# 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 September 26, 2020**
**or**

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

**Commission file number: 000-24049**

# CRA International, Inc.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Massachusetts** | **04-2372210** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **200 Clarendon Street, Boston, MA** | **02116-5092** |
| (Address of principal executive offices) | (Zip Code) |

**(617) 425-3000**
(Registrant’s telephone number, including area code)

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

| Title of Each Class | Trading Symbol | Name of Each Exchange on Which Registered |
|---|---|---|
| Common Stock, no par value | CRAI | Nasdaq Global Select Market |

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 x No o

Indicate by check mark whether the registrant has submitted electronically 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 such files). Yes x No o

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. o

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

| Class | Outstanding at October 23, 2020 |
|---|---|
| Common Stock, no par value per share | 7,776,333 shares |

**CRA International, Inc.**

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**PART I. FINANCIAL INFORMATION**

**ITEM 1. Financial Statements**

**CRA INTERNATIONAL, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)**

*(in thousands, except per share data)*

| | Fiscal Quarter Ended | | Fiscal Year-to-Date Period Ended | |
|---|---|---|---|---|
| | September 26, 2020 | September 28, 2019 | September 26, 2020 | September 28, 2019 |
| Revenues | $ 121,762 | $ 115,686 | $ 370,951 | $ 332,108 |
| Costs of services (exclusive of depreciation and amortization) | 88,304 | 83,805 | 269,462 | 233,412 |
| Selling, general and administrative expenses | 22,194 | 22,449 | 67,742 | 68,929 |
| Depreciation and amortization | 3,244 | 2,527 | 9,293 | 7,696 |
| Income from operations | 8,020 | 6,905 | 24,454 | 22,071 |
| Interest expense, net | (277) | (424) | (1,011) | (954) |
| Foreign currency gains (losses), net | (217) | 210 | 1,103 | (379) |
| Income before provision for income taxes | 7,526 | 6,691 | 24,546 | 20,738 |
| Provision for income taxes | 2,123 | 952 | 6,744 | 4,754 |
| Net income | $ 5,403 | $ 5,739 | $ 17,802 | $ 15,984 |
| Net income per share: | | | | |
| Basic | $ 0.69 | $ 0.74 | $ 2.28 | $ 2.02 |
| Diluted | $ 0.68 | $ 0.71 | $ 2.23 | $ 1.94 |
| Weighted average number of shares outstanding: | | | | |
| Basic | 7,771 | 7,769 | 7,780 | 7,903 |
| Diluted | 7,934 | 8,050 | 7,964 | 8,205 |

See accompanying notes to the condensed consolidated financial statements.

**CRA INTERNATIONAL, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)**

*(in thousands)*

| | Fiscal Quarter Ended | | Fiscal Year-to-Date Period Ended | |
|---|---|---|---|---|
| | September 26, 2020 | September 28, 2019 | September 26, 2020 | September 28, 2019 |
| Net income | $ 5,403 | $ 5,739 | $ 17,802 | $ 15,984 |
| Other comprehensive income (loss) | | | | |
| Foreign currency translation adjustments | 1,589 | (1,488) | (302) | (1,429) |
| Comprehensive income | $ 6,992 | $ 4,251 | $ 17,500 | $ 14,555 |

See accompanying notes to the condensed consolidated financial statements.

**CRA INTERNATIONAL, INC.**

**CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)**

*(in thousands, except share data)*

| | September 26, 2020 | December 28, 2019 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 24,108 | $ 25,639 |
| Accounts receivable, net of allowances of $3,126 at September 26, 2020 and $3,838 at December 28, 2019 | 106,175 | 107,841 |
| Unbilled services, net of allowances of $942 at September 26, 2020 and $1,503 at December 28, 2019 | 51,509 | 36,569 |
| Prepaid expenses and other current assets | 8,832 | 7,277 |
| Forgivable loans | 6,037 | 6,751 |
| Total current assets | 196,661 | 184,077 |
| Property and equipment, net | 64,886 | 61,295 |
| Goodwill | 88,290 | 88,504 |
| Intangible assets, net | 5,449 | 6,476 |
| Right-of-use assets | 123,390 | 130,173 |
| Deferred income taxes | 10,241 | 10,670 |
| Forgivable loans, net of current portion | 58,138 | 48,390 |
| Other assets | 3,122 | 3,658 |
| Total assets | $ 550,177 | $ 533,243 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 16,574 | $ 26,069 |
| Accrued expenses | 103,952 | 121,301 |
| Deferred revenue and other liabilities | 6,368 | 6,723 |
| Current portion of lease liabilities | 14,551 | 12,847 |
| Current portion of deferred compensation | 17,737 | 4,470 |
| Revolving line of credit | 38,000 | — |
| Total current liabilities | 197,182 | 171,410 |
| Non-current liabilities: | | |
| Deferred compensation and other non-current liabilities | 4,759 | 15,071 |
| Facility-related non-current liabilities | 1,962 | 1,956 |
| Non-current portion of lease liabilities | 141,331 | 146,551 |
| Deferred income taxes | 548 | 504 |
| Total non-current liabilities | 148,600 | 164,082 |
| Commitments and contingencies (Note 10) | | |
| Shareholders’ equity: | | |
| Preferred stock, no par value; 1,000,000 shares authorized; none issued and outstanding | — | — |
| Common stock, no par value; 25,000,000 shares authorized; 7,739,550 and 7,814,797 shares issued and outstanding at September 26, 2020 and December 28, 2019, respectively | 4,092 | 9,265 |
| Retained earnings | 212,368 | 200,249 |
| Accumulated other comprehensive loss | (12,065) | (11,763) |
| Total shareholders’ equity | 204,395 | 197,751 |
| Total liabilities and shareholders’ equity | $ 550,177 | $ 533,243 |

See accompanying notes to the condensed consolidated financial statements.

**CRA INTERNATIONAL, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)**

*(in thousands)*

| | Fiscal Year-to-Date Period Ended | |
|---|---|---|
| | September 26, 2020 | September 28, 2019 |
| **OPERATING ACTIVITIES:** | | |
| Net income | $ 17,802 | $ 15,984 |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Depreciation and amortization | 9,293 | 7,701 |
| Facility-related liabilities | 104 | 83 |
| Right-of-use asset amortization | 8,900 | 7,832 |
| Deferred income taxes | 496 | 117 |
| Share-based compensation expense | 2,357 | 2,641 |
| Accounts receivable allowances | (894) | (160) |
| Unrealized foreign currency remeasurement losses, net | 129 | — |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 1,952 | 3,626 |
| Unbilled services, net | (14,994) | (14,582) |
| Prepaid expenses and other current assets, and other assets | (979) | (5,735) |
| Forgivable loans | (18,963) | (18,942) |
| Incentive cash awards | 4,862 | 3,628 |
| Accounts payable, accrued expenses, and other liabilities | (15,191) | (16,274) |
| Lease liabilities | (5,526) | (5,826) |
| Net cash used in operating activities | (10,652) | (19,907) |
| **INVESTING ACTIVITIES:** | | |
| Purchases of property and equipment | (15,742) | (12,548) |
| Net cash used in investing activities | (15,742) | (12,548) |
| **FINANCING ACTIVITIES:** | | |
| Issuance of common stock, principally stock option exercises | 1,667 | 2,006 |
| Borrowings under revolving line of credit | 77,000 | 54,000 |
| Repayments under revolving line of credit | (39,000) | (18,000) |
| Tax withholding payments reimbursed by shares | (390) | (388) |
| Cash paid on dividend equivalents | (40) | (35) |
| Cash dividends paid to shareholders | (5,372) | (4,742) |
| Repurchase of common stock | (8,807) | (18,068) |
| Net cash provided by financing activities | 25,058 | 14,773 |
| Effect of foreign exchange rates on cash and cash equivalents | (195) | (513) |
| Net decrease in cash and cash equivalents | (1,531) | (18,195) |
| Cash and cash equivalents at beginning of period | 25,639 | 38,028 |
| Cash and cash equivalents at end of period | $ 24,108 | $ 19,833 |
| **Noncash investing and financing activities:** | | |
| Purchases of property and equipment not yet paid for | $ 3,923 | $ 3,461 |
| Purchases of property and equipment paid by a third party | $ — | $ 126 |
| Asset retirement obligations | $ 155 | $ 427 |
| Right-of-use assets obtained in exchange for lease obligations | $ 2,601 | $ 37,298 |
| Right-of-use assets related to the adoption of ASC 842 | $ — | $ 82,329 |
| Lease liabilities related to the adoption of ASC 842 | $ — | $ 106,765 |
| **Supplemental cash flow information:** | | |
| Cash paid for taxes | $ 5,933 | $ 6,078 |
| Cash paid for interest | $ 932 | $ 848 |
| Cash paid for amounts included in operating lease liabilities | $ 13,736 | $ 12,053 |

See accompanying notes to the condensed consolidated financial statements.

## CRA INTERNATIONAL, INC.

## CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

## FOR THE FISCAL YEAR-TO-DATE PERIOD ENDED SEPTEMBER 26, 2020 (unaudited)

*(in thousands, except share data)*

| | Common Stock | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Shares Issued | | Amount | | Retained Earnings | | Accumulated Other Comprehensive Loss | | Total Shareholders' Equity |
| **BALANCE AT DECEMBER 28, 2019** | 7,814,797 | $ | 9,265 | $ | 200,249 | $ | (11,763) | $ | 197,751 |
| Balance at December 29, 2019, as previously reported | 7,814,797 | $ | 9,265 | $ | 200,249 | $ | (11,763) | $ | 197,751 |
| Cumulative effect of a change in accounting principle related to ASC 326 | — | | — | | (203) | | — | | (203) |
| Balance at December 29, 2019, as adjusted | 7,814,797 | $ | 9,265 | $ | 200,046 | $ | (11,763) | $ | 197,548 |
| Net income | — | | — | | 6,468 | | — | | 6,468 |
| Foreign currency translation adjustment | — | | — | | — | | (2,427) | | (2,427) |
| Exercise of stock options | 8,200 | | 151 | | — | | — | | 151 |
| Share-based compensation expense | — | | 655 | | — | | — | | 655 |
| Restricted shares vestings | 23,884 | | — | | — | | — | | — |
| Redemption of vested employee restricted shares for tax withholding | (7,843) | | (390) | | — | | — | | (390) |
| Shares repurchased | (82,613) | | (3,810) | | — | | — | | (3,810) |
| Accrued dividends on unvested shares | — | | — | | 1 | | — | | 1 |
| Cash paid on dividend equivalents | — | | — | | (40) | | — | | (40) |
| Cash dividends paid to shareholders ($0.23 per share) | — | | — | | (1,796) | | — | | (1,796) |
| **BALANCE AT MARCH 28, 2020** | 7,756,425 | $ | 5,871 | $ | 204,679 | $ | (14,190) | $ | 196,360 |
| Net income | — | | — | | 5,931 | | — | | 5,931 |
| Foreign currency translation adjustment | — | | — | | — | | 536 | | 536 |
| Exercise of stock options | 22,611 | | 418 | | — | | — | | 418 |
| Share-based compensation expense | — | | 796 | | — | | — | | 796 |
| Restricted shares vestings | 513 | | — | | — | | — | | — |
| Accrued dividends on unvested shares | — | | — | | (38) | | — | | (38) |
| Cash dividends paid to shareholders ($0.23 per share) | — | | — | | (1,788) | | — | | (1,788) |
| **BALANCE AT JUNE 27, 2020** | 7,779,549 | $ | 7,085 | $ | 208,784 | $ | (13,654) | $ | 202,215 |
| Net income | — | | — | | 5,403 | | — | | 5,403 |
| Foreign currency translation adjustment | — | | — | | — | | 1,589 | | 1,589 |
| Exercise of stock options | 57,219 | | 1,098 | | — | | — | | 1,098 |
| Share-based compensation expense | — | | 906 | | — | | — | | 906 |
| Restricted shares vestings | 12,936 | | — | | — | | — | | — |
| Shares repurchased | (110,154) | | (4,997) | | — | | — | | (4,997) |
| Accrued dividends on unvested shares | — | | — | | (31) | | — | | (31) |
| Cash dividends paid to shareholders ($0.23 per share) | — | | — | | (1,788) | | — | | (1,788) |
| **BALANCE AT SEPTEMBER 26, 2020** | 7,739,550 | $ | 4,092 | $ | 212,368 | $ | (12,065) | $ | 204,395 |

See accompanying notes to the condensed consolidated financial statements.

# CRA INTERNATIONAL, INC.

## CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

## FOR THE FISCAL YEAR-TO-DATE PERIOD ENDED SEPTEMBER 28, 2019 (unaudited)

*(in thousands, except share data)*

| | Common Stock | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Shares Issued | | Amount | | Retained Earnings | | Accumulated Other Comprehensive Loss | | Total Shareholders' Equity |
| **BALANCE AT DECEMBER 29, 2018** | 8,010,480 | $ | 22,837 | $ | 186,229 | $ | (12,594) | $ | 196,472 |
| Net income | — | | — | | 4,665 | | — | | 4,665 |
| Foreign currency translation adjustment | — | | — | | — | | 712 | | 712 |
| Exercise of stock options | 64,700 | | 1,526 | | — | | — | | 1,526 |
| Share-based compensation expense | — | | 911 | | — | | — | | 911 |
| Restricted shares vestings | 25,484 | | — | | — | | — | | — |
| Redemption of vested employee restricted shares for tax withholding | (8,157) | | (388) | | — | | — | | (388) |
| Shares repurchased | (86,609) | | (4,349) | | — | | — | | (4,349) |
| Accrued dividends on unvested shares | — | | — | | (8) | | — | | (8) |
| Cash paid on dividend equivalents | — | | — | | (35) | | — | | (35) |
| Cash dividends paid to shareholder ($0.20 per share) | — | | — | | (1,616) | | — | | (1,616) |
| **BALANCE AT MARCH 30, 2019** | 8,005,898 | $ | 20,537 | $ | 189,235 | $ | (11,882) | $ | 197,890 |
| Net income | — | | — | | 5,580 | | — | | 5,580 |
| Foreign currency translation adjustment | — | | — | | — | | (653) | | (653) |
| Share-based compensation expense | — | | 848 | | — | | — | | 848 |
| Restricted shares vestings | 513 | | — | | — | | — | | — |
| Shares repurchased | (177,101) | | (7,161) | | — | | — | | (7,161) |
| Accrued dividends on unvested shares | — | | — | | (44) | | — | | (44) |
| Cash dividends paid to shareholders ($0.20 per share) | — | | — | | (1,580) | | — | | (1,580) |
| **BALANCE AT JUNE 29, 2019** | 7,829,310 | $ | 14,224 | $ | 193,191 | $ | (12,535) | $ | 194,880 |
| Net income | — | | — | | 5,739 | | — | | 5,739 |
| Foreign currency translation adjustment | — | | — | | — | | (1,488) | | (1,488) |
| Exercise of stock options | 21,224 | | 480 | | — | | — | | 480 |
| Share-based compensation expense | — | | 882 | | — | | — | | 882 |
| Restricted shares vestings | 14,754 | | — | | — | | — | | — |
| Shares repurchased | (157,402) | | (6,558) | | — | | — | | (6,558) |
| Accrued dividends on unvested shares | — | | — | | (37) | | — | | (37) |
| Cash dividends paid to shareholders ($0.20 per share) | — | | — | | (1,546) | | — | | (1,546) |
| **BALANCE AT SEPTEMBER 28, 2019** | 7,707,886 | $ | 9,028 | $ | 197,347 | $ | (14,023) | $ | 192,352 |

See accompanying notes to the condensed consolidated financial statements.

**CRA INTERNATIONAL, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

## 1. Summary of Significant Accounting Policies

### *Description of Business*

CRA International, Inc. (“CRA” or the “Company”) is a worldwide leading consulting services firm that applies advanced analytic techniques and in-depth industry knowledge to complex engagements for a broad range of clients. CRA offers services in two broad areas: litigation, regulatory, and financial consulting and management consulting. CRA operates in one business segment. CRA operates its business under its registered trade name, Charles River Associates.

### *Basis of Presentation*

The unaudited condensed consolidated financial statements include the accounts of CRA International, Inc. and its wholly-owned subsidiaries (collectively the “Company”), which require consolidation after the elimination of intercompany accounts and transactions. These financial statements have been prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) for Quarterly Reports on Form 10-Q. Accordingly, these financial statements do not include all the information and note disclosures required by accounting principles generally accepted in the United States of America (“GAAP”) for annual financial statements. In the opinion of management, these financial statements reflect all adjustments of a normal, recurring nature necessary for the fair presentation of CRA’s results of operations, financial position, cash flows, and shareholders’ equity for the interim periods presented in conformity with GAAP. Results of operations for the interim periods presented herein are not necessarily indicative of results of operations for a full year. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the fiscal year ended December 28, 2019 included in CRA’s Annual Report on Form 10-K filed with the SEC on February 27, 2020 (the “2019 Form 10-K”). Certain prior year amounts have been reclassified to conform to current year presentation. These reclassifications had no effect on previously reported results of operations, financial position, or cash flows.

### *Estimates*

The preparation of financial statements in conformity with GAAP requires management to make significant estimates and judgments that affect the reported amounts of assets and liabilities, as well as the related disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of consolidated revenues and expenses during the reporting period. Estimates in these condensed consolidated financial statements include, but are not limited to, allowances for accounts receivable and unbilled services, revenue recognition on fixed price contracts, variable consideration to be included in the transaction price of revenue contracts, depreciation of property and equipment, measurement of operating lease right-of-use (“ROU”) assets and liabilities, share-based compensation, valuation of contingent consideration liabilities, valuation of acquired intangible assets, impairment of long-lived assets and goodwill, accrued and deferred income taxes, valuation allowances on deferred tax assets, accrued incentive compensation, and certain other accrued expenses. These items are monitored and analyzed by CRA for changes in facts and circumstances. Material changes in these estimates could occur in the future. Changes in estimates are recorded in the period in which they become known. CRA bases its estimates on historical experience and various other assumptions that CRA believes to be reasonable under the circumstances. Actual results may differ from those estimates if CRA’s assumptions based on past experience or other assumptions do not turn out to be substantially accurate.

### *Common Stock and Equity*

Equity transactions consist primarily of the repurchase by CRA of its common stock under its share repurchase program and the recognition of compensation expense and issuance of common stock under CRA’s 2006 Equity Incentive Plan. Under CRA’s share repurchase program, the Company repurchases its common stock in open market purchases (including through any Rule 10b5-1 plan adopted by CRA) or in privately negotiated transactions in accordance with applicable insider trading and other securities laws and regulations. The purchase price is first charged against available paid-in capital (“PIC”) until PIC is exhausted, wherein purchases will be charged to retained earnings. CRA’s common stock has no par value. All shares repurchased have been retired.

***Recent Accounting Standards Adopted***

*Leases (Topic 842)*

CRA adopted Accounting Standards Codification ("ASC") Topic 842, *Leases* ("ASC 842"), which supersedes ASC Topic 840, *Leases* ("ASC 840"), on December 30, 2018, using the modified retrospective transition method. The cumulative effect of the transition adjustments was recognized as of the date of adoption.

CRA elected the package of practical expedients provided by ASC 842, which allowed CRA to forgo reassessing the following upon adoption of the new standard: (1) whether contracts contain leases for any expired or existing contracts, (2) the lease classification for any expired or existing leases, and (3) initial direct costs for any existing or expired leases. In addition, CRA elected an accounting policy to exclude from the consolidated balance sheets the ROU assets and lease liabilities related to short-term leases, which are those leases with an initial lease term of twelve months or less that do not include an option to purchase the underlying asset that CRA is reasonably certain to exercise.

As a result of adopting the new standard, CRA recognized ROU assets of $82.3 million and lease liabilities of $106.8 million on December 30, 2018. The difference between the amount of ROU assets and lease liabilities recognized was an adjustment to deferred rent. There was no change to net deferred tax assets as a result of CRA's adoption of ASC 842. The adoption of ASC 842 did not have a material impact on CRA's results of operations or cash flows, nor did it have an impact on any of CRA's existing debt covenants.

*Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*

CRA adopted Accounting Standards Update ("ASU") No. 2018-7, *Compensation–Stock Compensation: Improvements to Nonemployee Share-Based Payment Accounting (Topic 718)* ("ASU 2018-7") on December 30, 2018. ASU 2018-7 expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The amendments in this update specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The amendments also clarify that Topic 718 does not apply to share-based payments used effectively to provide financing to the issuer or awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606, *Revenue from Contracts with Customers*. The new guidance requires a remeasurement of nonemployee awards at fair value as of the adoption date. The adoption of ASU 2018-7 did not have a material impact on CRA's financial position, results of operations, cash flows, or disclosures.

*Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*

CRA adopted ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASC 326") on December 29, 2019. ASC 326 replaces the methodology that recognizes impairment of financial instruments when losses have been incurred with a methodology that recognizes impairment of financial instruments when losses are expected. The amendment requires entities to use a forward-looking "expected loss" model for most financial instruments, including accounts receivable, unbilled services, and loans, that is based on historical information, current information, and reasonable and supportable forecasts.

As a result of adopting the new standard, CRA recognized a cumulative increase to allowances for accounts receivable and unbilled services and a reduction to the fiscal 2020 opening balance of retained earnings of $0.2 million. Comparative periods prior to the adoption of ASC 326 and their respective disclosures have not been adjusted. The adoption of ASC 326 did not have a material impact on CRA's results of operations or cash flows on the date of transition.

*Fair Value Measurements (Topic 820)*

CRA adopted ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU No. 2018-13") on December 29, 2019. The ASU eliminates, adds, and modifies certain disclosure requirements for fair value measurements from ASC 820. Entities will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, but public companies will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurement. The adoption of the new standard did not have a material impact on CRA's financial position, results of operations, cash flows, or disclosures on the date of transition.

*Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*

CRA adopted ASU No. 2018-15, *Intangibles — Goodwill and Other — Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* ("ASU 2018-15") on December 29, 2019. ASU 2018-15 clarifies the accounting for implementation costs in a cloud computing arrangement that is a service contract and aligns the requirements for capitalizing those costs with the capitalization requirements for costs incurred to develop or obtain internal-use software. CRA adopted the ASU using the prospective transition approach, as permitted under the new guidance. The adoption of the new standard did not have a material impact on CRA's financial position, results of operations, cash flows, or disclosures on the date of transition.

***Recent Accounting Standards Not Yet Adopted***

*Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*

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 simplifies or clarifies accounting for income taxes by changing the following current guidance: accounting for year-to-date losses in interim periods, accounting for tax law changes in interim periods, determining when a deferred tax liability is recognized for foreign subsidiaries that transition to or from being accounted for as equity method investments, application of income tax guidance to franchise taxes that are partially based on income, and making an intra-period allocation in situations where there is a loss in continuing operations and income or gain from other items. ASU 2019-12 also introduces new guidance to evaluate whether a step up in the tax basis of goodwill relates to a business combination or a separate transaction and provides a policy election to not allocate consolidated income taxes when a member of a consolidated tax return is not subject to income tax.

ASU 2019-12 is effective for CRA for interim and annual periods beginning after December 15, 2020. Early adoption is permitted. CRA is in the process of determining the effects, if any, the adoption of the ASU may have on its financial position, results of operations, cash flows, or disclosures. CRA plans to adopt the amendments during the first fiscal quarter of 2021.

**2. Fair Value of Financial Instruments**

The following tables show CRA's financial instruments as of September 26, 2020 and December 28, 2019 that are measured and recorded in the condensed consolidated financial statements at fair value on a recurring basis (in thousands):

| | September 26, 2020 | | |
|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets or Liabilities | Significant Other Observable Inputs | Significant Unobservable Inputs |
| | Level 1 | Level 2 | Level 3 |
| Assets: | | | |
| Money market mutual funds | $ 150 | $ — | $ — |
| Total Assets | $ 150 | $ — | $ — |
| Liabilities: | | | |
| Contingent consideration liability | $ — | $ — | $ 13,480 |
| Total Liabilities | $ — | $ — | $ 13,480 |

CRA INTERNATIONAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

| | December 28, 2019 | | |
|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets or Liabilities | Significant Other Observable Inputs | Significant Unobservable Inputs |
| | Level 1 | Level 2 | Level 3 |
| Assets: | | | |
| Money market mutual funds | $ 150 | $ — | $ — |
| Total Assets | $ 150 | $ — | $ — |
| Liabilities: | | | |
| Contingent consideration liability | $ — | $ — | $ 11,579 |
| Total Liabilities | $ — | $ — | $ 11,579 |

The fair value of CRA's money market mutual fund share holdings is $1.00 per share.

The contingent consideration liability in the table above is for estimated future contingent consideration payments related to the acquisition of C1 Consulting, LLC, an independent consulting firm, and its wholly-owned subsidiary C1 Associates (collectively, "C1"). The fair value measurement of the liability is based on significant inputs not observed in the market and thus represents a Level 3 measurement. The significant unobservable inputs used in the fair value measurement of the contingent consideration liability are CRA's measures of the estimated payouts based on internally generated revenue projections, expected volatility of the revenue projections, and discount rates. The fair value of the contingent consideration liability had been determined using a Monte Carlo simulation in prior fiscal quarters. In the current fiscal quarter, the fair value was estimated using an accrual method that approximates the fair value, as the end of the measurement period occurs during the first quarter of fiscal 2021. The fair value of the contingent consideration liability is reassessed on a quarterly basis by CRA using additional information as it becomes available, and any change in the fair value estimates are recorded in costs of services (exclusive of depreciation and amortization) on the condensed consolidated statements of operations. The contingent consideration is required to be paid prior to the end of the second quarter of fiscal 2021.

The following table summarizes the changes in the contingent consideration liabilities (in thousands):

| | Fiscal Year-to-Date Period Ended September 26, 2020 | Fiscal Year Ended December 28, 2019 |
|---|---|---|
| Beginning balance | $ 11,579 | $ 6,197 |
| Remeasurement of acquisition-related contingent consideration | 921 | 3,285 |
| Accretion | 980 | 2,097 |
| Ending balance | $ 13,480 | $ 11,579 |

**3. Revenue Recognition**

The contracts CRA enters into and operates under specify whether the projects are billed on a time-and-materials or a fixed-price basis. Time-and-materials contracts are typically used for litigation, regulatory, and financial consulting projects while fixed-price contracts are principally used for management consulting projects. In general, project costs are classified in costs of services and are based on the direct salary of CRA's employee consultants on the engagement, plus all direct expenses incurred to complete the project, including any amounts billed to CRA by its non-employee experts.

**CRA INTERNATIONAL, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**(Unaudited)**

*Disaggregation of Revenue*

The following tables disaggregate CRA's revenue by type of contract and geographic location (in thousands):

| | Fiscal Quarter Ended | | Fiscal Year-to-Date Period Ended | |
|---|---|---|---|---|
| **Type of Contract** | **September 26, 2020** | **September 28, 2019** | **September 26, 2020** | **September 28, 2019** |
| *Consulting services revenues:* | | | | |
| Fixed Price | $ 26,197 | $ 30,057 | $ 85,968 | $ 76,622 |
| Time-and-materials | 95,565 | 85,629 | 284,983 | 255,486 |
| Total | $ 121,762 | $ 115,686 | $ 370,951 | $ 332,108 |

| | Fiscal Quarter Ended | | Fiscal Year-to-Date Period Ended | |
|---|---|---|---|---|
| **Geographic Breakdown** | **September 26, 2020** | **September 28, 2019** | **September 26, 2020** | **September 28, 2019** |
| *Consulting services revenues:* | | | | |
| United States | $ 96,117 | $ 92,217 | $ 296,273 | $ 263,221 |
| United Kingdom | 20,358 | 17,116 | 57,355 | 53,027 |
| Other | 5,287 | 6,353 | 17,323 | 15,860 |
| Total | $ 121,762 | $ 115,686 | $ 370,951 | $ 332,108 |

*Reserves for Variable Consideration and Credit Risk*

Revenues from CRA's consulting services are recorded at the net transaction price, which includes estimates of variable consideration for which reserves are established. Variable consideration reserves are based on actual price concessions and those expected to be extended to CRA customers estimated by CRA's historical realization rates. Reserves for variable consideration are recorded as a component of the allowances for accounts receivable and unbilled services on the condensed consolidated balance sheets.

CRA's accounts receivable and unbilled services consist of receivables from a broad range of clients in a variety of industries located throughout the U.S. and other countries. CRA performs a credit evaluation of its clients to minimize its collectability risk. Periodically, CRA will require advance payment from certain clients. However, CRA does not require collateral or other security.

CRA adopted ASC 326 on December 29, 2019, which changed the method CRA utilizes to estimate reserves related to credit risk. As a result of the adoption, CRA recognized a cumulative-effect adjustment of $0.2 million to retained earnings and allowances for accounts receivable and unbilled services. Comparative periods and their respective disclosures prior to the adoption of ASC 326 have not been adjusted.

Under ASC 326, CRA maintains allowances for accounts receivable and unbilled services for estimated losses resulting from clients' failure to make required payments. CRA estimates these allowances based on historical charge-off rates, adjusted for days of sales outstanding and expected changes to clients' financial conditions during the anticipated collection period. CRA writes off allowances when management determines the balance is uncollectible and all efforts of collection have been exhausted. Bad debt expense, net of recoveries of previously written off allowances, is reported as a component of selling, general and administrative expenses on the condensed consolidated statements of operations.

Prior to adopting ASC 326 in fiscal 2020, CRA determined allowances for accounts receivable and unbilled services for specific customer accounts based on the financial condition of the customer and related facts and circumstances. Expenses associated with these allowances were reported as a component of selling, general and administrative expenses on the condensed consolidated statements of operations.

**CRA INTERNATIONAL, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**(Unaudited)**

Adjustments to the allowances for accounts receivable and unbilled services related to reserves for credit risk are as follows (in thousands):

| | Fiscal Year-to-Date Period Ended September 26, 2020 | Fiscal Year Ended December 28, 2019 |
|---|---|---|
| Beginning balance | $ 370 | $ 639 |
| Cumulative effect of a change in accounting principle related to ASC 326 | 203 | — |
| Provision for credit loss expense, net of recoveries | 228 | 173 |
| Amounts written off | (128) | (442) |
| Ending balance | $ 673 | $ 370 |

The following table presents CRA's bad debt expense, net of recoveries of previously written off allowances (in thousands):

| | Fiscal Quarter Ended | | Fiscal Year-to-Date Period Ended | |
|---|---|---|---|---|
| | September 26, 2020 | September 28, 2019 | September 26, 2020 | September 28, 2019 |
| Bad debt expense (recovery), net | $ 271 | $ 142 | $ 228 | $ 173 |

*Reimbursable Expenses*

Revenues also include reimbursements for costs incurred by CRA in fulfilling its performance obligations, including travel and other out-of-pocket expenses, fees for outside consultants and other reimbursable expenses. CRA recovers substantially all of these costs. The following expenses are subject to reimbursement (in thousands):

| | Fiscal Quarter Ended | | Fiscal Year-to-Date Period Ended | |
|---|---|---|---|---|
| | September 26, 2020 | September 28, 2019 | September 26, 2020 | September 28, 2019 |
| Reimbursable expenses | $ 13,150 | $ 13,978 | $ 44,395 | $ 38,991 |

*Contract Balances from Contracts with Customers*

CRA defines contract assets as assets for which it has recorded revenue because it determines that it is probable that it will earn a performance-based or contingent fee, but is not yet entitled to receive a fee, because certain events, such as completion of the measurement period or client approval, must occur. The contract assets balance was immaterial as of September 26, 2020 and December 28, 2019.

The timing of revenue recognition, billings, and cash collections results in billed receivables, unbilled services and contract liabilities on the condensed consolidated balance sheet. CRA defines contract liabilities as advance payments from or billings to its clients for services that have not yet been performed or earned and retainers. These liabilities are recorded within deferred revenues and are recognized as services are provided. When consideration is received, or such consideration is unconditionally due from a customer prior to transferring consulting services to the customer under the terms of a contract, a contract liability is recorded. Contract liabilities are recognized as revenue after performance obligations have been satisfied and all revenue recognition criteria have been met. Contract liabilities are included in deferred revenue and other liabilities on the condensed consolidated balance sheet.

The following table presents the closing balances of CRA’s contract liabilities (in thousands):

| | September 26, 2020 | December 28, 2019 |
|---|---|---|
| Balance at the end of the period | $ 2,201 | $ 4,007 |

CRA recognized the following revenue that was included in the contract liabilities balance as of the opening of the respective period or for performance obligations satisfied in previous periods (in thousands):

| | Fiscal Quarter Ended | | Fiscal Year-to-Date Period Ended | |
|---|---|---|---|---|
| | September 26, 2020 | September 28, 2019 | September 26, 2020 | September 28, 2019 |
| Revenue recognized for amounts included in contract liabilities at the beginning of the period | $ 1,766 | $ 2,405 | $ 3,262 | $ 4,900 |
| Revenue recognized for performance obligations satisfied in previous periods | $ 3,987 | $ 3,395 | $ 4,363 | $ 3,606 |

**4. Forgivable Loans**

Forgivable loan activity for the fiscal year-to-date period ended September 26, 2020 and the fiscal year ended December 28, 2019 is as follows (in thousands):

| | Fiscal Year-to-Date Period Ended | Fiscal Year Ended |
|---|---|---|
| | September 26, 2020 | December 28, 2019 |
| Beginning balance | $ 55,141 | $ 40,294 |
| Advances | 38,478 | 35,166 |
| Repayments | — | (1,173) |
| Reclassification from accrued expenses / to other assets | (9,713) | (1,734) |
| Amortization | (19,517) | (17,700) |
| Effects of foreign currency translation | (214) | 288 |
| Ending balance | $ 64,175 | $ 55,141 |
| Current portion of forgivable loans | $ 6,037 | $ 6,751 |
| Non-current portion of forgivable loans | $ 58,138 | $ 48,390 |

At September 26, 2020 and December 28, 2019, CRA had no other loans to current or former employees included in other assets on the condensed consolidated balance sheet.

The principal amount of forgivable loans and accrued interest is forgiven by CRA over the term of the loans, provided that the employee or non-employee expert continues employment or affiliation with CRA and complies with certain contractual requirements. CRA maintains an allowance for doubtful accounts for amounts not expected to be collected, which is initially assessed when the employee or non-employee fails to comply with contractual requirements or ceases employment or affiliation with CRA. The allowances are determined per specific borrower and are based on their financial condition and related facts and circumstances, including consideration of collateral.

For the fiscal year-to-date period ended September 26, 2020 and the fiscal year ended December 28, 2019, no allowances or write-offs of these loans were recorded.

**5. Goodwill and Intangible Assets**

The changes in the carrying amount of goodwill during the fiscal year ended December 28, 2019 and the fiscal year- to-date period ended September 26, 2020, are as follows (in thousands):

CRA INTERNATIONAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Unaudited)

| | |
|---|---|
| Balance at December 28, 2019 | |
| Goodwill | $ 164,921 |
| Accumulated goodwill impairment | (76,417) |
| Goodwill, net at December 28, 2019 | 88,504 |
| Foreign currency translation adjustment and other (1) | (214) |
| Goodwill, net at September 26, 2020 (2) | $ 88,290 |

(1) During the fiscal quarter ended March 28, 2020, goodwill and accumulated goodwill impairment were reduced by $4.5 million as a result of the dissolution and final liquidation of GNU123 Liquidating Corporation.

(2) Goodwill, net at September 26, 2020, is comprised of goodwill of $160.2 million and accumulated impairment of $71.9 million.

Intangible assets that are separable from goodwill and have determinable useful lives are valued separately and amortized over their expected useful lives. There were no impairment losses related to intangible assets during the fiscal year-to-date periods ended September 26, 2020 or September 28, 2019.

The components of acquired identifiable intangible assets are as follows (in thousands):

| | September 26, 2020 | December 28, 2019 |
|---|---|---|
| Non-competition agreements | $ 280 | $ 324 |
| Customer relationships | 12,120 | 12,120 |
| Total cost | 12,400 | 12,444 |
| Accumulated amortization | (6,951) | (5,968) |
| Total intangible assets, net | $ 5,449 | $ 6,476 |

## 6. Accrued Expenses

Accrued expenses consist of the following (in thousands):

| | September 26, 2020 | December 28, 2019 |
|---|---|---|
| Compensation and related expenses | $ 92,200 | $ 99,993 |
| Income taxes payable | 488 | 430 |
| Commissions due to non-employee experts | 1,808 | 9,961 |
| Other professional fees | 2,116 | 2,077 |
| Direct project accruals | 3,622 | 3,201 |
| Accrued leasehold improvements | 441 | 2,166 |
| Other | 3,277 | 3,473 |
| Total accrued expenses | $ 103,952 | $ 121,301 |

As of September 26, 2020, and December 28, 2019, approximately $71.3 million and $81.2 million, respectively, of accrued bonuses were included above in “Compensation and related expenses.”

## 7. Income Taxes

For the fiscal quarters ended September 26, 2020 and September 28, 2019, CRA’s effective income tax rate (“ETR”) was 28.2% and 14.2%, respectively. The difference in the ETR for the third quarter of fiscal 2020 from CRA's annual ETR for the fiscal year ended December 28, 2019, was primarily due to remeasuring the U.S. deferred tax assets and liabilities based on expected fiscal 2020 state apportionment, as well as the release of tax reserves recorded in the prior year that were nonrecurring in the current year. Partially offsetting this increase was a decrease in non-deductible meals and entertainment and a larger tax benefit related to the accounting for stock-based compensation.

For the fiscal year-to-date periods ended September 26, 2020 and September 28, 2019, CRA's ETR was 27.5% and 22.9%, respectively. The difference in the ETR for fiscal year-to-date period ended September 26, 2020 from CRA's annual ETR for the fiscal year ended December 28, 2019, was primarily due to remeasuring the U.S. deferred tax assets and liabilities based on expected fiscal 2020 state apportionment, as well as the release of tax reserves recorded in the prior year that were nonrecurring in the current year-to-date period.

As of September 26, 2020, CRA has not provided for deferred income taxes or foreign withholding taxes on undistributed earnings and other basis differences that may exist from its foreign subsidiaries, as such earnings are considered to be indefinitely reinvested. CRA does not rely on these unremitted earnings as a source of funds for its domestic business as it expects to have sufficient cash flow in the U.S. to fund its U.S. operational and strategic needs.

**8. Net Income Per Share**

CRA calculates basic and diluted earnings per common share using the two-class method. Under the two-class method, net earnings are allocated to each class of common stock and participating security as if all of the net earnings for the period had been distributed. CRA's participating securities consist of unvested share-based payment awards that contain a nonforfeitable right to receive dividends and therefore are considered to participate in undistributed earnings with common shareholders. Basic earnings per common share excludes dilution and is calculated by dividing net earnings allocable to common shares by the weighted-average number of common shares outstanding for the period. Diluted earnings per common share is calculated by dividing net earnings allocable to common shares by the weighted-average number of common shares outstanding for the period, as adjusted for the potential dilutive effect of non-participating share-based awards. Net earnings allocable to these participating securities were not material for the fiscal quarters and fiscal year-to-date periods ended September 26, 2020 and September 28, 2019.

The following table presents a reconciliation from net income to the net income available to common shareholders (in thousands):

| | Fiscal Quarter Ended | | Fiscal Year-to-Date Period Ended | |
|---|---|---|---|---|
| | September 26, 2020 | September 28, 2019 | September 26, 2020 | September 28, 2019 |
| Net income, as reported | $ 5,403 | $ 5,739 | $ 17,802 | $ 15,984 |
| Less: net income attributable to participating shares | 22 | 12 | 53 | 47 |
| Net income available to common shareholders | $ 5,381 | $ 5,727 | $ 17,749 | $ 15,937 |

The following table presents a reconciliation of basic to diluted weighted average shares of common stock outstanding (in thousands):

| | Fiscal Quarter Ended | | Fiscal Year-to-Date Period Ended | |
|---|---|---|---|---|
| | September 26, 2020 | September 28, 2019 | September 26, 2020 | September 28, 2019 |
| Basic weighted average shares outstanding | 7,771 | 7,769 | 7,780 | 7,903 |
| Dilutive stock options and restricted stock units | 163 | 281 | 184 | 302 |
| Diluted weighted average shares outstanding | 7,934 | 8,050 | 7,964 | 8,205 |

For the fiscal quarter and fiscal year-to-date periods ended September 26, 2020, the anti-dilutive share-based awards that were excluded from the calculation of common stock equivalents for purposes of computing diluted weighted average shares outstanding amounted to 76,399 and 62,808 shares, respectively. For the fiscal quarter and fiscal year-to-date periods ended September 28, 2019, the anti-dilutive share-based awards that were excluded from the calculation of common stock equivalents for purposes of computing diluted weighted average shares outstanding amounted to 63,164 and 47,169 shares, respectively. These share-based awards each period were anti-dilutive because their exercise price exceeded the average market price over the respective period.

**9. Credit Agreement**

CRA is party to a credit agreement that provides CRA with a $125.0 million revolving credit facility and a $15.0 million sublimit for the issuance of letters of credit. CRA may use the proceeds of the revolving credit facility to provide working capital and for other general corporate purposes. CRA may repay any borrowings under the revolving credit facility at any time, but any borrowings must be repaid no later than October 24, 2022. There were $38.0 million in borrowings outstanding under this revolving credit facility as of September 26, 2020. There were no outstanding borrowings under this facility as of December 28, 2019.

As of September 26, 2020, the amount available under this revolving credit facility was reduced by certain letters of credit outstanding, which amounted to $4.7 million. Under the credit agreement, CRA must comply with various financial and non-financial covenants. Compliance with these financial covenants is tested on a fiscal quarterly basis. As of September 26, 2020 and December 28, 2019, CRA was in compliance with the covenants of its credit agreement.

**10. Commitments and Contingencies**

As described in Note 9, CRA is party to standby letters of credit with its bank in support of minimum future lease payments under leases for permanent office space.

CRA is subject to legal actions arising in the ordinary course of business. In management’s opinion, based on current knowledge, CRA has adequate legal defenses and/or insurance coverage with respect to the eventuality of such actions. CRA does not believe any settlement or judgment relating to any pending legal action would materially affect its financial position or results of operations. However, the outcome of such legal actions is inherently unpredictable and subject to inherent uncertainties.

While CRA has not experienced a material adverse impact to its business, financial condition or results of operations from the COVID-19 pandemic to date, there continues to be uncertainty about client demand for the Company’s services and the worldwide economy. Consequently, the financial results for the current fiscal quarter and fiscal year-to-date periods ended September 26, 2020, may not be indicative of the results to be expected for the full fiscal year. The timing of ongoing projects and new project originations may be delayed or otherwise disrupted due to the length and severity of current business closures and other restrictions implemented in response to COVID-19, which may impact the timing and amount of future revenues. The magnitude of any impact on CRA's business and its duration is uncertain and cannot be reasonably estimated at this time. CRA is not aware of any specific events or circumstances that would require an update to its estimates or adjustments to the carrying value of its assets and liabilities as of October 29, 2020, the issuance date of this Quarterly Report on Form 10-Q.

**11. Subsequent Events**

On October 29, 2020, CRA announced that its Board of Directors declared a quarterly cash dividend of $0.26 per common share, payable on December 11, 2020 to shareholders of record as of November 24, 2020.

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

### Forward-Looking Statements

Except for historical facts, the statements in this quarterly report are forward-looking statements. Forward-looking statements are merely our current predictions of future events. These statements are inherently uncertain, and actual events could differ materially from our predictions. Important factors that could cause actual events to vary from our predictions include those discussed below under the heading "Risk Factors." We assume no obligation to update our forward-looking statements to reflect new information or developments. We urge readers to review carefully the risk factors described in the other documents that we file with the Securities and Exchange Commission, or SEC. You can read these documents at www.sec.gov.

Our principal Internet address is www.crai.com. Our website provides a link to a third-party website through which our annual, quarterly, and current reports, and amendments to those reports, are available free of charge. We believe these reports are made available as soon as reasonably practicable after we file them electronically with, or furnish them to, the SEC. We do not maintain or provide any information directly to the third-party website, and we do not check its accuracy.

Our website also includes information about our corporate governance practices. The Investor Relations page of our website provides a link to a web page where you can obtain a copy of our code of business conduct and ethics applicable to our principal executive officer, principal financial officer, and principal accounting officer.

### COVID-19 Assessment

While the COVID-19 pandemic did not materially adversely affect our financial results and business operations during the current fiscal quarter and fiscal year-to-date periods ended September 26, 2020, the COVID-19 pandemic may continue to pose significant risks to our business. The public health actions being undertaken to reduce the spread of the virus may create significant disruptions with respect to the demand for our services and impact our ability to conduct business activities in the ordinary course for an indefinite period. Since March 16, 2020, when we implemented our stay-at-home policy and successfully transitioned to a virtual work environment, we have been closely monitoring the COVID-19 pandemic and its impacts and potential impacts on our business. However, because developments with respect to the spread of COVID-19 and its impacts have been occurring so rapidly and because of the unprecedented nature of the pandemic, we are unable to predict the extent of any adverse financial impact of COVID-19 on our business, financial condition, results of operations and cash flows. Due to the above circumstances and as described generally in this Form 10-Q, our results of operations for the fiscal quarter and fiscal year-to-date periods ended September 26, 2020 are not necessarily indicative of the results to be expected for the full fiscal year.

As of September 26, 2020, we have $24.1 million of cash and cash equivalents and $82.3 million of borrowing capacity under our $125.0 million revolving credit facility. We believe our cash and cash equivalents and borrowing capacity, when combined with our ongoing operating cash flows, is sufficient to meet our operating needs over the next twelve months.

We have implemented enhanced safety procedures and enhanced cleaning protocols at our facilities to protect the health of our colleagues. Although our offices remain open and capable of hosting our colleagues, we have invited them to work wherever they feel most comfortable. Please see "Item 1A. Risk Factors" in this Quarterly Report on Form 10-Q for an additional discussion of risks and potential risks of the COVID-19 pandemic on our business, financial condition and results of operations.

### Critical Accounting Policies and Significant Estimates

Our critical accounting policies involving the more significant estimates and judgments used in the preparation of our financial statements as of September 26, 2020 remain unchanged from December 28, 2019. Please refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the fiscal year ended December 28, 2019, filed with the Securities and Exchange Commission on February 27, 2020, for details on these critical accounting policies.

### Recent Accounting Standards

Please refer to the sections captioned "Recent Accounting Standards Adopted" and "Recent Accounting Standards Not Yet Adopted" included in Note 1, "Summary of Significant Accounting Policies" in Part I, Item I, "Financial Statements" of this report.

**Results of Operations—For the Fiscal Quarter and Fiscal Year-to-Date Periods Ended September 26, 2020, Compared to the Fiscal Quarter and Fiscal Year-to-Date Periods Ended September 28, 2019**

The following table provides operating information as a percentage of revenues for the periods indicated:

| | Fiscal Quarter Ended | | Fiscal Year-to-Date Period Ended | |
|---|---|---|---|---|
| | September 26, 2020 | September 28, 2019 | September 26, 2020 | September 28, 2019 |
| Revenues | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| Costs of services (exclusive of depreciation and amortization) | 72.5 | 72.4 | 72.6 | 70.3 |
| Selling, general and administrative expenses | 18.2 | 19.4 | 18.3 | 20.8 |
| Depreciation and amortization | 2.7 | 2.2 | 2.5 | 2.3 |
| Income from operations | 6.6 | 6.0 | 6.6 | 6.6 |
| Interest expense, net | (0.2) | (0.4) | (0.3) | (0.3) |
| Foreign currency gains (losses), net | (0.2) | 0.2 | 0.3 | (0.1) |
| Income before provision for income taxes | 6.2 | 5.8 | 6.6 | 6.2 |
| Provision for income taxes | 1.7 | 0.8 | 1.8 | 1.4 |
| Net income | 4.4 % | 5.0 % | 4.8 % | 4.8 % |

**Fiscal Quarter Ended September 26, 2020, Compared to the Fiscal Quarter Ended September 28, 2019**

*Revenues.* Revenues increased by $6.1 million, or 5.3%, to $121.8 million for the third quarter of fiscal 2020 from $115.7 million for the third quarter of fiscal 2019. The increase in net revenue was a result of an increase in gross revenues of $6.3 million as compared to the third quarter of fiscal 2019, partially offset by an increase in write-offs and reserves of $0.2 million compared to the third quarter of fiscal 2019. Utilization decreased to 69% for the third quarter of fiscal 2020 from 76% for the third quarter of fiscal 2019, primarily driven by the increase in consultant headcount, which grew 11.5% from 741 at the end of the third quarter of fiscal 2019 to 826 at the end of the third quarter of fiscal 2020. Included in revenues are the effect of changes in currency exchange rates resulting in an increase to revenue of $0.9 million for the third quarter of fiscal 2020, and a decrease of $1.1 million for the third quarter of fiscal 2019.

Overall, revenues outside of the U.S. represented approximately 21% and 20% of net revenues for the third quarter of fiscal 2020 and fiscal 2019, respectively. Revenues derived from fixed-price projects decreased to 22% of total revenues for the third quarter of fiscal 2020 compared with 26% of net revenues for the third quarter of fiscal 2019. The percentage of revenue derived from fixed-price projects depends largely on the proportion of our revenues derived from our management consulting business, which typically has a higher concentration of fixed-price service contracts.

*Costs of Services (exclusive of depreciation and amortization).* Costs of services (exclusive of depreciation and amortization) increased by $4.5 million, or 5.4%, to $88.3 million for the third quarter of fiscal 2020 from $83.8 million for the third quarter of fiscal 2019. The increase in costs of services was due primarily to an increase of $5.3 million in employee compensation and fringe benefit costs attributable to our increased consultant headcount, an increase in incentive and retention compensation costs of $1.3 million and an increase in forgivable loan amortization of $1.2 million. These increased expenses were partially offset by a decrease in stock compensation of $0.3 million and a decrease in the valuation expense of the contingent consideration of $2.1 million. Additionally, client reimbursable expenses decreased by $0.9 million in the third quarter of fiscal 2020 compared to the third quarter of fiscal 2019. As a percentage of revenues, costs of services (exclusive of depreciation and amortization) increased to 72.5% for the third quarter of fiscal 2020 from 72.4% for the third quarter of fiscal 2019.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses decreased by $0.2 million, or 1.1%, to $22.2 million for the third quarter of fiscal 2020 from $22.4 million for the third quarter of fiscal 2019. Within this category of expenses, there was a $2.0 million decrease in travel and entertainment, a $0.7 million decrease in legal and other professional services fees, and a $0.2 million decrease in training and marketing. Partially offsetting the decrease in expenses was a $0.6 million increase in commissions to our non-employee experts, a $0.5 million increase in rent expense attributed to our Oakland and New York offices, a $0.2 million increase in software subscription and data services, a $0.9 million increase in employee and incentive compensation, a $0.2 million increase in bad debt expense, and a $0.3 million increase in other expenses for the third quarter of fiscal 2020 as compared to the third quarter of fiscal 2019.

As a percentage of revenues, selling, general and administrative expenses decreased to 18.2% for the third quarter of fiscal 2020 from 19.4% for the third quarter of fiscal 2019. Commissions to our non-employee experts increased to 3.0% of revenues for the third quarter of fiscal 2020 compared to 2.6% of revenues for the third quarter of fiscal 2019.

*Provision for Income Taxes.* The income tax provision was $2.1 million and the effective tax rate was 28.2% for the third quarter of fiscal 2020 compared to $1.0 million and 14.2% for the third quarter of fiscal 2019. The effective tax rate for the third quarter of fiscal 2020 was higher than the prior year primarily due to the release of tax reserves recorded in the prior year as well as the increased provision related to remeasuring the U.S. deferred tax assets and liabilities based on expected fiscal 2020 state apportionment. This was partially offset by an increase in the tax benefit related to the accounting for stock-based compensation and a decrease in non-deductible meals and entertainment in the current year. The effective tax rate for the third quarter of fiscal 2020 was slightly higher than the combined federal and state statutory tax rate due to non-deductible items resulting primarily from limitations of compensation paid to executive officers as well as the remeasurement of U.S. deferred tax assets and liabilities as previously noted, partially offset by the tax benefit related to the accounting for stock-based compensation. The effective tax rate in the third quarter of fiscal 2019 was lower than the combined federal and state statutory tax rate primarily due to the reversal of tax reserves as a result of expiration of statutes of limitation, the tax benefit related to the accounting for stock-based compensation, and the remeasurement of U.S deferred tax assets and liabilities based on expected fiscal 2019 applicable state apportionment and statutory rates, partially offset by non-deductible items resulting from limitations of compensation paid to executive officers and the deductibility of meals and entertainment.

*Net Income.* Net income decreased by $0.3 million to $5.4 million for the third quarter of fiscal 2020 from $5.7 million for the third quarter of fiscal 2019. The net income per diluted share was $0.68 per share for the third quarter of fiscal 2020, compared to $0.71 of net income per diluted share for the third quarter of fiscal 2019. Weighted average diluted shares outstanding decreased by approximately 116,000 shares to approximately 7,934,000 shares for the third quarter of fiscal 2020 from approximately 8,050,000 shares for the third quarter of fiscal 2019. The decrease in weighted average diluted shares outstanding was primarily due to the repurchase of shares of our common stock since September 28, 2019, offset in part by the vesting of shares of restricted stock and time-vesting restricted stock units, and the exercise of stock options since September 28, 2019.

**Fiscal Year-to-Date Period Ended September 26, 2020, Compared to the Fiscal Year-to-Date Period Ended September 28, 2019**

*Revenues.* Revenues increased by $38.8 million, or 11.7%, to $371.0 million for the fiscal year-to-date period ended September 26, 2020 from $332.1 million for the fiscal year-to-date period ended September 28, 2019. The increase in net revenue was a result of an increase in gross revenues of $38.0 million as compared to the fiscal year-to-date period ended September 28, 2019, and a decrease in write-offs and reserves of $0.8 million as compared to the fiscal year-to-date period ended September 28, 2019. Utilization decreased to 69% for the fiscal year-to-date period ended September 26, 2020 from 76% for the fiscal year-to-date period ended September 28, 2019, primarily driven by the increase in consultant headcount, which grew 11.5% from 741 at September 28, 2019 to 826 at September 26, 2020. Included in revenues are the effect of changes in currency exchange rates resulting in a decrease in revenue of $0.2 million for the fiscal year-to-date period ended September 26, 2020 and a decrease in revenue of $3.8 million for the fiscal year-to-date period ended September 28, 2019, respectively.

Overall, revenues outside of the U.S. represented approximately 20% and 21% of net revenues for the fiscal year-to-date periods ended September 26, 2020 and September 28, 2019, respectively. Revenues derived from fixed-price projects were 23% of net revenues for each of the fiscal year-to-date periods ended September 26, 2020 and September 28, 2019. The percentage of revenue derived from fixed-price projects depends largely on the proportion of our revenues derived from our management consulting business, which typically has a higher concentration of fixed-price service contracts.

*Costs of Services (exclusive of depreciation and amortization).* Costs of services (exclusive of depreciation and amortization) increased by $36.1 million, or 15.4%, to $269.5 million for the fiscal year-to-date period ended September 26, 2020 from $233.4 million for the fiscal year-to-date period ended September 28, 2019. The increase in costs of services was due primarily to an increase of $17.1 million in employee compensation and fringe benefit costs associated with our increased consulting headcount, an increase in incentive and retention compensation costs of $11.1 million, an increase in forgivable loan amortization of $3.1 million, and an increase in expense related to other compensation of $1.9 million, partially offset by a decrease in the valuation expense of the contingent consideration of $1.5 million and a decrease in stock compensation expense of $0.7 million. Additionally, client reimbursable expenses increased by $5.1 million in the fiscal year-to-date period ended September 26, 2020 compared to the fiscal year-to-date period ended September 28, 2019. As a percentage of revenues, costs of services (exclusive of depreciation and amortization) increased to 72.6% for the fiscal year-to-date period ended September 26, 2020 from 70.3% for the fiscal year-to-date period ended September 28, 2019.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses decreased by $1.2 million, or 1.7%, to $67.7 million for the fiscal year-to-date period ended September 26, 2020 from $68.9 million for the fiscal year-to-date period ended September 28, 2019. The primary contributors to this decrease were a $4.4 million decrease in travel and entertainment, a $1.8 million decrease in legal and other professional services fees, a $0.7 million decrease in training and marketing, and a $0.2 million decrease in commissions to non-employee experts. These decreases were partially offset by increases of $3.6 million in rent expense primarily due to additional space in our Oakland and New York offices, employee and incentive compensation of $1.4 million, other costs of $0.1 million, and software subscriptions and data services of $0.8 million.

As a percentage of revenues, selling, general and administrative expenses decreased to 18.3% for the fiscal year-to-date period ended September 26, 2020 from 20.8% for the fiscal year-to-date period ended September 28, 2019. Commissions to our non-employee experts decreased to 2.5% of revenues for the fiscal year-to-date period ended September 26, 2020 compared to 2.9% of revenues for the fiscal year-to-date period ended September 28, 2019 as less revenue was sourced by non-employee experts in the fiscal year-to-date period ended September 26, 2020 compared to the fiscal year-to-date period ended September 28, 2019.

*Provision for Income Taxes.* For the fiscal year-to-date period ended September 26, 2020, our income tax provision was $6.7 million, and the effective tax rate was 27.5%, compared to a provision of $4.8 million and an effective tax rate of 22.9% for the fiscal year-to-date period ended September 28, 2019. The effective tax rate for the fiscal year-to-date period ended September 26, 2020 was higher than the prior year due to the release of tax reserves recorded in the prior year as well as the increased provision related to remeasuring the U.S. deferred tax assets and liabilities based on expected fiscal 2020 state apportionment. The effective tax rate in the fiscal year-to-date period ended September 26, 2020 was the same as the combined federal and state statutory tax rate but included increases in the rate for non-deductible compensation paid to executive officers and the remeasurement of U.S. deferred tax assets and liabilities, offset by decreases in the rate related to the accounting for stock-based compensation. The effective tax rate in the fiscal year-to-date period ended September 28, 2019 was lower than the combined federal and state statutory tax rate primarily due to the release of tax reserves as a result of expiration of statutes of limitation, the tax benefit related to the accounting for stock-based compensation, and the remeasurement of U.S deferred tax assets and liabilities based on the expected fiscal 2019 applicable state apportionment and statutory rates, partially offset by non-deductible items resulting from limitations of compensation paid to executive officers and the deductibility of meals and entertainment.

*Net Income.* Net income increased by $1.8 million to $17.8 million for the fiscal year-to-date period ended September 26, 2020 from $16.0 million for the fiscal year-to-date period ended September 28, 2019. The diluted net income per share was $2.23 for the fiscal year-to-date period ended September 26, 2020, compared to diluted net income per share of $1.94 for the fiscal year-to-date period ended September 28, 2019. Diluted weighted average shares outstanding decreased by approximately 241,000 to approximately 7,964,000 shares for the fiscal year-to-date period ended September 26, 2020 from approximately 8,205,000 shares for the fiscal year-to-date period ended September 28, 2019. The decrease in weighted average diluted shares outstanding was primarily due to the repurchase of shares of our common stock since September 28, 2019, offset in part by the vesting of restricted stock and time-vesting restricted stock units and the exercise of stock options since September 28, 2019.

## Liquidity and Capital Resources

### ***Fiscal Year-to-Date Period Ended September 26, 2020***

We believe that our current cash, cash equivalents, cash generated from operations, and amounts available under our bank revolving line of credit will be sufficient to meet our anticipated working capital and capital expenditure requirements for at least the next 12 months.

*General.* During the fiscal year-to-date period ended September 26, 2020, cash and cash equivalents decreased by $1.5 million. We completed the period with cash and cash equivalents of $24.1 million. The principal drivers of the reduction of cash were payment of a significant portion of our fiscal 2019 performance bonuses in the first and second quarters of 2020, the funding of forgivable loans, the repurchase of shares, the payment of dividends, and capital expenditures related to the build-out of the new Oakland and New York office spaces, offset by net borrowings of $38.0 million.

During the fiscal year-to-date period ended September 26, 2020, working capital decreased by $13.2 million such that current liabilities were in excess of current assets by $0.5 million. The reduction in working capital is due in large part to the reclassification to a current liability of our contingent consideration liability of $13.5 million, which is due to be paid during the second quarter of fiscal 2021. Also contributing to the reduction in working capital is the $38.0 million of borrowings during the first half of fiscal 2020, a portion of which was used to fund long-term investments, such as forgivable loan issuances and leasehold improvements, much of which are classified as non-current assets. Offsetting these reductions in working capital were increases in accounts receivable and unbilled services of $13.3 million.

Of the total cash and cash equivalents held at September 26, 2020, $1.9 million was held within the U.S. We have sufficient sources of liquidity in the U.S., including cash from operations and available borrowing capacity under our revolving credit facility, to fund U.S. activities for the next 12 months.

*Sources and Uses of Cash.* During the fiscal year-to-date period ended September 26, 2020, net cash used in operating activities was $10.6 million. Net income was $17.8 million for the fiscal year-to-date period ended September 26, 2020. The primary factor in cash used in operations was the decrease in the “accounts payable, accrued expenses, and other liabilities” line item of our condensed consolidated statement of cash flows of $15.2 million due to the payment of a significant portion of our fiscal 2019 performance bonuses and performance awards. Other uses of cash included an increase of $15.0 million in unbilled receivables due primarily to the increase in revenues, a $1.0 million increase in prepaid expenses and other current assets, and a $5.5 million decrease in lease liabilities. The increase in forgivable loans for the period of $19.0 million was primarily driven by $38.5 million of forgivable loan issuances, net of repayments, offset by $19.5 million of forgivable loan amortization. Offsetting these uses of cash was a $1.1 million decrease in accounts receivable, net of allowances. Cash provided by operations included incentive cash award expense of $4.9 million, non-cash depreciation and amortization expense of $9.3 million, ROU amortization of $8.9 million, share-based compensation expenses of $2.4 million, and other non-cash expenses of $0.7 million.

During the fiscal year-to-date period ended September 26, 2020, net cash used in investing activities was $15.7 million for capital expenditures primarily related to the build-out of the new Oakland and New York offices.

During the fiscal year-to-date period ended September 26, 2020, net cash provided by financing activities was $25.1 million, primarily as a result of borrowings, net of repayments, under the revolving line of credit of $38.0 million and $1.7 million received upon the issuance of shares of common stock related to the exercise of stock options. Offsetting these increases in cash were the tax withholding payments reimbursed by restricted shares of $0.4 million, payment of $5.4 million of cash dividends to shareholders, and $8.8 million of repurchases of common stock.

***Indebtedness***

We are party to a credit agreement that provides us with a $125.0 million revolving credit facility and a $15.0 million sublimit for the issuance of letters of credit. We may use the proceeds of the revolving credit facility to provide working capital and for other general corporate purposes. Generally, we may repay any borrowings under the revolving credit facility at any time, but we must repay all borrowings no later than October 24, 2022. There was $38.0 million in outstanding borrowings under this revolving line of credit as of September 26, 2020.

The amount available under this revolving line of credit is reduced by certain letters of credit outstanding, which amounted to $4.7 million as of September 26, 2020. Borrowings under the revolving credit facility bear interest at a rate per annum, at our election, of either (i) the adjusted base rate, as defined in the credit agreement, plus an applicable margin, which varies between 0.25% and 1.25% depending on our total leverage ratio as determined under the credit agreement, or (ii) the adjusted eurocurrency rate, as defined in the credit agreement, plus an applicable margin, which varies between 1.25% and 2.25% depending on our total leverage ratio. We are required to pay a fee on the unused portion of the revolving credit facility at a rate per annum that varies between 0.20% and 0.35% depending on our total leverage ratio. Borrowings under the revolving credit facility are secured by 100% of the stock of certain of our U.S. subsidiaries and 65% of the stock of certain of our foreign subsidiaries, which represent approximately $36.2 million in net assets as of September 26, 2020.

Under the credit agreement, we must comply with various financial and non-financial covenants. Compliance with these financial covenants is tested on a fiscal quarterly basis. Any indebtedness outstanding under the revolving credit facility may become immediately due and payable upon the occurrence of stated events of default, including our failure to pay principal, interest or fees or a violation of any financial covenant. The financial covenants require us to maintain an adjusted consolidated EBITDA to consolidated interest expense ratio of more than 2.5:1.0 and to comply with a consolidated debt to adjusted consolidated EBITDA ratio of not more than 3.0:1.0. The non-financial covenant restrictions of the senior credit agreement include, but are not limited to, our ability to incur additional indebtedness, engage in acquisitions or dispositions, and enter into business combinations. As of September 26, 2020, we were in compliance with the covenants of our credit agreement.

***Forgivable Loans and Term Loans***

In order to attract and retain highly skilled professionals, we may issue forgivable loans or term loans to employees and non-employee experts. A portion of these loans is collateralized by key person life insurance. The forgivable loans have terms that are generally between two and eight years. The principal amount of forgivable loans and accrued interest is forgiven by us over the term of the loans, so long as the employee or non-employee expert continues employment or affiliation with us and complies with certain contractual requirements. The expense associated with the forgiveness of the principal amount of the loans is recorded as compensation expense over the service period, which is consistent with the term of the loans.

***Compensation Arrangements***

We have entered into compensation arrangements for the payment of incentive performance awards to certain of our employees and non-employee experts if specific performance targets are met. The amounts of the awards to be paid under these compensation arrangements could fluctuate depending on future performance through the respective measurement periods. Increases in estimated awards are expensed prospectively over the remaining service period. Decreases in estimated awards are recorded in the period incurred. We believe that we will have sufficient funds to satisfy any obligations related to the incentive performance awards. We expect to fund these payments, if any, from existing cash resources, cash generated from operations, or borrowings on our revolving credit facility.

***Business and Talent Acquisitions***

As part of our business, we regularly evaluate opportunities to acquire other consulting firms, practices or groups or other businesses. In recent years, we have typically paid for acquisitions with cash, or a combination of cash and our common stock, and we may continue to do so in the future. To pay for an acquisition, we may use cash on hand, cash generated from our operations, borrowings under our revolving credit facility, or we may pursue other forms of financing. Our ability to secure short-term and long-term debt or equity financing in the future will depend on several factors, including our future profitability, the levels of our debt and equity, restrictions under our revolving credit facility, and the overall credit and equity market environments.

***Share Repurchases***

In February 2020, our Board of Directors authorized an expansion to our existing share repurchase program, authorizing the purchase of an additional $20.0 million of our common stock. We may repurchase shares under this program in open market purchases (including through any Rule 10b5-1 plan adopted by us) or in privately negotiated transactions in accordance with applicable insider trading and other securities laws and regulations. During the fiscal quarter and fiscal year-to-date periods ended September 26, 2020, we repurchased and retired 110,154 shares and 192,767 shares, respectively, under our share repurchase program at an average price per share of $45.39 and $45.72, respectively. During the fiscal quarter and fiscal year-to-date periods ended September 28, 2019, we repurchased and retired 157,402 shares and 421,112 shares, respectively, under our share repurchase program at an average price per share of $41.69 and $42.94, respectively. As of September 26, 2020, we had approximately $14.7 million available for future repurchases under our share repurchase program. We plan to finance future repurchases with available cash, cash from future operations, and funds from our revolving credit facility.

***Dividends to Shareholders***

We anticipate paying regular quarterly dividends each year. These dividends are anticipated to be funded through cash flow from operations, available cash on hand, and/or borrowings under our revolving credit facility. Although we anticipate paying regular quarterly dividends on our common stock for the foreseeable future, the declaration of any future dividends is subject to the discretion of our Board of Directors. During the fiscal quarter and fiscal year-to-date periods ended September 26, 2020, we paid dividends of $1.8 million and $5.4 million, respectively. During the fiscal quarter and fiscal year-to-date periods ended September 28, 2019, we paid dividends of $1.5 million and $4.8 million, respectively.

***Impact of Inflation***

To date, inflation has not had a material impact on our financial results. There can be no assurance, however, that inflation will not adversely affect our financial results in the future.

***Future Capital and Liquidity Needs***

We anticipate that our future capital and liquidity needs will principally consist of funds required for:

- operating and general corporate expenses relating to the operation of our business, including the compensation of our employees under various annual bonus or long-term incentive compensation programs;
- the hiring of individuals to replenish and expand our employee base;
- capital expenditures, primarily for information technology equipment, office furniture and leasehold improvements;
- debt service and repayments, including interest payments on borrowings under our revolving credit facility;
- share repurchases, under programs that we may have in effect from time to time;
- dividends to shareholders;
- potential acquisitions of businesses that would allow us to diversify or expand our service offerings;
- contingent obligations related to our acquisitions; and
- other known future contractual obligations.

The hiring of individuals to replenish and expand our employee base is an essential part of our business operations and has historically been funded principally from operations. Many of the other above activities are discretionary in nature. For example, capital expenditures can be deferred, acquisitions can be forgone, and share repurchase programs and regular dividends can be suspended. As such, our operating model provides flexibility with respect to the deployment of cash flow from operations. Given this flexibility, we believe that our cash flows from operations, supplemented by cash on hand and borrowings under our revolving credit facility (as necessary), will provide adequate cash to fund our long-term cash needs from normal operations for at least the next twelve months.

Our conclusion that we will be able to fund our cash requirements by using existing capital resources and cash generated from operations does not take into account the impact of any future acquisition transactions or any unexpected significant changes in the number of employees or other expenditures that are currently not contemplated. The anticipated cash needs of our business could change significantly if we pursue and complete additional business acquisitions, if our business plans change, if economic conditions change from those currently prevailing or from those now anticipated (including in connection with the COVID-19 pandemic), or if other unexpected circumstances arise that have a material effect on the cash flow or profitability of our business. Any of these events or circumstances, including any new business opportunities or the length and severity of the COVID-19 pandemic, could involve or result in significant additional funding needs in excess of the identified currently available sources and could require us to raise additional debt or equity funding to meet those needs on terms that may be less favorable compared to our current sources of capital. Our ability to raise additional capital over the next 12 months, if necessary, is subject to a variety of factors that we cannot predict with certainty, including:

- our future profitability;
- the quality of our accounts receivable;
- our relative levels of debt and equity;
- the volatility and overall condition of the capital markets; and
- the market prices of our securities.

**Factors Affecting Future Performance**

Important factors that could cause our actual results to differ materially from the forward-looking statements we make in this Quarterly Report on Form 10-Q, as well as a description of material risks we face, are set forth below under the heading “Risk Factors” and included in Part I, Item 1A “Risk Factors” of the 2019 Form 10-K. If any of these risks, or any risks not presently known to us or that we currently believe are not significant, develops into an actual event, then our business, financial condition, and results of operations could be adversely affected.

**ITEM 3. Quantitative and Qualitative Disclosures About Market Risk**

For information regarding our exposure to certain market risks see “ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk,” in the 2019 Form 10-K. Additionally, please see “ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations: COVID-19 Assessment” in this Quarterly Report on Form 10-Q for an additional discussion on the COVID-19 pandemic and the potential impact it may have on our business, financial condition and results of operations.

**ITEM 4. Controls and Procedures**

*Evaluation of Disclosure Controls and Procedures*

Under the supervision and with the participation of our management, including our President and Chief Executive Officer and our Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. This is done in order to ensure that information we are required to disclose in the reports that are filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Based upon that evaluation, our President and Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of September 26, 2020, due to the material weaknesses in internal control over financial reporting related to the inadequate design or execution of internal controls over: 1) our incentive-based compensation liabilities, as it relates to our internal controls over the review of the completeness and accuracy of key inputs into the computation of these liabilities; 2) certain aspects of accounting for revenue and related accounts; and 3) the completeness of certain accounts payable and expense accruals described in Item 9A of the 2019 Form 10-K.

Notwithstanding these material weaknesses, management has concluded that the condensed consolidated financial statements included in this quarterly report on Form 10-Q present fairly, in all material aspects, our financial position at the end of, and the results of operations and cash flows for, the periods presented in conformity with accounting principles generally accepted in the United States.

*Evaluation of Changes in Internal Control over Financial Reporting*

Under the supervision and with the participation of our management, including our President and Chief Executive Officer and Chief Financial Officer, we evaluated whether there were any changes in our internal control over financial reporting during the third quarter of fiscal 2020, including any changes related to COVID-19. Except for the ongoing remediation of the material weaknesses in internal controls over financial reporting noted above pursuant to the plan described in Item 9A of the 2019 Form 10-K, there were no changes in our internal control over financial reporting identified in connection with the above evaluation that occurred during the third quarter of fiscal 2020 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

*Plan for Remediation of Material Weakness*

We are committed to remediating the control deficiencies that gave rise to the material weaknesses described above. Management is responsible for implementing changes and improvements to our internal control over financial reporting and for remediating the control deficiencies that gave rise to these material weaknesses. During fiscal 2020, we have been enhancing our system of internal controls over financial reporting by continuing to implement the plan of remediation described in Item 9A of the 2019 Form 10-K.

*Important Considerations*

The effectiveness of our disclosure controls and procedures and our internal control over financial reporting is subject to various inherent limitations, including judgments used in decision making, assumptions about the likelihood of future events, the soundness of our systems, the possibility of human error, and the risk of fraud. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions and the risk that the degree of compliance with policies or procedures may deteriorate over time. Because of these limitations, there can be no assurance that any system of disclosure controls and procedures or internal control over financial reporting will be successful in preventing all errors or fraud or in making all material information known in a timely manner to the appropriate levels of management.

## PART II. OTHER INFORMATION

### ITEM 1. Legal Proceedings

None.

### ITEM 1A. Risk Factors

There are many risks and uncertainties that can affect our future business, financial performance or results of operations. In addition to the other information set forth in this report, please review and consider the information regarding certain factors that could materially affect our business, financial condition or future results set forth under Part I, Item 1A "Risk Factors" in our 2019 Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 27, 2020. Except as noted below, there have been no material changes to these risk factors during the quarter ended September 26, 2020.

***The COVID-19 pandemic and resulting adverse economic conditions could have a material adverse impact on our business, financial condition and results of operations.***

In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic, and the United States and other governments imposed travel restrictions on travel between the United States, Europe and other countries. Within the U.S., several states have imposed restrictions on interstate travel. In addition, stay-at-home orders have been issued by several countries, states, and cities in which our offices are located. Many businesses, including those of our clients, have responded with their own work-from-home policies and procedures.

We intend to continue to provide our services to our clients for the duration of these orders and closures. However, the timing of projects may be delayed or otherwise disrupted due to the length and severity of the current closures and any other restrictions or limitations implemented in the future. The COVID-19 virus poses the risk that our employees, our non-employee experts, governmental agencies, clients, and parties otherwise engaged in the delivery of our services may be prevented from conducting business activities in the ordinary course for an indefinite period. Extended shutdowns or other restrictions could also adversely limit our business operations or increase costs.

The spread of COVID-19, which has caused a broad impact globally, may materially affect us economically. While the potential economic impact brought by the duration of COVID-19 is difficult to assess or predict, a pandemic could result in significant disruption of global financial markets, reducing our ability to access capital, which could in the future negatively affect our liquidity. In addition, a recession or market correction resulting from the spread of COVID-19 could materially affect our business and value of our common stock.

The global pandemic of COVID-19 continues to evolve rapidly. The ultimate impact of COVID-19 or a similar health epidemic or pandemic is highly uncertain and subject to change. We do not yet know the full extent of potential delays or impacts on our business or the global economy. As a result, the COVID-19 pandemic may affect our operating and financial results in a manner that is not presently known to us.

**ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds**

(a) Not applicable.

(b) Not applicable.

(c) The following provides information about our repurchases of shares of our common stock during the fiscal quarter ended September 26, 2020. During that period, we did not act in concert with any affiliate or any other person to acquire any of our common stock and, accordingly, we do not believe that purchases by any such affiliate or other person (if any) are reportable in the following table. For purposes of this table, we have divided the fiscal quarter into three periods of four weeks, four weeks, and five weeks, respectively, to coincide with our reporting periods during the third quarter of fiscal 2020.

**Issuer Purchases of Equity Securities**

| Period | (a) Total Number of Shares Purchased | (b) Average Price Paid per Share | (c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (1) |
|---|---|---|---|---|
| June 28, 2020 to July 25, 2020 | — | — | — | $ 19,699,613 |
| July 26, 2020 to August 22, 2020 | 106,845 | $ 45.33 | 106,845 | $ 14,856,092 |
| August 23, 2020 to September 26, 2020 | 3,309 | $ 47.28 | 3,309 | $ 14,699,626 |

(1) On February 7, 2020, our Board of Directors authorized an expansion to our existing share repurchase program of an additional $20.0 million of outstanding shares of our common stock. We may repurchase shares under this program in open market purchases (including through any Rule 10b5-1 plan adopted by us) or in privately negotiated transactions in accordance with applicable insider trading and other securities laws and regulations. Approximately $14.7 million was available for future repurchases under this program as of September 26, 2020.

### ITEM 3. Defaults Upon Senior Securities

None.

### ITEM 4. Mine Safety Disclosures

None.

### ITEM 5. Other Information

None.

### ITEM 6. EXHIBIT INDEX

| Item No. | Description |
|---|---|
| 3.1 | Amended and Restated Articles of Organization, as amended by the Articles of Amendment to our Articles of Organization filed on May 6, 2005 (incorporated by reference to Exhibit 3.1 to our annual report on Form 10-K filed on February 27, 2020). |
| 3.2 | Amended and Restated By-Laws, as amended (incorporated by reference to Exhibit 3.2 to our current report on Form 8-K filed on January 31, 2011). |
| 31.1 | Certification of Principal Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Principal Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101 | The following financial statements from CRA International, Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended September 26, 2020, formatted in Inline XBRL (eXtensible Business Reporting Language), as follows: (i) Condensed Consolidated Statements of Operations (unaudited) for the fiscal quarters and the fiscal year to date periods ended September 26, 2020 and September 28, 2019, (ii) Condensed Consolidated Statements of Comprehensive Income (unaudited) for the fiscal quarters ended September 26, 2020 and September 28, 2019, (iii) Condensed Consolidated Balance Sheets (unaudited) as at September 26, 2020 and December 28, 2019, (iv) Condensed Consolidated Statements of Cash Flows (unaudited) for the fiscal quarters ended September 26, 2020 and September 28, 2019, (v) Condensed Consolidated Statement of Shareholders' Equity (unaudited) for the fiscal quarters ended September 26, 2020 and September 28, 2019, and (vi) Notes to Condensed Consolidated Financial Statements (Unaudited). |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101). |

**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.

| | | |
|---|---|---|
| | | CRA INTERNATIONAL, INC. |
| Date: October 29, 2020 | By: | /s/ PAUL A. MALEH |
| | | Paul A. Maleh<br>*President and Chief Executive Officer* |
| Date: October 29, 2020 | By: | /s/ DANIEL K. MAHONEY |
| | | Daniel K. Mahoney<br>*Chief Financial Officer, Executive Vice President and Treasurer* |

**Exhibit 31.1**

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER**
**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Paul A. Maleh, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CRA International, Inc.;

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

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

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

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

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of the 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 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 affect adversely 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: October 29, 2020

By: /s/ PAUL A. MALEH

Paul A. Maleh
President and Chief Executive Officer

**Exhibit 31.2**

**CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER**
**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Daniel K. Mahoney, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CRA International, Inc.;

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

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

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

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

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of the 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 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 affect adversely 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: October 29, 2020

By: /s/ DANIEL K. MAHONEY

Daniel K. Mahoney
Chief Financial Officer, Executive Vice President and Treasurer

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. §1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of CRA International, Inc. (the “Company”) on Form 10-Q for the quarter ended September 26, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned President and Chief Executive Officer of the Company, certifies, to the best knowledge and belief of the signatory, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(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.

A signed original of this written statement required by Section 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.

/s/ PAUL A. MALEH

Paul A. Maleh
President and Chief Executive Officer
Date: October 29, 2020

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. §1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of CRA International, Inc. (the “Company”) on Form 10-Q for the quarter ended September 26, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned Chief Financial Officer, Executive Vice President and Treasurer of the Company, certifies, to the best knowledge and belief of the signatory, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002, that:

(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.

A signed original of this written statement required by Section 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.

/s/ DANIEL K. MAHONEY

Daniel K. Mahoney
Chief Financial Officer, Executive Vice President and Treasurer
Date: October 29, 2020