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Command Center, Inc.
Form 10-Q
August 09, 2016

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

FORM 10-Q

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

For the quarterly period ended June 24, 2016

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: 000-53088

COMMAND CENTER, INC.
(Exact Name of Registrant as Specified in its Charter)

Washington 91-2079472
(State of other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

3609 S. Wadsworth Suite 250 Lakewood, Co. 80235
(Address of Principal Executive Offices) (Zip Code)

(866) 464-5844
(Registrant's Telephone Number, including Area Code).

(Address of Principal Executive Offices) (Zip Code)

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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Indicate by check mark whether the Registrant is a large accelerated filer , an accelerated filer , a non-accelerated filer , or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act)

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Number of shares of issuer's common stock outstanding at July 29, 2016: 61,923,061

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Command Center, Inc.
Consolidated Condensed Balance Sheets

June 24, 2016 December 25, 2015

(Unaudited)

ASSETS

Current Assets

Cash	\$2,233,575	\$7,629,424
Restricted cash	170,327	-
Accounts receivable, net of allowance for doubtful accounts	10,503,699	8,917,933
Prepaid expenses, deposits and other	312,881	292,352
Prepaid workers' compensation	527,591	756,005
Other receivables	-	-
Current portion of deferred tax asset	878,085	878,085
Current portion of workers' compensation deposits	406,219	398,319
Total Current Assets	15,032,378	18,872,118
Property and equipment - net	552,094	408,657
Deferred tax asset, less current portion	2,023,851	2,083,851
Workers' compensation risk pool deposit, less current portion	2,006,814	2,256,814
Goodwill	3,809,938	2,500,000
Intangible assets - net	648,238	-
Total Assets	\$24,073,312	\$26,121,439

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities

Accounts payable	\$353,670	\$304,009
Checks issued and payable	385,547	487,087
Account purchase agreement facility	398,252	479,616
Other current liabilities	442,634	323,222
Contingent liability	-	-
Accrued wages and benefits	867,157	1,452,558
Current portion of workers' compensation premiums and claims liability	966,332	1,201,703
Total Current Liabilities	3,413,592	4,248,196

Long-Term Liabilities

Warrant liabilities	-	-
Workers' compensation claims liability, less current portion	1,912,705	2,231,735
Total Liabilities	5,326,298	6,479,931
Commitments and contingencies	-	-
Stockholders' Equity		

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Preferred stock - \$0.001 par value, 5,000,000 shares authorized; none issued	-	-
Common stock - 100,000,000 shares, \$0.001 par value, authorized; 62,298,961 and 64,305,288 shares issued and outstanding, respectively	62,299	64,305
Additional paid-in capital	57,119,952	57,752,301
Accumulated deficit	(38,435,236)	(38,175,098)
Total Stockholders' Equity	18,747,015	19,641,508
Total Liabilities and Stockholders' Equity	\$24,073,312	\$26,121,439

See accompanying notes to consolidated condensed financial statements.

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Command Center, Inc.
Consolidated Condensed Statements of Income
(Unaudited)

	Thirteen Weeks Ended		Twenty Six Weeks Ended	
	June 24, 2016	June 26, 2015	June 24, 2016	June 26, 2015
Revenue	\$21,675,874	\$22,804,235	\$40,742,446	\$41,783,060
Cost of staffing services	16,223,788	16,615,458	30,577,834	30,225,746
Gross profit	5,452,086	6,188,777	10,164,612	11,557,314
Selling, general and administrative expenses	5,018,879	5,212,940	10,186,680	10,349,006
Depreciation and amortization	61,712	43,224	101,045	86,216
Income from operations	371,495	932,613	(123,113)	1,122,092
Interest expense and other financing expense	(36,643)	(71,685)	(77,024)	(112,935)
Impairment of goodwill	-	-	-	-
Change in fair value of derivative liabilities	-	-	-	-
Net income before income taxes	334,852	860,928	(200,137)	1,009,157
Provision for income taxes	(60,000)	(330,787)	(60,000)	(397,478)
Net income	\$274,852	\$530,141	\$(260,137)	\$611,679
Earnings per share:				
Basic	\$0.00	\$0.01	\$(0.00)	\$0.01
Diluted	\$0.00	\$0.01	\$(0.00)	\$0.01
Weighted average shares outstanding:				
Basic	63,558,745	65,922,974	63,781,844	65,834,624
Diluted	64,317,089	67,270,422	63,781,844	67,159,337

See accompanying notes to consolidated condensed financial statements.

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Command Center, Inc.
Consolidated Condensed Statements of Cash Flows
(Unaudited)

Twenty Six Weeks Ended

June 24, 2016 June 26, 2015

Cash flows from operating activities

Net income (loss)	\$(260,137)	\$611,679
Adjustments to reconcile net income to net cash used by operations:		
Depreciation and amortization	101,045	86,216
Change in allowance for doubtful accounts	82,040	94,621
Change in fair value of derivative liabilities	-	-
Stock based compensation	245,812	325,490
Common stock issued for services	-	73,000
Reserve on note receivable	-	175,000
Deferred tax asset	60,000	287,000
Changes in assets and liabilities:		
Accounts receivable - trade	(1,075,136)	(1,316,992)
Restricted cash	(229,327)	(8,951)
Prepaid workers' compensation	328,414	(515,185)
Other receivables	-	(213)
Prepaid expenses, deposits and other	(120,529)	(266,336)
Loss on disposition of property and equipment	-	(2,271)
Workers' compensation risk pool deposits	242,100	222,392
Accounts payable	49,661	(210,272)
Checks issued and payable	(101,541)	183,380
Other current liabilities	(181,204)	18,498
Accrued wages and benefits	(585,401)	(531,804)
Workers' compensation premiums and claims liability	(554,400)	(326,565)
Net cash used by operating activities	(1,998,604)	(1,101,313)
Cash flows from investing activities		
Cash paid for acquisition	(1,980,000)	-
Purchase of property and equipment	(38,525)	(39,197)
Purchase of note receivable	-	(175,000)
Proceeds from the sale of property and equipment	-	2,500
Net cash used in investing activities	(2,018,525)	(211,697)
Cash flows from financing activities		
Changes to account purchase agreement facility	(81,365)	(1,660,182)
Purchase of treasury stock	(880,167)	(488,108)
Proceeds from the conversion of stock options	-	12,240
Proceeds from the exercise of common stock warrants	-	-
Proceeds from notes payable	(417,189)	-
Net cash used by financing activities	(1,378,721)	(2,136,050)

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Net increase (decrease) in cash	(5,395,849)	(3,449,060)
Cash, beginning of period	7,629,424	8,600,249
Cash, end of period	\$2,233,575	\$5,151,188
Non-cash investing and financing activities		
Common stock issued for services	1,700	73,000
Cashless exercise of stock options	-	42,500
Warrant liability reclassified to stockholders' equity	-	-
Supplemental disclosure of cash flow information		
Interest paid	52,072	30,594
Income taxes paid	-	103,878

See accompanying notes to consolidated condensed financial statements.

Command Center, Inc.
Notes to Consolidated Condensed Financial Statements

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited consolidated condensed financial statements have been prepared by Command Center, Inc. (“Command,” “us,” “we,” or “our”) in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial reporting and rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted. In the opinion of our management, all adjustments, consisting of only normal recurring accruals, necessary for a fair presentation of the financial position, results of operations, and cash flows for the fiscal periods presented have been included.

These financial statements should be read in conjunction with the audited financial statements and related notes included in our Annual Report filed on Form 10-K for the year ended December 25, 2015. The results of operations for the thirteen and twenty-six weeks ended June 24, 2016 are not necessarily indicative of the results expected for the full fiscal year, or for any other fiscal period.

Consolidation: The consolidated condensed financial statements include the accounts of Command and all of our wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Reclassifications: Certain financial statement amounts for the prior period have been reclassified to conform to the current period presentation. These reclassifications had no effect on the net income or accumulated deficit as previously reported.

Cash and Cash Equivalents: Cash and cash equivalents consist of demand deposits, including interest-bearing accounts with original maturities of three months or less, held in banking institutions and a trust account. These accounts are guaranteed by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000 per institution. As of June 24, 2016 and December 25, 2015, we held deposits in excess of FDIC insured limits of approximately \$1.7 million and \$7.2 million, respectively.

Concentrations: At December 25, 2015, 11.5% of accounts payable was due to a single vendor. One vendor represented 16.6% of accounts payable and a second vendor represented 14.2% of the balance at June 24, 2016.

Use of Estimates: The preparation of consolidated financial statements in conformity with GAAP requires us 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 and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements: Other accounting standards that have been issued by the Financial Accounting Standards Board or other standards-setting bodies are not expected to have a material impact on our financial position, results of operations and cash flows. For period ended June 24, 2016, the adoption of other accounting standards had no material impact on our financial positions, results of operations, or cash flows.

NOTE 2 – EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net income or loss available to common stockholders by the weighted average number of common shares outstanding, and does not include the impact of any potentially dilutive common stock equivalents. Diluted earnings per share reflect the potential dilution of securities that could share in our earnings through the conversion of common shares issuable via outstanding stock options and stock warrants, except where their inclusion would be anti-dilutive. Total outstanding common stock equivalents at June 24, 2016 and June 26, 2015 were 3,626,000 and 3,687,500, respectively.

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Diluted common shares outstanding were calculated using the Treasury Stock Method and are as follows:

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 24, 2016	June 26, 2015	June 24, 2016	June 26, 2015
Weighted average number of common shares used in basic net income per common share	63,558,745	65,922,974	63,781,844	65,834,624
Dilutive effects of stock options	758,344	1,347,488	-	1,324,713
Weighted average number of common shares used in diluted net income per common share	64,317,089	67,270,462	63,781,844	67,159,337

NOTE 3 – ACCOUNT PURCHASE AGREEMENT

In May 2016, we signed a new Account Purchase Agreement with our lender, Wells Fargo Bank, N.A. The agreement allows us to sell eligible accounts receivable for 90% of the invoiced amount on a full recourse basis up to the facility maximum, \$14 million. When the receivable is collected, the remaining 10% is paid to us, less applicable fees and interest. At June 24, 2016 the gross value of accounts receivable sold under this agreement was approximately \$398,252. The term of the agreement is through April 7, 2018. The agreement bears interest at the Daily One Month London Interbank Offered Rate (LIBOR) plus 2.5% per annum. At June 24, 2016, the effective interest rate was 2.95%. Interest is payable on the actual amount advanced. Additional charges include an annual facility fee equal to 0.50% of the facility threshold in place and lockbox fees. As collateral for repayment of any and all obligations, we granted Wells Fargo Bank, N.A. a security interest in all of our property including, but not limited to, accounts receivable, intangible assets, contract rights, investment property, deposit accounts, and other such assets.

At June 24, 2016, we had an outstanding letter of credit in the amount of \$5.7 million issued under this agreement which we use as a collateral deposit with our workers' compensation insurance provider. The letter of credit reduces the amount of funds available under this agreement.

The agreement requires that the sum of our unrestricted cash plus net accounts receivable must at all times be greater than the sum of the amount outstanding under the agreement plus accrued payroll and accrued payroll taxes. At June 24, 2016, we were in compliance with this covenant.

NOTE 4 – ACQUISITION

On June 3, 2016 we purchased substantially all the assets of Hanwood Arkansas, LLC, an Arkansas limited liability company, and Hanwood Oklahoma, LLC, an Oklahoma limited liability company. Together these companies operated as Hancock Staffing from offices located in Little Rock, Arkansas and Oklahoma City, Oklahoma. We acquired by all of the assets used in connection with the operation of the two staffing offices. In addition, we assumed liabilities for future payments due under the leases for the two offices, amounts owed on motor vehicles acquired, and the amount due on their receivables factoring line. This transaction was accounted for under the purchase method in accordance with FASB Accounting Standards Codification Topic ASC 805, Business Combinations.

The aggregate consideration paid for Hanwood was \$2,704,410, paid as follows: (i) cash of \$1,980,000; (ii) an unsecured one-year holdback obligation of \$220,000; and (iii) assumed liabilities of \$504,410.

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In connection with the acquisition of Hanwood, we identified and recognized an intangible asset of \$659,563 representing customer relationships and employment agreements/non-compete agreements. The customer relationships are being amortized on a straight line basis over their estimated life of four (4) years and, the non-compete agreement is amortized over its two year term. During the thirteen and twenty six weeks ended June 24, 2016, we recognized amortization expense of \$11,325. We will recognize amortization expense of \$101,930 in the remainder of fiscal year ending 2016, \$196,309 in the fiscal year ending 2017, \$160,058 in the fiscal year ending 2018, \$133,474 in the fiscal years 2019 and \$56,469 in the fiscal years 2020. At June 24, 2016, the intangible asset balance, net of accumulated amortization, is \$648,240.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

ASSETS:

Current assets	\$568,600
Fixed assets	194,633
Intangible assets	659,565
Goodwill	1,309,938
Total	\$2,732,736

LIABILITIES:

Current liabilities	\$752,735
Net purchase price	\$1,980,000

NOTE 5 – WORKERS' COMPENSATION INSURANCE AND RESERVES

On April 1, 2014, we changed our workers' compensation carrier to ACE American Insurance Company ("ACE") in all states in which we operate other than Washington and North Dakota. The ACE insurance policy is a large deductible policy where we have primary responsibility for all claims made. ACE provides insurance for covered losses and expenses in excess of \$500,000 per incident. Under this high deductible program, we are largely self-insured. Per our contractual agreements with ACE, we must provide a collateral deposit of \$5.7 million, which is accomplished through a letter of credit under our Account Purchase Agreement with Wells Fargo. For workers' compensation claims originating in Washington and North Dakota, we pay workers' compensation insurance premiums and obtain full coverage under mandatory government administered programs. Our liability associated with claims in these jurisdictions is limited to the payment of premiums.

As part of our large deductible workers' compensation programs, our carriers require that we collateralize a portion of our future workers' compensation obligations in order to secure future payments made on our behalf. This collateral is typically in the form of cash and cash equivalents. At June 24, 2016 and December 25, 2015, we had net cash collateral deposits of approximately \$2.4 million. With the addition of the \$5.7 million letter of credit, our cash and non-cash collateral totaled approximately \$8.1 million at June 24, 2016. Included in workers' compensation risk pools deposits is \$2.0 million, net of an allowance of \$0.5 million, which has been determined to be impaired (Note 7).

Workers' compensation expense for temporary workers is recorded as a component of our cost of staffing services and totaled approximately \$1.7 million and \$972,000 for the twenty-six week periods ended June 24, 2016 and June 26, 2015, respectively. During the first two quarters of 2015 we recognized an approximate \$700,000 cumulative benefit from the actuarial adjustment to our prior year's workers compensation liability.

NOTE 6 – STOCK BASED COMPENSATION

Our 2008 Stock Incentive Plan expired in January 2016. Outstanding awards continue to remain in effect according to the terms of the plan and the award documents. The Stock Incentive Plan permitted the grant of up to 6.4 million stock options in order to motivate, attract and retain the services of employees, officers and directors, and to provide an incentive for outstanding performance. Pursuant to awards under this plan, there were 2,168,500 and 1,300,000 options vested at June 24, 2016 and June 26, 2015, respectively.

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The following table summarizes our stock options outstanding at December 25, 2015 and changes during the period ended June 24, 2016:

	Number of Shares Under Options	Weighted Average Exercise Price per Share	Weighted average Grant Date Fair Value
Outstanding, December 25, 2015	3,633,500	\$0.45	\$0.28
Granted	-	-	-
Forfeited	(7,500)	0.41	0.33
Expired	-	-	-
Exercised	-	-	-
Outstanding, June 24, 2016	3,626,000	0.45	0.28

The following table summarizes our non-vested stock options outstanding at December 25, 2015, and changes during the period ended June 24, 2016:

	Number of Options	Weighted Average Exercise Price per Share	Weighted Average Grant Date Fair Value
Non-vested, December 25, 2015	1,961,884	\$0.50	\$0.28
Granted	-	-	-
Vested	(496,884)	0.30	0.20
Forfeited	(7,500)	0.41	0.33
Non-vested, June 24, 2016	1,457,500	\$0.56	\$0.31

The following table summarizes information about our stock options outstanding, and reflects the intrinsic value recalculated based on the closing price of our common stock at June 24, 2016:

	Number of Shares Under Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value
Outstanding	3,626,000	\$0.45	4.97	\$1,001,194
Exercisable	2,168,500	\$0.37	4.81	\$543,959

We recognized share-based compensation expense relating to the vesting of issued stock options of approximately \$114,000 and \$163,000 for the thirteen week, and \$246,000 and \$326,000 for the twenty-six week periods ended June 24, 2016 and June 26, 2015, respectively. At June 24, 2016, there was unrecognized share-based compensation expense totaling approximately \$285,000 relating to non-vested options and restricted share grants that will be recognized over the next 2.7 years.

Stock Repurchase: In April 2015, the Board of Directors authorized a \$5.0 million three year repurchase of our common stock. During the second quarter of 2016 we purchased 1,660,627 shares of common stock at an aggregate price of approximately \$660,000, resulting in an average price of \$0.40 per share under the plan. These shares were

then retired. We have approximately \$2.7 million remaining under the plan. The table below summarizes our common stock purchases during the second quarter of 2016.

	Total Shares Purchased	Average Price Per Share	Total number of share purchased as part of publicly announced plan	Approximate dollar value of shares that may yet be purchased under the plan
April (March 26, 2016 to April 22, 2016)	329,961	\$0.41	3,162,350	\$3,239,059
May (April 23, 2016 to May 20, 2016)	264,563	\$0.44	3,426,913	\$3,122,455
June (May 21, 2016 to June 24, 2016)	1,066,103	\$0.38	4,493,016	\$2,713,809
Total	1,660,627	\$0.40	4,493,016	\$2,713,809

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Legal Proceedings: From time to time we are involved in various legal proceedings. We believe that the outcome of these proceedings, even if determined adversely, will not have a material adverse effect on our business, financial condition or results of operations. There have been no material changes in our legal proceedings since December 25, 2015.

Freestone Insurance Company Liquidation:

For the two-year period prior to April 1, 2014, our workers' compensation insurance coverage was provided by Dallas National Insurance under a high deductible policy in which we are responsible for the first \$350,000 per incident. During this time period, Dallas National changed its corporate name to Freestone Insurance Company. Under the terms of the policy we were required to provide cash collateral of \$900,000 per year for a total of \$1.8 million, as a non-depleting fund to secure our payment of anticipated claims up to the policy deductible. We are ultimately responsible for paying costs of claims that occur during the term of the policy, up to the deductible amount. In January 2014, Freestone Insurance provided written confirmation to us that it continued to hold \$1.8 million of Command funds as collateral and stated that an additional \$200,000 was held at another insurance provider. In April 2014, the State of Delaware placed Freestone Insurance in receivership due to concerns about its financial condition. On August 15, 2014, the receivership was converted to a liquidation proceeding. The Receiver distributed pending individual claims for workers compensation benefits to the state guaranty funds for administration. In many cases, the respective state guaranty funds have made payments directly to the claimants. In other situations we have continued to pay claims that are below the deductible level and we are not aware of any pending claims from this time period that exceed or are likely to exceed our deductible.

From about July 1, 2008 until April 1, 2011, in most states our workers compensation coverage was provided under an agreement with AMS Staff Leasing II, through a master policy with Dallas National. During this time period, we deposited approximately \$500,000 with an affiliate of Dallas National for collateral related to the coverage through AMS Staff Leasing II. Claims that remain open from this time period have also been distributed by the Receiver to the state guaranty funds. In one instance, the State of Minnesota has denied liability for payment of a workers compensation claim that arose in 2010 and is in excess of our deductible. In the first quarter of this year, we settled the individual workers compensation case and have legally challenged the State's denial of liability.

During the second quarter of 2015, the Receiver requested court authorization to disburse funds to the state guaranty funds. We and other depositors of collateral with Freestone objected and asked the court to block the disbursements until a full accounting of the assets and liabilities of Freestone is provided. Distribution of funds by the Receiver to the state guaranty funds remains on hold. As a result of these developments, during the second quarter of 2015 we

recorded a reserve of \$250,000 on the deposit balance. We review these deposits at each balance sheet date and as of June 24, 2016, we recorded an additional \$250,000 reserve on our deposit balance.

On July 5, 2016, the receiver filed the First Accounting with the Delaware Court of Chancery. The First Accounting does not clarify the issues with respect to the collateral claims, priorities and return of collateral. In the accounting, the Receiver reports total assets of \$87.7 million as of December 31, 2015.

In late 2015, we filed timely proofs of claim with Receiver. One proof of claim is filed as a priority claim seeking return of the full amount of our collateral deposits. The other proof of claim is a general claim covering non-collateral items. We believe that our claim to the return of our collateral is a priority claim in the liquidation proceeding and that our collateral should be returned to us. However, if it is ultimately determined that our claim is not a priority claim or if there are insufficient assets in the liquidation to satisfy the priority claims, we may not receive any or all of our collateral.

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

Forward Looking Statements: This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements regarding industry trends, our future financial position and performance, business strategy, revenues and expenses in future periods, projected levels of growth and other matters that do not relate strictly to historical facts. These statements are often identified by words such as "may," "will," "seeks," "anticipates," "believes," "estimates," "expects," "projects," "forecasts," "plans," "intends," "continue," "could," "should" or similar expressions or variations. These statements are based on the beliefs and expectations of our management based on information currently available. Such forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated by forward-looking statements. Important factors currently known to our management that could cause or contribute to such differences include, but are not limited to, those referenced in our Annual Report on Form 10-K for the year ended December 25, 2015 under Item 1A "Risk Factors." We undertake no obligation to update any forward-looking statements as a result of new information, future events or otherwise.

Overview

Command Center, Inc. ("Command," "us," "we," or "our") is a staffing company operating primarily in the manual labor segment of the staffing industry. Our customers range in size from small businesses to large corporations. All of our temporary workers are employed by us. Most of our work assignments are short term, and many are filled on little notice from our customers. In addition to short and longer term temporary work assignments, we recruit and place workers in temp-to-hire positions.

At June 24, 2016, we owned and operated 61 on-demand labor stores in 21 states.

Results of Operations

The following table reflects operating results for the thirteen week period ended June 24, 2016 compared to the thirteen-week period ended June 26, 2015 (in thousands, except per share amounts and percentages) and serves as the basis for the narrative that follows. Percentages indicate line items as a percentage of total revenue.

	Thirteen Weeks Ended				Twenty Six Weeks Ended			
	June 24, 2016		June 26, 2015		June 24, 2016		June 26, 2015	
Total Operating Revenue	\$21,676		\$22,804		\$40,742		\$41,783	
Cost of Staffing Services	16,224	74.8%	16,615	72.9%	30,578	75.1%	30,226	72.3%
Gross profit	5,452	25.2%	6,189	27.1%	10,165	25.0%	11,557	27.7%
Selling, general and administrative expenses	5,019	23.2%	5,213	22.8%	10,187	24.8%	10,349	24.8%
Depreciation and amortization	62	0.2%	43	0.2%	101	0.2%	86	0.2%
Income from operations	371	1.7%	933	4.1%	(123)	-0.3%	1,122	2.7%
Interest expense and other financing expense	(37)	-0.2%	(72)	-0.3%	(77)	-0.2%	(113)	-0.3%
Net income before income taxes	335	1.5%	861	3.8%	(200)	-0.5%	1,009	2.4%
Provision for income taxes	(60)	-0.3%	(331)	-1.5%	(60)	-0.1%	(397)	-0.9%
Net income	\$275	1.3%	\$530	2.3%	\$(260)	-0.6%	\$612	1.5%
Non-GAAP Data								
EBITDA	\$547	2.9%	\$1,138	5.0%	\$224	0.6%	\$1,534	3.7%

Earnings before interest, taxes, depreciation and amortization, and non-cash compensation (EBITDA) is a non-GAAP measure that represents net income attributable to Command before interest expense, income tax benefit (expense), depreciation and amortization, and non-cash compensation. Adjusted earnings before interest, taxes, depreciation and amortization, and non-cash compensation (Adjusted EBITDA) is a non-GAAP measure that represents net income attributable to Command before interest expense, income tax benefit (expense), depreciation and amortization,

non-cash compensation and certain non-recurring charges. We utilize EBITDA and Adjusted EBITDA as financial measures as management believes investors find them to be useful tools to perform more meaningful comparisons of past, present and future operating results and as a means to evaluate our results of operations. We believe these metrics are useful complements to net income and other financial performance measures. EBITDA and Adjusted EBITDA are not intended to represent net income as defined by U.S. generally accepted accounting principles (“GAAP”), and such information should not be considered as an alternative to net income or any other measure of performance prescribed by GAAP.

We use EBITDA and Adjusted EBITDA to measure our financial performance because we believe interest, taxes, depreciation and amortization, non-cash compensation and certain non-recurring charges bear little or no relationship to our operating performance. By excluding interest expense, EBITDA and Adjusted EBITDA measure our financial performance irrespective of our capital structure or how we finance our operations. By excluding taxes on income, we believe EBITDA and Adjusted EBITDA provide a basis for measuring the financial performance of our operations excluding factors that our branches cannot control. By excluding depreciation and amortization expense, EBITDA and Adjusted EBITDA measure the financial performance of our operations without regard to their historical cost. By excluding stock based compensation, EBITDA and Adjusted EBITDA provide a basis for measuring the financial performance of our operations. In addition, by excluding certain nonrecurring charges Adjusted EBITD provides a basis for measuring financial performance without unusual nonrecurring charges. For all of these reasons, we believe that EBITDA and Adjusted EBITDA provide us and investors with information that is relevant and useful in evaluating our business. However, because EBITDA and Adjusted EBITDA exclude depreciation and amortization, they do not measure the capital we require to maintain or preserve our fixed assets. In addition, EBITDA and Adjusted EBITDA do not reflect interest expense, and do not take into account the total amount of interest we pay on outstanding debt, nor do they show trends in interest costs due to changes in our financing or changes in interest rates. EBITDA and Adjusted EBITDA, as defined by us, may not be comparable to EBITDA and Adjusted EBITDA as reported by other companies that do not define EBITDA and Adjusted EBITDA exactly as we define those terms. Because we use EBITDA and Adjusted EBITDA to evaluate our financial performance, we reconcile them to net income, which is the most comparable financial measure calculated and presented in accordance with GAAP.

The following is a reconciliation of EBITDA to net income for the periods presented:

	Thirteen Weeks Ended		Twenty Six Weeks Ended	
	June 24, 2016	June 26, 2015	June 24, 2016	June 26, 2015
EBITDA	\$547	\$1,138	\$224	\$1,534
Interest expense and other financing expense	(37)	(72)	(77)	(113)
Depreciation and amortization	(62)	(43)	(101)	(86)
Provision for income taxes	(60)	(331)	(60)	(397)
Non-cash compensation	(114)	(162)	(246)	(326)
Net income (loss)	\$275	\$530	\$(260)	\$612

The following is a reconciliation of adjusted EBITDA to net income for the period presented:

	Thirteen Weeks Ended		Twenty Six Weeks Ended	
	June 24, 2016	June 26, 2015	June 24, 2016	June 26, 2015
Adjusted EBITDA	547	1,563	473	1,959
Adjustments:				
Non-cash compensation	(114)	(162)	(246)	(326)
Non-cash taxes	(60)	(331)	(60)	(397)
Depreciation and amortization	(62)	(43)	(101)	(86)
Interest expense and other financing expense	(37)	(72)	(77)	(113)

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Reserve for workers compensation deposit		(250)	(250)	(250)
Reserve for note receivable		(175)		(175)
Net Adjustments:	(273)	(1,033)	(734)	(1,348)
Net (Loss) Income (GAAP measure)	\$275	\$530	\$(260)	\$612

Thirteen Weeks Ended June 24, 2016

Summary of Operations: Revenue for the thirteen weeks ended June 24, 2016 was \$21.7 million, a decrease of approximately \$1.1 million or 5.0%, when compared to the second quarter of 2015. Revenue from our branches outside North Dakota and excluded revenue from branches acquired during the quarter was approximately \$19.0 million, unchanged from the second quarter of 2015. Revenue from our branches in North Dakota fell by approximately \$1.6 million or 41.9% from the second quarter of 2015. This decrease in North Dakota revenue is due to the decline in demand for temporary staffing services in the Bakken region of North Dakota. As revenue from North Dakota declines, the region will have less impact on our overall revenue and operations. We continue to focus on improving same store sales and margins as a way to increase revenue and profitability without incurring the costs associated with opening additional branches.

In June, 2016, we acquired the assets of Hanwood Oklahoma, LLC, operating a branch in Oklahoma City, Oklahoma and Hanwood Arkansas, LLC, operating a branch in Little Rock, Arkansas. From the date of the acquisition through our fiscal quarter end, revenue from these branches was approximately \$477,000 or 2.2% of our revenue in the second quarter.

Our branches serve a wide variety of clients and industries across 21 states. Our individual branch revenue can fluctuate significantly on both a quarter over quarter and year over year basis depending on the local economic conditions and need for temporary labor services in the local economy. We strive to increase the diversity of clients and industries we service at both the branch and the company level. We believe this will reduce the potential negative impact of an economic downturn in any one industry or region.

Cost of Staffing Services: Cost of staffing services was 74.8% and 72.9% of revenue for the thirteen weeks ended June 24, 2016 and June 26, 2015, respectively. The increase is primarily a result from a reduction in higher margin revenue from the North Dakota region. There can be fluctuations in the quarterly workers compensation expense as a result of changes to the mix of work performed during the quarter, changes in our claims history and changes in actuarial assumptions.

Selling, General and Administrative Expenses (“SG&A”): SG&A expenses were 23.2% and 22.8% of revenue for the thirteen weeks ended June 24, 2016 and June 26, 2015, respectively. On an absolute basis our SG&A expense was approximately \$183,000 or 4.0% lower in the second quarter of 2016 than in 2015.

Included the second quarter of 2015 SG&A were two non-recurring charges. The first charge was a \$250,000 valuation allowance on \$1.8 million in deposits we placed with our former workers’ compensation insurance carrier, Freestone Insurance (formerly Dallas National Insurance Company). The second is a \$175,000 reserve for a note issued by Labor Smart, Inc.

Twenty-six Weeks Ended June 24, 2016

Summary of Operations: Revenue for the twenty-six weeks ended June 24, 2016 was \$40.7 million, a decrease of approximately \$1.0 million or 2.5%, when compared to June 26, 2015. Revenue from our branches outside North Dakota increased by approximately 4.5% from the first half of 2015. Revenue from our branches in North Dakota fell by approximately \$3.1 million or 42.6% from the second quarter of 2015. This decrease in North Dakota revenue is due to the decline in demand for temporary staffing services in the Bakken region of North Dakota.

In June 2016 we acquired the assets of Hanwood Oklahoma, LLC and Hanwood Arkansas, LLC, operating branches in Oklahoma City, Oklahoma and Little Rock, Arkansas, respectively. From the date of acquisition through June 24, 2016, revenue from these branches was approximately \$477,000 or 1.2% of our revenue for the first half of the year.

Cost of Staffing Services: Cost of staffing services was 75.1% and 72.3% of revenue for the twenty-six weeks ended June 24, 2016 and June 26, 2015, respectively. The increase is primarily the result of a reduction in higher margin revenue from the North Dakota region. During the first half of 2015 we recognized an approximate \$700,000 cumulative benefit from the actuarial adjustment to our prior year’s workers compensation liability. There can be fluctuations in the quarterly workers compensation expense as a result of changes to the mix of work performed during the quarter, changes in our claims history and changes in actuarial assumptions.

Selling, General and Administrative Expenses (“SG&A”): SG&A expenses were 25.0% of revenue for both the twenty-six weeks ended June 24, 2016 and June 26, 2015, respectively. On an absolute basis our SG&A expense was approximately \$150,000 or 0.4% lower in the first half of 2016 than in the same period in 2015. As a result of the seasonality factors impacting our business, revenue in the first half of the year is typically lower than in the second half. Allocating SG&A costs over a lower revenue base typically results in greater SG&A when expressed as a percent of revenue.

Liquidity and Capital Resources

Cash used by operating activities totaled approximately \$2.0 million during the twenty-six weeks ended June 24, 2016, as compared to \$1.1 million in 2015. The significant changes in cash used by or provided by operating activities include the net loss for the twenty-six weeks ended June 24, 2016 of approximately \$260,000 compared to net income of \$612,000 for the prior year. Accounts receivable increased approximately \$1.1 million during the twenty-six week period ended June 24, 2016 compared to a \$1.3 million increase in 2015.

Cash used in investing activities totaled approximately \$2.0 million for the twenty-six weeks ended June 24, 2016 compared to \$212,000 in June 26, 2015. In June, 2016, we acquired the assets of Hanwood Oklahoma, LLC and Hanwood Arkansas, LLC, operating branches in Oklahoma City, Oklahoma and Little Rock, Arkansas, respectively. We paid \$1,980,000 in cash for the assets. The purchase resulted in a \$1.3 million increase in goodwill and an approximately \$659,000 increase in intangible assets.

Cash used by financing activities totaled approximately \$1.4 million and \$2.1 million during the first twenty-six weeks of 2016 and 2015. In April 2015 the Board of Directors authorized a \$5.0 million three-year program for repurchase of our common stock. During the first half of 2016 and 2015 we purchased 2,163,262 and 373,313 shares, respectively, of common stock at an aggregate price of approximately \$880,167 and \$252,000 respectively resulting in an average price of \$0.41 and \$0.69, respectively per share. These share were then retired. We have approximately \$2.7 million remaining under the program.

Accounts Receivable: At June 24, 2016 we had total current assets of approximately \$15.0 million. Included in current assets are trade accounts receivable of approximately \$10.5 million (net of allowance for bad debts of approximately \$715,000). Weighted average aging on our trade accounts receivable at June 24, 2016 was 30 days compared to 32 days at June 26, 2015. Bad debt expense was approximately \$107,000 for the twenty-six weeks ended June 24, 2016 compared to approximately \$298,000 during the same time period in June 26, 2015.

Financing: In May 2016, we signed a new Account Purchase Agreement with our lender, Wells Fargo Bank, N.A. The agreement allows us to sell eligible accounts receivable for 90% of the invoiced amount on a full recourse basis up to the facility maximum, \$14 million. When the receivable is collected, the remaining 10% is paid to us, less applicable fees and interest. At June 24, 2016 there was approximately \$398,5-252 in outstanding accounts receivable sold under this agreement. The term of the agreement is through April 7, 2018. The agreement bears interest at the Daily One Month London Interbank Offered Rate (LIBOR) plus 2.5% per annum. At June 24, 2016, the effective interest rate was 2.95%. Interest is payable on the actual amount advanced. Additional charges include an annual facility fee equal to 0.50% of the facility threshold in place and lockbox fees. As collateral for repayment of any and all obligations, we granted Wells Fargo Bank, N.A. a security interest in all of our property including, but not limited to, accounts receivable, intangible assets, contract rights, investment property, deposit accounts, and other such assets.

We also have an outstanding letter of credit under this agreement in the amount of \$5.7 million which reduces the amount of funds otherwise made available to us under this agreement with Wells Fargo.

Workers' Compensation: Our workers' compensation carrier is ACE American Insurance Company ("ACE") in all states in which we operate other than Washington and North Dakota. The ACE insurance policy is a large deductible policy where we have primary responsibility for all claims made. ACE provides insurance for covered losses and expenses in excess of \$500,000 per incident. Under this high deductible policy, we are largely self-insured. Per our contractual agreements with ACE, we must provide a collateral deposit of \$5.7 million, which is accomplished through a letter of credit under our account purchase agreement.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There is no established market for trading our common stock. The market for our common stock is limited, and as such, shareholders may have difficulty reselling their shares when desired or at attractive market prices. The common stock is not regularly quoted in the automated quotation system of a registered securities system or association. Our common stock, par value \$0.001 per share, is quoted on the OTC Markets Group QB (OTCQB) under the symbol "CCNI". The OTCQB is a network of security dealers who buy and sell stock. The dealers are connected by a computer network which provides information on current "bids" and "asks" as well as volume information. The OTCQB is not considered a "national exchange". The "over-the-counter" quotations do not reflect inter-dealer prices, retail mark-ups, commissions or actual transactions. Our common stock has continued to trade in low volumes and at low prices. Some investors view low-priced stocks as unduly speculative and therefore not appropriate candidates for investment. Many institutional investors have internal policies prohibiting the purchase or maintenance of positions in low-priced stocks.

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) as of the end of the period covered by this report and, based on this evaluation, our principal executive officer and principal financial officer have concluded that these disclosure controls and procedures are effective. There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934) that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time we are involved in various legal proceedings. We believe that the outcome of these proceedings, even if determined adversely, will not have a material adverse effect on our business, financial condition or results of operations.

Item 1A. Risk Factors

There have been no material changes from the Risk Factors we previously disclosed in our Annual Report on Form 10-K for the year ended December 25, 2015 filed with the Securities and Exchange Commission on March 24, 2016.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Default on Senior Securities

None.

Item 4. Mine Safety Disclosure

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
31.1	Certification of Frederick Sandford, Chief Executive Officer of Command Center, Inc. pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Jeff Wilson, Chief Financial Officer of Command Center, Inc. pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Frederick Sandford, Chief Executive Officer of Command Center, Inc. pursuant to 18 U.S.C. Section 1350, as adopted in Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Jeff Wilson, Chief Financial Officer of Command Center, Inc. pursuant to 18 U.S.C. Section 1350, as adopted in Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS (1)	XBRL Instance Document
101.SCH (1)	XBRL Taxonomy Extension Schema Document
101.CAL (1)	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF (1)	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB (1)	XBRL Taxonomy Extension Label Linkbase Document
101.PRE (1)	XBRL Taxonomy Extension Presentation Linkbase Document

(1) The XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed “filed” for purposes of section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

Signatures

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

Command Center, Inc.

/s/ Frederick Sandford Signature	President and CEO Title	Frederick Sandford Printed Name	August 9, 2016 Date
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/s/ Jeff Wilson Signature	Principal Accounting Officer Title	Jeff Wilson Printed Name	August 9, 2016 Date
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