relatively short in duration, thereby lowering the risks of not properly estimating the percent complete. Revenue on time-and-materials and unit-based contracts is recognized as the work is performed in accordance with the specific rates and terms of the contract. The Company recognizes revenues for time-and-materials contracts based upon the actual hours incurred during a reporting period at contractually agreed upon rates per hour and also includes in revenue all reimbursable costs incurred during a reporting period. Certain of the Company’s time-and-materials contracts are subject to maximum contract values and, accordingly, when revenue is expected to exceed the maximum contract value, these contracts are generally recognized under the percentage-of-completion method, consistent with fixed price contracts. For unit-based contracts, the Company recognizes the contract price of units of a basic production product as revenue when the production product is delivered during a period. Revenue for amounts that have been billed but not earned is deferred, and such deferred revenue is referred to as contract liabilities in the accompanying condensed consolidated balance sheets. The Company also derives revenue from software licenses and professional services and maintenance fees. In accordance with ASC 606, the Company performs an assessment of each contract to identify the performance obligations, determine the overall transaction price for the contract, allocate the transaction price to the performance obligations, and recognize the revenue when the performance obligations are satisfied. The Company utilizes the residual approach by which it estimates the standalone selling price by reference to the total transaction price less the sum of the observable standalone selling prices of other goods or services promised in the contract. The software license revenue is typically recognized at a point in time when control is transferred to the client, which is defined as the point in time when the client can use and benefit from the license. The software license is delivered before related services are provided and is functional without services, updates, or technical support. Related professional services include training and support services in which the standalone selling price is determined based on an input measure of hours incurred to total estimated hours and is recognized over time, usually which is the life of the contract.

To determine the proper revenue recognition method for contracts, the Company evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined contract should be accounted for as one performance obligation. With respect to the Company’s contracts, it is rare that multiple contracts should be combined into a single performance obligation. This evaluation requires significant judgment and the decision to combine a group of contracts or separate a single contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period. Contracts are considered to have a single performance obligation if the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts, which is mainly because the Company provides a significant service of integrating a complex set of tasks and components into a single project or capability.

The Company may enter into contracts that include separate phases or elements. If each phase or element is negotiated separately based on the technical resources required and/or the supply and demand for the services being provided, the Company evaluates if the contracts should be segmented. If certain criteria are met, the contracts would be segmented which could result in revenues being assigned to the different elements or phases with different rates of profitability based on the relative value of each element or phase to the estimated total contract revenue. Segmented contracts may comprise up to approximately 2.0% to 3.0% of the Company's consolidated contract revenue.

Contracts that cover multiple phases or elements of the project or service lifecycle (development, construction and maintenance and support) may be considered to have multiple performance obligations even when they are part of a single contract. For contracts with multiple performance obligations, the Company allocates the transaction price to each performance obligation using the best estimate of the standalone selling price of each distinct good or service in the contract. For the periods presented, the value of the separate performance obligations under contracts with multiple performance obligations (generally measurement and verification tasks under certain energy performance contracts) were not material. In cases where the Company does not provide the distinct good or service on a standalone basis, the primary method used to estimate standalone selling price is the expected cost plus a margin approach, under which the Company forecasts the Company's expected costs of satisfying a performance obligation and then adds an appropriate margin for the distinct good or service.

The Company provides quality of workmanship warranties to customers that are included in the sale and are not priced or sold separately or do not provide customers with a service in addition to assurance of compliance with agreed-upon specifications and industry standards. The Company does not consider these types of warranties to be separate performance obligations.

In some cases, the Company has a master service or blanket agreement with a customer under which each task order releases the Company to perform specific portions of the overall scope in the service contract. Each task order is typically accounted for as a separate contract because the task order establishes the enforceable rights and obligations, and payment terms.

Under ASC 606, variable consideration should be considered when determining the transaction price and estimates should be made for the variable consideration component of the transaction price, as well as assessing whether an estimate of variable consideration is constrained. For certain of the Company's contracts, variable consideration can arise from modifications to the scope of services resulting from unapproved change orders or customer claims. Variable consideration is included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The Company estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on assessments of legal enforceability, the Company's performance, and all information (historical, current and forecasted) that is reasonably available to the Company.

Due to the nature of the work required to be performed on many of the Company's performance obligations, the estimation of total revenue and cost at completion is complex, subject to many variables and requires significant judgment. As a significant change in one or more of these estimates could affect the profitability of the Company's contracts, the Company reviews and updates the Company's contract-related estimates regularly through a company-wide disciplined project review process in which management reviews the progress and execution of the Company's performance obligations and the estimate at completion (EAC). As part of this process, management reviews information including, but not limited to, any outstanding key contract matters, progress towards completion and the related program schedule and the related changes in estimates of revenues and costs. Management must make assumptions and estimates regarding labor productivity and availability, the complexity of the work to be performed, the cost and availability of materials, the performance of subcontractors, and the availability and timing of funding from the customer, among other variables.

The Company recognizes adjustments in estimated profit on contracts under the cumulative catch-up method. Under this method, the impact of the adjustment on profit recorded to date is recognized in the period the adjustment is identified. Revenue and profit in future periods of contract performance is recognized using the adjusted estimate. If at any time the estimate of contract profitability indicates an anticipated loss on the contract, the Company recognizes the full amount of estimated loss in the period it is identified.

Contracts are often modified to account for changes in contract specifications and requirements. The Company considers contract modifications to exist when the modification either creates new rights or obligations or changes the existing enforceable rights or obligations. Most of the Company's contract modifications are for goods or services that are not distinct from existing contracts due to the significant integration provided in the context of the contract and are accounted for as if they were part of the original contract. The effect of a contract modification that is not distinct from the existing contract on the transaction price and the Company's measure of progress for the performance obligation to which it relates is recognized as an adjustment to revenue (either as an increase in or a reduction of revenue) on a cumulative catch-up basis.

For contract modifications that result in the promise to deliver goods or services that are distinct from the existing contract and the increase in price of the contract is for the same amount as the standalone selling price of the additional goods or services included in the modification, the Company accounts for such contract modifications as a separate contract.

The Company includes claims to vendors, subcontractors and others as a receivable and a reduction in recognized costs when enforceability of the claim is established by the contract and the amounts are reasonably estimable and probable of being recovered. The amounts are recorded up to the extent of the lesser of the amounts management expects to recover or to costs incurred.

Billing practices are governed by the contract terms of each project based upon costs incurred, achievement of milestones or pre-agreed schedules. Billings do not necessarily correlate with revenue recognized using the percentage-of-completion method of revenue recognition.

Direct costs of contract revenue consist primarily of that portion of technical and nontechnical salaries and wages that has been incurred in connection with revenue producing projects. Direct costs of contract revenue also include production expenses, subcontractor services and other expenses that are incurred in connection with revenue producing projects.

Direct costs of contract revenue exclude that portion of technical and nontechnical salaries and wages related to marketing efforts, vacations, holidays and other time not spent directly generating revenue under existing contracts. Such costs are included in general and administrative expenses. Additionally, payroll taxes, bonuses and employee benefit costs for all Company personnel are included in general and administrative expenses in the accompanying consolidated statements of comprehensive income since no allocation of these costs is made to direct costs of contract revenue. No allocation of facilities costs is made to direct costs of contract revenue. Other companies may classify as direct costs of contract revenue some of the costs that the Company classifies as general and administrative costs. The Company expenses direct costs of contract revenue when incurred.

Included in revenue and costs are all reimbursable costs for which the Company has the risk or on which the fee was based at the time of bid or negotiation. No revenue or cost is recorded for costs in which the Company acts solely in the capacity of an agent and has no risks associated with such costs.

Accounts receivable are carried at original invoice amount less an estimate made for doubtful accounts based upon a review of all outstanding amounts on a quarterly basis. Management determines allowances for doubtful accounts through specific identification of amounts considered to be uncollectible and potential write-offs, plus a non-specific allowance for other amounts for which some potential loss has been determined to be probable based on current and past experience. The Company's historical credit losses have been minimal with governmental entities and large public utilities, but disputes may arise related to these receivable amounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Retainage, included in contract assets, represents amounts withheld from billings to the Company's clients pursuant to provisions in the contracts and may not be paid to the Company until specific tasks are completed or the project is completed and, in some instances, for even longer periods. As of December 31, 2021 and January 1, 2021, contract assets included retainage of $4.5 million and $6.2 million, respectively.

General and Administrative Expenses

General and administrative expenses include the costs of the marketing and support staff, other marketing expenses, management and administrative personnel costs, payroll taxes, bonuses and employee benefits for all of the Company's employees and the portion of salaries and wages not allocated to direct costs of contract revenue for those employees who provide the Company's services. General and administrative expenses also include facility costs, depreciation and amortization, professional services, legal and accounting fees and administrative operating costs. Within general and administrative expenses, "Other" includes expenses such as provision for billed or unbilled receivables, professional services, legal and accounting, computer costs, travel and entertainment, marketing costs and acquisition costs. The Company expenses general and administrative costs when incurred.

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 require, among other things, that lessees recognize the following for all leases (unless a policy election is made by class of underlying asset to exclude short-term leases) at the commencement date: (1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right-of-use asset, which is an asset that represents the lessee's right to use, or the direct use of, a specified asset for the lease term. The FASB issued ASU 2018-11 on July 30, 2018, which allows entities to apply the provisions of ASC 842 at the effective date without adjusting comparative periods.

On December 29, 2018, the Company adopted ASU 2016-02 using the modified retrospective method. Under this guidance, the net present value of future lease payments is recorded as right-of-use assets and lease liabilities. In addition, the Company elected the 'package of practical expedients' permitted under the transition guidance within the new standard, which among other things, allowed the Company to carry forward the historical lease classification. In addition, the Company elected not to utilize the hindsight practical expedient to determine the lease term for existing leases. The Company also elected the practical expedient to not separate lease and non-lease components for its facilities leases. Previously, all of the Company's office leases were classified as operating leases and rent expense was included in facilities expense in the consolidated statements of comprehensive income.

In addition, the Company leases certain equipment under financing leases. The economic substance of the leases is a financing transaction for acquisition of equipment and leasehold improvements. Accordingly, the right-of-use assets for these leases are included in the balance sheets in equipment and leasehold improvements, net of accumulated depreciation, with a corresponding amount recorded in current portion of financing lease obligations or noncurrent portion of financing lease obligations, as appropriate. The financing lease assets are amortized over the life of the lease or, if shorter, the life of the leased asset, on a straight-line basis and included in depreciation expense in the statements of comprehensive income. The interest associated with financing lease obligations is included in interest expense in the statements of comprehensive income. For more information, see Note 7, "*Leases*".

Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Equipment under capital leases is stated at the present value of the minimum lease payments as of the acquisition date. Depreciation and amortization on equipment are calculated using the straight-line method over estimated useful lives of two to five years. Leasehold improvements and assets under capital leases are amortized using the straight-line method over the shorter of estimated useful lives or the term of the related lease.

Following are the estimated useful lives used to calculate depreciation and amortization:

Category	Estimated Useful Life
Furniture and fixtures	5 years
Computer hardware	3 years
Computer software	3 years
Automobiles and trucks	3 years
Field equipment	5 years

Goodwill

Goodwill represents the excess of costs over fair value of the assets acquired. The Company completes its annual testing of goodwill as of the last day of the first month of its fourth fiscal quarter each year to determine whether there is impairment. Goodwill, which has an indefinite useful life, is not amortized, but instead tested for impairment at least annually or more frequently if events and circumstances indicate that the asset might be impaired. Impairment losses for reporting units are recognized to the extent that a reporting unit’s carrying amount exceeds its fair value.

Long-lived assets

Long-lived assets, such as equipment, leasehold improvements and purchased intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Accounting for Claims against the Company

The Company accrues an undiscounted liability related to claims against it for which the incurrence of a loss is probable and the amount can be reasonably estimated. The Company discloses the amount accrued and an estimate of any reasonably possible loss in excess of the amount accrued, if such disclosure is necessary for its financial statements not to be misleading. The Company does not accrue liabilities related to claims when the likelihood that a loss has been incurred is probable but the amount cannot be reasonably estimated, or when the liability is believed to be only reasonably possible or remote. Losses related to recorded claims are included in general and administrative expenses.

Determining probability and estimating claim amounts is highly judgmental. Initial accruals and any subsequent changes in the Company’s estimates could have a material effect on its consolidated financial statements.

Stock-based Compensation

The Company accounts for all stock-based compensation under the fair value recognition provisions of the accounting standard entitled “*Compensation—Stock Compensation.*” Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite vesting period. The fair values of all stock options granted and the fair values of all Employee Stock Purchase Plan (“ESPP”) purchase rights are estimated using the Black-Scholes option-valuation model. The Black-Scholes option-valuation model requires the input of highly subjective assumptions. Performance-based restricted stock unit awards (“PBRSUs”) are granted to certain employees and vest only after the achievement of pre-determined performance metrics. Once the performance metrics are met, vesting of PBRSUs is subject to continued service by the employee. At the end of each reporting period, the

Company evaluates the probability that PBRSUs will be earned. The Company records stock-based compensation expense based on the probability that the performance metrics will be achieved over the vesting period.

Business Combinations

The acquisition method of accounting for business combinations requires the Company to use significant estimates and assumptions, including fair value estimates, as of the business combination date and to refine those estimates as necessary during the measurement period (defined as the period, not to exceed one year, in which the Company may adjust the provisional amounts recognized for a business combination based upon new information about facts that existed on the business combination date).

Under the acquisition method of accounting, the Company recognizes separately from goodwill the identifiable assets acquired, the liabilities assumed, and any non-controlling interests in an acquiree, at the acquisition date fair value. The Company measures goodwill as of the acquisition date as the excess of consideration transferred over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed. Costs that the Company incurs to complete the business combination such as investment banking, legal and other professional fees are not considered part of consideration. The Company charges these acquisition costs to general and administrative expense as they are incurred.

During fiscal years 2021 and 2020, the Company did not have any acquisitions. During fiscal year 2019, the Company completed three acquisitions; On October 28, 2019, the Company acquired all of the capital stock of Energy and Environmental Economics, Inc. (“E3, Inc.”). On July 2, 2019, the Company acquired substantially all of the assets and liabilities of Onsite Energy Corporation (“Onsite Energy”). On March 8, 2019, the Company acquired substantially all of the assets of the energy practice division of The Weidt Group Inc. (“The Weidt Group”).

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the financial reporting basis and tax basis of the Company’s assets and liabilities, subject to a judgmental assessment of the recoverability of deferred tax assets. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded when it is more-likely-than-not that some of the deferred tax assets may not be realized. Significant judgment is applied when assessing the need for valuation allowances. Areas of estimation include the Company’s consideration of future taxable income and ongoing prudent and feasible tax planning strategies. Should a change in circumstances lead to a change in judgment about the utilization of deferred tax assets in future years, the Company would adjust the related valuation allowances in the period that the change in circumstances occurs, along with a corresponding increase or charge to income.

During each fiscal year, management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to utilize existing deferred tax assets. During fiscal year 2021, the Company determined that it was more-likely-than-not that the entire New Jersey net operating losses will not be utilized prior to expiration and, accordingly, recorded a valuation allowance of $1.1 million. Significant pieces of objective evidence evaluated included the Company’s proportional increase of revenue in other states, which resulted in a dilution of New Jersey sourced income, as well as the Company’s forecasted amount of net operating loss utilization in New Jersey for certain members of the combined group. At the end of fiscal year 2021, the total valuation allowance was $1.2 million, compared to a valuation allowance of $86,000 for fiscal years 2020 and 2019, respectively. The $86,000 valuation allowance related to the California net operating losses that was recorded in previous years remained unchanged as the available positive and negative evidence did not warrant a revision. For further information, see Note 11, “*Income Taxes*”, of the Notes to consolidated financial statements included in this Annual Report on Form 10-K.

For acquired business entities, if the Company identifies changes to acquired deferred tax asset valuation allowances or liabilities related to uncertain tax positions during the measurement period and they relate to new information obtained about facts and circumstances that existed as of the acquisition date, those changes are considered a measurement period adjustment and the Company records the offset to goodwill. The Company records all other changes to deferred tax asset valuation allowances and liabilities related to uncertain tax positions in current period income tax expense.

The Company recognizes the tax benefit from uncertain tax positions if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense.

Earnings per Share

The Company computes basic income per common share using net income and the weighted average number of common shares outstanding during the period. Diluted income per common share is computed using net income and the weighted average number of common shares and potentially dilutive common shares outstanding during the period. Potentially dilutive common shares include dilutive outstanding employee stock options, RSAs, PBRSUs, and rights to purchase shares of common stock under the Company's ESPP.

Other Comprehensive Income (loss), Net of Tax

Other comprehensive income (loss), net of tax refers to revenue, expenses, gains and losses that are recorded as an element of shareholders' equity but are excluded from net income. The Company's other comprehensive income (loss), net of tax is comprised of unrealized gains or losses on its interest rate swap agreement designated as cash flow hedges.

Derivatives

The Company accounts for its interest rate swap as designated cash flow hedges to mitigate variations in interest payments under a portion of its LIBOR-based term loans due to variations in the LIBOR index. The Company pays interest monthly at a fixed rate and receives interest monthly at the LIBOR rate on the notional amount of the contract with realized gains or losses recognized in interest expense.

Operating Cycle

In accordance with industry practice, amounts realizable and payable under contracts that extend beyond one year are included in current assets (included in contract assets) and current liabilities.

Impact of Covid-19

The coronavirus ("Covid-19") pandemic and efforts to limit its spread negatively impacted the Company's operations during its fiscal year 2020 and continued to impact the Company, albeit to a lesser extent, during its fiscal year 2021. In California and New York, the states in which the Company has historically derived a majority of its revenue, mandatory shutdown orders were issued in March 2020. In New York, phased re-openings began in June 2020, and all of the Company's New York utility programs have restarted. In California, phased re-openings began in May 2020, followed by periods of curtailments as a result of resurgences of Covid-19 cases, and subsequent re-openings. As a result, the most significant pandemic related impacts to the Company's business occurred in California to its direct install business. During the last week of June 2021, the Company's largest program for the Los Angeles Department of Water and Power ("LADWP") resumed, which was the Company's last program suspended due to Covid-19. As of March 9, 2022, none of the Company's contracts have been cancelled due to Covid-19.

In the Energy segment, the Company has experienced a negative impact on its direct install programs that serve small businesses as a result of restrictions put in place by governmental authorities that required temporary shutdowns of all “non-essential” businesses which resulted in a significant portion of the Company’s direct install work on these programs being suspended for varying periods of time during fiscal year 2020 and continuing in California through the Company’s first half of fiscal 2021. During non-Covid-19 impacted years, such as fiscal year 2019, the Company derived approximately 40% of its gross revenue from its direct install programs that serve small businesses and 60% from the Company’s other programs. The Company’s other programs are either services that have been determined to be “essential” by government authorities, can be performed remotely or outside of any Covid-related restrictions, or have continued to progress during the pandemic.

In the Engineering and Consulting segment, the Company’s revenues have been less affected by Covid-19 than the revenues in the Energy segment. The services in this segment have generally been deemed “essential” by the government and have continued to operate while abiding social distancing measures.

The Company has continuously monitored its liquidity position during the Covid-19 pandemic in order to be flexible during these uncertain times and to position itself to resume its growth trajectory as work restrictions are lifted. As part of this effort, in April 2021, the Company amended its credit facility for increased covenant flexibility as a result of additional working capital requirements related to $781 million in new California Investor Owned Utility contracts signed in December 2020.

Asset and liability valuation and other estimates used in preparation of financial statements

As of December 31, 2021, the Company did not have any impairment with respect to goodwill or long-lived assets, including intangible assets. Because the full extent of the impact of the Covid-19 outbreak and efforts to slow its spread are unknown at this time, they could, under certain circumstances, cause impairment and result in a non-cash impairment charge being recorded in future periods. Changes to the estimated future profitability of the business may require that the Company establish an additional valuation allowance against all or some portion of its net deferred tax assets.

Impact on Clients and Subcontractors and Other Risks

The Company primarily works for utilities, municipalities and other public agencies. Some of these customers could experience significant budget shortfalls for the current year and beyond as a result of the measures taken to mitigate the Covid-19 pandemic and/or revenue shortfalls as a result of reduced economic activity. Although none of the Company’s material contracts with governmental or public agencies were materially modified during its fiscal year 2020 or 2021, these potential budget deficits could result in delayed funding for existing contracts with the Company, postponements of new contracts or price concessions. Further, most of the Company’s clients are not committed to purchase any minimum amount of services, as the Company agreements with them are based on a “purchase order” or “master service agreement” model. As a result, they may discontinue utilizing some or all of the Company’s services with little or no notice.

In addition, the Company relies on subcontractors and material suppliers to complete a substantial portion of its work, especially in its Energy segment. If the Company’s significant subcontractors and material suppliers suffer significant economic harm and must limit or cease operations or file for bankruptcy as a result of the current economic slowdown, the Company’s subcontractors and material suppliers may not be able to fulfill their contractual obligations satisfactorily and the Company may not have the ability to select its subcontractors and material suppliers of choice for new contracts. If the Company’s subcontractors and material suppliers are not able to fulfill their contractual obligations, it could result in a significant increase in costs for the Company to complete the projects or cause significant delays to the realization of revenues under those projects. The ultimate impact of Covid-19 on the Company’s financial condition and results of operations will depend on all of the factors noted above, including other factors that the Company may not be able to forecast at this time. See the risk factor “*The Covid-19 pandemic and health and safety measures intended to slow its spread have adversely affected, and may continue to adversely affect, our business, results of operations and financial condition.*” under Part I. Item 1A. “Risk Factors” included in this Annual Report on Form 10-K. While Covid-

19 has had an adverse effect on the Company's business, financial condition and results of operations, the Company is unable to predict the extent or duration of future impacts at this time.

Health and Safety

In response to the Covid-19 pandemic, the Company has taken and will continue to take precautionary measures intended to help minimize the risk of Covid-19 to its employees, including requiring the majority of its employees to work remotely, suspending non-essential travel and restricting in-person work-related meetings. The Company expects to continue to implement these measures until it has determined that the Covid-19 pandemic is adequately contained for purposes of its business, and may take further actions as government authorities require or recommend or as it determines to be in the best interests of its employees, customers, business partners and third-party service providers.

2. RECENT ACCOUNTING PRONOUNCEMENTS

Accounting Pronouncements Recently Adopted

In December 2019, the FASB issued ASU No. 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes” (“ASU 2019-12”). ASU 2019-12 amends the accounting for income taxes by, among other things, removing: (i) The exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items (for example, discontinued operations or other comprehensive income); (ii) The exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment; (iii) The exception to the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary; and (iv) The exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. The Company adopted this standard effective January 2, 2021. The adoption of this standard did not have a material impact to the Company’s Consolidated Financial Statements.

Accounting Pronouncements Recently Issued

In March 2020, the FASB issued ASU No. 2020-04, “Reference Rate Reform (Topic 848): facilitation of the Effects of Reference Rate Reform on Financial Reporting” (“ASU 2020-04”). ASU 2020-04 provides optional expedients and exceptions for applying U.S. GAAP to contract modifications and hedging relationships that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. ASU 2020-04 provides, among other things, guidance that modifications of contracts within the scope of Topic 470, Debt, should be accounted for by prospectively adjusting the effective interest rate; modifications of contracts within the scope of Topic 840, Leases, should be accounted for as a continuation of the existing contract; and, changes in the critical terms of hedging relationships, caused by reference rate reform, should not result in the de-designation of the instrument, provided certain criteria are met. In January 2021, the FASB issued ASU No. 2021-01, “Reference Rate Reform (Topic 848) - Scope” (“ASU 2021-01”). ASU 2021-01 clarifies the scope and application of ASU 2020-04 and permits entities, among other things, to elect certain optional expedients and exceptions when accounting for derivative contracts and certain hedging relationships affected by changes in the interest rates used for discounting cash flows. The Company’s exposure to LIBOR rates includes its credit facilities and swap agreement. The amendments are effective as of March 12, 2020 through December 31, 2022. Adoption is permitted at any time. The Company is currently evaluating the impact this update will have on its Consolidated Financial Statements.

WILLDAN GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

3. SUPPLEMENTAL FINANCIAL STATEMENT DATA

Accounts Receivable

Accounts receivable consisted of the following:

	December 31, 2021	January 1, 2021
	(in thousands)	
Billed	$ 68,325	$ 55,231
Unbilled [1]	54,817	56,262
Contract retentions	4,472	6,164
Other assets [2]	12,630	4,524
	140,244	122,181
Allowance for doubtful accounts	(1,115)	(2,127)
	$ 139,129	$ 120,054

(1) Unbilled portion represents contract assets which is presented separately from accounts receivable on the consolidated balance sheets.
(2) Other assets represents a portion of receivables greater than one year from the normal course of business presented separately from current assets on the consolidated balance sheets.

The movements in the allowance for doubtful accounts consisted of the following:

	Fiscal Year		
	2021	2020	2019
		(in thousands)	
Balance as of the beginning of the year	$ 2,127	$ 1,147	$ 442
(Recovery of) provision for doubtful accounts	102	1,329	1,051
Write-offs of uncollectible accounts	(1,224)	(388)	(346)
Fair value adjustment	110	39	—
Balance as of the end of the year	$ 1,115	$ 2,127	$ 1,147

Billed accounts receivable represent amounts billed to clients that have yet to be collected. Unbilled accounts receivable represent revenue recognized, but not yet billed, pursuant to contract terms or accounts billed after the period end. Substantially all unbilled receivables as of December 31, 2021 are, or were expected to be, billed and collected within twelve months of such date. Contract retentions represent amounts invoiced to clients where payments have been withheld pending the completion of certain milestones, other contractual conditions or upon the completion of the project. These retention agreements vary from project to project and could be outstanding for several months.

Allowances for doubtful accounts have been determined through specific identification of amounts considered to be uncollectible and potential write-offs, plus a non-specific allowance for other amounts for which some potential loss has been determined to be probable based on current and past experience.

Consolidated Edison of New York accounted for 44.4% and 31.0% of the Company's outstanding receivables as of December 31, 2021 and January 1, 2021, respectively.

From time to time, in connection with factoring agreements, the Company sells trade accounts receivable without recourse to third party purchasers in exchange for cash. During 2021 and 2020, the Company sold trade accounts receivable and received cash proceeds of $8.0 million and $10.6 million, respectively. The discounts on the trade accounts receivable sold during 2021 and 2020 were $0.8 million and $1.7 million, respectively. Discounts on the trade accounts receivable were recorded within "Other, net" in other income (expense) in the consolidated financial statements.

WILLDAN GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Equipment and Leasehold Improvements

Equipment and leasehold improvements were as follows:

	December 31, 2021	January 1, 2021
	(in thousands)	
Furniture and fixtures	$ 4,070	$ 4,088
Computer hardware and software	26,425	18,047
Leasehold improvements	3,011	2,994
Equipment under finance leases	3,286	2,370
Automobiles, trucks, and field equipment	3,099	3,216
Subtotal	39,891	30,715
Accumulated depreciation and amortization	(23,134)	(18,209)
Equipment and leasehold improvements, net	$ 16,757	$ 12,506

Depreciation expense of equipment and leasehold improvements totaled $5.6 million, $5.0 million, and $3.4 million in fiscal years 2021, 2020, and 2019, respectively.

Included in accumulated depreciation and amortization is $0.6 million, $0.6 million and $0.5 million of amortization expense related to equipment held under finance leases in fiscal years 2021, 2020, and 2019, respectively.

Accrued Liabilities

Accrued liabilities were as follows:

	December 31, 2021	January 1, 2021
	(in thousands)	
Accrued subcontractor costs	$ 19,727	$ 19,124
Accrued bonuses	7,767	5,211
Other	2,750	4,899
Employee withholdings	2,665	2,768
Compensation and payroll taxes	2,244	1,983
Accrued workers’ compensation insurance	527	470
Total accrued liabilities	$ 35,680	$ 34,455

4. DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses certain interest rate derivative contracts to hedge interest rate exposures on its variable rate debt. The Company's hedging program is not designated for trading or speculative purposes.

The Company recognizes derivative instruments as either assets or liabilities on the accompanying consolidated balance sheets at fair value. The Company records changes in the fair value (i.e., gains or losses) of the derivatives that have been designated as cash flow hedges in its consolidated balance sheets as accumulated other comprehensive income (loss) and in its condensed consolidated statements of comprehensive (loss) income as a loss or gain on cash flow hedge valuation.

On January 31, 2019, the Company entered into an interest rate swap agreement that the Company designated as cash flow hedge to fix the variable interest rate on a portion of the Company's 2018 Term Loan Facility. The interest rate swap agreement total notional amount of $35.0 million, has a fixed annual interest rate of 2.47% and expires on January 31, 2022. As of December 31, 2021, the effective portion of the Company's interest rate swap agreement designated as a cash flow hedge before tax effects was $0.6 million, of which no amounts were reclassified from accumulated other comprehensive income to interest expense in fiscal 2021. The Company expects to reclassify $50,000 from accumulated other comprehensive income to interest expense by January 31, 2022.

The fair values of the Company's outstanding derivatives designated as hedging instruments were as follows:

	Balance Sheet Location	Fair Value of Derivative Instruments as of December 31, 2021	January 1, 2021
		(in thousands)	
Interest rate swap agreement	Accrued liabilities	$ (50)	$ (624)
Interest rate swap agreement	Other noncurrent (liabilities) assets	$ —	$ (48)

The impact of the effective portions of derivative instruments in cash flow hedging relationships and fair value relationships on other comprehensive income was $0.5 million for the year ended December 31, 2021.

The accumulated balances and reporting period activities for the year ended December 31, 2021 related to reclassifications out of accumulated other comprehensive income (loss) are summarized as follows:

	Gain (Loss) on Derivative Instruments	Accumulated Other Comprehensive Loss
	(in thousands)	
Balances at December 28, 2018	$ —	$ —
Other comprehensive loss before reclassifications	(546)	(546)
Amounts reclassified from accumulated other comprehensive income:	0	0
Income tax benefit (expense) related to derivative instruments	150	150
Net current-period other comprehensive loss	(396)	(396)
Balances at December 27, 2019	$ (396)	$ (396)
Other comprehensive loss before reclassifications	(126)	(126)
Amounts reclassified from accumulated other comprehensive income:	0	0
Income tax benefit (expense) related to derivative instruments	34	34
Net current-period other comprehensive loss	(488)	(488)
Balances at January 1, 2021	$ (488)	$ (488)
Other comprehensive income before reclassifications	622	622
Amounts reclassified from accumulated other comprehensive income:	0	0
Income tax benefit (expense) related to derivative instruments	(172)	(172)
Net current-period other comprehensive loss	(38)	(38)
Balances at December 31, 2021	$ (38)	$ (38)

5. DEBT OBLIGATIONS

Debt obligations, excluding obligations under finance leases (see Note 7, *Leases*, below), consisted of the following:

	December 31, 2021	January 1, 2021
	(in thousands)	
Outstanding borrowings on Term A Loan	$ 75,000	$ 85,000
Outstanding borrowings on Revolving Credit Facility	—	—
Outstanding borrowings on Delayed Draw Term Loan	24,000	27,000
Other debt agreements	2,161	1,996
Total debt	101,161	113,996
Issuance costs and debt discounts	(587)	(822)
Subtotal	100,574	113,174
Less current portion of long-term debt	15,036	14,996
Long-term debt portion	$ 85,538	$ 98,178

Credit Facilities

On June 26, 2019, the Company and certain of its subsidiaries entered into an Amended and Restated Credit Agreement (as amended by the First Amendment, dated as of August 15, 2019, the Second Amendment, dated as of November 6, 2019, the Third Amendment, dated as of May 6, 2020, and the Fourth Amendment, dated April 30, 2021, the "Credit Agreement") with a syndicate of financial institutions as lenders and BMO Harris Bank, N.A. ("BMO"), as administrative agent. The Credit Agreement provides for (i) a $100.0 million secured term loan (the "Term A Loan"), (ii) up to $50.0 million in delayed draw secured term loans (the "Delayed Draw Term Loan"), and (iii) a $50.0 million secured revolving credit facility (the "Revolving Credit Facility" and, collectively with the Term A Loan and the Delayed Draw Term Loan, the "Credit Facilities"), each maturing on June 26, 2024. The Company's obligations under the Credit Agreement are guaranteed by its present and future domestic subsidiaries, with limited exceptions.

Prior to the Fourth Amendment to the Amended and Restated Credit Agreement, dated as of April 30, 2021 (the "Fourth Amendment"), the Credit Agreement required the Company to comply with certain financial covenants, including requiring that the Company maintain a (i) total leverage ratio (the "Leverage Ratio"), defined as the ratio of total funded debt to Adjusted EBITDA (as defined in the Credit Agreement), of 6.00 to 1.00 through June 26, 2020, 7.75 to 1.00 through September 25, 2020, 7.50 to 1.00 through January 1, 2021, 6.25 to 1.00 through April 2, 2021, 4.00 to 1.00 through July 2, 2021, and 3.25 to 1.00 through October 1, 2021 and thereafter and (ii) fixed charge coverage ratio ("FCCR Ratio"), defined as the ratio of Adjusted EBITDA less Unfinanced Capital Expenditures (as defined in the Credit Agreement) to Fixed Charges (as defined in the Credit Agreement), of not less than 1.20 to 1.00, in each case tested quarterly, except during the period from May 6, 2020 until July 2, 2021 (the "Initial Covenant Relief Period"), when the maximum Leverage Ratio was increased and the covenant to maintain a minimum FCCR Ratio was replaced with a covenant to maintain a minimum Adjusted EBITDA (as defined in the Third Amendment). In addition, during the Initial Covenant Relief Period, no delayed draw term loans could be borrowed under the Credit Facilities and the Company was prohibited from engaging in share repurchases or making any Permitted Acquisitions (as defined in the Credit Agreement). Additionally, during the Initial Covenant Relief Period, the aggregate amount of all capital expenditures made by the Company could not exceed $7.0 million, and the Company was prohibited from making any earn-out payments if, after giving effect to such earn-out payment, the Company's liquidity would be less than $5.0 million or the aggregate amount of all earn-out payments made by the Company during the Initial Covenant Relief Period would exceed $7.0 million.

Pursuant to the Fourth Amendment, the Initial Covenant Relief Period was extended from July 2, 2021 to and including the earlier of (i) April 1, 2022 and (ii) the last day of the fiscal quarter in which the Company delivers an irrevocable election to terminate the covenant relief granted by the Fourth Amendment (the "Second Covenant Relief Period," and together with the Initial Covenant Relief Period, the "Amended Covenant Relief Period"). The Fourth Amendment also (A) increases the maximum Leverage Ratio the Company is permitted to maintain to 4.50 to 1.00 through June 30, 2021, 5.25 to 1.00 through September 30, 2021, 4.50 to 1.00 through December 31, 2021, 4.25 to 1.00 through March 31, 2022, and 3.25 to 1.00 through June 30, 2022 and thereafter, (B) establishes the minimum Adjusted EBITDA thresholds (as defined in the Third Amendment) for the remainder of the Amended Covenant Relief Period, (C) removes the previous prohibition during the Initial Covenant Relief Period on the Company's ability to make delayed draw term loan borrowings, (D) removes the previous prohibition during the Initial Covenant Relief Period on the Company's ability to make Permitted Acquisitions (as defined in the Credit Agreement) and to purchase, redeem or otherwise acquire the Company's common stock, in each case, subject to certain conditions, and (E) increases the maximum amount of earn-out payments the Company is permitted to make during the Amended Covenant Relief Period from $7.0 million to $17.0 million, provided that the Company's liquidity would not be less than $10.0 million after giving effect to such earn-out payment. Additionally, during the remainder of the Amended Covenant Relief Period, the aggregate amount of all capital expenditures made by the Company may not exceed $15.0 million.

In accordance with the Fourth Amendment, borrowings under the Credit Agreement will bear interest at all times other than during the Initial Covenant Relief Period, at either a Base Rate or LIBOR, each as defined in the Credit Agreement, at the Company's option, and in each case plus an applicable margin, which applicable margin will range from 0.125% to 1.25% with respect to Base Rate borrowings and 1.125% to 2.25% with respect to LIBOR borrowings, depending on the Leverage Ratio; provided, that LIBOR cannot be less than 0.00%. The Company will also pay a commitment fee for the unused portion of the Revolving Credit Facility and the delayed draft term loan facility, which will range from 0.15% to 0.40% per annum depending on the Leverage Ratio, and fees on the face amount of any letters of credit outstanding under the Revolving Credit Facility, which will range from 0.84% to 1.688% per annum, in each case, depending on whether such letter of credit is a performance or financial letter of credit and the Leverage Ratio.

The Credit Agreement includes customary events of default and also contains other customary restrictive covenants including (i) restrictions on the incurrence of additional indebtedness and additional liens on property, (ii) restrictions on permitted acquisitions and other investments and (iii) limitations on asset sales, mergers and acquisitions. Further, the Credit Agreement limits the Company's payment of future dividends and distributions and share repurchases by the Company. Subject to certain exceptions, borrowings under the Credit Agreement are also subject to mandatory prepayment from (a) any issuances of debt or equity securities, (b) any sale or disposition of assets, (c) insurance and condemnation proceeds (d) representation and warranty insurance proceeds related to insurance policies issued in connection with acquisitions and (e) excess cash flow.

The Term A Loan issuance costs are amortized to interest expense over the term of the loan, and as of December 31, 2021, issuance costs of $0.6 million remained unamortized. The Delayed Draw Term Loan and Revolving Credit Facility issuance cost of $0.3 million are included in assets in the accompanying consolidated balance sheets.

The Term A Loan amortizes quarterly in installments of $2.5 million beginning with the fiscal quarter ending September 27, 2019, with a final payment of all then remaining principal and interest due on the maturity date of June 26, 2024. Each borrowing under the Delayed Draw Term Loan will amortize quarterly in an amount equal to 2.5% of the aggregate outstanding borrowings under the Delayed Draw Term Loan, beginning with the first full fiscal quarter ending after the initial borrowing date, with a final payment of all then remaining principal and interest due on the maturity date of June 26, 2024. The amounts outstanding under the Credit Facilities may be prepaid in whole or in part at any time without penalty.

Willdan is the borrower under the Credit Agreement and its obligations under the Credit Agreement are guaranteed by its present and future domestic subsidiaries (other than any inactive subsidiaries and Factoring SPV (as defined in the Credit Agreement)). In addition, subject to certain exceptions, all such obligations are secured by substantially all of the assets of Willdan and the subsidiary guarantors.

WILLDAN GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The Company believes that, as of December 31, 2021, it was in compliance with all covenants contained in the Credit Agreement, as amended by the Fourth Amendment.

As of December 31, 2021, the Company's composite interest rate, exclusive of the effects of upfront fees, undrawn fees and issuance cost amortization, was 3.0% and $4.1 million in letters of credit were issued.

Other Debt Agreements

The Company's other debt agreements are related to financed insurance premiums, a financed software agreement, and a utility customer agreement and are immaterial to the Company's Consolidated Financial Statements.

Future Debt Payments

The following table summarizes the combined principal installments for the Company's debt obligations, excluding capital leases, over the next five years and beyond, as of December 31, 2021:

Fiscal Year:	
2022	15,036
2023	13,070
2024	73,055
Total debt maturities	101,161
Issuance costs and debt discounts	(587)
Net carrying value	$ 100,574

6. GOODWILL AND OTHER INTANGIBLE ASSETS

As of December 31, 2021, the Company had $130.1 million of goodwill, which primarily relates to the Energy segment and the acquisitions within this segment of E3, Inc., Lime Energy, NAM, Integral Analytics and Abacus Resource Management Company (“Abacus”) and substantially all of the assets of Onsite Energy, The Weidt Group, Genesys and 360 Energy Engineers, LLC (“360 Energy”). The remaining goodwill relates to the Engineering and Consulting reporting segment and the acquisition within this segment of Economists LLC.

The changes in the carrying value of goodwill by reporting unit were as follows:

	January 1, 2021	Additional Purchase Cost	Additions / Adjustments	December 31, 2021
		(in thousands)		
Reporting Unit:				
Energy	$ 129,375	$ —	$ —	$ 129,375
Engineering and Consulting	749	—	—	749
	$ 130,124	$ —	$ —	$ 130,124

	December 27, 2019	Additional Purchase Cost	Additions / Adjustments	January 1, 2021
		(in thousands)		
Reporting Unit:				
Energy	$ 126,898	$ —	$ 2,477	$ 129,375
Engineering and Consulting	749	—	—	749
	$ 127,647	$ —	$ 2,477	$ 130,124

The Company tests its goodwill at least annually for possible impairment. The Company completes its annual testing of goodwill as of the last day of the first month of its fourth fiscal quarter each year to determine whether there is impairment. In addition to the Company’s annual test, it regularly evaluates whether events and circumstances have occurred that may indicate a potential impairment of goodwill, including the current economic impact caused by the Covid-19 pandemic. No impairment was recorded in any year during the three-year period end December 31, 2021.

The gross amounts and accumulated amortization of the Company’s acquired identifiable intangible assets with finite useful lives, included in other intangible assets, net in the accompanying consolidated balance sheets, were as follows:

	December 31, 2021		January 1, 2021		
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization	Amortization Period
					(in years)
Finite:					
Backlog	$ 7,944	$ 7,222	$ 7,944	$ 6,249	1.0
Tradename	15,911	8,997	15,911	6,984	2.5 - 6.0
Non-compete agreements	1,420	1,413	1,420	1,390	4.0 - 5.0
Developed technology	15,500	8,950	15,500	6,107	8.0
Customer relationships	58,149	19,939	58,149	14,248	5.0 - 8.0
Total finite intangible assets	98,924	46,521	98,924	34,978	
In-process research and technology [1]	310	—	310	—	
Total intangible assets	$ 99,234	$ 46,521	$ 99,234	$ 34,978	

(1) In-process research and technology is not amortized until put into use.

At the time of acquisition, the Company estimates the fair value of the acquired identifiable intangible assets based upon the facts and circumstances related to the particular intangible asset. Inherent in such estimates are judgments and estimates of future revenue, profitability, cash flows and appropriate discount rates for any present value calculations. The Company preliminarily estimates the value of the acquired identifiable intangible assets and then finalizes the estimated fair values during the purchase allocation period, which does not extend beyond 12 months from the date of acquisition.

The Company's amortization expense for acquired identifiable intangible assets with finite useful lives was $11.5 million, $13.7 million and $11.6 million for the fiscal years 2021, 2020 and 2019, respectively.

Estimated amortization expense for acquired identifiable intangible assets for fiscal year 2022 and the succeeding years is as follows:

	Future Intangible Asset Amortization expense (in thousands)
Fiscal year:	
2022	$ 11,227
2023	9,928
2024	6,806
2025	6,235
2026	5,513
Thereafter	13,004
	$ 52,713

7. LEASES

The Company leases certain office facilities under long-term, non-cancellable operating leases that expire at various dates through the year 2027. In addition, the Company is obligated under finance leases for certain furniture and office equipment that expire at various dates through the year 2025.

On December 29, 2018, the Company adopted ASU No. 2016-02, Leases (Topic 842) using the modified retrospective method. Under this guidance, the net present value of future lease payments is recorded as right-of-use assets and lease liabilities. In addition, the Company elected the 'package of practical expedients' permitted under the transition guidance within the new standard, which among other things, allowed the Company to carry forward the historical lease classification. In addition, the Company elected not to utilize the hindsight practical expedient to determine the lease term for existing leases. The Company elected the short-term lease recognition exemption for all leases that qualify. This means, for those leases that qualify, the Company did not recognize right-of-use assets or lease liabilities, including not recognizing right-of-use assets or lease liabilities for existing short-term leases of those assets in transition. The Company also elected the practical expedient to not separate lease and non-lease components for our facilities leases.

From time to time, the Company enters into non-cancelable leases for some of our facility and equipment needs. These leases allow the Company to conserve cash by paying a monthly lease rental fee for the use of facilities and equipment rather than purchasing them. The Company's leases have remaining terms ranging from one to eight years, some of which may include options to extend the leases for up to five years, and some of which may include options to terminate the leases within one year. Currently, all of the Company's leases contain fixed payment terms. The Company may decide to cancel or terminate a lease before the end of its term, in which case we are typically liable to the lessor for the remaining lease payments under the term of the lease. Additionally, all of our month-to-month leases are cancelable by the Company or the lessor, at any time, and are not included in our right-of-use asset or lease liability. As of December 31, 2021, the Company had no leases with residual value guarantees. Typically, the Company has purchase options on the equipment underlying its long-term leases. The Company may exercise some of these purchase options when the need for equipment is on-going and the purchase option price is attractive. Nonperformance-related default covenants, cross-default provisions, subjective default provisions and material adverse change clauses contained in material lease agreements, if any, are also evaluated to determine whether those clauses affect lease classification in accordance with "ASC" Topic 842-10-25. Leases are accounted for as operating or financing leases, depending on the terms of the lease.

Financing Leases

The Company leases certain equipment under financing leases. The economic substance of the leases is a financing transaction for acquisition of equipment and leasehold improvements. Accordingly, the right-of-use assets for these leases are included in the balance sheets in equipment and leasehold improvements, net of accumulated depreciation, with a corresponding amount recorded in current portion of financing lease obligations or noncurrent portion of financing lease obligations, as appropriate. The financing lease assets are amortized over the life of the lease or, if shorter, the life of the leased asset, on a straight-line basis and included in depreciation expense. The interest associated with financing lease obligations is included in interest expense.

Right-of-use assets

Operating leases are included in right-of-use assets, and current portion of lease liability and noncurrent portion of lease liability, as appropriate. Right-of-use assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of the Company's leases do not provide an implicit rate to calculate present value, the Company determines this rate by estimating the Company's incremental borrowing rate at the lease commencement date. The right-of-use asset also includes any lease payments made and initial direct costs incurred at lease commencement and excludes lease incentives. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

The following is a summary of the lease expense:

	Fiscal Year		
	2021	2020	2019
		(in thousands)	
Operating lease cost	$ 6,497	$ 7,031	$ 5053
Finance lease cost:			
Amortization of assets	577	589	509
Interest on lease liabilities	34	29	36
Total net lease cost	$ 7,108	$ 7,649	$ 5,598

The following is a summary of lease information presented on the Company's consolidated balance sheet:

	December 31, 2021	January 1, 2021
	(in thousands)	
Operating leases:		
Right-of-use assets	$ 15,177	$ 20,130
Lease liability	$ 5,575	$ 5,844
Lease liability, less current portion	10,768	15,649
Total lease liabilities	$ 16,343	$ 21,493
Finance leases (included in equipment and leasehold improvements, net):		
Equipment and leasehold improvements, net	$ 3,286	$ 2,370
Accumulated depreciation	(1,947)	(1,826)
Total equipment and leasehold improvements, net	$ 1,339	$ 544
Finance lease obligations	$ 539	$ 248
Finance lease obligations, less current portion	778	236
Total finance lease obligations	$ 1,317	$ 484
Weighted average remaining lease term (in years):		
Operating Leases	3.79	4.40
Finance Leases	2.62	2.02
Weighted average discount rate:		
Operating Leases	4.28 %	4.44 %
Finance Leases	2.78 %	3.74 %

Rent expense for fiscal years 2021, 2020 and 2019 was $6.8 million, and $7.6 million, and $6.2 million, respectively.

WILLDAN GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following is a summary of other information and supplemental cash flow information related to finance and operating leases:

	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019
	(in thousands)		
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flow from operating leases	$ 6,727	$ 6,972	$ 5,151
Operating cash flow from finance leases	34	29	36
Financing cash flow from finance leases	545	549	639
Right-of-use assets obtained in exchange for lease liabilities:			
Operating leases	$ 783	$ 3,186	$ 4,918

The following is a summary of the maturities of lease liabilities as of December 31, 2021:

	Operating	Finance
	(in thousands)	
Fiscal year:		
2022	$ 6,235	$ 567
2023	4,372	489
2024	2,657	231
2025	1,967	63
2026	2,037	15
2027 and thereafter	453	—
Total lease payments	17,721	1,365
Less: Imputed interest	(1,378)	(48)
Total lease obligations	16,343	1,317
Less: Current obligations	5,575	539
Noncurrent lease obligations	$ 10,768	$ 778

The imputed interest for finance lease obligations represents the interest component of finance leases that will be recognized as interest expense in future periods. The financing component for operating lease obligations represents the effect of discounting the operating lease payments to their present value.

8. COMMITMENTS AND VARIABLE INTEREST ENTITIES

Employee Benefit Plans

The Company has a qualified profit sharing plan pursuant to Code Section 401(a) and qualified cash or deferred arrangement pursuant to Code Section 401(k) covering all employees. Employees may elect to contribute up to 50% of their compensation limited to the amount allowed by tax laws. Company contributions are made solely at the discretion of the Company's board of directors.

The Company also had a defined contribution plan (the "Plan") covering employees who have completed three months of service and who have attained 21 years of age. The Company elected to make matching contributions equal to 50% of the participants' contributions to the Plan up to 6% of the individual participant's compensation. Under the defined contribution plan, the Company may make discretionary matching contributions to employee accounts.

The Company made matching contributions of $2.0 million, $1.5 million, and $2.0 million during fiscal years 2021, 2020 and 2019, respectively.

Variable Interest Entities

On March 4, 2016, the Company and the Company's wholly-owned subsidiary, WES acquired substantially all of the assets of Genesys and assumed certain specified liabilities of Genesys (collectively, the "Purchase") pursuant to an Asset Purchase and Merger Agreement, dated as of February 26, 2016 (the "Agreement"), by and among Willdan Group, Inc., WES, WESGEN (as defined below), Genesys and Ronald W. Mineo ("Mineo") and Robert J. Braun ("Braun" and, together with Mineo, the "Genesys Shareholders"). On March 5, 2016, pursuant to the terms of the Agreement, WESGEN, Inc., a non-affiliated corporation ("WESGEN"), merged (the "Merger" and, together with the Purchase, the "Acquisition") with Genesys, with Genesys remaining as the surviving corporation. Genesys was acquired to strengthen the Company's power engineering capability in the northeastern U.S., and also to increase client exposure and experience with universities.

Genesys continues to be a professional corporation organized under the laws of the State of New York, wholly-owned by one or more licensed engineers. Pursuant to New York law, the Company does not own capital stock of Genesys. The Company has entered into an agreement with the Shareholder of Genesys pursuant to which the Shareholder will be prohibited from selling, transferring or encumbering the Shareholder's ownership interest in Genesys without the Company's consent. Notwithstanding the Company's rights regarding the transfer of Genesys's stock, the Company does not have control over the professional decision making of Genesys's engineering services. The Company has entered into an administrative services agreement with Genesys pursuant to which WES will provide Genesys with ongoing administrative, operational and other non-professional support services. Genesys pays WES a service fee, which consists of all of the costs incurred by WES to provide the administrative services to Genesys plus ten percent of such costs, as well as any other costs that relate to professional service supplies and personnel costs. As a result of the administrative services agreement, the Company absorbs the expected losses of Genesys through its deferral of Genesys's service fees owed to WES.

The Company manages Genesys and has the power to direct the activities that most significantly impact Genesys's performance, in addition to being obligated to absorb expected losses from Genesys. Accordingly, the Company is the primary beneficiary of Genesys and consolidates Genesys as a VIE. In addition, the Company concluded there is no noncontrolling interest related to the consolidation of Genesys because the Company determined that (i) the shareholder of Genesys does not have more than a nominal amount of equity investment at risk, (ii) WES absorbs the expected losses of Genesys through its deferral of Genesys's service fees owed to WES and the Company has, since entering into the administrative services agreement, had to continuously defer service fees for Genesys, and (iii) the Company believes Genesys will continue to have a shortfall on payment of its service fees for the foreseeable future, leaving no expected residual returns for the shareholder.

As of December 31, 2021, the Company had one VIE — Genesys.

9. SEGMENT AND GEOGRAPHICAL INFORMATION

Segment Information

The Company’s two segments are Energy and Engineering and Consulting, and the Company’s chief operating decision maker, which continues to be its chief executive officer, receives and reviews financial information in this format.

There were no intersegment sales in any of the three fiscal years ended December 31, 2021. The Company’s chief operating decision maker evaluates the performance of each segment based upon income or loss from operations before income taxes. Certain segment asset information including expenditures for long-lived assets has not been presented as it is not reported to or reviewed by the chief operating decision maker. In addition, enterprise-wide service line contract revenue is not included as it is impracticable to report this information for each group of similar services.

Financial information with respect to the reportable segments and reconciliation to the amounts reported in the Company’s consolidated financial statements follows:

	Energy	Engineering & Consulting	Unallocated Corporate	Intersegment	Consolidated Total
			(in thousands)		
Fiscal Year 2021					
Contract revenue	$ 286,385	$ 67,370	$ —	$ —	$ 353,755
Depreciation and amortization	16,156	990	—	—	17,146
Interest expense	8	—	3,861	—	3,869
Segment profit (loss) before income tax expense	(4,808)	9,135	(16,731)	—	(12,404)
Income tax (benefit) expense	(1,546)	2,936	(5,377)	—	(3,987)
Net income (loss)	(3,263)	6,198	(11,352)	—	(8,417)
Segment assets [1]	363,232	21,423	32,897	(23,130)	394,422
Fiscal Year 2020					
Contract revenue	$ 324,178	$ 66,802	$ —	$ —	$ 390,980
Depreciation and amortization	17,666	1,077	—	—	18,743
Interest expense	32	—	5,036	—	5,068
Segment profit (loss) before income tax expense	(9,963)	9,500	(19,206)	—	(19,669)
Income tax (benefit) expense	(2,621)	2,499	(5,051)	—	(5,173)
Net income (loss)	(7,343)	7,002	(14,155)	—	(14,496)
Segment assets [1]	337,739	21,796	66,619	(23,130)	403,024
Fiscal Year 2019					
Contract revenue	$ 370,715	$ 72,384	$ —	$ —	$ 443,099
Depreciation and amortization	13,703	1,324	—	—	15,027
Interest expense	32	—	4,868	—	4,900
Segment profit before income tax expense	11,971	8,839	(16,154)	—	4,656
Income tax expense (benefit)	3,308	2,442	(5,935)	—	(185)
Net income (loss)	8,664	6,397	(10,220)	—	4,841
Segment assets [1]	392,362	23,682	46,999	(23,130)	439,913

(1) Segment assets are presented net of intercompany receivables.

WILLDAN GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following tables provides information about disaggregated revenue by contract type, client type and geographical region:

	2021		
	Energy	Engineering and Consulting	Total
	(in thousands, except percentage)		
Contract Type			
Time-and-materials	$ 34,004	$ 52,209	$ 86,213
Unit-based	180,311	10,688	190,999
Fixed price	72,069	4,474	76,543
Total (1)	$ 286,384	$ 67,371	$ 353,755
Client Type			
Commercial	$ 24,541	$ 5,323	$ 29,864
Government	65,249	61,899	127,148
Utilities (2)	196,594	149	196,743
Total (1)	$ 286,384	$ 67,371	$ 353,755
Geography (3)			
Domestic	$ 286,384	$ 67,371	$ 353,755

	2020		
	Energy	Engineering and Consulting	Total
	(in thousands, except percentage)		
Contract Type			
Time-and-materials	$ 47,912	$ 53,840	$ 101,752
Unit-based	170,991	9,195	180,186
Fixed price	105,275	3,767	109,042
Total (1)	$ 324,178	$ 66,802	$ 390,980
Client Type			
Commercial	$ 36,212	$ 5,155	$ 41,367
Government	93,821	61,412	155,233
Utilities (2)	194,145	235	194,380
Total (1)	$ 324,178	$ 66,802	$ 390,980
Geography (3)			
Domestic	$ 324,178	$ 66,802	$ 390,980

	2019		
	Energy	Engineering and Consulting	Total
	(in thousands, except percentage)		
Contract Type			
Time-and-materials	$ 18,625	$ 54,560	$ 73,185
Unit-based	272,978	14,391	287,369
Fixed price	79,112	3,433	82,545
Total	$ 370,715	$ 72,384	$ 443,099
Client Type			
Commercial	$ 39,311	$ 4,895	$ 44,206
Government	57,020	67,049	124,069
Utilities	274,384	440	274,824
Total	$ 370,715	$ 72,384	$ 443,099
Geography (1)			
Domestic	$ 370,715	$ 72,384	$ 443,099

(1) Revenue from our foreign operations were immaterial for fiscal years 2021, 2020 and 2019.

WILLDAN GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following sets forth the assets that are included in Unallocated Corporate as of December 31, 2021 and January 1, 2021.

	2021	2020
	(in thousands)	
Assets:		
Cash and cash equivalents	$ 11,221	$ 28,405
Accounts Receivable, net	(40,441)	(12,144)
Prepaid expenses	2,811	2,422
Intercompany receivables	1,131,100	691,440
Goodwill	2	2
Other receivables	4,328	4,409
Equipment and leasehold improvements, net	1,190	1,585
Investments in subsidiaries	36,084	26,576
ROU Assets	452	809
Other	399	444
Deferred income taxes	16,849	14,111
	$ 1,163,995	$ 758,059

Geographical Information

Substantially all of the Company's consolidated revenue was derived from its operations in the U.S. In connection with the Company's acquisition of E3, Inc. in October 28, 2019, the Company expanded its operations into Canada. Revenues from the Company's Canadian operations were not material for fiscal years 2021, 2020 and 2019.

Customer Concentration

For fiscal years 2021, 2020, and 2019, the Company's top 10 customers accounted for 49.2%, 48.0%, and 50.6%, respectively, of the Company's consolidated contract revenue. During fiscal years 2021, 2020, 2019, the Company had individual customers that accounted for more than 10% of its consolidated contract revenues. For fiscal year 2021, the Company derived 10.8% of its consolidated contract revenue from one customer, Los Angeles Department of Water and Power ("LADWP"). For fiscal year 2020, the Company derived 10.2% of its consolidated contract revenue from one customer, LADWP. For fiscal year 2019, the Company derived 29.1% of its consolidated contract revenue from two customers, Consolidated Edison of New York and LADWP.

On a segment basis, the Company also had individual customers that accounted for more than 10% of its segment contract revenues. For fiscal year 2021, the Company derived 34.5% of its Energy segment revenues from three customers, LADWP, Duke Energy and Consolidated Edison of New York, and it derived 10.3% of its Engineering and Consulting segment revenues from one customer, the City of Elk Grove. For fiscal year 2020, the Company derived 22.5% of its Energy segment revenues from two customers, LADWP and The Dormitory Authority State of New York ("DASNY"), and it derived 18.2% of its Engineering and Consulting segment revenues from one customer, the City of Elk Grove. For fiscal year 2019, the Company derived 34.7% of its Energy segment revenues from two customers, Consolidated Edison of New York and LADWP, and it derived 25.0% of its Engineering and Consulting segment revenues from one customer, the City of Elk Grove.

The Company's largest clients are based in California and New York. In fiscal year 2021, 2020, and 2019, services provided to clients in California accounted for 36.8%, 37.0%, and 41.1%, respectively, of the Company's contract revenue and services provided to clients in New York accounted for 21.0%, 19.2%, and 27.2%, respectively, of the Company's contract revenue.

10. SHAREHOLDERS' EQUITY

Stock Incentive Plans

As of December 31, 2021, the Company had two share-based compensation plans, which are described below. The Company may no longer grant awards under the 2006 Stock Incentive Plan.

2006 Stock Incentive Plan

In June 2006, the Company's board of directors adopted the 2006 Stock Incentive Plan ("2006 Plan") and it received stockholder approval. The Company re-submitted the 2006 Plan to its stockholders for post-IPO approval at the 2007 annual meeting of the stockholders and it was approved. The 2006 Plan terminated in June 2016 and no additional awards were granted under the 2006 Plan after the Company's shareholders approved the 2008 Plan (as defined below) in June 2008. The 2006 Plan had 300,000 shares of common stock reserved for issuance to the Company's directors, executives, officers, employees, consultants and advisors. Approximately 182,735 shares that were available for award grant purposes under the 2006 Plan have become available for grant under the 2008 Plan following shareholder approval of the 2008 Plan. Options granted under the 2006 Plan could be "non-statutory stock options" which expire no more than 10 years from the date of grant or "incentive stock options" as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). Upon exercise of non-statutory stock options, the Company is generally entitled to a tax deduction on the exercise of the option for an amount equal to the excess over the exercise price of the fair market value of the shares at the date of exercise. The Company is generally not entitled to any tax deduction on the exercise of an incentive stock option.

As of December 31, 2021, there were no outstanding stock options under the 2006 Plan.

Amended and Restated 2008 Performance Incentive Plan

In March 2008, the Company's board of directors adopted the 2008 Performance Incentive Plan ("2008 Plan"), and it received stockholder approval at the 2008 annual meeting of the stockholders in June 2008. The 2008 Plan was originally set to terminate on April 17, 2027 but received a ten-year extension at the 2019 annual meeting of the stockholders. The 2008 Plan is currently scheduled to expire on April 18, 2029. The 2008 Plan initially had 450,000 shares of common stock reserved for issuance (not counting any shares originally available under the 2006 Plan that "poured over.") At the 2010, 2012, 2016, 2017, 2019 annual meetings of the stockholders, the stockholders approved 350,000, 500,000, 500,000, 875,000 and 955,000 share increases, respectively, to the 2008 Plan. The maximum number of shares of the Company's common stock that may be issued or transferred pursuant to awards under the 2008 Plan can also be increased by any shares subject to stock options granted under the 2006 Plan and outstanding as of June 9, 2008 which expire, or for any reason are cancelled or terminated, after June 9, 2008 without being exercised. The 2008 Plan currently has 183,000 shares of common stock reserved for issuance. Awards authorized by the 2008 Plan include stock options, stock appreciation rights, restricted stock, stock bonuses, stock units, performance stock, and other share-based awards. No participant may be granted an option to purchase more than 300,000 shares in any fiscal year. Options generally may not be granted with exercise prices less than fair market value at the date of grant, with vesting provisions and contractual terms determined by the compensation committee of the board of directors on a grant-by-grant basis, subject to the minimum vesting provisions contained in the 2008 Plan. Options granted under the 2008 Plan may be "nonqualified stock options" or "incentive stock options" as defined in Section 422 of the Internal Revenue Code. The maximum term of each option shall be 10 years. Upon exercise of nonqualified stock options, the Company is generally entitled to a tax deduction on the exercise of the option for an amount equal to the excess over the exercise price of the fair market value of the shares at the date of exercise. The Company is generally not entitled to any tax deduction on the exercise of an incentive stock option. For awards other than stock options, the Company is generally entitled to a tax deduction at the time the award holder recognizes income with respect to the award equal to the amount of compensation income recognized by the award holder. Options and other awards provide for accelerated vesting if there is a change in control (as defined in the 2008 Plan) and the outstanding awards are not substituted or assumed in connection with the transaction.

Through December 31, 2021, outstanding awards granted, net of forfeitures and exercises, under the 2008 Plan consisted of 46,000 shares of incentive stock options, 803,000 shares of non-statutory stock options, 110,000 shares of restricted stock awards and 212,000 shares of performance-based restricted stock units.

Employee Stock Purchase Plan

Amended and Restated 2006 Employee Stock Purchase Plan

The Company adopted its Amended and Restated 2006 Employee Stock Purchase Plan ("ESPP") to allow eligible employees the right to purchase shares of common stock, at semi-annual intervals, with their accumulated payroll deductions. The plan received stockholder approval in June 2006. The Company re-submitted the plan to its stockholders for post-IPO approval at the 2007 annual stockholders' meeting where approval was obtained. The ESPP initially had 300,000 shares of common stock reserved for issuance. At the 2017 annual meeting of the stockholders, the stockholders approved an 825,000 share increase to the ESPP. A total of 1,125,000 shares of the Company's common stock have been reserved for issuance under the plan.

The plan has semi-annual periods beginning on each January 1 and ending on each June 30 and beginning on each July 1 and ending on each December 31. The first offering period commenced on February 10, 2007 and ended on June 30, 2007. Participants make contributions under the plan only by means of payroll deductions each payroll period. The rate of payroll contributions elected by a Participant may not be less than one percent (1%) nor more than ten percent (10%) of the Participant's Earnings for each payroll period, and only whole percentages may be elected. The accumulated contributions are applied to the purchase of shares. Shares are purchased under the plan on or as soon as practicable after, the last day of the offering period. The purchase price per share equals 85% of the fair market value of a share on the lesser price of the share on the first day or last day of the offering period. The Company's Amended and Restated 2006 Employee Stock Purchase Plan is a compensatory plan.

As of December 31, 2021, there were 479,000 shares available for issuance under the plan.

Stock-based Compensation Expense

The compensation expense that has been recognized for stock options, restricted stock awards ("RSA"), performance-based restricted stock units ("PBRSU"), and ESPP issued under these plans was $16.6 million, $16.1 million, and $12.1 million for fiscal years 2021, 2020, and 2019, respectively.

The Company did not have any unrecognized compensation expense related to nonvested stock options for fiscal year 2021. The total unrecognized compensation expense related to nonvested stock options was $0.4 million, and $1.5 million for fiscal years 2020, and 2019, respectively.

The total unrecognized compensation expense related to RSAs was $3.3 million, $3.6 million, and $1.5 million, for fiscal years 2021, 2020, and 2019, respectively.

The total unrecognized compensation expense related to PBRSUs was $2.2 million, $13.2 million, and $21.5 million for the fiscal years 2021, 2020, and 2019, respectively. That expense is expected to be recognized over a weighted-average period of 0.18 years.

There were no options granted that were immediately vested during the fiscal years 2021, 2020, or 2019.

WILLDAN GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Summary of Stock Option Activity

A summary of option activity under the 2006 Plan and 2008 Plan as of December 31, 2021 and changes during the fiscal years ended December 31, 2021, January 1, 2021 and December 27, 2019 is presented below. The intrinsic value of the fully-vested options is $13.0 million based on the Company's closing stock price of $35.20 and the average exercise price of outstanding options on December 31, 2021.

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
	(in thousands)		*(in years)*
Outstanding at January 1, 2021	1,003	$ 18.86	5.43
Granted	—	—	—
Exercised	(150)	12.86	—
Forfeited or expired	(4)	24.33	—
Outstanding at December 31, 2021	849	$ 19.89	4.68
Vested and expected to vest at December 31, 2021	849	$ 19.89	4.68
Exercisable at December 31, 2021	849	$ 19.89	4.68

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
	(in thousands)		*(in years)*
Outstanding at December 27, 2019	1,124	$ 17.80	6.06
Granted	—	—	—
Exercised	(119)	9.12	—
Forfeited or expired	(2)	2.71	—
Outstanding at January 1, 2021	1,003	$ 18.86	5.43
Vested and expected to vest at January 1, 2021	1,003	$ 18.86	5.43
Exercisable at January 1, 2021	952	$ 18.16	5.31

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
	(in thousands)		*(in years)*
Outstanding at December 28, 2018	1,252	$ 16.87	6.62
Granted	—	—	—
Exercised	(115)	8.08	—
Forfeited or expired	(13)	14.97	—
Outstanding at December 27, 2019	1,124	$ 17.80	6.06
Vested and expected to vest at December 27, 2019	1,124	$ 17.80	6.06
Exercisable at December 27, 2019	958	$ 15.48	5.68

WILLDAN GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

A summary of the status of the Company’s nonvested options and changes in nonvested options is presented below:

	Options	Weighted-Average Grant-Date Fair Value
	(in thousands)	
Nonvested at January 1, 2021	52	$ 31.73
Granted	—	—
Vested	(52)	31.73
Forfeited	—	—
Nonvested at December 31, 2021	—	—

	Options	Weighted-Average Grant-Date Fair Value
	(in thousands)	
Nonvested at December 27, 2019	166	$ 12.15
Granted	—	—
Vested	(114)	30.97
Forfeited	—	—
Nonvested at January 1, 2021	52	31.73

	Options	Weighted-Average Grant-Date Fair Value
	(in thousands)	
Nonvested at December 28, 2018	414	$ 8.69
Granted	—	—
Vested	(242)	9.43
Forfeited	(6)	10.87
Nonvested at December 27, 2019	166	12.15

Summary of Restricted Stock Activity

A summary of restricted stock activity under the 2008 Plan as of December 31, 2021 is presented below:

	Restricted Stock *(in thousands)*	Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2021	128	$ 33.21
Awarded	63	41.02
Vested	(75)	32.09
Forfeited	(6)	36.69
Outstanding at December 31, 2021	110	$ 38.30
Outstanding at December 27, 2019	58	$ 33.33
Awarded	99	32.89
Vested	(29)	32.35
Forfeited	—	—
Outstanding at January 1, 2021	128	$ 33.21
Outstanding at December 28, 2018	64	$ 22.28
Awarded	37	35.60
Vested	(43)	18.90
Forfeited	—	—
Outstanding at December 27, 2019	58	$ 33.33

Summary of Performance-Based Restricted Stock Unit Activity

A summary of performance-based restricted stock unit activity under the 2008 Plan as of December 31, 2021 is presented below:

	Performance-Based Restricted Stock Unit (in thousands)	Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2021	379	$ 20.68
Awarded	270	34.84
Released	(411)	29.08
Forfeited	(26)	29.93
Outstanding at December 31, 2021	212	$ 31.31
Outstanding at December 27, 2019	431	$ 20.68
Awarded	413	29.22
Released	(447)	28.26
Forfeited	(18)	28.62
Outstanding at January 1, 2021	379	$ 20.68
Outstanding at December 28, 2018	280	$ 21.94
Awarded	329	28.99
Released	(175)	38.20
Forfeited	(3)	27.28
Outstanding at December 27, 2019	431	$ 20.68

Fair Value Valuation Assumptions

Stock Option Grants

The fair value of each option is calculated using the Black-Scholes option valuation model that uses the assumptions noted in the following table. Expected volatility is based upon historical volatility of “guideline companies” since the length of time the Company’s shares have been publicly traded is equal to the contractual term of the options. The expected term of the option, taking into account both the contractual term of the option and the effects of employees’ expected exercise and expected post-vesting termination behavior is estimated based upon the simplified method. Under this approach, the expected term is presumed to be the mid-point between the vesting date and the end of the contractual term. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. No options were granted during fiscal years 2021 or 2020. The fair value of stock options granted in fiscal year 2019 was estimated using the following assumptions:

	2019
Expected volatility	34 %
Expected dividends	0 %
Expected term (in years)	6
Risk-free rate	2.49 %

RSA and PBRSU Grants

The Company’s restricted stock awards are valued on the closing price of the Company’s common stock on the date of grant and typically vest over a three-year period.

WILLDAN GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The Company's performance-based restricted stock unit awards are valued on the closing price of the Company's common stock on the date of grant and vest over a performance period. Under the Company's performance-based restricted stock unit ("PBRSU") design, awards vests based on two performance metrics. For the PBRSU award granted in fiscal year 2021, 50% of the award will vest based upon the Company's EBITDA performance over a one-year performance period, and the remaining 50% of the award will vest based upon the Company's Net Revenue performance over a one-year performance period. For the PBRSU awards granted in fiscal years 2020 and 2019, 50% of each award will vest based upon the Company's EBITDA performance over a two-year performance period, and the remaining 50% of each award will vest based upon the Company's earnings per share performance over a two-year performance period, respectively. For the PBRSU award granted in fiscal years 2018, 50% of the award will vest based upon the Company's EBITDA performance over a four-year performance period, and the remaining 50% of award will vest based upon the Company's earnings per share performance over a four-year performance period.

ESPP

The fair value of ESPP purchase rights issued is calculated using the Black-Scholes valuation model that uses the assumptions noted in the following table. Purchase right under the ESPP are generally granted on either January 1 or July 1 of each year. The assumptions are as follows:

	2021	2020	2019
Weighted-average expected term (in years)	.5	.5	.5
Risk-Free interest Rate	0.1 %	0.9 %	2.3 %
Stock Price Volatility	31.9 %	30.3 %	35.6 %
Dividend yield	0 %	0 %	0 %
Fair Value	$ 40.21	$ 28.39	$ 33.01

WILLDAN GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

11. INCOME TAXES

The provision for income taxes is comprised of [1]:

	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019
		(in thousands)	
Current federal taxes	$ (1,606)	$ (592)	$ (548)
Current state taxes	530	166	551
Current foreign taxes	—	18	—
Deferred federal taxes	(2,656)	(2,939)	(159)
Deferred state taxes	(255)	(1,826)	(29)
	$ (3,987)	$ (5,173)	$ (185)

(1) Revenue from the Company's foreign operations were immaterial for fiscal years 2021, 2020 and 2019.

The provision for income taxes reconciles to the amounts computed by applying the statutory federal tax rate of 21% for fiscal years 2021, 2020, and 2019 to the Company's income before income taxes. The sources and tax effects of the differences for fiscal years 2021, 2020, and 2019 are as follows:

	2021	2020	2019
		(in thousands)	
Computed "expected" federal income tax expense	$ (2,605)	$ (4,130)	$ 977
Permanent differences	18	122	163
Nondeductible Executive Compensation	1,349	1,386	688
Stock options and disqualifying dispositions	(1,276)	4	(731)
Energy efficient building deduction	(558)	(738)	(1,291)
Current and deferred state income tax expense, net of federal benefit	(660)	(1,205)	466
Federal deferred tax adjustments	—	—	231
Adjustment for uncertain tax positions	—	(142)	(282)
Research and development tax credit	(761)	(527)	(510)
Federal Rate Differential on NOL Carryback	(579)	—	—
Change in Valuation Allowance	1,105	—	—
Other	(20)	57	27
True up income tax accounts	—	—	77
	$ (3,987)	$ (5,173)	$ (185)

Differences between the Company's effective income tax rate and what would be expected if the federal statutory rate was applied to income before income tax from continuing operations are primarily due to changes in valuation allowance, state income tax expense, research and development tax credits, energy efficient building deductions, stock options and benefits provided by the CARES Act.

The tax effects of temporary differences that give rise to significant portions of the net deferred tax assets and liabilities are as follows:

	December 31, 2021	January 1, 2021
	(in thousands)	
Deferred tax assets:		
Accounts receivable allowance	$ 308	$ 199
Other accrued liabilities	1,638	1,676
Federal and state net operating losses	22,645	18,854
Lease Liability	4,523	5,856
Stock compensation	3,291	3,063
Adjustments to fair value of assets	—	56
Credit Carryforwards	1,345	496
Other	683	211
	34,433	30,411
Valuation allowance	(1,191)	(86)
Net deferred tax assets	$ 33,242	$ 30,325
Deferred tax liabilities:		
Deferred revenue	$ (1,164)	$ (2,999)
Fixed assets	(2,875)	(732)
Intangible assets	(5,790)	(6,796)
Lease right-of-use assets	(4,202)	(5,484)
Deferred Labor Costs	(2,362)	—
Other	—	(203)
	(16,393)	(16,214)
Net deferred tax asset	$ 16,849	$ 14,111

As of December 31, 2021, the Company had federal and state operating loss carryovers of $85.3 million and $79.5 million, respectively. Out of the federal operating loss, $12.5 million will carryforward indefinitely and the remaining carryovers will expire through 2041.

During each fiscal year, management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to utilize existing deferred tax assets. During fiscal year 2021, the Company has determined that it was more-likely-than-not that the New Jersey net operating losses will not be utilized prior to expiration and, accordingly, has recorded a valuation allowance of $1.1 million. Significant pieces of objective evidence evaluated included the Company's proportional increase of revenue to other states resulting in a dilution of New Jersey sourced income as well as the Company's forecasted amount of net operating loss utilization in New Jersey for certain members of the combined group. At the end of fiscal year 2021, the total valuation allowance was $1.2 million, compared to a balance of $86,000 for years 2020 and 2019. The $86,000 valuation allowance recorded in prior years against the California net operating losses remained unchanged as the available positive and negative evidence did not warrant a revision.

During the fiscal year 2021, the Company had no change to its recorded liability for uncertain tax positions. The Company may be subject to examination by the Internal Revenue Service ("IRS") for calendar years 2018 through 2021. The Company may also be subject to examination on certain state and local jurisdictions for the years 2017 through 2021.

The Company's policy is to recognize interest and penalties related to unrecognized tax benefits in income tax expense. As of December 31, 2021 and January 1, 2021, the company did not have any unrecognized tax benefits. In addition, during the fiscal year 2021, the Company did not have any additions or reductions of unrecognized tax benefits.

On June 10, 2021, the Company received notice from the State of New York indicating that the Company’s 2017, 2018, and 2019 state tax returns are under examination. As of December 31, 2021, the Company is unable to determine the impact of the examination as the audit is in progress.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act (H.R. 748) which includes a number of provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. Under ASC 740, the effects of new legislation are recognized upon enactment. Accordingly, the effects of the CARES Act have been incorporated into the income tax provision computation for the fiscal year ended December 31, 2021. These provisions resulted in the recognition of a $579,000 tax benefit and $1.5 million income tax receivable related to the net operating loss provisions.

On December 27, 2020, President Trump signed into law the Consolidated Appropriations Act, 2021 (CAA 2021) which included a number of provisions including, but not limited to the extension of numerous employment tax credits, the extension of the Section 179D deduction, enhanced business meals deductions, and the deductibility of expenses paid for with Paycheck Protection Program (PPP) loan funds that are forgiven. Accordingly, the effects of the CCA have been incorporated into the income tax provision computation for the fiscal year ended December 31, 2021. The extension of the energy efficiency building deduction under Section 179D resulted in the continuation of this additional benefit for the Company.

12. EARNINGS PER SHARE ("EPS")

Basic EPS is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding. Diluted EPS is computed by dividing net income by the weighted-average number of common shares outstanding and dilutive potential common shares for the period. Potential common shares include the weighted-average dilutive effects of outstanding stock options and restricted stock awards using the treasury stock method.

The following table sets forth the number of weighted-average common shares outstanding used to compute basic and diluted EPS:

	Fiscal Year		
	2021	2020	2019
	(in thousands, except per share amounts)		
Net income (loss)	$ (8,417)	$ (14,496)	$ 4,841
Weighted-average common shares outstanding	12,458	11,793	11,162
Effect of dilutive stock options and restricted stock awards	—	—	604
Weighted-average common shares outstanding-diluted	12,458	11,793	11,766
Earnings (Loss) per share:			
Basic	$ (0.68)	$ (1.23)	$ 0.43
Diluted	$ (0.68)	$ (1.23)	$ 0.41

For the fiscal years 2021 and 2020, the Company reported a net loss, and accordingly, all outstanding equity awards have been excluded because including them would have been anti-dilutive. For the fiscal year 2019, 155,300 options were excluded from the calculation of dilutive potential common shares. These options were not included in the computation of dilutive potential common shares because the assumed proceeds per share exceeded the average market price per share for the respective periods. Accordingly, the inclusion of these options would have been anti-dilutive.

13. CONTINGENCIES

Claims and Lawsuits

The Company is subject to claims and lawsuits from time to time, including those alleging professional errors or omissions that arise in the ordinary course of business against firms that operate in the engineering and consulting professions. The Company carries professional liability insurance, subject to certain deductibles and policy limits, for such claims as they arise and may from time to time establish reserves for litigation that is considered probable of a loss.

In accordance with accounting standards regarding loss contingencies, the Company accrues an undiscounted liability for those contingencies where the incurrence of a loss is probable and the amount can be reasonably estimated, and discloses the amount accrued and an estimate of any reasonably possible loss in excess of the amount accrued, if such disclosure is necessary for the Company’s financial statements not to be misleading. The Company does not accrue liabilities when the likelihood that the liability has been incurred is probable but the amount cannot be reasonably estimated, or when the liability is believed to be only reasonably possible or remote.

Because litigation outcomes are inherently unpredictable, the Company’s evaluation of legal proceedings often involves a series of complex assessments by management about future events and can rely heavily on estimates and assumptions. If the assessments indicate that loss contingencies that could be material to any one of the Company’s financial statements are not probable, but are reasonably possible, or are probable, but cannot be estimated, then the Company will disclose the nature of the loss contingencies, together with an estimate of the possible loss or a statement that such loss is not reasonably estimable. While the consequences of certain unresolved proceedings are not presently determinable, and a reasonable estimate of the probable and reasonably possible loss or range of loss in excess of amounts accrued for such proceedings cannot be made, an adverse outcome from such proceedings could have a material adverse effect on the Company’s earnings in any given reporting period. However, in the opinion of the Company’s management, after consulting with legal counsel, and taking into account insurance coverage, the ultimate liability related to current outstanding claims and lawsuits is not expected to have a material adverse effect on the Company’s financial statements.

14. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The tables below reflect selected quarterly information for the fiscal years ended December 31, 2021 and January 1, 2021.

	Fiscal Three Months Ended			
	April 2, 2021	July 2, 2021	October 1, 2021	December 31, 2021
	(in thousands except per share amounts)			
Contract revenue	$ 79,086	$ 84,154	$ 98,297	$ 92,218
Income (loss) from operations	(4,189)	(7,072)	1,443	1,127
Income tax expense (benefit)	(1,458)	(3,663)	(236)	1,370
Net income (loss)	(3,766)	(4,601)	840	(890)
Earnings (loss) per share:				
Basic	$ (0.31)	$ (0.37)	$ 0.07	$ (0.07)
Diluted	$ (0.31)	$ (0.37)	$ 0.06	$ (0.07)
Weighted-average shares outstanding:				
Basic	12,147	12,421	12,606	12,660
Diluted	12,147	12,421	13,141	12,660

	Fiscal Three Months Ended			
	April 3, 2020	July 3, 2020	October 2, 2020	January 1, 2021
	(in thousands except per share amounts)			
Contract revenue	$ 106,026	$ 83,549	$ 104,508	$ 96,897
Income (loss) from operations	(8,269)	(3,841)	1,601	(5,718)
Income tax benefit	(1,605)	(90)	(1,586)	(1,892)
Net income (loss)	(8,154)	(4,985)	2,640	(3,997)
Earnings (loss) per share:				
Basic	$ (0.71)	$ (0.43)	$ 0.22	$ (0.33)
Diluted	$ (0.71)	$ (0.43)	$ 0.21	$ (0.33)
Weighted-average shares outstanding:				
Basic	11,510	11,682	11,992	12,011
Diluted	11,510	11,682	12,417	12,011

15. SUBSEQUENT EVENTS

Borrowing/repayment under Revolving Credit Facility

Subsequent to December 31, 2021, the Company borrowed and repaid $5.0 million under the Revolving Credit Facility. As of March 10, 2022, the borrowing capacity under the Revolving Credit Facility was $50.0 million.

Fifth Amendment to the Credit Agreement

On March 8, 2022, the Company entered into the Fifth Amendment to the Amended and Restated Credit Agreement (the “Fifth Amendment”). The Fifth Amendment extends the Amended Covenant Relief Period from March 31, 2022 to and including the earlier of (i) December 30, 2022 and (ii) the last day of the fiscal quarter in which the Company delivers an irrevocable election to terminate the covenant relief granted by the Fifth Amendment (the “Third Covenant Relief Period,” and together with the Amended Covenant Relief Period, the “Extended Covenant Relief Period”).

The Fifth Amendment also (A) amends the minimum Adjusted EBITDA (as defined in the Fifth Amendment) thresholds for the remainder of the Extended Covenant Relief Period, (B) increases the maximum Leverage Ratio (as defined in the Credit Agreement) the Company is permitted to maintain through the fiscal quarter ending on December 31, 2022, (C) funds to the Company, on the date of closing, the remaining $20.0 million in available funds from the Delayed Draw Term Loan, and (D) amends the pricing structure of borrowings under the Credit Agreement from utilizing as a reference rate the London Inter-Bank Offered Rate (“LIBOR”) to utilizing the Secured Overnight Financing Rate. Additionally, during the remainder of the Covenant Relief Period, the aggregate amount of all capital expenditures made by the Company may not exceed $20.0 million.

Pursuant to the Fifth Amendment, during the Extended Covenant Relief Period, borrowings under the Credit Agreement will bear interest at either a Base Rate or SOFR (plus 0.10% or 0.15% depending on the interest period), each as defined in the Credit Agreement, at the Company’s option, and in each case, plus an applicable margin, which applicable margin will range from 0.125% to 1.50% with respect to Base Rate borrowings and 1.125% to 2.50% with respect to SOFR borrowings, depending on the Leverage Ratio; provided, that SOFR cannot be less than 0.00%. The Company will also pay a commitment fee for the unused portion of the revolving credit facility and the delayed draft term loan facility under the Credit Agreement, which will range from 0.15% to 0.45% per annum depending on the Leverage Ratio, and fees on the face amount of any letters of credit outstanding under the revolving credit facility, which will range from 0.84% to 1.875% per annum, in each case, depending on whether such letter of credit is a performance or financial letter of credit and the Leverage Ratio.

After the Extended Covenant Relief Period, borrowings under the Credit Agreement will bear interest at either a Base Rate or SOFR (plus 0.10% or 0.15% depending on the interest period), each as defined in the Credit Agreement, at the Company’s option, and in each case, plus an applicable margin, which applicable margin will range from 0.125% to 1.25% with respect to Base Rate borrowings and 1.125% to 2.25% with respect to SOFR borrowings, depending on the Leverage Ratio; provided, that SOFR cannot be less than 0.00%. The Company will also pay a commitment fee for the unused portion of the revolving credit facility and the delayed draft term loan facility under the Credit Agreement, which will range from 0.15% to 0.40% per annum depending on the Leverage Ratio, and fees on the face amount of any letters of credit outstanding under the revolving credit facility, which will range from 0.84% to 1.688% per annum, in each case, depending on whether such letter of credit is a performance or financial letter of credit and the Leverage Ratio.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

1. Financial Statements

The financial statements included in Part II, Item 8 of this document are filed as part of this Annual Report on Form 10-K.

2. Financial Statements Schedules

All required schedules are omitted because they are not applicable or the required information is shown in the financial statements or the accompanying notes.

3. Exhibits

The exhibits filed as part of this annual report are listed in Item 15(b).

(b) Exhibits.

The following exhibits are filed as a part of this report:

Exhibit Number	Exhibit Description
2.1‡	Stock Purchase Agreement, dated as of October 28, 2019, by and among Willdan Group, Inc., Willdan Energy Solutions, Energy and Environmental Economics, Inc., each of the stockholders of Energy and Environmental Economics, Inc., and Ren Orans, as seller representative of the stockholders of Energy and Environmental Economics, Inc. (incorporated by reference to Exhibit 2.1 to Willdan Group, Inc.'s Quarterly Report on Form 10-Q filed on November 1, 2019).
3.1	First Amended and Restated Certificate of Incorporation of Willdan Group, Inc. (incorporated by reference to Willdan Group, Inc.'s Registration Statement on Form S-1, filed with the SEC on August 9, 2006, as amended (File No. 333-136444)).
3.2	Amended and Restated Bylaws of Willdan Group, Inc. (incorporated by reference to Exhibit 3.1 to Willdan Group, Inc.'s Current Report on Form 8-K, filed with the SEC on April 16, 2020).
4.1	Specimen Stock Certificate for shares of the Registrant's Common Stock (incorporated by reference to Willdan Group, Inc.'s Registration Statement on Form S-1, filed with the SEC on August 9, 2006, as amended (File No. 333-136444)).
4.2	Description of Willdan Group, Inc.'s Capital Stock (incorporated by reference to Exhibit 4.2 to Willdan Group, Inc.'s Form 10-K filed with the SEC on March 11, 2022).
4.3	The Company agrees to furnish to the Securities and Exchange Commission upon request a copy of each instrument with respect to issues of long-term debt of Willdan Group, Inc. and its subsidiaries, the authorized principal amount of which does not exceed 10% of the consolidated assets of Willdan Group, Inc. and its subsidiaries.
10.1	Amended and Restated Credit Agreement, dated as of June 26, 2019, by and among Willdan Group, Inc., the Guarantors (as defined therein), the Lenders (as defined therein) and BMO Harris Bank N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to Willdan Group, Inc.'s Current Report on Form 8-K filed on July 2, 2019).

Exhibit Number	Exhibit Description
10.2	First Amendment to Amended and Restated Credit Agreement, dated as of August 15, 2019, by and among Willdan Group, Inc., the Guarantors signatory thereto, the Lenders signatory thereto and BMO Harris Bank N.A., as administrative agent (incorporated by reference to Exhibit 10.2 to Willdan Group, Inc.'s Annual Report on Form 10-K filed on March 6, 2020).
10.3	Second Amendment to Amended and Restated Credit Agreement, dated as of November 6, 2019, by and among Willdan Group, Inc., the Guarantors signatory thereto, the Lenders signatory thereto and BMO Harris Bank N.A., as administrative agent (incorporated by reference to Exhibit 10.3 to Willdan Group, Inc.'s Annual Report on Form 10-K filed on March 6, 2020).
10.4	Third Amendment to Amended and Restated Credit Agreement, dated as of May 6, 2020, by and among Willdan Group, Inc., the Guarantors signatory thereto, the Lenders signatory thereto and BMO Harris Bank N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to Willdan Group, Inc's Quarterly Report on Form 10-Q filed on May 8, 2020).
10.5	Fourth Amendment to Amended and Restated Credit Agreement, dated as of April 30, 2021, by and among Willdan Group, Inc., the Guarantors signatory thereto, the Lenders signatory thereto and BMO Harris Bank N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to Willdan Group, Inc.'s Current Report on Form 8-K filed on May 3, 2021).
10.6	Fifth Amendment to Amended and Restated Credit Agreement, dated as of March 8, 2022, by and among Willdan Group, Inc., the Guarantors signatory thereto, the Lenders signatory thereto and BMO Harris Bank N.A., as administrative agent (incorporated by reference to Exhibit 10.6 to Willdan Group, Inc.'s Form 10-K filed with the SEC on March 11, 2022).
10.7	Security Agreement, dated as of October 1, 2018, by and among Willdan Group, Inc. the other Debtors (as defined therein) and BMO Harris Bank N.A. (incorporated by reference to Exhibit 10.2 to Willdan Group, Inc.'s Current Report on Form 8-K filed on October 3, 2018).
10.8	Master Reaffirmation of and Amendment to Collateral Documents, dated as of June 26, 2019, by and among Willdan Group, Inc., the other Debtors (as defined therein) and BMO Harris Bank N.A., as administrative agent (incorporated by reference to Exhibit 10.2 to Willdan Group, Inc.'s Current Report on Form 8-K, filed with the SEC on July 2, 2019).
10.9†	Willdan Group, Inc. 2006 Stock Incentive Plan (incorporated by reference to Willdan Group, Inc.'s Registration Statement on Form S-1, filed with the SEC on August 9, 2006, as amended (File No. 333-136444)).
10.10†	Form of Incentive Stock Option Agreement (incorporated by reference to Willdan Group, Inc.'s Registration Statement on Form S-1, filed with the SEC on August 9, 2006, as amended (File No. 333-136444)).
10.11†	Form of Non-Qualified Stock Option Agreement (incorporated by reference to Willdan Group, Inc.'s Registration Statement on Form S-1, filed with the SEC on August 9, 2006, as amended (File No. 333-136444)).
10.12†	Willdan Group, Inc. Amended and Restated 2008 Performance Incentive Plan (incorporated by reference to Exhibit 10.1 to Willdan Group, Inc.'s Current Report on Form 8-K, filed with the SEC on June 17, 2019).
10.13†	Amended and Restated Willdan Group, Inc. 2006 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.2 to Willdan Group, Inc.'s Current Report on Form 8-K, filed with the SEC on June 9, 2017).
10.14†	Form of Indemnification Agreement between Willdan Group, Inc. and its Directors and Officers (incorporated by reference to Exhibit 10.1 to Willdan Group, Inc.'s Current Report on Form 8-K, filed with the SEC on June 13, 2016).

Exhibit Number	Exhibit Description
10.15†	Employment Agreement, dated as of May 3, 2011 by and between Willdan Group, Inc. and Thomas D. Brisbin (incorporated by reference to Exhibit 10.1 to Willdan Group, Inc.'s Current Report on Form 8-K, filed with the SEC on May 4, 2011).
10.16†	Employment Agreement, dated as of December 17, 2014, by and between Willdan Group, Inc. and Mike Bieber (incorporated by reference to Exhibit 10.1 to Willdan Group, Inc.'s Current Report on Form 8-K, filed with the SEC on January 7, 2015).
10.17†	Form of Performance Based Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.15 to Willdan Group, Inc.'s Annual Report on Form 10-K filed on March 6, 2020).
10.18†	Separation Agreement, dated October 20, 2021, between Willdan Group, Inc. and Adam Procell (incorporated by reference to Exhibit 10.1 to Willdan Group, Inc.'s Current Report on Form 8-K, filed with the SEC on October 25, 2021).
10.19†	Separation Agreement, dated April 13, 2021, between Willdan Group, Inc. and Stacy McLaughlin (incorporated by reference to Exhibit 10.1 to Willdan Group, Inc.'s Current Report on Form 8-K, filed with the SEC on April 16, 2021).
21.1	Subsidiaries of Willdan Group, Inc (incorporated by reference to Exhibit 21.1 to Willdan Group, Inc.'s Form 10-K filed with the SEC on March 11, 2022).
23.1*	Consent of Crowe LLP.
24.1*	Power of Attorney (included on signature page hereto).
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to § 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to § 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Filed herewith.

** Furnished herewith.

‡ Portions of the referenced exhibit have been omitted pursuant to Item 601(b) of Regulation S-K because it (i) is not material and (ii) would be competitively harmful if publicly disclosed.

† Indicates a management contract or compensating plan or arrangement.

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.

WILLDAN GROUP, INC.

/s/ CREIGHTON K. EARLY

Creighton K. Early
Chief Financial Officer and Vice President
March 25, 2022

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Willdan Group, Inc.:

We consent to the incorporation by reference in Registration Statements on Form S-8 (Nos. 333-232438, 333-219133, 333-219129, 333-212907, 333-184823, 333-168787, 333-152951, and 333-139127) and Form S-3 (No. 333-254483) of Willdan Group, Inc. of our report dated March 10, 2022 relating to the consolidated financial statements, and the related notes thereto, and the effectiveness of internal control over financial reporting, appearing in this Annual Report on Form 10-K.

/s/ Crowe LLP

Los Angeles, CA
March 10, 2022

Exhibit 31.1

SECTION 302 CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Thomas D. Brisbin, certify that:

1. I have reviewed this Amendment No. 1 to the annual report on Form 10-K/A of Willdan Group, 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 25, 2022

By: /s/ THOMAS D. BRISBIN
Thomas D. Brisbin
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

SECTION 302 CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Creighton K. Early, certify that:

1. I have reviewed this Amendment No. 1 to the annual report on Form 10-K/A of Willdan Group, 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 25, 2022

By: /s/ CREIGHTON K. EARLY
Creighton K. Early
Chief Financial Officer and Vice President
(Principal Financial Officer)

Exhibit 32.1

Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. 1350, as Adopted Pursuant to § 906 of the Sarbanes-Oxley Act of 2002

In connection with the Amendment No. 1 to the Annual Report on Form 10-K/A of Willdan Group, Inc. (the “Company”) for the fiscal year ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Thomas D. Brisbin, as Chief Executive Officer of the Company, and Creighton K. Early, as Chief Financial Officer of the Company, each hereby 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 his or her 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.

By: /s/ THOMAS D. BRISBIN
Thomas D. Brisbin
Chief Executive Officer
(Principal Executive Officer)
March 25, 2022

By: /s/ CREIGHTON K. EARLY
Creighton K. Early
Chief Financial Officer and Vice President
(Principal Financial Officer)
March 25, 2022

This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of § 18 of the Securities Exchange Act of 1934, as amended. A signed original of this written statement required by § 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.