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

FORM 10-Q

(Mark One)
☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the third quarterly period ended **September 30, 2022.**

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from __________ to __________.

Commission file number 0-27408

SPAR GROUP, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**33-0684451**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1910 Opdyke Court, Auburn Hills, Michigan	**48326**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (248) 364-7727

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 twelve months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files) Yes ☒ No ☐

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

Large Accelerated Filer ☐	Accelerated Filer ☐
Non-Accelerated Filer ☒	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 ☐

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

The aggregate market value of the Common Stock of the Registrant held by non-affiliates of the Registrant on March 31, 2022, based on the closing price of the Common Stock as reported by the Nasdaq Capital Market on such date, was approximately $14.2 million.

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common	SGRP	Nasdaq

The number of shares of the Registrant's Common Stock outstanding as of November 4, 2022, was 22,717,456 shares.

SPAR Group, Inc.

Index

PART I: FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

SPAR Group, Inc. and Subsidiaries
Condensed Consolidated Statements of Income and Comprehensive Income (Loss)
(unaudited)
(In thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
Net revenues	$ **69,832**	$ 67,423	$ **196,626**	$ 195,696
Related party - cost of revenues	**2,535**	2,109	**7,201**	5,952
Cost of revenues	**54,457**	52,704	**151,806**	152,869
Gross profit	**12,840**	12,610	**37,619**	36,875
Selling, general and administrative expense	**10,614**	9,426	**29,952**	28,020
Depreciation and amortization	**506**	509	**1,524**	1,573
Operating income	**1,720**	2,675	**6,143**	7,282
Interest expense	**270**	124	**595**	402
Other income, net	**(126)**	(137)	**(363)**	(208)
Income before income tax expense	**1,576**	2,688	**5,911**	7,088
Income tax expense	**676**	549	**1,942**	2,036
Net income	**900**	2,139	**3,969**	5,052
Net income attributable to non-controlling interest	**(932)**	(959)	**(2,180)**	(2,441)
Net income (loss) attributable to SPAR Group, Inc.	$ **(32)**	$ 1,180	$ **1,789**	$ 2,611
Basic and diluted income (loss) per common share:	$ **(0.00)**	$ 0.06	$ **0.08**	$ 0.12
Weighted average common shares – basic	**22,227**	21,295	**21,873**	21,248
Weighted average common shares – diluted	**22,227**	21,589	**22,010**	21,592
Net income	$ **900**	$ 2,139	$ **3,969**	$ 5,052
Other comprehensive income (loss):				
Foreign currency translation adjustments	**(1,085)**	(1,352)	**(5,021)**	(2,696)
Comprehensive income (loss)	**(185)**	787	**(1,052)**	2,356
Comprehensive loss (income) attributable to non-controlling interest	**(303)**	(311)	**1,696**	(423)
Comprehensive income (loss) attributable to SPAR Group, Inc.	$ **(488)**	$ 476	$ **644**	$ 1,933

See accompanying notes.

SPAR Group, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(unaudited)
(In thousands, except share and per share data)

	September 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash, cash equivalents and restricted cash	$ **12,121**	$ 13,473
Accounts receivable, net	**66,499**	54,171
Prepaid expenses and other current assets	**7,688**	4,382
Total current assets	**86,308**	72,026
Property and equipment, net	**2,970**	2,929
Operating lease right-of-use assets	**1,192**	1,781
Goodwill	**4,169**	4,166
Intangible assets, net	**2,109**	2,295
Deferred income taxes	**5,256**	4,468
Other assets	**2,200**	1,351
Total assets	$ **104,204**	$ 89,016
Liabilities and equity		
Current liabilities:		
Accounts payable	$ **12,640**	$ 8,943
Accrued expenses and other current liabilities	**23,783**	22,031
Due to affiliates	**2,979**	3,270
Customer incentives and deposits	**2,761**	3,901
Lines of credit and short-term loans	**18,905**	11,042
Current portion of operating lease liabilities	**509**	1,019
Total current liabilities	**61,577**	50,206
Operating lease liabilities, less current portion	**683**	762
Long-term debt and other liabilities	**2,084**	700
Total liabilities	**64,344**	51,668
Commitments and contingencies – See Note 8		
Equity:		
SPAR Group, Inc. equity		
Preferred stock, Series - A, $.01 par value: Authorized shares– 2,445,598 Issued and outstanding shares – None – Balance at September 30, 2022 and December 31, 2021	-	-
Preferred stock, Series - B. $.01 par value: Authorized shares– 2,000,000; Issued shares – 1,017,113 – Balance at September 30, 2022 and none at December 31, 2021	**11**	-
Common stock, $.01 par value: Authorized shares – 47,000,000; Issued shares – 22,681,599 – Balance at September 30, 2022, and 21,320,414 – December 31, 2021	**227**	213
Treasury stock, at cost 201,980 shares – Balance at September 30, 2022 and 54,329 shares – Balance at December 31, 2021	**(285)**	(104)
Additional paid-in capital	**20,951**	17,231
Accumulated other comprehensive loss	**(6,174)**	(5,028)
Retained earnings	**9,228**	7,439
Total SPAR Group, Inc. equity	**23,958**	19,751
Non-controlling interest	**15,902**	17,597
Total equity	**39,860**	37,348
Total liabilities and equity	$ **104,204**	$ 89,016

See accompanying notes.

SPAR Group, Inc. and Subsidiaries
Condensed Consolidated Statement of Equity
(unaudited)
(In thousands)

	Common Stock		Series B Preferred Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Non-Controlling Interest	Total Equity
	Shares	Amount	Shares	Amount	Shares	Amount					
Balance at January 1, 2022	21,320	$ 213	-	$ -	54	$ (104)	$ 17,231	$ (5,028)	$ 7,439	$ 17,597	$ 37,348
Share-based compensation	-	-	-	-	-	-	150	-	-	-	150
Majority Shareholder Agreement	-	-	2,000	20	-	-	3,248	-	-	-	3,268
Conversion of preferred stock to common stock	525	5	(350)	(3)	-	-	-	-	-	-	2
Other comprehensive (loss)	-	-	-	-	-	-	-	1,602	-	(1,976)	(374)
Net income	-	-	-	-	-	-	-	-	672	783	1,455
Balance at March 31, 2022	**21,845**	**$ 218**	**1,650**	**$ 17**	**54**	**$ (104)**	**$ 20,629**	**$ (3,426)**	**$ 8,111**	**$ 16,404**	**$ 41,849**
Share-based compensation	-	-	-	-	-	-	130	-	-	-	130
Purchase of Treasury shares	(74)	-	-	-	74	(89)	1	-	-	-	(88)
Other comprehensive income (loss)	-	-	-	-	-	-	-	(2,237)	-	(1,325)	(3,562)
Net income (loss)	-	-	-	-	-	-	-	-	1,149	465	1,614
Balance at June 30, 2022	**21,771**	**$ 218**	**1,650**	**$ 17**	**128**	**$ (193)**	**$ 20,760**	**$ (5,663)**	**$ 9,260**	**$ 15,544**	**$ 39,943**
Share-based compensation	–	–	–	–	–	–	309	–	–	–	309
Majority Shareholder agreement	949	9	(633)	(6)	–	–	–	–	–	–	3
Exercise of stock options	38	–	–	–	–	–	(118)	–	–	–	(118)
Purchase of treasury shares	(74)	–	–	–	74	(92)	–	–	–	–	(92)
Other comprehensive income (loss)	–	–	–	–	–	–	–	(511)	–	(574)	(1,085)
Retirement of Shares	(3)	–	–	–	–	–	–	–	–	–	–
Net income (loss)	–	–	–	–	–	–	–	–	(32)	932	900
Balance at September 30, 2022	**22,681**	**$ 227**	**1,017**	**$ 11**	**202**	**$ (285)**	**$ 20,951**	**$ (6,174)**	**$ 9,228**	**$ 15,902**	**$ 39,860**

SPAR Group, Inc. and Subsidiaries
Condensed Consolidated Statement of Equity
(unaudited continued)
(In thousands)

	Common Stock		Series B Preferred Stock		Treasury Stock						
	Shares	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	**Additional Paid-In Capital**	**Accumulated Other Comprehensive Loss**	**Retained Earnings**	**Non-Controlling Interest**	**Total Equity**
Balance at January 1, 2021	21,122	$ 211	-	$ -	2	$ (2)	$ 16,645	$ (3,913)	$ 9,218	$ 16,463	$ 38,622
	-	-	-	-	-	-	-	-	-	-	-
Exercise of stock options	131	1	-	-	-	-	(66)	-	-	-	(65)
Share-based compensation	-	-	-	-	-	-	99	-	-	-	99
Other comprehensive income (loss)	-	-	-	-	-	-	-	(198)	-	(1,637)	(1,835)
Net income (loss)	-	-	-	-	-	-	-	-	917	864	1,781
Balance at March 31, 2021	**21,253**	**$ 212**	**-**	**$ -**	**2**	**$ (2)**	**$ 16,678**	**$ (4,111)**	**$ 10,135**	**$ 15,690**	**$ 38,602**
Exercise of stock options	16	1	-	-	-	-	(4)	-	-	-	(3)
Share-based compensation	-	-	-	-	-	-	183	-	-	-	183
Other changes to non-controlling interest	-	-	-	-	-	-	-	-	-	4	4
Other comprehensive income (loss)	-	-	-	-	-	-	-	223	-	268	491
Net income (loss)	-	-	-	-	-	-	-	-	514	618	1,132
Balance at June 30, 2021	**21,269**	**$ 213**	**-**	**$ -**	**2**	**$ (2)**	**$ 16,857**	**$ (3,888)**	**$ 10,649**	**$ 16,580**	**$ 40,409**
Share-based compensation	–	–	–	–	–	–	221	–	–	–	221
Exercise of stock options	51	–	–	–	–	–	(53)	–	–	–	(53)
Purchase of treasury shares	- –	- –	–	–	52	(102)	–	–	–	–	(102)
Distribution to non-controlling investors	- –	- –	–	–	–	–	–	–	–	(40)	(40)
Other comprehensive income (loss)	–	–	–	–	–	–	–	(703)	–	(649)	(1,352)
Net income (loss)	–	–	–	–	–	–	–	–	1,180	959	2,139
Balance at September 30, 2021	**21,320**	**$ 213**	**-**	**$ -**	**54**	**$ (104)**	**$ 17,025**	**$ (4,591)**	**$ 11,829**	**$ 16,850**	**$ 41,222**

See accompanying notes.

SPAR Group, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(unaudited)
(In thousands)

	Nine Months Ended September 30,	
	2022	**2021**
Operating activities		
Net income	$ **3,969**	$ 5,052
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	**1,524**	1,573
Non-cash lease expense	**589**	786
Bad debt expense, net of recoveries	**35**	100
Share-based compensation	**585**	503
Majority stockholders change in control agreement	**(420)**	-
Changes in operating assets and liabilities:		
Accounts receivable	**(12,283)**	(12,341)
Prepaid expenses and other assets	**(4,164)**	(1,997)
Accounts payable	**3,708**	2,308
Operating lease liabilities	**(589)**	(786)
Accrued expenses, other current liabilities and customer incentives and deposits	**2,884**	5,921
Net cash provided (used in) by operating activities	**(4,162)**	1,119
Investing activities		
Purchases of property and equipment and capitalized software	**(1,237)**	(1,432)
Acquisition of Business, net of cash acquired	**-**	(1,000)
Net cash used in investing activities	**(1,237)**	(2,432)
Financing activities		
Borrowings under line of credit	**33,151**	58,045
Repayments under line of credit	**(23,904)**	(53,510)
Payments from stock options exercised	**-**	(121)
Distribution to non-controlling investors	**-**	(40)
Net cash provided by financing activities	**9,247**	4,374
Effect of foreign exchange rate changes on cash	**(5,200)**	(3,733)
Net change in cash and cash equivalents	**(1,352)**	(672)
Cash, cash equivalents and restricted cash at beginning of period	**13,473**	15,972
Cash, cash equivalents and restricted cash at end of period	$ **12,121**	$ 15,300
Supplemental disclosure of cash flows information:		
Interest paid	$ **738**	$ 493
Income taxes paid	$ **1,710**	$ 1,822
Non-cash Majority Stockholders Agreement Charges	$ **3,270**	$ -

See accompanying notes.

SPAR Group, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(unaudited)

1. Basis of Presentation

Basis of Presentation and Consolidation

The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and applicable rules and regulations of the Securities and Exchange Commission (the "SEC") regarding interim financial reporting. All intercompany balances and transactions have been eliminated in the accompanying condensed consolidated financial statements.

Unaudited Interim Consolidated Financial Information

The accompanying interim condensed consolidated balance sheet as of September 30, 2022 and the interim condensed consolidated statements of income, statements of comprehensive income (loss), and statements of equity for the three (3) and nine (9) months period ended September 30, 2022 and 2021, statements of cash flows for the nine (9) months period ended September 30, 2022 and 2021, and the related disclosures, are unaudited. In management's opinion, the unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and includes all normal and recurring adjustments necessary for the fair presentation of the Company's financial position as of September 30, 2022, its results of operations for the three (3) and nine (9) months period ended September 30, 2022 and 2021, and its cash flows for the nine (9) months period ended September 30, 2022 and 2021 in accordance with U.S. GAAP. The results for the nine (9) months period ended September 30, 2022 are not necessarily indicative of the results to be expected for the full fiscal year or any other interim period.

These unaudited condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements and notes thereto for the Company as contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the SEC on April 15, 2022, (the "Annual Report").

2. Business

SPAR Group, Inc., a Delaware corporation ("SGRP"), and its subsidiaries (together with SGRP, "SPAR Group" or the "Company", "We", "Our"), is a global merchandising and brand marketing services company, providing a broad range of services to retailers, consumer goods manufacturers and distributors around the world. With more than 50 years of experience, a diverse network of merchandising specialists around the world working during the year, and long-term relationships with some of the world's leading businesses, we provide specialized capabilities across nine (9) countries and five (5) continents. Our unique combination of resource scale, deep expertise, advanced technology and unwavering commitment to excellence, separates us from the competition.

The Company reports under three (3) segments: Americas, Asia-Pacific ("APAC") and Europe, Middle East and Africa ("EMEA"). The Americas segment is comprised of the United States, Canada, Mexico, and Brazil, APAC is comprised of China, Japan, Australia, and India, and EMEA is comprised of South Africa.

Novel Coronavirus (Covid-19) Outbreak

The COVID-19 pandemic had an effect on the Company's joint venture operation in China in the second quarter of 2022 The lock-down ended in June of 2022 and the business has been back in operation in most cases; however, there is still restriction in certain areas impacting the third quarter financial results. In March of 2022, China implemented zero tolerance COVID-19 policy and locked down Shanghai Province and surrounding districts, and as a result, operations of the Company's joint venture in China were impacted for most of the second quarter and in the third quarter. In the third quarter of 2022, the joint venture in China generated a net loss attributable to SPAR Group inc. of $73,000 and $348,000 for the three and nine-months ended September 30, 2022, respectively, as compared to net income of $25,000 and $23,000 for the three and nine-months ended September 30, 2021, respectively. The net loss generated by the joint venture was largely due to a decrease in revenues of $276,000 or 7% and $2.3 million or 22% as a result of the lockdown for the three and nine months ended September 30, 2022, respectively, as compared to three and nine months ended September 30, 2021, while expenses continued to be incurred for wages, office rent and administrative expenses. Management continues to actively monitor the situation and assess operational and cashflow impact to determine course of actions.

3. Restricted Cash

Fifth Third CreditFacility

One of the Company’s consolidated subsidiaries, Resource Plus of North Florida, Inc. (“Resource Plus”), was a party to a revolving line of credit facility (the “Fifth Third Credit Facility”) with Fifth Third Bank for $3.5 million, with an expiration date of June 16, 2022. The credit facility was terminated as of December 31, 2021.

Resource Plus closed the line of credit with Fifth Third Bank on March 11, 2022. Resource Plus has maintained a letter of credit with an existing $857,000 restricted cash balance with Fifth Third Bank in order to be in compliance with Resource Plus' workers compensation insurance policy.

The Company's total cash, cash equivalents and restricted cash, as presented in the consolidated statements of cash flow, is as follows (in thousands):

	September 30, 2022	December 31, 2021
Cash, cash equivalents and restricted cash	$ **11,264**	$ 13,473
Restricted cash included in cash, cash equivalents and restricted cash	**857**	-
Total as presented in the consolidated statement of cash flows	$ **12,121**	$ 13,473

4. Earnings Per Share

The following table sets forth the computations of basic and diluted Net income (loss) per share (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
Numerator:				
Net income (loss) attributable to SPAR Group, Inc.	$ **(32)**	$ 1,180	$ **1,789**	$ 2,611
Denominator:				
Shares used in basic Net income (loss) per share calculation	**22,227**	21,295	**21,873**	21,248
Effect of diluted securities:				
Stock options and unvested restricted shares	-	294	**137**	344
Shares used in diluted net income per share calculations	**22,227**	21,589	**22,010**	21,592
Basic and diluted Net income (loss) per common share:	$ **0.00**	$ 0.06	$ **0.08**	$ 0.12

For the three-months ended *September 30, 2022*, the Company had 136,000 unvested restricted shares and stock options which were *not* included in the calculation because they would have an anti-dilutive effect.

5. Credit Facilities and Other Debt

Domestic Credit Facilities

North Mill Capital Credit Facility

The Company, under SPAR Marketing Force ("SMF") and SPAR Canada Company ("SCC"), has a secured revolving credit facility in the United States and Canada (the "NM Credit Facility") with North Mill Capital, LLC, d/b/a SLR Business Credit ("NM").

In order to obtain, document and govern the NM Credit Facility, SGRP and certain of its direct and indirect subsidiaries in the United States and Canada, entered into an 18-month individual Loan and Security Agreements with NM dated as of April 10, 2019.

On January 5, 2021, the Company and NM entered into an agreement as of January 4, 2021, and effective as of December 31, 2020 (the "First Modification Agreement"), to extend the NM Credit Facility from October 10, 2021 to April 10, 2022, and increased the amounts of the credit facilities to $14.5 (USD) million in the United States and decreased the facility to $1.5 (CDN) million in Canada; in addition the First Modification Agreement increased SMF's borrowing base availability for unbilled receivables to up to 70% from January 1, 2021 through June 30, 2021, and increased the unbilled cap for SMF to $4.5 million (USD) from $3.9 million (USD).

The NM Credit Facility, as amended by the First Modification Agreement continued to require the Company to pay interest on the loans equal to: (A) Prime Rate designated by Wells Fargo Bank; plus (B) one hundred twenty-five basis points (1.25%) or a minimum of 6.75%. In addition, the Company continues to pay a facility fee to NM of 1.5% for the first $10.5 million loan balance, or $157,500 per year over the term of the agreement, plus a $15,000 one-time fee for each incremental $1 million increase in loan balance up to $14.5 million. Additionally, for the First Modification Agreement, SPAR paid NM a fee of $7,500 and agreed to reimburse NM's legal and documentation fees.

On March 22, 2021, the Company and NM executed and delivered a Second Modification Agreement effective as of April 1, 2021 (the "Second Modification Agreement"), pursuant to which NM and the Company agreed to extend the NM Loan Agreements from April 10, 2022 to October 10, 2023, and increased the amounts of the credit facilities for SMF to $16.5 (USD) million in the USA while the SCC facility remained at $1.5 (CDN) million in Canada; in addition, the Second Modification Agreement increased SMF's borrowing base availability for unbilled receivables to up to 70% permanently, and increased the unbilled cap for SMF to $5.5 (USD) million from $4.5 (USD) million. The NM Loan Agreements as amended by the Second Modification Agreement will require the Company to pay interest on the loans equal to: (A) Prime Rate designated by Wells Fargo Bank; plus; (B) one hundred twenty-five basis points (1.25%) or a minimum of 5.25%. In addition, the Company continues to pay a facility fee to NM of 0.8% (decreased from 1.5%) for the first $10.5 million loan balance, or $84,000 per year, over the term of the agreement, plus a $15,000 one-time fee for each incremental $1 million increase in loan balance up to $16.5 million. Additionally, the early termination fee has decreased from 1.0% to 0.85% of the advance limit.

On July 1, 2022, the Company and NM executed and delivered a Fourth Modification Agreement effective as of June 30, 2022 (the "Fourth Modification Agreement"), pursuant to which NM and the Company agreed to extend the NM Loan Agreements from October 10, 2023 to October 10, 2024, and increased the amounts of the credit facilities for SMF to $17.5 (USD) million in the USA while the SCC facility remained at $1.5 (CDN) million in Canada; in addition, the Fourth Modification Agreement increased SMF's borrowing base availability for billed receivables to up to 90% from 85%, and unbilled receivables to up to 80% from 70% permanently, and increased the unbilled cap for SMF to $6.5 (USD) million from $5.5 (USD) million. The NM Loan Agreements as amended by the Fourth Modification Agreement will require the Company to establish a permanent $500,000 availability reserve against the US Advance Limit. The remaining terms and conditions remain the same as the Second Modification Agreement.

On September 30, 2022, the aggregate interest rate was 6.46% per annum, and the outstanding loan balance was $16.7 million and on *December 31, 2021,* the aggregate interest rate was 5.25% per annum, and the outstanding loan balance was $9.7 million. Outstanding amounts are classified as short-term debt.

The NM Credit Facility contains certain financial and other restrictive covenants and also limits certain expenditures by the Company, including maintaining a positive trailing EBITDA for each Borrower, limits on non-ordinary course payments and transactions, incurring or guarantying indebtedness, increases in executive, officer or director compensation, capital expenditures and other investments. The Company was in compliance with such covenants as of September 30, 2022.

Resource Plus – Seller Notes

Effective with the closing of the Resource Plus acquisition in January 2018, the Company entered into promissory notes with the sellers totaling $2.3 million. The notes are payable in annual installments at various amounts due on December 31st of each year starting with December 31, 2018 and continuing through December 31, 2023. As such these notes are classified as both short term and long term for the appropriate amounts. The annual interest rate is 1.85% and the total balance owed at September 30, 2022 was approximately $1.0 million.

Table of Contents

International Credit Facilities

SPARFACTS Australia Pty. Ltd. has a secured line of credit facility with National Australia Bank, effective October 31, 2017, for $800,000 (Australian) or approximately $517,000 USD (based upon the exchange rate at September 30, 2022). The facility provides for borrowing based upon a formula, as defined in the applicable loan agreement (principally 80% of eligible accounts receivable less certain deductions). The outstanding balance with National Australia Bank as of September 30, 2022 was $174,000 (Australian) or $113,000 USD and was $164,000 (Australian) or $118,000 USD as of *December 31, 2021*is due on demand.

SPAR China has secured a loan with Industrial and Commercial Bank of China, effective December 21, 2021, for 2.0 million Chinese Yuan or approximately $281,000 USD (based upon the exchange rate at September 30, 2022). The loan expires on November 4, 2022. The outstanding balance with Industrial and Commercial Bank of China as of September 30, 2022 was 2.0 million Chinese Yuan or $281,000 USD and is due on demand.

SPAR China has secured a loan with People's Bank of China for 1.0 million Chinese Yuan or approximately $141,000 USD (based upon the exchange rate at September 30, 2022). The loan expired on June 7, 2022 and subsequently was not renewed. There is no outstanding balance on this loan.

SPAR China has secured a loan with Industrial Bank for 3.0 million Chinese Yuan or approximately $422,000 USD (based upon the exchange rate at September 30, 2022). The loan expires on December 18, 2022. The annual interest rate was 4.0% as of September 30, 2022. The outstanding balance with Industrial Bank as of September 30, 2022 was 3.0 million Chinese Yuan or $422,000 USD and is due on demand.

SGRP Meridian has secured a loan with Investec Bank Ltd, for 30.0 million South African Rand or approximately $1.7 million USD (based upon the exchange rate at September 30, 2022). The loan expires on July 13, 2023. The outstanding balance with Investec Bank Ltd as of September 30, 2022 was approximately $18.4 million South African Rand or $1.0 million USD.

Summary of the Company's lines of credit and short-term loans (in thousands):

	Interest Rate as of September 30, 2022	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Australia - National Australia Bank	8.31%	102	-	-	-	-	-
China- Construction Bank	4.15%	281	-	-	-	-	-
China- Industrial Bank	4.00%	422	-	-	-	-	-
South Africa - Investec Bank Ltd.	9.75%	1,023				-	-
USA - North Mill Capital d/b/a SLR	6.46%	16,777	-	-	-	-	-
USA - Resource Plus Seller Notes	1.85%	300		-	-	-	-
Total		$ **18,905**	$ -	$ -	$ -	$ -	$ –

Summary of Unused Company Credit and Other Debt Facilities (in thousands):

	September 30, 2022	**December 31, 2021**
Unused Availability:		
United States / Canada	$ **1,815**	$ 5,319
Australia	**416**	455
South Africa	**643**	-
China	-	157
Mexico	**374**	743
Total Unused Availability	$ **3,248**	$ 6,674

Management believes that based upon the continuation of the Company's existing credit facilities, projected results of operations, vendor payment requirements and other financing available to the Company (including amounts due to affiliates), sources of cash availability should be manageable and sufficient to support ongoing operations over the next year. However, delays in collection of receivables due from any of the Company's major clients, or a significant reduction in business from such clients could have a material adverse effect on the Company's cash resources and its ongoing ability to fund operations.

6. Related-Party Transactions

Domestic Related Party Transactions

Change of Control, Voting and Restricted Stock Agreement

Approved by the Board and the Audit Committee and accepted by the Majority Stockholders (defined below) on December 31, 2021, and signed and effective January 28, 2022, SGRP entered into the Change of Control, Voting and Restricted Stock Agreement ("CIC Agreement"), by and among SGRP, Robert G. Brown, ("Mr. Brown"), William H. Bartels, ("Mr. Bartels"), SPAR Administrative Services, Inc., ("SAS"), and SPAR Business Services, Inc., ("SBS"), and collectively with Mr. Brown, Mr. Bartels, SAS and SBS, the ("Majority Stockholders") (the "Agreement").

The financial terms of the CIC Agreement to the Majority Stockholders, totaling $4,477,585 and fully accrued in December 2021, consists of the following:

a. The Corporation issued to the Majority Stockholders 2,000,000 restricted shares of Series B Preferred Stock which are convertible into SGRP Shares subject to the conversion ratio as set forth in the CIC Agreement of 1:1.5 basis, subject to adjustment for a forward or reverse share split, share dividend, or similar transactions. These shares will vest over time upon execution of the CIC Agreement through November 10, 2023 in five (5) phases, assuming the Majority Stockholders' ongoing compliance with the terms and conditions of the CIC Agreement. Series B Preferred Shares may only be transferred to affiliates and certain related parties of the Majority Stockholders if those affiliates and certain related parties execute a joinder to the CIC Agreement. The Series B Preferred Stock was valued at $3,690,000 in total, based on the SGRP stock price on December 31, 2021 of $1.23 per share for 3,000,000 SGRP shares. Upon execution of the agreement in January of 2022, 2,000,000 restricted shares of Series B Preferred Stock were issued to the Majority Stockholders based on the SGRP stock price on January 28, 2022 of $1.09 per share and recorded in paid-in capital at $3,270,000 as of March 31, 2022. The $420,000 difference between what was accrued for as of December 31, 2021 was recognized in selling, general and administrative expenses during the quarter ended March 31, 2022. Immediately after the issuance of the Series B restricted shares, 350,000 of Series B Preferred Stock was converted to 525,000 of common shares per terms of the agreement. On May 30, 2022, 700,000 shares of Series B Preferred Stock were vested and convertible to 1,050,000 of common shares per terms of agreement. The Company has issued 632,887 shares of Series B Preferred Stock and converted and issued 949,311 shares of the common shares; the remaining 67,113 shares of Series B Preferred Stock, convertible to 100,689 shares of common shares, are pending initiation of transactions from a Majority Stockholder.

b. The Corporation made a $250,000 cash payment to Mr. Brown and agreed to reimburse up to $35,000 of the legal expenses of the Majority Stockholders that were incurred after January 1, 2021 in connection with the negotiation and execution of the CIC Agreement. Both payments were made during the nine months ended September 30, 2022.

c. The Corporation assumed financial responsibility for, and paid directly to Affinity Insurance Company, Ltd., $502,585 to settle SAS obligations and the related claim for the 2014-2015 plan year. The payment was made directly to Affinity Insurance Company, Ltd. during the nine months ended September 30, 2022.

James R. Brown, Sr. Advisor Agreement

Effective January 26, 2022, SGRP entered into a consulting agreement with Mr. James R. Brown, Sr., following his retirement as a director of SGRP on January 25, 2022, pursuant to which Mr. Brown will serve as a Board advisor to SGRP from time to time for a term of one (1) year (the "Brown Advisor Agreement"). As compensation for his services, Mr. Brown is entitled to receive compensation at a rate of $55,000 for the term of the Brown Advisor Agreement. Payments will be made in equal quarterly installments and will be pro-rated for partial quarters. The consultant fee paid to Mr. Brown was $13,750 for the three-months and $41,250 for the nine-months period ended September, 2022.

Panagiotis Lazaretos Consulting Agreement

Effective February 1, 2022, SGRP entered into a consulting agreement with Thenablers, Ltd. (the "Lazaretos Consulting Agreement"). Thenablers, Ltd. is wholly owned by Mr. Panagiotis Lazaretos, a retired director of SGRP. Following Mr. Lazaretos' retirement as a director on January 25, 2022, Thenablers, Ltd. agreed to provide the consulting services of Mr. Lazaretos to SGRP regarding global sales and new markets' expansion. The Lazaretos Consulting Agreement cannot be terminated by the consent of either party for the first twelve (12) months, and automatically expires on January 31, 2024. Upon the one-year anniversary of the effective date, the Lazaretos Consulting Agreement may be terminated by either party with 180 days' notice in writing to the other party. As compensation for its services, Thenablers, Ltd. is entitled to receive: (i) base compensation at a rate of $10,000 per month for the term of the Consulting Agreement; (ii) incentive-based compensation; and (iii) the outstanding options granted to Mr. Panagiotis ("Panos") N. Lazaretos on February 4, 2021 will continue to be outstanding and vest according to their terms under the agreement. Consultant fee paid to Mr. Lazaretos was $30,000 for the three-months and $80,000 for the nine-months period ended September 30, 2022.

Audit Committee Nasdaq Compliance

On July 7, 2022, Nasdaq notified SGRP that it did not comply with the audit committee requirements for continued listing on The Nasdaq Capital Market set forth in Listing Rule 5605(c)(2) (the "Rule"). The Rule requires the audit committee to comprise of three independent directors. Subsequent to resignation of Mr. Panagiotis Lazaretos who was a member of SGRP's audit committee, the Company was actively recruiting for a new independent director while the position remained vacant.

The Board nominated Mr. Peter Brown on July 31, 2022 to fill the vacant position.

On August 1, 2022, SGRP received a notification letter from Nasdaq dated August 1, 2022, stating that SGRP was now in compliance with Nasdaq's Audit Committee requirements under Nasdaq Listing Rule 5605(c)(2) (the "Rule") and that the matter is now closed

Other Domestic Related Party Transactions

National Merchandising Services, LLC ("NMS"), is a consolidated domestic subsidiary of the Company and is owned jointly by SGRP through its indirect ownership of 51% of the NMS membership interests and by National Merchandising of America, Inc. ("NMA"), through its ownership of the other 49% of the NMS membership interests. Mr. Edward Burdekin is the Chief Executive Officer and President and a director of NMS and also is an executive officer and director of NMA. Ms. Andrea Burdekin, Mr. Burdekin's wife, is the sole stockholder and also a director of both NMA and NMS. NMA is an affiliate of the Company but is not under the control of or consolidated with the Company. Mr. Burdekin also owns 100% of National Store Retail Services ("NSRS"). Beginning in September 2018 and through June of 2021, NSRS provided substantially all of the domestic merchandising specialist field force used by NMS. For those services, NMS agrees to reimburse NSRS certain costs for providing those services plus a premium ranging from 4.0% to 10.0% of certain costs. Starting in July of 2021, the domestic merchandising specialist field force services provided by NSRS was transitioned to National Remodel & Setup Services, LLC ("NRSS") with the same financial arrangement. Mrs. Andrea Burdekin is the owner of NRSS. NMS also leases office space from Mr. Burdekin. The costs associated with labor and office lease were approximately $2.5 million for the three-months and $7.1 million for the nine-months period ended September 30, 2022, and $2.1M for the three-months and $5.9M for the nine-months period ended September 30, 2021.

Resource Plus is owned jointly by SGRP through its direct ownership of 51% of the Resource Plus membership interests and by Mr. Richard Justus through his ownership of the other 49% of the Resource Plus membership interests. Mr. Justus has a 50% ownership interest in RJ Holdings which owns the buildings where Resource Plus is headquartered and operates and are subleased to Resource Plus. The costs associated with these transactions were approximately $182,000 for the three-months and $545,000 for the nine-months period ended September 30, 2022, and $248,000 for the three-months and $814,000 for the nine-months period ended September 30, 2021.

On December 1, 2021, the Corporation entered into the Agreement for Marketing and Advertising Services (the "WB Agreement") with WB Marketing, Inc. (the "Agent", and together with the Corporation, the "Parties"). The Agent is an entity owned and controlled by Mrs. Jean Matacunas who is the wife of President and Chief Executive Officer, Michael R. Matacunas. Mrs. Matacunas owns 51 % of the equity of the Agent of record, Mr. Matacunas owns 49% of the equity of the Agent of record. The service fees paid to WB Marketing for the three-months and nine-months periods were $32,000 and $170,000 respectively.

International Related Party Services

The Corporation's principal Brazilian subsidiary, SPAR BSMT, is owned 51% by the Company, 39% by JK Consultoria Empresarial Ltda.-ME, a Brazilian limitada ("JKC"), and 10% by EILLC. JKC is owned by Mr. Jonathan Dagues Martins, a Brazilian citizen and resident ("JDM") and his sister, Ms. Karla Dagues Martins, a Brazilian citizen and resident. JDM is the Chief Executive Officer and President of each SPAR Brazil subsidiary pursuant to a Management Agreement between JDM and SPAR BSMT dated September 13, 2016. JDM also is a director of SPAR BSMT. Accordingly, JKC and JDM are each a related party respecting the Company. EILLC is owned by Mr. Peter W. Brown, a director of SPAR BSMT and SGRP. In November 2020, SPAR BSMT hired Mr. Peter W. Brown as a consultant to provide Brazil acquisition strategy services to SPAR BSMT, with a one-time initiation fee of $30,000 Brazilian Real and a monthly fee of $15,000 Brazilian Real effective December 1, 2020. The consultant agreement was terminated effective July 31, 2022 upon appointment of Mr. Peter Brown as a member of SGRP's Audit Committee. The consultant fee paid to Mr. Brown was approximately $6,300 USD for the three-months and $44,300 USD for the nine-months period ended for both September 30, 2022 and 2021, respectively.

SPARFACTS is a consolidated international joint venture of the Company and is owned 51% by SGRP and 49% by Ms. Lydna Chapman. Ms. Chapman is a director of SPARFACTS. Her various companies provide office lease, accounting and consultant services to SPARFACTS. The costs associated with these activities were approximately $130,000 for the three-months and $301,000 nine-months period ended September 30, 2022 and $40,000 for the three-months and $178,000 for the nine-months period ended September 30, 2021

Summary of Certain Related Party Transactions

Due to related parties consists of the following (in thousands):	September 30, 2022	December 31, 2021
Loans from joint venture partners:(1)		
Australia	$ **571**	$ 597
Mexico	**623**	623
China	**1,519**	1,784
Resource Plus	**266**	266
Total due to affiliates	$ **2,979**	$ 3,270

(1) Represent loans due from the local investors into the Company's subsidiaries (representing their proportionate share of working capital loans). The loans have no payment terms, are due on demand, and are classified as current liabilities in the Company's consolidated financial statements.

Bartels' Retirement and Director Compensation

Mr. William H. Bartels retired as an employee of the Company as of January 1, 2020 but continues to serve as a member of SPAR's Board. Mr. Bartels is also one of the founders and a significant stockholder of SGRP. Effective January 18, 2020, SPAR's Governance Committee proposed and unanimously approved retirement benefits for the five-year period commencing January 1, 2020, and ending December 31, 2024 (the "Five-Year Period"), for Mr. Bartels. The aggregate value of benefits payable to Mr. Bartels is approximately $220,558 per year and a total of $1,102,790 for the Five-Year Period. As of September 30, 2022 $352,600 remains outstanding and is included within accrued expenses and other current liabilities.

Other Related Party Transactions and Arrangements

SBS and SPAR InfoTech, Inc. ("Infotech") are related parties and affiliates of SGRP, but are not under the control or part of the consolidated Company. SBS is an affiliate because it is owned by SBS LLC, which in turn is beneficially owned by Robert G. Brown, Director, Chairman of the Board, and significant shareholder of SGRP. Infotech is an affiliate because it is owned principally by Robert G. Brown.

SBS and Infotech previously entered into a perpetual software ownership agreement providing that each party independently owned an undivided share of and has the right to unilaterally license and exploit certain portions of the Company's proprietary scheduling, tracking, coordination, reporting and expense software are co-owned with SBS and Infotech and each entered into a non-exclusive royalty-free license from the Company to use certain "SPAR" trademarks in the United States.

7. Preferred Stock

SGRP's certificate of incorporation authorizes it to issue 3,000,000 shares of preferred stock with a par value of $0.01 per share, which may have such preferences and priorities over the SGRP Common Stock and other rights, powers and privileges as the Company's Board of Directors may establish at its discretion. The Company has created and authorized the issuance of a maximum of 3,000,000 shares of Series A Preferred Stock pursuant to SGRP's Certificate of Designation of Series "A" Preferred Stock (the "SGRP Series A Preferred Stock"), which have dividend and liquidation preferences, have a cumulative dividend of 10% per year, are redeemable at the Company's option and are convertible at the holder's option (and without further consideration) on a one-to-one basis into SGRP Common Stock.

On January 28, 2022, SGRP entered into the Change in Control, Voting and Restricted Stock Agreement ("CIC Agreement") with the Majority Stockholders. As part of execution of the CIC agreement, on January 25, 2022, the Corporation filed a Certificate of Elimination for its "Certificate of Designation of Series "A" Preferred Stock of SPAR Group, Inc." (the "Certificate of Elimination"). Pursuant to the Certificate of Elimination, the Series "A" Preferred Stock was cancelled and withdrawn. As a result, all 3,000,000 shares of the previously authorized Series "A" Preferred Stock were returned to the Corporation's authorized "blank check" preferred stock. There were no shares of Series "A" Preferred Stock outstanding at the time of the cancellation.

Subsequent to filing the Certificate of Elimination, on January 25, 2022, the Corporation filed a "Certificate of Designation of Series "B" Preferred Stock of SPAR Group, Inc." (the "Preferred Designation") with the Secretary of State of Delaware, which designation had been approved by the Board on January 25, 2022. The Preferred Designation created a series of 2,000,000 shares of Preferred Stock designated as "Series "B" Preferred Stock" with a par value of $.01 per share (the "Preferred Stock"). The Preferred Shares do not carry any voting or dividend rights and are convertible into the Common Stock on a 1 for 1.5 basis. As of September 30, 2022, 1,017,113 shares of Series "B" Preferred Stock remain outstanding. In May of 2022, although 700,000 shares were vested and convertible to Common Stock, only 632,887 shares were issued and converted to common stock, pending initiation of transactions by a Majority Stockholders as further discussed in Note 6.

8. Long-Lived Assets, including Goodwill and Intangible Assets

The Company's goodwill balance was $4.2 million as of September 30, 2022 and December 31, 2021. The Company is required to test goodwill for impairment annually or more frequently, whenever events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit with goodwill below its carrying amount. The Company annually tests goodwill impairment during the fourth quarter.

The Company's long-lived intangible assets balance was $2.1 million as of September 30, 2022 and $2.3 million as of September 30, 2021. The Company is only required to test intangible assets whenever events occur or circumstances change that would more likely than not reduce the fair value of the assets below its carrying value.

The Company acquired Resource Plus in 2018 as a joint venture partnership and currently owns 51% of the Resource Plus business. As of September 30, 2022, the Company has recorded $2.0 million of goodwill and $1.2 million of intangible assets relating to brand and technology. In early 2021, Resource Plus lost a significant customer, Lowes Live Nursery Business. Resource Plus revenue was $15.3 million in 2021 comparing to $28.0 million in 2020, and net loss attributable to SPAR in 2021 was $116,000 comparing to net income attributable to SPAR of $679,000 in 2020. During the second and third quarters of 2022, Resource Plus did not meet original forecast and reduced forecasts for the remainder of 2022.

As a result of these circumstances, the Company concluded it was more likely than not that the fair value of the reporting unit was less than it's carrying amount, and performed an interim quantitative assessment. The quantitative assessment was performed utilizing the income approach. The analysis required the comparison of the Company's carrying value with its fair value, with an impairment recorded for any excess of carrying value over the fair value. The discounted cash flow method was used to determine the fair value of the reporting unit under the income approach. The results of the quantitative analysis performed indicated the fair value of the reporting unit exceeded the carrying value of the reporting unit as of September 30, 2022. As a result, the Company has determined goodwill impairment is not needed.

Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions, estimates, and market factors. Estimating the fair value of individual reporting units requires us to make assumptions and estimates regarding our future plans, as well as industry, economic, and regulatory conditions. These assumptions and estimates include estimated future annual net cash flows, income tax considerations, discount rates, growth rates, and other market factors. Our current expectations also include certain assumptions that could be negatively impacted if we are unable to meet our cost expectations in relation to inflation. If current expectations of future growth rates and margins are not met, if market factors outside of our control, such as discount rates, income tax rates, foreign currency exchange rates, inflation, or any factors that could be affected by COVID-19, change, or if management's expectations or plans otherwise change, including updates to our long-term operating plans, then one or more of our reporting units might become impaired in the future

The Company also performed an interim quantitative assessment for the intangible assets. The Company evaluates the need to adjust the carrying value of the underlying assets if the sum of the expected cash flows is less than the carrying value. The Company's projections of future cash flows, the level of actual cash flows, the methods of estimation used for determining fair values and salvage values can impact impairment. Based on the assessment, the Company concluded no impairment or write-down is required.

9. Stock-Based Compensation and Other Plans

The Company recognized approximately $30,000 and $174,000 in stock-based compensation expense relating to stock option awards during the three (3) month periods ended September 30, 2022 and 2021, respectively. The tax benefit available from stock-based compensation expense related to stock option during both the three (3) months period ended September 30, 2022 and 2021 was approximately $8,000 and $43,000 respectively. The Company recognized approximately $166,000 and $457,000 in stock-based compensation expense relating to stock option awards during the nine (9) month periods ended September 30,2022 and 2021, respectively. The tax benefit available from stock-based compensation expense related to stock option during both the nine (9) months period ended September 30,2022 and 2021 was approximately $42,000 and $114,000 respectively. As of September 30, 2022, total unrecognized stock-based compensation expense related to stock options was $236,000.

During the three (3) months period ended September 30, 2022 and 2021, the Company recognized approximately $109,000 and $29,000, respectively of stock-based compensation expense related to restricted stock. The tax benefit available to the Company from stock-based compensation expense related to restricted stock during the three (3) months period ended September 30, 2022 and 2021 was approximately $5,000 and $7,000, respectively. During the nine (9) months period ended September 30, 2022 and 2021, the Company recognized approximately $423,000 and $47,000, respectively of stock-based compensation expense related to restricted stock. The tax benefit available to the Company from stock-based compensation expense related to restricted stock during the nine (9) months period ended September 30, 2022 and 2021 was approximately $23,000 and $12,000, respectively. As of September 30, 2022, there was $396,000 unrecognized stock-based compensation expense related to unvested restricted stock awards.

10. Commitments and Contingencies

Legal Matters

The Company is a party to various legal actions and administrative proceedings arising in the normal course of business. In the opinion of Company's management, resolution of these matters is not anticipated to have a material adverse effect on the Company or its estimated or desired affiliates, assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, legal costs, liabilities, liquidity, locations, marketing, operations, prospects, sales, strategies, taxation or other achievement, results or condition.

All prior litigations associated with the Company through SPAR Business Services, Inc., a corporation ("SBS") and its Independent Contractors have been settled and, in most cases, paid to plaintiffs in full. As of September 30, 2022, a $325,000 accrual remained for the final payment of the SBS Clothier Litigation. The litigation was settled on September 20, 2019 for $1.3 million payable in four (4) equal annual installments of $325,000, with the final payment to be paid in December 2022.

11. Segment Information

The Company reports net revenues from operating income by reportable segment. Reportable segments are components of the Company for which separate financial information is available that is evaluated on a regular basis by the management in deciding how to allocate resources and in assessing performance.

The Company continues to evaluate the global growth strategy. To better align with its global growth strategy, effective January 1, 2022, the Company began reporting in (3) regional segments as follows: Americas which is comprised of United States, Canada, Brazil and Mexico, Asia-Pacific ("APAC") which is comprised of Japan, China, India and Australia, and Europe, Middle East and Africa ("EMEA") which is comprised of South Africa. Certain corporate expenses have been assigned to segments based on each segment's revenue as a percent of total company revenue.

The operations and performance metrics for each country remains unchanged; the accounting policies for each country also remains the same. Therefore the new segment reporting has no impact to the existing accounting policies and are the same as those described in the Summary of Significant Accounting Policies. Management evaluates performance as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
Revenue:				
Americas	$ **53,738**	$ 49,849	$ **149,992**	$ 146,213
Asia - Pacific	**7,147**	7,921	**19,351**	23,584
EMEA	**8,947**	9,653	**27,283**	25,899
Total revenue	$ **69,832**	$ 67,423	$ **196,626**	$ 195,696
Operating income:				
Americas	$ **1,441**	$ 2,206	$ **5,862**	$ 6,203
Asia - Pacific	**(341)**	(177)	**(1,491)**	(300)
EMEA	**620**	646	**1,772**	1,379
Total operating income	$ **1,720**	$ 2,675	$ **6,143**	$ 7,282
Interest expense (income):				
Americas	$ **203**	$ 110	$ **399**	$ 396
Asia - Pacific	**6**	1	**24**	(14)
EMEA	**61**	13	**172**	20
Total interest expense	$ **270**	$ 124	$ **595**	$ 402
Other expense (income), net:				
Americas	$ **(12)**	$ (11)	$ **(24)**	$ 74
Asia - Pacific	**(50)**	14	**(62)**	(66)
EMEA	**(64)**	(140)	**(277)**	(216)
Total other expense (income), net	$ **(126)**	$ (137)	$ **(363)**	$ (208)
Income before income tax expense:				
Americas	$ **1,250**	$ 2,107	$ **5,487**	$ 5,733
Asia - Pacific	**(297)**	(192)	**(1,453)**	(220)
EMEA	**623**	773	**1,877**	1,575
Total income before income tax expense	$ **1,576**	$ 2,688	$ **5,911**	$ 7,088
Income tax expense:				
Americas	$ **467**	$ 392	$ **1,346**	$ 1,728
Asia - Pacific	**(145)**	13	**(104)**	83
EMEA	**354**	144	**700**	225
Total income tax expense	$ **676**	$ 549	$ **1,942**	$ 2,036

SPAR Group, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(unaudited) (continued)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
Net income:				
Americas	$ **783**	$ 1,715	$ **4,141**	$ 4,005
Asia - Pacific	**(152)**	(205)	**(1,349)**	(303)
EMEA	**269**	629	**1,177**	1,350
Total net income	$ **900**	$ 2,139	$ **3,969**	$ 5,052
Net (income) loss attributable to non-controlling interest:				
Americas	$ **(582)**	$ (535)	$ **(1,660)**	$ (1,400)
Asia - Pacific	**(45)**	106	**476**	160
EMEA	**(305)**	(530)	**(996)**	(1,201)
Total net (income) attributable to non-controlling interest	$ **(932)**	$ (959)	$ **(2,180)**	$ (2,441)
Net income (loss) attributable to SPAR Group, Inc.:				
Americas	$ **201**	$ 1,180	$ **2,481**	$ 2,605
Asia - Pacific	**(197)**	(99)	**(873)**	(143)
EMEA	**(36)**	99	**181**	149
Total net income (loss) attributable to SPAR Group, Inc.	$ **(32)**	$ 1,180	$ **1,789**	$ 2,611
Depreciation and amortization:				
Americas	$ **482**	$ 506	$ **1,456**	$ 1,498
Asia - Pacific	**15**	(9)	**39**	44
EMEA	**9**	12	**29**	31
Total depreciation and amortization	$ **506**	$ 509	$ **1,524**	$ 1,573
Capital expenditures:				
Americas	$ **433**	$ 454	$ **1,214**	$ 1,205
Asia - Pacific	**–**	(18)	**14**	19
EMEA	**30**	104	**9**	208
Total capital expenditures	$ **463**	$ 540	$ **1,237**	$ 1,432

Note: There were no inter-company sales for the nine months ended September 30, 2022 or 2021.

	September 30, 2022	December 31, 2021
Assets:		
Americas	$ **86,151**	$ 64,960
Asia - Pacific	**6,044**	10,699
EMEA	**12,009**	13,357
Total assets	$ **104,204**	$ 89,016

	September 30, 2022	December 31, 2021
Long lived assets:		
Americas	$ **4,524**	$ 3,968
Asia - Pacific	**1,609**	1,798
EMEA	**229**	295
Total long lived assets	$ **6,362**	$ 6,061

Geographic Data (in thousands)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022		2021		2022		2021	
Country revenue:		**% of consolidated net revenue**		**% of consolidated net revenue**		**% of consolidated net revenue**		**% of consolidated net revenue**
United States	**$ 32,475**	**46.5%**	$ 28,696	42.6%	**$ 87,406**	**44.5%**	$ 79,624	40.7%
Brazil	**16,904**	**24.2**	14,913	22.1	**49,504**	**25.2**	40,809	20.9
South Africa	**8,947**	**12.8**	9,653	14.3	**27,283**	**13.9**	25,899	13.2
Mexico	**2,375**	**3.4**	4,307	6.4	**7,132**	**3.6**	19,929	10.2
China	**3,460**	**5.0**	3,735	5.5	**7,930**	**4.0**	10,193	5.2
Japan	**1,725**	**2.5**	2,348	3.5	**5,536**	**2.8**	7,336	3.7
Canada	**2,707**	**3.9**	1,650	2.4	**5,949**	**3.0**	4,886	2.5
India	**831**	**1.1**	1,933	2.9	**4,765**	**2.4**	6,199	3.2
Australia	**408**	**0.6**	188	0.3	**1,121**	**0.6**	821	0.4
Total revenue	**$ 69,832**	**100.0%**	$ 67,423	100.0%	**$ 196,626**	**100.0%**	$ 195,696	100.0%

12. Recent Accounting Pronouncements

The Company reviews new accounting pronouncements as they are issued or proposed by the Financial Accounting Standards Board ("FASB").

Not Yet Adopted

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments (Topic 326) Credit Losses". Topic 326 changes the impairment model for most financial assets and certain other instruments. Under the new standard, entities holding financial assets and net investment in leases that are not accounted for at fair value through net income are to be presented at the net amount expected to be collected. An allowance for credit losses will be a valuation account that will be deducted from the amortized cost basis of the financial asset to present the net carrying value at the amount expected to be collected on the financial asset. Topic 326 is effective as of January 1, 2020, although in November 2019, the FASB delayed the effective date until fiscal years beginning after December 15, 2022 for SEC filers eligible to be smaller reporting companies under the SEC's definition, as well as private companies and not-for-profit entities. The Company qualifies as a smaller reporting company under the SEC's definition. Early adoption is permitted. The Company is currently evaluating the impact of Topic 326 on its consolidated balance sheets, statements of income (loss), statements of cash flows and related disclosures.

13. Leases

The Company is a lessee under certain operating leases for office space and equipment.

Many of SPAR's equipment leases are short-term or cancellable with notice. SPAR’s office space leases have remaining lease terms between one and eleven (11) years, many of which include one (1) or more options to extend the term for periods thereafter. The extension options and termination options may be exercised at SPAR’s sole discretion. SPAR does not consider in the measurement of ROU assets and lease liabilities an option to extend or terminate a lease if SPAR is not reasonably certain to exercise the option. As of the end of this reporting period, SPAR has not included any options to extend or terminate in its measurement of ROU assets or lease liabilities.

The components of SPAR's lease expenses for the three (3) and nine (9) months ended September 30, 2022 and 2021, which are included in the condensed consolidated income statement, are as follows (in thousands):

		Three Months Ended September 30,		Nine Months Ended September 30,	
Lease Costs	**Classification**	**2022**	**2021**	**2022**	**2021**
Operating lease cost	Selling, General and Administrative Expense	$ **103**	$ 255	$ **358**	$ 690
Short-term lease cost	Selling, General and Administrative Expense	**137**	121	**399**	629
Variable costs	Selling, General and Administrative Expense	**21**	40	**74**	132
Total lease cost		$ **261**	$ 416	$ **831**	$ 1,451

Supplemental cash flow information related to SPAR's leases for the three (3) and nine (9) months ended September 30, 2022 and 2021 is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
Cash paid for amounts included in the measurement of lease liabilities	$ **245**	$ 256	$ **775**	$ 691
Assets obtained in exchange for new operating lease liabilities				
Operating lease	$ -	$ 2	$ -	$ 2

At September 30, 2022, SPAR had the following maturities of lease liabilities related to office space and equipment, all of which are under non-cancellable operating leases (in thousands):

Period Ending December 31,	Amount
2022	$ 230
2023	418
2024	282
2025	426
2026	79
Thereafter	104
Total Lease Payments	1,539
Less: imputed interest	347
Total	$ 1,192

SPAR Group, Inc. and Subsidiaries

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q (this "Quarterly Report") contains "forward-looking statements" within the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, made by, or respecting, SPAR Group, Inc. ("SGRP") and its subsidiaries (together with SGRP, "SPAR", the "SPAR Group" or the "Company"). There also are forward-looking statements contained in: (a) SGRP's Annual Report on Form 10-K for its fiscal year ended December 31, 2021, as filed with the Securities and Exchange Commission (the "SEC") on April 15, 2022, and SGRP's First Amendment to Annual Report on Form 10-K/A for the year ended December 31, 2021, as filed with the SEC on May 2, 2022 (as so amended, the "Annual Report"); (b) SGRP's definitive Proxy Statement respecting its Annual Meeting of Stockholders held on July 12, 2022 which SGRP filed with the SEC on June 13, 2022 (the "Proxy Statement"); and (c) SGRP's Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports and statements as and when filed with the SEC (including this Quarterly Report, the Annual Report and the Proxy Statement, each a "SEC Report"). "Forward-looking statements" are defined in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and other applicable federal and state securities laws, rules and regulations, as amended (together with the Securities Act and Exchange Act, the "Securities Laws").

Readers can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. Words such as "may," "will," "expect," "intend," "believe," "estimate," "anticipate," "continue," "plan," "project," or the negative of these terms or other similar expressions also identify forward-looking statements. Forward-looking statements made by the Company in this Annual Report may include (without limitation) statements regarding: risks, uncertainties, cautions, circumstances and other factors ("Risks"); the potential continuing negative effects of the COVID-19 pandemic on the Company's business; the Company's potential non-compliance with applicable Nasdaq director independence; bid price or other rules; the Company's cash flow or financial condition; and plans, intentions, expectations, guidance or other information respecting the pursuit or achievement of the Company's corporate objectives. The Company's forward-looking statements also include (without limitation) those made in this Annual Report in "Business," "Risk Factors," "Legal Proceedings," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Directors, Executive Officers and Corporate Governance," "Executive Compensation," "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters," and "Certain Relationships and Related Transactions, and Director Independence."

You should carefully review and consider the Company's forward-looking statements (including all risk factors and other cautions and uncertainties) and other information made, contained or noted in or incorporated by reference into this Quarterly Report, the Annual Report, the Proxy Statement, the First Special Meeting Proxy/Information Statement and the First Special Meeting Report and the other applicable SEC Reports, but you should not place undue reliance on any of them. The results, actions, levels of activity, performance, achievements or condition of the Company (including its affiliates, assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, performance, prospects, sales, strategies, taxation or other achievement, results, risks, trends or condition) and other events and circumstances planned, intended, anticipated, estimated or otherwise expected by the Company (collectively, "Expectations"), and our forward-looking statements (including all Risks) and other information reflect the Company's current views about future events and circumstances. Although the Company believes those Expectations and views are reasonable, the results, actions, levels of activity, performance, achievements or condition of the Company or other events and circumstances may differ materially from our Expectations and views, and they cannot be assured or guaranteed by the Company, since they are subject to Risks and other assumptions, changes in circumstances and unpredictable events (many of which are beyond the Company's control). In addition, new Risks arise from time to time, and it is impossible for the Company to predict these matters or how they may arise or affect the Company. Accordingly, the Company cannot assure you that its Expectations will be achieved in whole or in part, that it has identified all potential Risks, or that it can successfully avoid or mitigate such Risks in whole or in part, any of which could be significant and materially adverse to the Company and the value of your investment in the Company's Common Stock.

These forward-looking statements reflect the Company's Expectations, views, Risks and assumptions only as of the date of this Quarterly Report, and the Company does not intend, assume any obligation, or promise to publicly update or revise any forward-looking statements (including any Risks or Expectations) or other information (in whole or in part), whether as a result of new information, new or worsening Risks or uncertainties, changed circumstances, future events, recognition, or otherwise.

SPAR Group, Inc. and Subsidiaries

GENERAL

SPAR Group, Inc., a Delaware corporation ("SGRP"), and its subsidiaries (together with SGRP, "SPAR Group" or the "Company"), is a leading global merchandising and brand marketing services company, providing a broad range of sales enhancing services to retailers across most classes of trade and consumer goods manufacturers and distributors around the world. The Company's goal is to be the most creative, energizing and effective global services company that drives sales, margins and operating efficiency for our clients.

As of September 30, 2022, the Company operated in nine (9) countries including the United States, Canada, Mexico, Brazil, South Africa, Australia, China, Japan and India. Across all of these countries, the Company successfully executes programs through its multi-lingual logistics, reporting and communication technology, which provides clients value through real-time insight on store / product conditions.

With more than 50 years of experience and a diverse network of merchandising specialists' around the world, the Company continues to grow its relationships with some of the world's leading businesses. The combination of resource scale, deep expertise, advanced technology and unwavering commitment to excellence, separates the Company from the competition.

The Company's focus is services. The team works closely with clients to determine their key objectives to execute globally, focusing on enhancing their sales and profit. At retail, the Company's merchandising brand marketing specialists perform a wide range of programs to maximize product sell-through to consumers. Some of these programs include launching new products, installing displays, assembling product fixtures, and ensuring shelves are fully stocked and reordering when they are not. The Company also assists with sales and customer service. As retailers adapt to changes and new opportunities, our team engages in the total renovations and updating of stores, as well as preparing new locations for grand openings. The Company's distribution associates work in retail and consumer goods distribution centers to prepare the centers to open, testing systems, putting away, picking products and providing peak staffing services for our clients.

The Company's business is led and operated globally from its global headquarters in Auburn Hills, Michigan, with local leadership and offices in each country.

RESULTS OF OPERATIONS

For the three (3) months period ended September 30, 2022, compared to the three (3) months period ended September 30, 2021

The following table sets forth selected financial data and data as a percentage of net revenues for the periods indicated (in thousands, except percent data).

	Three Months Ended September 30,			
	2022		2021	
	$	%	$	%
Net revenues	$ **69,832**	**100.0%**	$ 67,423	100.0%
Cost of revenues	**56,992**	**81.6**	54,813	81.3
Gross profit	**12,840**	**18.4**	12,610	18.7
Selling, general & administrative expense	**10,614**	**15.2**	9,426	14.0
Depreciation & amortization	**506**	**0.7**	509	0.8
Operating income	**1,720**	**2.5**	2,675	3.9
Interest expense, net	**270**	**0.4**	124	0.2
Other expense (income), net	**(126)**	**(0.2)**	(137)	(0.2)
Income before income taxes	**1,576**	**2.3**	2,688	3.9
Income tax expense	**676**	**1.0**	549	0.8
Net income	**900**	**1.3**	2,139	3.1
Net income attributable to non-controlling interest	**(932)**	**(1.3)**	(959)	(1.4)
Net income (loss) attributable to SPAR Group, Inc.	$ **(32)**	**(0.0)%**	$ 1,180	1.7%

Net Revenues

Net revenues for the three (3) months period ended September 30, 2022 were $69.8 million, compared to $67.4 million for the three (3) months period ended September 30, 2021, an increase of $2.4 million or 3.6%. In the third quarter many international countries, particularly Japan and South Africa, suffered from significant foreign exchange impact.

Americas net revenues totaled $53.7 million and $49.8 million for the three (3) months period ended September 30, 2022 and 2021, respectively. An increase of $3.9 million or 7.8% was primarily due to organic growth for US ($3.8 million or 13.2%) and Brazil business ($2.0 million or 13.3%), partially offset by decrease in Mexico driven by change of labor regulation (-$1.9 million or -44.8%).

APAC net revenues totaled $7.1 million and $8.0 million for the three (3) months period ended September 30, 2022 and 2021, respectively. A decrease of $0.8 million or 9.8% was primarily due to the continuing effects of COVID-19 in China (-$0.3 million or -7.4%) and foreign exchange impact for Japan (-$0.6 million or -26.8%), partially offset by increase of $0.2 million or 117.2% for Australia driven by recovery from COVID-19.

EMEA net revenues totaled $8.9 million and $9.7 million for the three (3) months period ended September 30, 2022 and 2021, respectively. A decrease of $0.7 million or 7.3% is driven by foreign exchange impact as South Africa suffered from double-digit foreign exchange delta.

Cost of Revenues

The Company's cost of revenues consists of its on-site labor and field administration fees, travel and other direct labor related expenses and was 81.6% of its net revenues for the three (3) months period ended September 30, 2022, and 81.3% of its net revenues for the three (3) months period ended September 30, 2021.

Americas cost of revenues was 82.8% of net revenues for both of the three (3) months period ended September 30, 2022 and 2021. The Company continues to drive gross profit improvement initiatives to go above and beyond neutralizing inflation, labor costs pressure and rising travel costs.

APAC cost of revenues was 78.8% of net revenues and 72.8% of net revenues for the three (3) months period ended September 30, 2022 and 2021, respectively. An increase of 5.9% was primarily due to continuing effect of COVID-19 in China and costs to restart and normalize the business.

EMEA cost of revenues was 76.6% of net revenues and 80.3% of net revenues for the three (3) months period ended September 30, 2022 and 2021, respectively. A decrease of 3.7% was primarily due to execution of gross margin improvement initiatives and improvement for Bordax business post acquisition.

Selling, General and Administrative Expenses

Selling, general and administrative expenses of the Company include its corporate overhead, project management, information technology, executive compensation, human resources, legal and accounting expenses. Selling, general and administrative expenses were approximately $10.6 million and $9.4 million for the three (3) months period ended September 30, 2022 and 2021, respectively. The year-over-year increase was the result of (1) our planned investments in business development and marketing to drive the future business, an increase in non-capital technology spending to enable our insights and analytics business, improvements in operations as the company enters the next phase of its growth, and (2) one-time costs related to our announced strategic alternatives initiative and an increase in Non-Executive Director Board cash compensation.

Americas selling, general and administrative expenses totaled $7.3 million and $5.8 million for the three (3) months period ended September 30, 2022 and 2021, respectively.

APAC selling, general and administrative expenses totaled $1.8 million and $2.3 million for the three (3) months period ended September 30, 2022 and 2021, respectively. The decrease is driven by cost reduction effort to minimize negative impact due to COVID-19.

EMEA selling, general and administrative expenses totaled $1.4 million and $1.2 million for the three (3) months period ended September 30, 2022 and 2021, respectively.

Depreciation and Amortization

Depreciation and amortization charges totaled $506,000 and $509,000 for the three (3) months period ended September 30, 2022 and 2021, respectively.

Interest Expense

The Company's net interest expense was $270,000 and $124,000 for the three (3) months period ended September 30, 2022 and 2021, respectively. The increase in driven by higher leverage of working capital credit facility for investments purpose.

Other Income

Other income was $126,000 and $137,000 for the three (3) months period ended September, 2022 and 2021, respectively.

Income Taxes

Income tax expense was $676,000 and $549,000 for the three (3) months period ended September 30, 2022 and 2021, respectively.

Non-controlling Interest

Net income related to the Company’s non-controlling interest was $932,000 and $959,000 for the three (3) months period ended September 30, 2022 and 2021, respectively. The decrease was attributed to less profit from Mexico and China partially offset by Brazil and South Africa.

Net Income

Net loss attributable to SPAR was $32,000 for the three (3) months period ended September 30, 2022, or $0.00 per diluted share, compared to $1.2 million, or $0.06 per diluted share, for the corresponding period last year.

For the nine (9) months period ended September 30, 2022, compared to the nine (9) months period ended September 30, 2021

The following table sets forth selected financial data and data as a percentage of net revenues for the periods indicated (in thousands, except percent data).

	Nine Months Ended September 30,			
	2022		2021	
	$	%	$	%
Net revenues	$ **196,626**	**100.0%**	$ 195,696	100.0%
Cost of revenues	**159,007**	**80.9**	158,821	81.2
Gross profit	**37,619**	**19.1**	36,875	18.8
Selling, general & administrative expense	**29,952**	**15.2**	28,020	14.3
Depreciation & amortization	**1,524**	**0.8**	1,573	0.8
Operating income	**6,143**	**3.1**	7,282	3.7
Interest expense, net	**595**	**0.3**	402	0.2
Other income, net	**(363)**	**(0.2)**	(208)	(0.1)
Income before income taxes	**5,911**	**3.0**	7,088	3.6
Income tax expense	**1,942**	**1.0**	2,036	1.0
Net income	**3,969**	**2.0**	5,052	2.6
Net income attributable to non-controlling interest	**(2,180)**	**(1.1)**	(2,441)	(1.2)
Net income attributable to SPAR Group, Inc.	$ **1,789**	**0.9%**	$ 2,611	1.4%

Net Revenues

Net revenues for the nine (9) months period ended September 30, 2022 were $196.6 million, compared to $195.7 million for the nine (9) months period ended September 30, 2021, an increase of $900,000 or 0.1%.

Americas net revenues totaled $150.0 million and $146.2 million for the nine (9) months period ended September 30, 2022 and 2021, respectively. An increase of $3.84million or 2.6% was primarily due to revenue growth for domestic business and Brazil, partially offset by decrease in Mexico. The decrease in revenue for Mexico was driven by changes in Mexican labor laws that became effective in July 2021, and led to a reduction of our client base that started in the second half of 2021.

APAC net revenues totaled $19.4 million and $23.6 million for the nine (9) months period ended September 30, 2022 and 2021, respectively. A decrease of $4.2 million or 17.9% was primarily due to the continuing effects of COVID-19 in China and Japan.

EMEA net revenues totaled $27.3 million and $25.9 million for the nine (9) months period ended September 30, 2022 and 2021, respectively. An increase of $1.4 million or 5.3% is due to organic growth and the acquisition of Bordax in South Africa in July of 2021, partially offset by foreign exchange impact.

Cost of Revenues

The Company's cost of revenues consists of its on-site labor and field administration fees, travel and other direct labor related expenses and was 80.9% of its net revenues for the nine (9) months period ended September 30, 2022, and 81.2% of its net revenues for the nine (9) months period ended September 30, 2021.

Americas cost of revenues was 81.7% of net revenues and 82.5% of net revenues for the nine (9) months period ended September 30, 2022 and 2021, respectively. A decrease of 0.8% was primarily due to execution of gross margin improvement initiatives for the domestic business.

APAC cost of revenues was 77.0% of net revenues and 72.4% of net revenues for the nine (9) months period ended September 30, 2022 and 2021, respectively. An increase of 4.6% was primarily due to continuing effect of COVID-19 and restarting costs to normalize business in China.

EMEA cost of revenues was 79.0% of net revenues and 81.6% of net revenues for the nine (9) months period ended September 30, 2022 and 2021, respectively. A decrease of 2.5% was primarily due to South Africa's margin improvement initiatives.

SPAR Group, Inc. and Subsidiaries

Selling, General and Administrative Expenses

Selling, general and administrative expenses of the Company include its corporate overhead, project management, information technology, executive compensation, human resources, legal and accounting expenses. Selling, general and administrative expenses were approximately $29.9 million and $28.0 million for the nine (9) months period ended September 30, 2022 and 2021, respectively. The year-over-year increase was the result of additional expenditures needed for continued investment in the growth of the business.

Americas selling, general and administrative expenses totaled $20.1 million and $17.9 million for the nine (9) months period ended September 30, 2022 and 2021, respectively.

APAC selling, general and administrative expenses totaled $5.9 million and $6.8 million for the nine (9) months period ended September 30, 2022 and 2021, respectively. The decrease is driven by cost reduction effort to minimize negative impact due to COVID-19.

EMEA selling, general and administrative expenses totaled $3.9 million and $3.4 million for the nine (9) months period ended September 30, 2022 and 2021, respectively.

Depreciation and Amortization

Depreciation and amortization charges totaled $1.5 million and $1.6 million for the nine (9) months period ended September 30, 2022 and 2021, respectively.

Interest Expense

The Company's net interest expense was $595,000 and $402,000 for the nine (9) months period ended September 30, 2022 and 2021, respectively.

Other - Income

Other Income was $363,000 and $208,000 for the nine (9) months period ended September 30, 2022 and 2021, respectively.

Income Taxes

Income tax expense was $1.9 million and $2.0 million for the nine (9) months period ended September 30, 2022 and September 30, 2021., respectively.

Non-controlling Interest

Net income related to the Company's non-controlling interest was $2.2 million for the nine (9) months period ended September 30, 2022 from $2.4 million for nine (9) months period ended September 30, 2021. The decrease was attributed to less profit from Mexico and China partially offset by Brazil and South Africa.

Net Income

Net income attributable to SPAR was $1.8 million for the nine (9) months period ended September 30, 2022, or $0.08 per diluted share, compared to $2.6 million, or $0.12 per diluted share, for the corresponding period last year.

Critical Accounting Estimates

Our significant accounting policies are described in Note 2, *Significant Accounting Policies*, to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2021.

We prepare our condensed consolidated financial statements in conformity with U.S. GAAP. The preparation of these financial statements requires the use of estimates, judgments, and assumptions. Our critical accounting estimates and assumptions related to goodwill and intangible assets are described below. See Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, in our Annual Report on Form 10-K for the year ended December 31, 2021 for a discussion of our other critical accounting estimates and assumptions.

Goodwill and Intangible Assets

The Company is required to test goodwill for impairment annually or more frequently, whenever events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit with goodwill below its carrying amount. The Company annually tests goodwill impairment during the fourth quarter. See Note 8, *Long-lived Assets, Including Goodwill and Intangible Assets,* for additional information.

The Company's long-lived intangible assets balance was $2.1 million as of September 30, 2022 and $2.3 million as of September 30, 2021. The Company is only required to test intangible assets whenever events occur or circumstances change that would more likely than not reduce the fair value of the assets below its carrying value.

The Company acquired Resource Plus in 2018 as a joint venture partnership and currently owns 51% of the Resource Plus business. As of September 30, 2022, the Company has recorded $2.0 million of goodwill and $1.2 million of intangible assets relating to brand and technology. In early 2021, Resource Plus lost a significant customer, Lowes Live Nursery Business. Resource Plus revenue was $15.3 million in 2021 comparing to $28.0 million in 2020, and net loss attributable to SPAR in 2021 was $116,000 comparing to net income attributable to SPAR of $679,000 in 2020. During the second and third quarters of 2022, Resource Plus did not meet original forecast and reduced forecasts for the remainder of 2022.

As a result of these circumstances, the Company concluded it was more likely than not that the fair value of the reporting unit was less than its carrying amount, and performed an interim quantitative assessment. The quantitative assessment was performed utilizing the income approach. The analysis required the comparison of the Company's carrying value with its fair value, with an impairment recorded for any excess of carrying value over the fair value. The discounted cash flow method was used to determine the fair value of the reporting unit under the income approach. The results of the quantitative analysis performed indicated the fair value of the reporting unit exceeded the carrying value of the reporting unit as of September 30, 2022 by 2.3%, which is not a substantial amount. As a result, the Company has determined goodwill impairment is not needed.

Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions, estimates, and market factors. Estimating the fair value of individual reporting units requires us to make assumptions and estimates regarding our future plans, as well as industry, economic, and regulatory conditions. These assumptions and estimates include estimated future annual net cash flows, income tax considerations, discount rates, growth rates, and other market factors. Our current expectations also include certain assumptions that could be negatively impacted if we are unable to meet our cost expectations in relation to inflation. If current expectations of future growth rates and margins are not met, if market factors outside of our control, such as discount rates, income tax rates, foreign currency exchange rates, inflation, or any factors that could be affected by COVID-19, change, or if management's expectations or plans otherwise change, including updates to our long-term operating plans, then one or more of our reporting units might become impaired in the future.

The Company also performed an interim quantitative assessment for the intangible assets. The Company evaluates the need to adjust the carrying value of the underlying assets if the sum of the expected cash flows is less than the carrying value. The Company's projections of future cash flows, the level of actual cash flows, the methods of estimation used for determining fair values and salvage values can impact impairment. Based on the assessment, the Company concluded no impairment or write-down is required.

Liquidity and Capital Resources

For the nine months ended September 30, 2022, net income before non-controlling interest was $4.0 million.

Net cash used in operating activities was $4.2 million for the nine (9) months period ended September 30, 2022, compared to net cash provided by operating activities of $1.1 million for the nine (9) months period ended September 30, 2021. The net cash used in operating activities during the nine (9) months period ended September 30, 2022, was primarily due to an increase in withholding tax assets from Brazil, and decrease in accrued liabilities due to payments made under the Majority Stockholders CIC Agreement. Cash from operations could be affected by various risks and uncertainties, including, but not limited to, the effects of the COVID-19 pandemic and the other risks detailed in the section titled "Risk Factors" included elsewhere in our Annual Report. However, the Company believes that existing cash, cash equivalents, short-term investment balances, funds available under our debt agreement, and cash generated from operations, will be sufficient to meet our working capital and capital expenditure requirements for at least the next twelve (12) months.

Net cash used in investing activities was $1.2 million for the nine months ended September 30, 2022, compared to $2.4 million for the nine months ended September 30, 2021. The net cash used in investing activities during the nine months ended September 30, 2022, was for fixed asset additions, primarily capitalized software.

Net cash provided by financing activities for the nine months ended September 30, 2022, was $9.3 million compared to $4.4 million for the nine months ended September 30, 2021. Net cash provided by financing activities during the nine months ended September 30, 2022, was primarily due to net higher draws on lines of credit.

The above activity and the impact of foreign exchange rate changes resulted in a decrease in cash, cash equivalents and restricted cash for the nine months ended September 30, 2022, of approximately $12.1 million. All international countries except for Brazil are facing inflation challenge with direct negative impact of foreign exchange rates.

The Company had net working capital of $24.7 million and $21.8 million as of September 30, 2022, and December 31, 2021, respectively. The Company's current ratio was 1.4 as of September 30, 2022, and 1.4 as of December 31, 2021.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this item.

Item 4. Controls and Procedures

Management's Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have each reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report, as required by Exchange Act Rules 13a-15(b) and Rule 15d-15(b). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have each concluded that the Company's current disclosure controls and procedures are effective to ensure that the information required to be disclosed by the Company in reports it files, or submits under the Exchange Act were recorded, processed, summarized and reported within the time period specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls Over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting that occurred during the Company's third quarter of its 2022 fiscal year that materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

The Company is a party to various legal actions and administrative proceedings arising in the normal course of business. In the opinion of Company's management, resolution of these matters is not anticipated to have a material adverse effect on the Company or its estimated or desired affiliates, assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, legal costs, liabilities, liquidity, locations, marketing, operations, prospects, sales, strategies, taxation or other achievement, results or condition.

For further discussion of certain legal proceedings, see Note 6 “Related-Party Transactions” and Note 9 “Commitments and Contingencies” of the Notes to the’ Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, which is incorporated herein by reference, and Note 6 “Commitments and Contingencies” of the Notes to the ’Condensed Consolidated Financial Statements included in Part IV, Item 15 on Annual Report From 10-K.

Item 1A. Risk Factors

Existing Risk Factors

Various risk factors applicable to the Company and its businesses are described in Item 1A under the caption "Risk Factors" in the Annual Report, which Risk Factors are incorporated by reference into this Quarterly Report.

There have been no material changes in the Company's risk factors since the Annual Report. You should review and give attention to all of those Risk Factors.

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

Not applicable.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

31.1	Certification of the CEO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as filed herewith.
31.2	Certification of the CFO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as filed herewith.
32.1	Certification of the CEO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as filed herewith.
32.2	Certification of the CFO pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as filed herewith.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the interactive Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
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.

Date: November 14, 2022	SPAR Group, Inc., Registrant
	By: /s/ Fay DeVriese Fay DeVriese Chief Financial Officer, Treasurer and Secretary

EXHIBIT 31.1

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

I, Michael R. Matacunas, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three-month period ended September 30, 2022 of SPAR Group, Inc.;

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

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

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

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

(b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: November 14, 2022

/s/ Michael R. Matacunas
Michael R. Matacunas
President and Chief Executive Officer

EXHIBIT 31.2

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

I, Fay DeVriese, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three-month period ended September 30, 2022 of SPAR Group, Inc.;

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

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

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

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

(b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: November 14, 2022

/s/ Fay DeVriese
Fay DeVriese,
Chief Financial Officer, Treasurer and Secretary

EXHIBIT 32.1

Certification of the Chief Executive Officer Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report on Form 10-Q for the three-month period ended September 30, 2022 of SPAR Group, Inc., the undersigned hereby certifies that, to his knowledge:

1. The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and

2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Michael R. Matacunas
Michael R. Matacunas
President and Chief Executive Officer

November 14, 2022

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

EXHIBIT 32.2

Certification of the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report on Form 10-Q for the three-month period ended September 30, 2022 of SPAR Group, Inc., the undersigned hereby certifies that, to her knowledge:

1. The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and

2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Fay DeVriese
Fay DeVriese
Chief Financial Officer, Treasurer and
Secretary

November 14, 2022

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