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

FORM 10-Q

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 2023

☐ 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: 1-34522

ASURE SOFTWARE, INC.
(Exact name of registrant as specified in its charter)

Delaware	**74-2415696**
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)
405 Colorado Street, Suite 1800, Austin, Texas	**78701**
(Address of principal executive offices)	(Zip Code)

512-437-2700
(Registrant's Telephone Number, including Area Code)
None
(Former name, former address and former fiscal year, if changed since last report)

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 Stock, $0.01 par value	**ASUR**	**The Nasdaq Capital Market**
Series A Junior Participating Preferred Share Purchase Rights		**N/A**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes ☐ No

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

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

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

☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

As of November 10, 2023, 24,851,198 shares of the registrant's Common Stock, $0.01 par value, were outstanding.

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PART I

ITEM 1. FINANCIAL STATEMENTS

ASURE SOFTWARE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except per share amounts)
(Unaudited)

	September 30, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash, cash equivalents, and restricted cash	$ 32,787	$ 17,010
Accounts receivable, net of allowance for doubtful accounts of $1,186 and $3,248 at September 30, 2023 and December 31, 2022, respectively	15,133	12,123
Inventory	93	251
Prepaid expenses and other current assets	3,907	10,304
Total current assets before funds held for clients	51,920	39,688
Funds held for clients	172,503	203,588
Total current assets	224,423	243,276
Property and equipment, net	13,436	11,439
Goodwill	86,011	86,011
Intangible assets, net	57,326	66,594
Operating lease assets, net	5,265	7,065
Other assets, net	8,036	5,523
Total assets	$ 394,497	$ 419,908
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of notes payable	$ 195	$ 4,106
Accounts payable	1,696	2,194
Accrued compensation and benefits	5,770	5,791
Operating lease liabilities, current	1,510	1,860
Other accrued liabilities	5,170	3,728
Contingent purchase consideration	—	2,955
Deferred revenue	3,392	8,461
Total current liabilities before client fund obligations	17,733	29,095
Client fund obligations	175,056	206,088
Total current liabilities	192,789	235,183
Long-term liabilities:		
Deferred revenue	666	788
Deferred tax liability	1,614	1,503
Notes payable, net of current portion	2,633	30,795
Operating lease liabilities, noncurrent	4,956	6,459
Other liabilities	177	114
Total long-term liabilities	10,046	39,659
Total liabilities	202,835	274,842
Stockholders' equity:		
Preferred stock, $0.01 par value; 1,500 shares authorized; none issued or outstanding	—	—
Common stock, $0.01 par value; 44,000 shares authorized; 25,235 and 20,628 shares issued, 24,851 and 20,244 shares outstanding at September 30, 2023 and December 31, 2022, respectively	252	206
Treasury stock at cost, 384 shares at September 30, 2023 and December 31, 2022	(5,017)	(5,017)
Additional paid-in capital	485,981	433,586
Accumulated deficit	(286,858)	(281,226)
Accumulated other comprehensive loss	(2,696)	(2,483)
Total stockholders' equity	191,662	145,066
Total liabilities and stockholders' equity	$ 394,497	$ 419,908

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

ASURE SOFTWARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue:				
Recurring	$ 23,833	$ 19,959	$ 74,749	$ 61,977
Professional services, hardware and other	5,501	1,944	18,069	4,559
Total revenue	29,334	21,903	92,818	66,536
Cost of Sales	8,054	8,256	25,120	25,164
Gross profit	21,280	13,647	67,698	41,372
Operating expenses:				
Sales and marketing	6,597	4,752	22,312	14,238
General and administrative	9,294	8,023	29,586	24,204
Research and development	1,803	1,230	5,107	4,523
Amortization of intangible assets	3,333	3,350	9,929	10,134
Total operating expenses	21,027	17,355	66,934	53,099
Income (loss) from operations	253	(3,708)	764	(11,727)
Interest expense, net	(782)	(1,122)	(4,321)	(3,006)
(Loss) gain on extinguishment of debt	(1,517)	—	(1,517)	180
Other (expense) income, net	(283)	399	(291)	1,349
Loss from operations before income taxes	(2,329)	(4,431)	(5,365)	(13,204)
Income tax (benefit) expense	(123)	102	267	206
Net loss	(2,206)	(4,533)	(5,632)	(13,410)
Other comprehensive loss:				
Unrealized loss on marketable securities	(201)	(1,243)	(213)	(2,802)
Comprehensive loss	$ (2,407)	$ (5,776)	$ (5,845)	$ (16,212)
Basic and diluted loss per share				
Basic	$ (0.10)	$ (0.22)	$ (0.27)	$ (0.67)
Diluted	$ (0.10)	$ (0.22)	$ (0.27)	$ (0.67)
Weighted average basic and diluted shares				
Basic	22,591	20,219	21,204	20,092
Diluted	22,591	20,219	21,204	20,092

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

ASURE SOFTWARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands)
(Unaudited)

	Common Stock Outstanding	Common Stock Amount	Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive Loss	Total Stockholders' Equity
Balance at December 31, 2022	20,244	$ 206	$ (5,017)	$ 433,586	$ (281,226)	$ (2,483)	$ 145,066
Stock issued upon option exercise and vesting of restricted stock units	375	4	—	1,984	—	—	1,988
Share based compensation	—	—	—	1,337	—	—	1,337
Net income	—	—	—	—	339	—	339
Other comprehensive income	—	—	—	—	—	481	481
Balance at March 31, 2023	20,619	$ 210	$ (5,017)	$ 436,907	$ (280,887)	$ (2,002)	$ 149,211
Stock issued upon option exercise and vesting of restricted stock units	40	—	—	42	—	—	42
Stock issued, ESPP	46	1	—	236	—	—	237
Share based compensation	—	—	—	1,582	—	—	1,582
Net loss	—	—	—	—	(3,765)	—	(3,765)
Other comprehensive loss	—	—	—	—	—	(493)	(493)
Balance at June 30, 2023	20,705	$ 211	$ (5,017)	$ 438,767	$ (284,652)	$ (2,495)	$ 146,814
Stock issued upon option exercise and vesting of restricted stock units	99	1	—	479	—	—	480
Shares issued, net of issuance costs	4,047	40	—	45,484	—	—	45,524
Share based compensation	—	—	—	1,251	—	—	1,251
Net loss	—	—	—	—	(2,206)	—	(2,206)
Other comprehensive loss	—	—	—	—	—	(201)	(201)
Balance at September 30, 2023	24,851	$ 252	$ (5,017)	$ 485,981	$ (286,858)	$ (2,696)	$ 191,662

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

ASURE SOFTWARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands)
(Unaudited)

	Common Stock Outstanding	Common Stock Amount	Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive Loss	Total Stockholders' Equity
Balance at December 31, 2021	20,028	$ 204	$ (5,017)	$ 429,912	$ (266,760)	$ (99)	$ 158,240
Stock issued upon option exercise and vesting of restricted stock units	43	1	—	—	—	—	1
Share based compensation	—	—	—	729	—	—	729
Net loss	—	—	—	—	(3,017)	—	(3,017)
Other comprehensive loss	—	—	—	—	—	(1,063)	(1,063)
Balance at March 31, 2022	20,071	$ 205	$ (5,017)	$ 430,641	$ (269,777)	$ (1,162)	$ 154,890
Stock issued upon option exercise and vesting of restricted stock units	33	—	—	—	—	—	—
Stock issued, ESPP	38	—	—	192	—	—	192
Share based compensation	—	—	—	814	—	—	814
Net loss	—	—	—	—	(5,860)	—	(5,860)
Other comprehensive loss	—	—	—	—	—	(496)	(496)
Balance at June 30, 2022	20,142	$ 205	$ (5,017)	$ 431,647	$ (275,637)	$ (1,658)	$ 149,540
Stock issued upon option exercise and vesting of restricted stock units	18	—	—	—	—	—	—
Share based compensation	—	—	—	798	—	—	798
Net loss	—	—	—	—	(4,533)	—	(4,533)
Other comprehensive loss	—	—	—	—	—	(1,243)	(1,243)
Balance at September 30, 2022	20,160	$ 205	$ (5,017)	$ 432,445	$ (280,170)	$ (2,901)	$ 144,562

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

ASURE SOFTWARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net loss	$ (5,632)	$ (13,410)
Adjustments to reconcile loss to net cash provided by operations:		
Depreciation and amortization	14,243	14,018
Amortization of operating lease assets	1,129	1,268
Amortization of debt financing costs and discount	548	531
Non-cash interest expense	1,471	—
Net accretion of discounts and amortization of premiums on available-for-sale securities	(63)	279
Provision for doubtful accounts	2,004	304
Provision for deferred income taxes	111	163
Loss (gain) on extinguishment of debt	1,208	(180)
Net realized gains on sales of available-for-sale securities	(1,645)	(808)
Share-based compensation	4,170	2,341
Loss on disposals of long-term assets	132	1
Change in fair value of contingent purchase consideration	175	(1,350)
Adjustment to Intangibles	—	23
Changes in operating assets and liabilities:		
Accounts receivable	(5,014)	(1,816)
Inventory	159	(85)
Prepaid expenses and other assets	4,031	2,855
Operating lease right-of-use assets	473	(3,489)
Accounts payable	(498)	738
Accrued expenses and other long-term obligations	918	2,637
Operating lease liabilities	(895)	2,298
Deferred revenue	(5,190)	639
Net cash provided by operating activities	11,835	6,957
Cash flows from investing activities:		
Acquisition of intangible asset	(697)	(2,289)
Purchases of property and equipment	(1,365)	(2,188)
Software capitalization costs	(5,029)	(3,219)
Purchases of available-for-sale securities	(21,513)	(33,454)
Proceeds from sales and maturities of available-for-sale securities	10,428	7,159
Net cash used in investing activities	(18,176)	(33,991)
Cash flows from financing activities:		
Payments of notes payable	(35,627)	(1,688)
Debt extinguishment costs	(468)	—
Payments of contingent purchase consideration	—	(9)
Net proceeds from issuance of common stock	45,986	192
Capital raise fees	(258)	—
Net change in client fund obligations	(31,033)	(32,527)
Net cash used in financing activities	(21,400)	(34,032)
Net decrease in cash, cash equivalents, restricted cash, and restricted cash equivalents	(27,741)	(61,066)
Cash, cash equivalents, restricted cash and restricted cash equivalents, beginning of period	164,042	198,641
Cash, cash equivalents, restricted cash and restricted cash equivalents, end of period	$ 136,301	$ 137,575

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

ASURE SOFTWARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2023	2022
Reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents to the Condensed Consolidated Balance Sheets		
Cash and cash equivalents	$ 32,787	$ 10,885
Restricted cash and restricted cash equivalents included in funds held for clients	103,514	126,690
Total cash, cash equivalents, restricted cash, and restricted cash equivalents	$ 136,301	$ 137,575
Supplemental information:		
Cash paid for interest	$ 3,140	$ 2,247
Cash paid for income taxes	$ 532	$ 246
Non-cash investing and financing activities:		
Acquisition of intangible assets	$ 332	$ —
Notes payable issued for acquisitions	$ —	$ 411
Shares issued to settle contingent consideration	$ 2,543	$ —

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

ASURE SOFTWARE, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Amounts in thousands, except per share data unless otherwise noted)

NOTE 1 - THE COMPANY AND BASIS OF PRESENTATION

Asure Software, Inc. (“Asure”, the “Company”, “we” and “our”), a Delaware corporation, is a provider of cloud-based Human Capital Management (“HCM”) software solutions delivered as Software-as-a-Service (“SaaS”) for small and medium-sized businesses (“SMBs”). We offer human resources (“HR”) tools necessary to build a thriving workforce, provide the resources to stay compliant with dynamic federal, state, and local tax jurisdictions and their respective labor laws, freeing cash flows so SMBs can spend their financial capital on growing their businesses rather than administrative overhead that can impede growth. Our solutions also provide new ways for employers to connect with and to differentiate themselves with their employees in order to enhance their relationships with their talent. Asure’s HCM suite (“Asure HCM”) includes Payroll & Tax solutions, HR compliance and services, Time & Attendance software and data integrations that enable employers and their employees to enhance efficiencies and take advantage of value-added solutions, which we refer to as AsureMarketplace™. AsureMarketplace™ automates interactions between our HCM systems with third-party providers to enhance efficiency, improve accuracy and to extend the range of services offered to employers and their employees. The Company’s approach to HR compliance services incorporates artificial intelligence technology to enhance scalability and efficiency while prioritizing client interactions. We offer our services directly and indirectly through our network of Reseller Partners.

We strive to be the most trusted HCM resource to SMBs. We target less densely populated U.S. metropolitan cities where fewer of our competitors have a presence. Our solutions solve three primary challenges that prevent businesses from growing: HR complexity, allocation of human and financial capital, and the ability to build great teams. We have and will continue to invest in research and development to expand our solutions. Our solutions reduce the administrative burden on employers and increase employee productivity while managing the employment lifecycle. The Asure HCM suite includes five product lines: Asure Payroll & Tax, Asure Tax Management Solutions, Asure Time & Attendance, Asure HR Compliance, and AsureMarketplace™.

We develop, market, sell and support our offerings nationwide through our principal office in Austin, Texas and from our processing hubs in California, Florida, New Jersey, New York, Tennessee, and Vermont.

We have prepared the accompanying unaudited Condensed Consolidated Financial Statements in accordance with the rules and regulations of the Securities and Exchange Commission (the “SEC”) and accordingly, they do not include all information and footnotes required under U.S. generally accepted accounting principles (“U.S. GAAP”) for complete financial statements.

In the opinion of management, these interim financial statements contain all adjustments, consisting of normal, recurring adjustments, necessary for a fair presentation of our financial position as of September 30, 2023, comprehensive loss and changes in stockholders’ equity for the three and nine months ended September 30, 2023 and September 30, 2022, and cash flows for the nine months ended September 30, 2023 and September 30, 2022. Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements. These reclassifications had no effect on the consolidated financial position or consolidated results of operations of the Company.

These unaudited Condensed Consolidated Financial Statements should be read in conjunction with our audited Consolidated Financial Statements and notes thereto filed with the SEC in our annual report on Form 10-K for the fiscal year ended December 31, 2022 (our “2022 Annual Report on Form 10-K”). The Company’s results for any interim period are not necessarily indicative of results for a full fiscal year.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

Preparation of the Condensed Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Condensed Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. These estimates are subjective in nature and involve judgments. The more significant estimates made by management include the valuation allowance for the gross deferred tax assets, the determination of the fair value of its long-lived assets, and the fair value of assets acquired and liabilities assumed during acquisitions. We base our estimates on historical experience and on various other assumptions management believes reasonable under the given circumstances. These estimates could be materially different under different conditions and assumptions.

CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

The Company considers all highly liquid investments with an original maturity of 90 days or less at the time of purchase to be cash equivalents. Cash equivalents include investments in an institutional money market fund, which invests in U.S. Treasury bills, notes and bonds, and/or repurchase agreements, backed by such obligations. Carrying value approximates fair value. Restricted cash consists of cash balances which are restricted as to withdrawal or usage. As of December 31, 2022, the Company had a restricted cash balance of $500 related to the collateralization of a letter of credit issued by South State Bank in connection with its money transmission licenses, which was released in the first quarter of 2023. As of September 30, 2023, the Company had no restricted cash.

LIQUIDITY

In March 2021, we filed a universal shelf registration statement on Form S-3 with the Securities and Exchange Commission ("SEC") to provide access to additional capital, if needed. Pursuant to the shelf registration statement, we may from time to time offer to sell in one or more offerings shares of our common stock or other securities having an aggregate value of up to $150,000 (which includes 1,480 of unsold securities that were previously registered on other registration statements effective at the time of the filing of our current S-3). The shelf registration statement relating to these securities became effective on April 21, 2021. As of September 30, 2023, there is $104,000 available under the shelf registration statement.

On August 21, 2023, we completed an underwritten public offering in which we sold an aggregate of 3,333 newly issued shares of our common stock at a public offering price of $12.00 per share, and realized net proceeds of $37,475, after deducting underwriting discounts and offering expenses of $2,525. Additionally, on August 30, 2023, the Underwriters exercised their option to purchase an additional 500 shares of our common stock, and we realized net proceeds of $5,507, after deducting underwriting discounts and offering expenses of $493.

As of September 30, 2023, the Company's principal sources of liquidity consisted of approximately $32,787 of cash, cash equivalents and restricted cash, together with cash generated from operations of our business over the next twelve months.

We cannot assure that we can grow our cash balances or limit our cash consumption and thus maintain sufficient cash balances for our planned operations or future acquisitions; however we believe that we have sufficient liquidity to support our business operations for at least the next twelve months. Future business demands may lead to cash utilization at levels greater than recently experienced or expected. We may need to raise additional capital in the future in order to grow our existing software operations and to seek additional strategic acquisitions in the near future. Currently the Company does not have a credit facility or access to a line of credit. Further, we cannot assure that we will be able to raise additional capital on acceptable terms, or at all.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments — Credit Losses (Topic 326), which establishes a new approach to estimate credit losses on certain financial instruments. The update requires financial assets measured at amortized cost to be presented at the net amount expected to be collected. The amended guidance will also update the impairment model for available-for-sale debt securities, requiring entities to determine whether all or a portion of the unrealized loss on such securities is a credit loss. The standard became effective for interim and annual periods beginning after December 15, 2022. Effective January 1, 2023, the Company adopted the provisions of ASU No. 2016-13 and determined that adoption did not have a material impact on our consolidated financial statements.

ACCUMULATED OTHER COMPREHENSIVE LOSS

As of September 30, 2023 and December 31, 2022, accumulated other comprehensive loss consisted of net unrealized gains and losses on available-for-sale securities.

NOTE 3 - BUSINESS COMBINATIONS AND ASSET ACQUISITIONS

2022

Effective January 1, 2022, the Company acquired customer relationships of a payroll business for a cash payment of $1,970, which included $31 of transaction costs, and the delivery of a promissory note in the amount of $411. The acquired customer relationships are recorded as an intangible asset and are being amortized on a straight-line basis over eight years. In May 2023, the Company paid the remaining balance of $422 on the promissory note, consisting of $411 in principal and $11 in accrued interest. As of September 30, 2023, there are no further amounts due or owing under the subordinated promissory note.

2021 and 2020

In September 2021, the Company acquired certain assets of two payroll businesses, which were used to provide payroll processing services. In connection with these acquisitions there were two outstanding promissory notes payable. In September 2023, the Company paid the remaining balance of $2,312 on one of the promissory notes, consisting of $2,223 in principal and $89 in accrued interest. The second promissory note also includes contingent consideration for which the Company calculated the final value to be $587. The contingent consideration was added as an increase to the principal balance due on the promissory note during the second quarter of 2023. As of September 30, 2023, the second promissory note had an outstanding balance of $4,200 and matures on September 30, 2026.

In July 2020, the Company acquired certain assets of a payroll tax business. The Asset Purchase Agreement set forth two subsequent purchase consideration payments, which are contingent on certain thresholds. The first contingent purchase consideration was paid in June 2021. The outstanding contingent purchase consideration of $2,299 was valued based on the trailing twelve-month revenue at October 31, 2021 and was paid in shares of the Company's common stock in July 2023. As a result, the outstanding contingent consideration of $2,299 was extinguished with the issuance of 214 shares of the Company's common stock. As of September 30, 2023, no further contingent purchase obligation remains.

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Accounting Standards Codification (ASC) 820 "Fair Value Measurement" (ASC 820) defines fair value, establishes a framework for measuring fair value under U.S. GAAP and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 describes a fair value hierarchy based on the following three levels of inputs that may be used to measure fair value, of which the first two are considered observable and the last unobservable:

Level 1: Quoted prices in active markets for *identical* assets or liabilities;

Level 2: Quoted prices in active markets for *similar* assets or liabilities; quoted prices in markets that are not active for identical or similar assets or liabilities; and model-driven valuations whose significant inputs are observable; and

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table presents the fair value hierarchy for our financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2023 and December 31, 2022, respectively (in thousands):

	Total Carrying Value	Level 1	Level 2	Level 3
September 30, 2023				
Assets:				
Funds held for clients				
Money market funds	$ 4,704	$ 4,704	$ —	$ —
Available-for-sale securities	68,989	—	68,989	—
Total	$ 73,693	$ 4,704	$ 68,989	$ —
December 31, 2022				
Assets:				
Funds held for clients				
Money market funds	$ 2,829	$ 2,829	$ —	$ —
Available-for-sale securities	56,556	—	56,556	—
Total	$ 59,385	$ 2,829	$ 56,556	$ —
Liabilities:				
Contingent purchase consideration(1)	$ 2,955	$ —	$ —	$ 2,955
Total	$ 2,955	$ —	$ —	$ 2,955

(1) See Note 3 — Business Combinations and Asset Acquisitions for further discussion regarding the contingent purchase consideration.

Restricted cash equivalents and investments classified as available-for-sale within funds held for clients consisted of the following (in thousands):

	Amortized Cost	Gross Unrealized Gains [(1)]	Gross Unrealized Losses [(1)]	Aggregate Estimated Fair Value
September 30, 2023				
Restricted cash equivalents	$ 4,711	$ —	$ (7)	$ 4,704
Available-for-sale securities:				
Certificates of deposit	973	3	(2)	974
Corporate debt securities	65,946	17	(2,341)	63,622
Municipal bonds	4,262	—	(325)	3,937
U.S. Government agency securities	500	—	(44)	456
Total available-for-sale securities	71,681	20	(2,712)	68,989
Total[(2)]	$ 76,392	$ 20	$ (2,719)	$ 73,693
December 31, 2022				
Restricted cash equivalents	$ 2,829	$ —	$ —	$ 2,829
Available-for-sale securities:				
Certificates of deposit	983	4	(2)	985
Corporate debt securities	52,251	1	(2,023)	50,229
Municipal bonds	5,297	—	(405)	4,892
U.S. Government agency securities	500	—	(50)	450
Total available-for-sale securities	59,031	5	(2,480)	56,556
Total[(2)]	$ 61,860	$ 5	$ (2,480)	$ 59,385

(1) Unrealized gains and losses on available-for-sale securities are included as a component of comprehensive loss. As of September 30, 2023 and December 31, 2022, there were 7 and 3 securities, respectively, in an unrealized gain position and there were 159 and 124 securities in an unrealized loss position, respectively. As of September 30, 2023, these unrealized losses were less than $79 individually and $2,719 in the aggregate. As of December 31, 2022, these unrealized losses were less than $96 individually and $2,480 in the aggregate. These securities have not been in a continuous unrealized gain or loss position for more than 12 months. We do not intend to sell these investments and we do not expect to sell these investments before recovery of their amortized cost basis, which may be at maturity. We review our investments to identify and evaluate investments that indicate credit losses. Factors considered in determining whether a loss is a credit loss include the length of time and extent to which fair value has been less than the cost basis, the credit rating of the investment, and our intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value.

(2) At September 30, 2023 and December 31, 2022, none of these securities were classified as cash and cash equivalents on the accompanying Condensed Consolidated Balance Sheets.

Funds held for clients represent assets that the Company has classified as restricted for use solely for the purposes of satisfying the obligations to remit funds relating to the Company's payroll and payroll tax filing services, which are classified as client funds obligations on our Condensed Consolidated Balance Sheets.

Funds held for clients have been invested in the following categories (in thousands):

	September 30, 2023	December 31, 2022
Restricted cash and cash equivalents held to satisfy client funds obligations	$ 103,514	$ 147,032
Restricted short-term marketable securities held to satisfy client funds obligations	9,297	9,174
Restricted long-term marketable securities held to satisfy client funds obligations	59,692	47,382
Total funds held for clients	$ 172,503	$ 203,588

Expected maturities of available-for-sale securities as of September 30, 2023 are as follows (in thousands):

One year or less	$	9,297
After one year through five years		59,692
Total	$	68,989

NOTE 5 - GOODWILL AND OTHER INTANGIBLE ASSETS

	December 31, 2022		Acquisitions		September 30, 2023	
Goodwill	$	86,011	$	—	$	86,011

We believe significant synergies are expected to arise from our strategic acquisitions and their assembled work forces. This factor contributed to a purchase price that was in excess of the fair value of the net assets acquired and, as a result, we recorded goodwill for each acquisition. A portion of acquired goodwill will be amortizable for tax purposes. As of September 30, 2023, there has been no impairment of goodwill based on the qualitative assessments performed by the Company.

Gross Intangible Assets	December 31, 2022		Acquisitions		September 30, 2023	
Customer relationships	$	116,971	$	—	$	116,971
Developed technology		12,001		—		12,001
Reseller relationships		1,344		1,029		2,373
Trade names		880		—		880
Non-compete agreements		1,032		—		1,032
	$	132,228	$	1,029	$	133,257

The gross carrying amount and accumulated amortization of our intangible assets as of September 30, 2023 are as follows (in thousands, except weighted average periods):

	Weighted Average Amortization Period (in Years)	Gross		Accumulated Amortization		Net	
September 30, 2023							
Customer relationships	8.7	$	116,971	$	(62,498)	$	54,473
Developed technology	6.9		12,001		(10,651)		1,350
Reseller relationships	6.4		2,373		(985)		1,388
Trade names	4.3		880		(872)		8
Non-compete agreements	5.2		1,032		(925)		107
	8.5	$	133,257	$	(75,931)	$	57,326
December 31, 2022							
Customer relationships	8.7	$	116,971	$	(52,700)	$	64,271
Developed technology	6.6		12,001		(10,283)		1,718
Reseller relationships	6.9		1,344		(889)		455
Trade names	3.0		880		(847)		33
Non-compete agreements	5.2		1,032		(915)		117
	8.4	$	132,228	$	(65,634)	$	66,594

We record amortization expenses using the straight-line method over the estimated useful lives of the intangible assets, as noted above. Amortization expenses recorded in Operating Expenses were $9,929 and $10,134 for the nine months ended September 30, 2023 and 2022, respectively. Amortization expenses recorded in Cost of Sales were $368 and $889 for the nine months ended September 30, 2023 and 2022, respectively. There was no impairment of intangibles during the nine months ended September 30, 2023 based on the qualitative assessment performed by the Company. However, if market, political and other conditions over which we have no control continue to affect the capital markets and our stock price declines, we may experience an impairment of our intangibles in future quarters.

The following table summarizes the future estimated amortization expense relating to our intangible assets as of September 30, 2023 (in thousands):

2023	$ 3,389
2024	13,522
2025	12,736
2026	9,621
2027	7,426
2028	5,957
Thereafter	4,675
	$ 57,326

NOTE 6 - NOTES PAYABLE

The following table summarizes our outstanding debt as of the dates indicated (in thousands):

	Maturity	Cash Interest Rate	September 30, 2023	December 31, 2022
Subordinated Notes Payable – Acquisitions(1)	12/31/2022 – 9/30/2026	2.00% - 3.00%	$ 4,200	$ 6,947
Senior Credit Facility	10/1/2025	14.25%	—	30,607
Gross Notes Payable			$ 4,200	$ 37,554

(1) See Note 3 — Business Combinations and Asset Acquisitions and Subordinated Notes Payable - Acquisitions section below for further discussion regarding the notes payable related to acquisitions.

The following table summarizes the debt issuance costs as of the dates indicated (in thousands):

	Gross Notes Payable	Debt Issuance Costs and Debt Discount	Net Notes Payable
September 30, 2023			
Current portion of notes payable	$ 420	$ (225)	$ 195
Notes payable, net of current portion	3,780	(1,147)	2,633
Total	$ 4,200	$ (1,372)	$ 2,828
December 31, 2022			
Current portion of notes payable	$ 4,774	$ (668)	$ 4,106
Notes payable, net of current portion	32,780	(1,985)	30,795
Total	$ 37,554	$ (2,653)	$ 34,901

The following table summarizes the future principal payments related to our outstanding debt as of September 30, 2023 (in thousands):

2023	$ —
2024	420
2025	378
2026	3,402
Total	$ 4,200

Subordinated Notes Payable - Acquisitions

In January 2023, the Company resolved the outstanding claims for indemnification for which it was withholding payment of the subordinated note payable as security for such claim. As a result of the resolution of those claims, the remaining balance of $232 has been paid to the Seller ($182) and to the claimant ($50) in satisfaction of its claim. As of September 30, 2023, there are no further amounts due or owing under this subordinated promissory note.

In April 2023, the Company calculated the final contingent consideration due in connection with the acquisition of a payroll business in September 2021. As a result, the fair value of the contingent consideration of $587 was added as an increase to the principal balance due on the promissory note. As of September 30, 2023, the promissory note had an outstanding balance of $4,200.

In May 2023, the Company paid the outstanding balance of a subordinated note payable in connection with the acquisition of customer relationships of a payroll business that took place in 2022. As a result, the Company paid the remaining balance of $422 on the promissory note consisting of $411 in principal and $11 in accrued interest. As of September 30, 2023, there are no further amounts due or owing under the subordinated note payable.

In September 2023, the Company paid the outstanding balance of a subordinated note payable in connection with the acquisition of certain assets of a payroll business that took place in 2021. As a result, the Company paid the remaining balance of $2,312 on the promissory note consisting of $2,223 in principal and $89 in accrued interest. As of September 30, 2023, there are no further amounts due or owing under the subordinated note payable.

Senior Credit Facility with Structural Capital Investments III, LP

On September 10, 2021, the Company entered into a Loan and Security Agreement (the “Loan Agreement”) with Structural Capital Investments III, LP (“Structural” and together with the other lenders that are or become parties thereto, the “Lenders”), and Ocean II PLO LLC, as administrative and collateral agent for the Lender (“Agent”), under the terms of which the Lenders committed to lend us up to $50,000 in term loan financing to support our growth needs (the “Facility”). Of the amount committed by the Lenders, the Company drew $30,000 in September 2021. The Company also entered into a secured promissory note with the Agent evidencing our obligations under the Facility.

On August 7, 2023, the Company entered into an amendment to the Facility, whereby the Final Payment Fee (as defined in the Loan Agreement) was settled for $1,677 (the “Settled Amount”), which was paid on August 7, 2023. The Final Payment Fee was originally equal to 1.0% of the increase in our market capitalization since September 10, 2021, and was due upon payment in full of the obligations under the Senior Credit Facility. The Company also paid the Lenders a fee equal to $250 to be credited against any reimbursable expenses owed to the Lenders in a future refinancing of the Facility if it occurs prior to December 31, 2024.

On September 12, 2023, the Company opted to terminate the Loan Agreement and repay the outstanding balance on the secured promissory note (the “Note”). In connection with the termination, the Company paid the Agent for the benefit of the Lenders an aggregate amount of $30,927 (the “Payoff Amount”) in full payment of our outstanding obligations under the Loan Agreement. The Payoff Amount represented $30,617 of outstanding principal and interest on the unpaid principal balance, a 1.0% prepayment fee in the amount of $306 and $5 for the accrued non-utilization fee and lender expenses associated with the extinguishment. As of September 30, 2023, there are no further amounts due or owing under the Facility.

NOTE 7 – CONTRACTS WITH CUSTOMERS AND REVENUE CONCENTRATION

Receivables

Receivables from contracts with customers, net of allowance for doubtful accounts of $1,186, were $15,133 at September 30, 2023. Receivables from contracts with customers, net of allowance for doubtful accounts of $3,248, were $12,123 at December 31, 2022. The decrease in the allowance for doubtful accounts balance during the three and nine months ended September 30, 2023 is primarily due to the removal of fully reserved receivable balances. The increase in the receivable balance during the first nine months of 2023 is primarily due to deferred payment terms on many of our Earned Retention Tax Credit commitments. No customer represented more than 10% of our net accounts receivable balance as of September 30, 2023 and December 31, 2022, respectively.

Deferred Commissions

Deferred commission costs from contracts with customers were $9,155 and $6,660 at September 30, 2023 and December 31, 2022, respectively. The amount of amortization recognized for the three and nine months ended September 30, 2023 was $1,029 and $2,176, respectively, and for the three and nine months ended September 30, 2022 was $412 and $1,192, respectively.

Deferred Revenue

During the three and nine months ended September 30, 2023, revenue of $924 and $6,650, respectively, and during the three and nine months ended September 30, 2022, revenue of $156 and $3,362, respectively, was recognized from the deferred revenue balance at the beginning of each period.

Transaction Price Allocated to the Remaining Performance Obligations

As of September 30, 2023, approximately $18,891 of revenue is expected to be recognized from remaining performance obligations. We expect to recognize revenue on approximately 81% of these remaining performance obligations over the next 12 months, with the balance recognized thereafter.

Revenue Concentration

During the three and nine months ended September 30, 2023 and 2022, there were no customers that individually represented 10% or more of consolidated revenue.

NOTE 8 - LEASES

We have entered into office space lease agreements, which qualify as operating leases under ASU No. 2016-02, “Leases (Topic 842)”. Under such leases, the lessors receive annual minimum (base) rent. The leases have original terms (excluding extension options) ranging from one year to eight years. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

We record base rent expense under the straight-line method over the term of the lease. In the accompanying Condensed Consolidated Statements of Comprehensive Loss, rent expense is included in operating expenses under general and administrative expenses. The components of the rent expense for the three and nine months ended September 30, 2023 and 2022 are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Operating lease cost	$ 481	$ 610	$ 1,896	$ 1,759
Sublease income	(5)	(15)	(13)	(84)
Net rent expense	$ 476	$ 595	$ 1,883	$ 1,675

For purposes of calculating the operating lease assets and lease liabilities, extension options are not included in the lease term unless it is reasonably certain we will exercise the option, or the lessor has the sole ability to exercise the option. The weighted average discount rate of our operating leases is 10% and 8% as of September 30, 2023 and December 31, 2022, respectively. The weighted average remaining lease term is five years as of September 30, 2023 and December 31, 2022.

Supplemental cash flow information related to operating leases for the nine months ended September 30 are as follows (in thousands):

	Nine Months Ended September 30,	
	2023	**2022**
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	$ 1,998	$ 1,561
Non-cash operating activities:		
Operating lease assets obtained or removed in exchange for new, modified or terminated operating lease liabilities	$ (473)	$ 2,221

Future minimum commitments over the life of all operating leases, which exclude variable rent payments, are as follows (in thousands):

2023	$	551
2024		1,883
2025		1,649
2026		1,194
2027		1,001
2028		993
Thereafter		743
Total minimum lease payments		8,014
Less: imputed interest		(1,548)
Total lease liabilities	$	6,466

NOTE 9 - SHARE-BASED COMPENSATION

We have one active equity plan, the 2018 Incentive Award Plan (the "2018 Plan"). The 2018 Plan, approved by our stockholders, replaced our 2009 Equity Incentive Plan, as amended (the "2009 Plan"), however, the terms and conditions of the 2009 Plan will continue to govern any outstanding awards granted thereunder.

The number of shares reserved for issuance under the 2018 Plan is 4,350 shares. We have an aggregate of 2,306 options, RSUs and PSUs granted and outstanding pursuant to the 2018 Plan as of September 30, 2023. As of September 30, 2023, the number of shares available for future grant under the 2018 Plan is 1,737.

Share based compensation for our stock option plans for the three months ended September 30, 2023, and September 30, 2022, was $1,251 and $799, respectively, and for the nine months ended September 30, 2023, and September 30, 2022, was $4,170 and $2,341, respectively. We issued 66 and 349 shares of common stock related to exercises of stock options for the three and nine months ended September 30, 2023, and issued no shares of common stock related to exercises of stock options for the three and nine months ended September 30, 2022. We issued 40 and 164 shares of common stock upon the vesting of restricted stock units for the three and nine months ended September 30, 2023, and issued 22 and 95 shares of common stock upon the vesting of restricted stock units for the three and nine months ended September 30, 2022.

NOTE 10 - NET LOSS PER SHARE

We compute net income or loss per share based on the weighted average number of common shares outstanding for the period. Diluted net income per share reflects the maximum dilution that would have resulted from incremental common shares issuable upon the exercise of stock options or vesting of RSUs and in some cases PSUs. In periods of net income, we compute the adjustment to the denominator of our dilutive net earnings per share calculation to include these stock options, RSUs, and PSUs, as applicable, using the treasury stock method. Regardless of the period resulting in net income or net loss, we exclude the adjustment to the denominator of our dilutive net loss per share calculation to the extent that they are anti-dilutive.

The following table sets forth the computation of basic and diluted net loss per common share for the periods presented below (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Basic:				
Net loss	$ (2,206)	$ (4,533)	$ (5,632)	$ (13,410)
Weighted-average shares of common stock outstanding	22,591	20,219	21,204	20,092
Basic loss per share	$ (0.10)	$ (0.22)	$ (0.27)	$ (0.67)
Diluted:				
Net loss	$ (2,206)	$ (4,533)	$ (5,632)	$ (13,410)
Weighted-average shares of common stock outstanding	22,591	20,219	21,204	20,092
Diluted loss per share	$ (0.10)	$ (0.22)	$ (0.27)	$ (0.67)

NOTE 11 - EMPLOYEE RETENTION TAX CREDIT

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act was signed into law, providing numerous tax provisions and other stimulus measures, including the Employee Retention Tax Credit (“ERTC”): a refundable tax credit against certain employment taxes. The Taxpayer Certainty and Disaster Tax Relief Act of 2020 and the American Rescue Plan Act of 2021 extended and expanded the availability of the ERTC. We qualified for the ERTC in the first three quarters of 2021. During the quarter ended September 30, 2021, we recorded an aggregate benefit of $10,533 in our Condensed Consolidated Statements of Comprehensive Loss to reflect the ERTC payable to us for the first three quarters in 2021 presented as other current assets within our Condensed Consolidated Balance Sheets. In 2022, the Company received cash of $3,457, reflecting a portion of our ERTC. In January and February 2023, the Company received the remaining balance of $7,076 for the ERTC benefit.

NOTE 12 - SUBSEQUENT EVENTS

On October 1, 2023, the Company acquired certain assets of a Reseller Partner, which were used to provide payroll processing services. The Partner is located in the southeastern United States. The aggregate purchase price that the Company paid for these assets was $8,391, paid as follows: (i) $6,891 in cash of which $6,545 was paid at closing and (ii) the delivery of a promissory note in the amount of $1,500.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-Q contains certain statements made by management that may constitute “forward-looking” statements within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements about our financial results may include expected or projected U.S GAAP and non-U.S. GAAP financial and other operating and non-operating results. The words “believe,” “may,” “will,” “estimate,” “projects,” “anticipate,” “intend,” “expect,” “should,” “plan,” and similar expressions are intended to identify forward-looking statements. Examples of “forward-looking statements” include statements we make regarding our operating performance, future results of operations and financial position, revenue growth, earnings or other projections. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. The achievement or success of the matters covered by such forward-looking statements involves risks, uncertainties and assumptions, over many of which we have no control. If any such risks or uncertainties materialize or if any of the assumptions prove incorrect, the Company’s results could differ materially from the results expressed or implied by the forward-looking statements we make. The risks and uncertainties referred to above include—but are not limited to— the expiration of major revenue streams such as Employee Retention Tax Credits and the impact of the IRS recent measures regarding Employee Retention Tax Credits claims; risks associated with breaches of the Company’s security measures; risks associated with the Company’s rate of growth and anticipated revenue run rate, including impact of the current environment; interruptions to supply chains and extended shut down of businesses; political unrest, including the current issues between Russia and Ukraine; reductions in employment and an increase in business failures, specifically among our clients; the Company’s ability to convert deferred revenue and unbilled deferred revenue into revenue and cash flow, and ability to maintain continued growth of deferred revenue and unbilled deferred revenue; possible fluctuations in the Company’s financial and operating results; regulatory pressures on economic relief enacted as a result of the COVID-19 pandemic that change or cause different interpretations with respect to eligibility for such programs; privacy concerns and laws and other regulations may limit the effectiveness of our applications; factors affecting the Company’s term loan; domestic and international regulatory developments, including changes to or applicability to our business of privacy and data securities laws, money transmitter laws and anti-money laundering laws; the financial and other impact of any previous and future acquisitions; the Company’s ability to continue to release, gain customer acceptance of and provide support for new and improved versions of the Company’s services; successful customer deployment and utilization of the Company’s existing and future services; technological developments; the nature of the Company’s business model; interest rates; competition; various financial aspects of the Company’s subscription model; impairment of intangible assets; interruptions or delays in the Company’s services or the Company’s Web hosting; access to additional capital; the Company’s ability to hire, retain and motivate employees and manage the Company’s growth; litigation and any related claims, negotiations and settlements, including with respect to intellectual property matters or industry-specific regulations; volatility and weakness in bank and capital markets; factors affecting the Company’s deferred tax assets and ability to value and utilize them; volatility and low trading volume of our common stock; collection of receivables; and general developments in the economy, financial markets, credit markets and the impact of current and future accounting pronouncements and other financial reporting standards.

Further information on these and other factors that could affect the Company’s financial results is included in the reports on Forms 10-K, 10-Q and 8-K, and in other filings we make with the SEC from time to time. These documents are available on the SEC Filings section of the Investor Information section of the Company’s website at investor.asuresoftware.com. Asure assumes no obligation and does not intend to update these forward-looking statements, except as required by law.

OVERVIEW

The following review of Asure’s financial position as of September 30, 2023 and December 31, 2022, and results of operations for the three and nine months ended September 30, 2023 and 2022 should be read in conjunction with our 2022 Annual Report on Form 10-K filed with the SEC on February 27, 2023. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available through the investor relations page of our internet website free of charge as soon as reasonably practicable after they are electronically filed, or furnished to, the SEC. Asure’s internet website and the information contained in our website or connected to our website are not incorporated into this Quarterly Report on Form 10-Q. However, we do post information on the investor relations page of our website that we believe may be of interest to our investors. Asure’s internet website address is www.asuresoftware.com.

Our Business

Asure is a provider of cloud-based Human Capital Management ("HCM") software solutions delivered as Software-as-a-Service ("SaaS") for small and medium-sized businesses ("SMBs"). We offer human resources ("HR") tools necessary to build a thriving workforce, provide the resources to stay compliant with dynamic federal, state, and local tax jurisdictions and their respective labor laws, freeing cash flows so SMBs can spend their financial capital on growing their businesses rather than administrative overhead that can impede growth. Our solutions also provide new ways for employers to connect with and to differentiate themselves with their employees in order to enhance their relationships with their talent. Asure's HCM suite ("Asure HCM") includes Payroll & Tax solutions, HR compliance and services, Time & Attendance software and data integrations that enable employers and their employees to enhance efficiencies and take advantage of value-added solutions, which we refer to as AsureMarketplace™. AsureMarketplace™ automates interactions between our HCM systems with third-party providers to enhance efficiency, improve accuracy and to extend the range of services offered to employers and their employees. The Company's approach to HR compliance services incorporates artificial intelligence technology to enhance scalability and efficiency while prioritizing client interactions. We offer our services directly and indirectly through our network of Reseller Partners.

From recruitment to retirement, our solutions help more than 100,000 SMBs across the United States. Approximately 15,000 of our clients are direct and the 85,000 remaining clients are indirect, as they have contracts with Reseller Partners who white label our solutions.

We strive to be the most trusted HCM resource to SMBs. We target less densely populated U.S. metropolitan cities where fewer of our competitors have a presence. Our solutions solve three primary challenges that prevent businesses from growing: HR complexity, allocation of human and financial capital, and the ability to build great teams. We have and will continue to invest in research and development to expand our solutions. Our solutions reduce the administrative burden on employers and increases employee productivity while managing the employment lifecycle.

Acquisitions

On January 1, 2022, we acquired certain assets of a reseller partner, which were used to provide payroll processing services. The partner is located in the northeastern United States. The aggregate purchase price that the Company paid for these assets was $2,350, as follows: (i) $1,970 in cash at closing (including $31 of transaction costs) and (ii) the delivery of a promissory note in the amount of $411. The Company paid the full amount due, including interest, on this promissory note on May 1, 2023.

On September 30, 2021, the Company acquired certain assets of two payroll businesses, which were used to provide payroll processing services. In connection with these acquisitions were two outstanding promissory notes payable. In September 2023, the Company paid he remaining balance of $2,312 on one of the promissory notes, consisting of $2,223 in principal and $89 in accrued interest. The second promissory note also includes contingent consideration for which the Company calculated the final value to be $587. The contingent consideration was added as an increase to the principal balance due on the promissory note during the second quarter of 2023. As of September 30, 2023, the second promissory note had an outstanding balance of $4,200 and matures on September 30, 2026.

In July 2020, the Company acquired certain assets of a payroll tax business. The Asset Purchase Agreement set forth two subsequent purchase consideration payments, which are contingent on certain thresholds. The first contingent purchase consideration was paid in June 2021. The outstanding contingent purchase consideration of $2,299 was paid in July 2023 through the issuance of 214 shares of the Company's common stock in lieu of cash. As a result, no further contingent purchase obligation remains outstanding.

RESULTS OF OPERATIONS (in thousands)

The following table sets forth, for the fiscal periods indicated, the percentage of total revenues represented by certain items in the Company's Condensed Consolidated Statements of Comprehensive Loss:

	Nine Months Ended September 30,	
	2023	2022
Revenues	100 %	100 %
Gross profit	73 %	62 %
Sales and marketing	24 %	21 %
General and administrative	32 %	36 %
Research and development	6 %	7 %
Amortization of intangible assets	11 %	15 %
Total operating expenses	72 %	80 %
Interest expense	(5)%	(5)%
(Loss) gain on extinguishment of debt	(2)%	— %
Other (expense) income, net	— %	2 %
Loss from operations before income taxes	(6)%	(20)%
Net loss	(6)%	(20)%

Revenue

Revenues are comprised of recurring revenues, professional services, hardware, and other revenues. We expect our revenues to increase as we introduce new applications, expand our client base and renew and expand relationships with existing clients. As a percentage of total revenues, we expect our mix of recurring revenues, and professional services, hardware and other revenues to remain relatively constant. While revenue mix varies by product, recurring revenue represented over 80% of total revenue in nine months ended September 30, 2023, compared to 93% in nine months ended September 30, 2022.

Our revenue was derived from the following sources (in thousands):

	Three Months Ended September 30,		Variance	
	2023	2022	$	%
Recurring	$ 23,833	$ 19,959	$ 3,874	19 %
Professional services, hardware and other	5,501	1,944	3,557	183 %
Total	$ 29,334	$ 21,903	$ 7,431	34 %

	Nine Months Ended September 30,		Variance	
	2023	2022	$	%
Recurring	$ 74,749	$ 61,977	$ 12,772	21 %
Professional services, hardware and other	18,069	4,559	13,510	296 %
Total	$ 92,818	$ 66,536	$ 26,282	40 %

Recurring Revenues

Recurring revenues include fees for our payroll, payroll tax, tax management, time and labor management, HR compliance services, AsureMarketplace™ and other Asure solutions as well as fees charged for form filings and delivery of client payroll checks and reports. These revenues are derived from fixed amounts charged per billing period and sometimes an additional fee per employee or transaction processed. We do not require clients to enter into long-term contractual commitments for our services. Our billing period varies by client based on when each client pays its employees, which may be weekly, bi-weekly, semi-monthly or monthly. We also generate recurring revenues from our Reseller Partners that license our solutions. Because recurring revenues are based, in part, on fees for use of our applications and the delivery of checks and reports that are levied on a per-employee basis, our recurring revenues increase as our clients hire more employees. Recurring revenues are recognized in the period services are rendered.

Recurring revenues include revenues relating to the annual processing of payroll forms, such as Form W-2 and Form 1099, and revenues from processing unscheduled payroll runs (such as bonuses) for our clients. Because payroll forms are typically processed in the first quarter of the year and many of our clients are subject to form filing requirements mandated by the Affordable Care Act ("ACA"), first quarter revenues and margins are generally higher than in subsequent quarters. We anticipate our revenues will continue to exhibit this seasonal pattern related to ACA form filings for so long as the ACA (or replacement legislation) includes employer reporting requirements. In addition, we often experience increased revenues during the fourth quarter due to unscheduled payroll runs for our clients that occur before the end of the year. We expect the seasonality of our revenue cycle to decrease to the extent clients utilize more of our non-payroll applications.

Our revenue also includes interest earned on funds held for clients as well as revenues generated via fixed fee arrangements for provisioning and filing for Employee Retention Tax Credit ("ERTC") credits. Interest earned is generated from funds we collect from clients in advance of either the applicable due date for payroll tax submissions or the applicable disbursement date for employee payment services. These collections from clients are typically disbursed from one to 30 days after receipt, with some funds being held for up to 120 days. We typically invest funds held for clients in money market funds, demand deposit accounts, commercial paper, fixed income securities and certificates of deposit until they are paid to the applicable tax or regulatory agencies or to client employees. The amount of interest we earn from the investment of client funds is also impacted by changes in interest rates. Asure also generates revenues from provisioning and filing for ERTC. Revenue generated for such activity is based on multi-year contracts with volume commitments and is recorded as recurring revenues. In September 2023, the Internal Revenue Service ("IRS") announced a moratorium on processing of new ERTC claims through the end of 2023 to allow it to add additional safeguards to prevent future fraudulent and ineligible claims of the tax credit, which may delay our processing services and thus our revenue generated from ERTC and related business lines. Please see "Risk Factors" in Part II, 1A. for more information about risks related to our ERTC business.

Recurring revenue for the three months ended September 30, 2023 was $23,833, an increase of $3,874, or 19%, from $19,959 for the three months ended September 30, 2022. The increase is primarily due to an increase in HR compliance revenue, an increase in interest earned on funds held for clients, and an increase in revenue from AsureMarketplace™.

Recurring revenue for the nine months ended September 30, 2023 was $74,749, an increase of $12,772, or 21%, from $61,977 for the nine months ended September 30, 2022. The increase is primarily due to an increase of approximately $5,400 in interest earned on funds held for clients, an increase of $5,400 in HR compliance revenue, and an increase of $2,800 in revenue from AsureMarketplace™.

Professional Services, Hardware and Other Revenues

Professional services, hardware and other revenues represents implementation fees, one-time consulting projects, on-premise maintenance, hardware devices to enhance our software products as well as ERTC revenues that are transactional in nature.

Professional services, hardware and other revenue increased $3,557, or 183%, for the three months ended September 30, 2023 from the similar period in 2022, primarily due to growth in non-recurring ERTC revenues. ERTC revenues are expected to wind down as ERTC tax credits under the CARES Act and such regulations will expire in 2025. Additionally, in September 2023, the IRS announced a moratorium through the end of the year on processing new ERTC claims due to concerns over questionable or fraudulent claims. The moratorium may potentially delay the processing and collections of previously filed ERTC claims.

Professional services, hardware and other revenue increased $13,510, or 296%, for the nine months ended September 30, 2023 from the similar period in 2022, primarily due to growth in non-recurring ERTC revenues.

Although our total customer base is widely spread across industries, our sales are concentrated in SMBs. We continue to target SMBs across industries as prospective customers. Geographically, we sell our products primarily in the United States.

In addition to continuing to develop our workforce solutions and release of new software updates and enhancements, we continue to actively explore other opportunities to acquire additional products or technologies to complement our current software and services.

Gross Profit and Gross Margin

Consolidated gross profit for the three months ended September 30, 2023, was $21,280, an increase of $7,633, or 56%, from $13,647 for the three months ended September 30, 2022. Gross margin as a percentage of revenue was 73% for the three months ended September 30, 2023 as compared to 62% for the three months ended September 30, 2022. The increase is primarily attributable to the increase in revenue and more efficient operations driven by consolidation and standardization efforts across the Company.

Consolidated gross profit for the nine months ended September 30, 2023 was $67,698, an increase of $26,326, or 64%, from $41,372 for the nine months ended September 30, 2022. Gross margin as a percentage of revenue was 73% for the nine months ended September 30, 2023 as compared to 62% for the nine months ended September 30, 2022. The increase is primarily attributable to the increase in revenue and more efficient operations driven by consolidation and standardization efforts across the Company.

Our cost of sales relates primarily to direct product costs, compensation for operations and related consulting expenses, hardware expenses, and the amortization of our purchased software development costs. We include intangible amortization related to developed and acquired technology within cost of sales.

Sales and Marketing Expenses

Sales and marketing expenses primarily consist of salaries and related expenses for sales and marketing staff, including stock-based expenses and commissions. Marketing programs includes events, corporate communications and product marketing activities.

Sales and marketing expenses for the three months ended September 30, 2023 were $6,597, an increase of $1,845, or 39%, from $4,752 for the three months ended September 30, 2022. The increase is primarily due to an increase in direct sales personnel, higher sales commissions owing to increased revenues, and an increase in marketing initiatives. Sales and marketing expenses as a percentage of revenue remained flat at 22% for the three months ended September 30, 2023 from 22% for the same period in 2022.

Sales and marketing expenses for the nine months ended September 30, 2023 were $22,312, an increase of $8,074, or 57%, from $14,238 for the nine months ended September 30, 2022. The increase is primarily due to an increase in direct sales personnel, higher sales commissions owing to increased revenues, and an increase in accounts receivable reserves. Sales and marketing expenses as a percentage of revenue increased to 24% for the nine months ended September 30, 2023 from 21% for the same period in 2022.

We expect to continue to expand and increase selling costs as we focus on hiring direct sales personnel, expanding recognition of our brand, and lead generation.

General and Administrative Expenses

General and administrative expenses primarily consist of salaries and related expenses, including stock-based expenses for finance and accounting, legal, internal audit, human resources and management information systems personnel, legal costs, professional fees, and other corporate expenses such as transaction costs for acquisitions.

General and administrative expenses for the three months ended September 30, 2023 were $9,294, an increase of $1,271, or 16%, from $8,023 for the three months ended September 30, 2022. The increase is primarily attributable to increased personnel and share-based compensation. General and administrative expenses as a percentage of revenue decreased to 32% for the three months ended September 30, 2023 from 37% for the same period in 2022.

General and administrative expenses for the nine months ended September 30, 2023 were $29,586, an increase of $5,382, or 22%, from $24,204 for the nine months ended September 30, 2022, primarily attributable to increased personnel, share-based compensation, and contracting costs. General and administrative expenses as a percentage of revenue decreased to 32% for the nine months ended September 30, 2023 from 36% for the same period in 2022.

Research and Development Expenses

Research and development (“R&D”) expenses consist primarily of salaries and related expenses, including stock-based expenses for employees supporting our R&D activities.

R&D expenses for the three months ended September 30, 2023 were $1,803, an increase of $573, or 47%, from $1,230 for the three months ended September 30, 2022. The increase is primarily attributable to an increase in personnel costs, partially offset by an increase in capitalized software expenses driven by continued investments in development of our products. R&D expenses as a percentage of revenue remained flat at 6% for the three months ended September 30, 2023 from 6% for the same period in 2022.

R&D expenses for the nine months ended September 30, 2023 were $5,107, an increase of $584, or 13%, from $4,523 for the nine months ended September 30, 2022. R&D expenses as a percentage of revenue decreased to 6% for the nine months ended September 30, 2023 from 7% for the same period in 2022.

We plan to continue to enhance our products and technologies by leveraging the latest technology stack, Robotic Process Automation (“RPA”), and artificial intelligence (“AI”), and development partnerships. We expect that our expanded investment in product, engineering, SaaS hosting, mobile and hardware technologies will lay the groundwork for broader market opportunities and represent a key aspect of our competitive differentiation. We also plan to expand our technological resources through organic improvements and acquired intellectual property. We expect to continue to expand the breadth of integration between our solutions, allowing direct clients and resellers the ability to easily add and implement components across our entire solution set. Our initiatives include providing our customers with more accurate and efficient automation powered by an informed knowledge base. Consistent with that effort, our engineering team utilizes an AI development Copilot to increase their productivity and efficiency. Our operations team utilizes a digital assistant to allow for a more efficient and accurate way to automate repetitive tasks, which we believe will free up our time for more strategic work and reducing the risk of errors. We are committed to providing the best-in-class solutions.

Our development efforts for future releases and enhancements are driven by feedback received from our existing and potential customers and by gauging market trends. We believe we have the appropriate development team to design and enhance our solution suite and integrated platform. We have also made significant investments outside of core R&D into compliance and certifications, including SOC I Type 2 and SOC II Type 2 certifications, BIPA, CCPA, and other initiatives.

Amortization of Intangible Assets

Amortization expense for the three months ended September 30, 2023 was $3,333, a decrease of $17, or 1%, from $3,350 for the three months ended September 30, 2022. Amortization expense as a percentage of revenue decreased to 11% for the three months ended September 30, 2023 from 15% for the same period in 2022.

Amortization expense for the nine months ended September 30, 2023 was $9,929, a decrease of $205, or 2%, from $10,134 for the nine months ended September 30, 2022. Amortization expense as a percentage of revenue decreased to 11% for the nine months ended September 30, 2023 from 15% for the same period in 2022.

Interest Expense, Net

Interest expense, net for the three months ended September 30, 2023 was $782 compared to $1,122 for the three months ended September 30, 2022. Interest expense, net as a percentage of revenue was 3% for the three months ended September 30, 2023, compared to 5% for the three months ended September 30, 2022. The decrease in interest expense, net in the three months ended September 30, 2023 is primarily due to an increase in interest income compared to the prior period.

Interest expense, net for the nine months ended September 30, 2023 was $4,321 compared to $3,006 for the nine months ended September 30, 2022. Interest expense, net as a percentage of revenue was 5% for the nine months ended September 30, 2023 and September 30, 2022. The increase in interest expense, net in the nine months ended September 30, 2023 is primarily due to the interest rates on our borrowings under our credit facility with Structural Capital Investments II LP, partially offset by an increase in interest income.

Other (Expense) Income, Net

Other (expense) income, net for the three months ended September 30, 2023 was $(283) compared to $399 for the three months ended September 30, 2022. Other (expense) income, net as a percentage of revenue was negligible for the three months ended September 30, 2023, compared to 2% for the three months ended September 30, 2022. For the three months ended September 30, 2023, the amounts in other (expense) income, net primarily consisted of losses on disposal of assets. For the three months ended September 30, 2022, the amounts in other (expense) income, net primarily consisted of a fair value adjustment on contingent purchase consideration in connection with the acquisition of a payroll business in September 2021.

Other (expense) income, net for the nine months ended September 30, 2023 was $(291) compared to $1,349 for the nine months ended September 30, 2022. Other (expense) income, net as a percentage of revenue was negligible for the nine months ended September 30, 2023, and 2% for the nine months ended September 30, 2022. For the nine months ended September 30, 2023, the amounts in other (expense) income, net primarily consisted of losses on disposal of assets. For the nine months ended September 30, 2022, the amounts in other (expense) income, net primarily consisted of a fair value adjustment on contingent purchase consideration in connection with the acquisition of a payroll business in September 2021.

(Loss) Gain on Extinguishment of Debt

(Loss) gain on extinguishment of debt for the three months ended September 30, 2023 was $(1,517) compared to no (loss) gain on extinguishment of debt recognized for the three months ended September 30, 2022. (Loss) gain on extinguishment of debt as a percentage of revenue was 5% for the three months ended September 30, 2023. For the three months ended September 30, 2023, the amount in (loss) gain on extinguishment of debt consisted of loss recognized as a result of the termination of our credit facility with Structural Capital Investments III LP (“Structural”).

(Loss) gain on extinguishment of debt for the nine months ended September 30, 2023 was $(1,517) compared to $180 for the nine months ended September 30, 2022. (Loss) gain on extinguishment of debt as a percentage of revenue was 2% for the nine months ended September 30, 2023, and was negligible for the nine months ended September 30, 2022. For the nine months ended September 30, 2023, the amount in (loss) gain on extinguishment of debt consisted of loss recognized as a result of the termination of our credit facility with Structural. For the nine months ended September 30, 2022, the amounts in (loss) gain on extinguishment of debt consisted primarily of a gain recognized as a result of an adjustment to one of the Company’s subordinated notes payable.

Income Taxes

For the three months ended September 30, 2023 and 2022, we recorded income tax benefit attributable to continuing operations of $123 and expense of $102, respectively, a decrease of $225.

For the nine months ended September 30, 2023 and 2022, we recorded income tax expense attributable to continuing operations of $267 and $206, respectively, an increase of $61 or 30%.

Net Loss

We incurred a loss of $2,206, or $0.10 per share, during the three months ended September 30, 2023, compared to a loss of $4,533, or $0.22 per share, during the three months ended September 30, 2022. Loss as a percentage of total revenues was 8% and 21% for the three months ended September 30, 2023 and 2022, respectively.

We incurred a loss of $5,632, or $0.27 per share, during the nine months ended September 30, 2023, compared to a loss of $13,410, or $0.67 per share, during the nine months ended September 30, 2022. Loss as a percentage of total revenues was 6% and 20% for the nine months ended September 30, 2023 and 2022, respectively.

LIQUIDITY AND CAPITAL RESOURCES (in thousands)

	September 30, 2023	December 31, 2022
Cash, cash equivalents and restricted cash[1]	$ 32,787	$ 17,010

(1) This balance excludes cash equivalents in funds held for clients

Working Capital. We had working capital of $31,634 at September 30, 2023, an increase of $23,541 from working capital of $8,093 at December 31, 2022. Working capital as of September 30, 2023 and December 31, 2022 includes $3,392 and $8,461 of short-term deferred revenue, respectively. Deferred revenue is an obligation to perform future services. We expect that deferred revenue will convert to future revenue as we perform our services, but this does not represent future payments. Deferred revenue can vary based on seasonality, expiration of initial multi-year contracts and deals that are billed after implementation rather than in advance of service delivery.

Operating Activities. Net cash provided by operating activities of $11,835 for the nine months ended September 30, 2023 was primarily driven by non-cash adjustments to our net loss of approximately $23,483, primarily due to depreciation and amortization. This was offset by changes in operating assets and liabilities, which resulted in a use of $6,016 in cash. Net cash provided by operating activities of $6,957 for the nine months ended September 30, 2022 was driven by non-cash adjustments to our net loss of approximately $16,590, primarily due to depreciation and amortization, offset by our net loss of $13,410. For the nine months ended September 30, 2022, changes in operating assets and liabilities resulted in cash provided of $3,777.

Investing Activities. Net cash used in investing activities of $18,176 for the nine months ended September 30, 2023 is primarily due to purchases of available-for-sale securities and maturities of $21,513, offset by proceeds from sales and maturities of available-for-sale securities of $10,428. Net cash used in investing activities of $33,991 for the nine months ended September 30, 2022 is primarily due to purchases of available-for-sale securities and maturities of $33,454.

Financing Activities. Net cash used in financing activities was $21,400 for the nine months ended September 30, 2023, which primarily consisted of payments of notes payable of $35,627 and a net decrease in client fund obligations of $31,033, offset by net proceeds from the issuance of common stock of $45,986. Net cash used in financing activities was $34,032 for the nine months ended September 30, 2022, which primarily consisted of a net decrease in client fund obligations of $32,527.

On August 21, 2023, we completed an underwritten public offering in which we sold an aggregate of 3,333 newly issued shares of our common stock at a public offering price of $12.00 per share, and realized net proceeds of $37,475, after deducting underwriting discounts and offering expenses of $2,525. Additionally, on August 30, 2023, the Underwriters exercised their option to purchase an additional 500 shares of our common stock, and we realized net proceeds of $5,507, after deducting underwriting discounts and offering expenses of $493.

On September 12, 2023, we terminated the Loan and Security Agreement (the “Loan Agreement”) dated September 10, 2021, with Structural, and Ocean II PLO LLC, as administrative and collateral agent for the Lenders (“Agent”), and the secured promissory note (the “Note”) with Agent evidencing the Company’s obligations under the Loan Agreement. In connection with the termination, we paid an aggregate amount of $30,927 (the “Payoff Amount”) in full payment of the outstanding obligations under the Loan Agreement and Note. The Payoff Amount represented $30,617 of outstanding principal and interest on the unpaid principal balance, a prepayment fee in the amount of $306 and an immaterial amount of fees and other expenses due to Agent.

The Company also has an outstanding promissory note in connection with a payroll business acquired in September 2021 in the amount of $4,200 as of September 30, 2023. The outstanding promissory note matures on September 30, 2026.

Sources of Liquidity. As of September 30, 2023, the Company’s principal sources of liquidity consisted of approximately $32,787 of cash, cash equivalents and restricted cash, together with cash generated from operations of our business over the next twelve months.

We cannot assure that we can grow our cash balances or limit our cash consumption and thus maintain sufficient cash balances for our planned operations or future acquisitions; however we do believe that we have sufficient liquidity to support our business operations for at least the next twelve months. Future business demands may lead to cash utilization at levels greater than recently experienced or expected. We may need to raise additional capital in the future in order to grow our existing software operations and to seek additional strategic acquisitions in the near future. Currently the Company does not have a credit facility or access to a line of credit. Further, we cannot assure that we will be able to raise additional capital on acceptable terms, or at all.

CRITICAL ACCOUNTING POLICIES

We have prepared our Condensed Consolidated Financial Statements in accordance with U.S. generally accepted accounting principles and included the accounts of our wholly owned subsidiaries. We have eliminated all significant intercompany transactions and balances in the consolidation. Preparation of the Condensed Consolidated Financial Statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are subjective in nature and involve judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at fiscal year-end and the reported amounts of revenues and expenses during the fiscal year. The more significant estimates made by management include the valuation allowance for our gross deferred tax asset, the determination of the fair value of our long-lived assets. We base our estimates on historical experience and on various other assumptions that management believes are reasonable under the given circumstances. These estimates could be materially different under different conditions and assumptions. Additionally, the actual amounts could differ from the estimates made. Management periodically evaluates estimates used in the preparation of our financial statements for continued reasonableness. We prospectively apply appropriate adjustments, if any, to our estimates based upon our periodic evaluation. For a description of our critical accounting policies, see Management's Discussion and Analysis in our Annual Report on Form 10-K for the year ended December 31, 2022.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to our exposure from market risks from those disclosed in our 2022 Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Control and Procedures

The Company maintains disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act that are designed to ensure that information required to be disclosed in the reports filed or submitted by Asure to the SEC is recorded, processed, summarized, and reported, within the time periods specified by the SEC's rules and forms, and is accumulated and communicated to management including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Company's management, including the Chief Executive Officer and Chief Financial Officer, performed an evaluation to conclude with reasonable assurance that Asure's disclosure controls and procedures were designed and operating effectively to report the information each company is required to disclose in the reports they file with the SEC on a timely basis. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer of Asure have concluded that as of September 30, 2023, disclosure controls and procedures were effective.

Change in Internal Controls over Financial Reporting

During the period ended September 30, 2023, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We have been, and in the future may be, the defendant or plaintiff in various actions arising in the normal course of business. As of September 30, 2023, we were not party to any material legal proceedings.

ITEM 1A. RISK FACTORS

Except for the risk factor set forth below, there have been no material changes from the risk factors previously disclosed in the Company's 2022 Annual Report on Form 10-K, filed with the SEC on February 27, 2023 or the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023, filed with the SEC on August 7, 2023, and investors are encouraged to review these risk factors prior to making an investment in us.

We generate revenues by providing services to enable businesses to file for Employee Retention Tax Credits under the CARES Act and such regulations will eventually expire, which, following their expiration, will adversely impact our revenues and abuses of this program may require government intervention, that could adversely affect the timing of our processing services and delay or otherwise materially affect our revenue.

Since the introduction of the Employee Retention Tax Credits in 2021, we have received a signification portion of our tax processing revenues from the support we provide our customers in filing for Employee Retention Tax Credits and we expect revenues from these services to continue to be a significant portion of our tax processing revenues while the Employee Retention Tax Credits are available. Employee Retention Tax Credits are expected, at this time, to expire in 2025; however it is possible that the government could make changes to or revoke the program prior to its scheduled expiration. For example, on September 14, 2023, the IRS announced a moratorium on processing new ERTC claims until at least December 31, 2023 to handle the increased number of fraudulent ERTC claims filed. While the IRS is not pausing the processing of ERTC claims filed before September 14, 2023 and eligible taxpayers retain the right to continue to file legitimate ERTC claims, the moratorium will likely adversely affect revenues earned from support provided to customers who would otherwise undergo ERTC claim processing. Given this, investors should not expect our tax processing revenues from ERTC filings to continue beyond 2025, and any earlier expiration or revocation of the ERTC program, including the moratorium described above, will have an adverse effect on our financial condition and results of operation. Further, we have entered into deferred payment arrangements with some customers and referral partners whereby collections from the customer are expected to be received upon the customer's future receipt of their tax credit. Given the deferred nature of such receipts there is risk pertaining to our ability to collect such amounts in the future. In certain situations, the tax authorities could have the ability to challenge the validity of a business' filing or could challenge our calculations or find other deficiencies in our filings that could expose us to uncertain penalties or damages. Our current outlook envisions continued revenues from ERTC.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES

In July 2023, the Company paid the outstanding contingent purchase consideration due in connection with the acquisition of a payroll tax business in July 2020, see Note 3 - Business Combinations and Asset Acquisitions for more detail on the July 2020 acquisition. As a result, the outstanding contingent consideration of $2,299 was extinguished with the issuance of 214 shares of the Company's common stock in lieu of cash and no further contingent obligation remains. The Company relied upon the exemption provided by Section 4(a)(2) of the Securities Act of 1933, as amended, in connection with foregoing issuance of the securities.

Numbers in this Item 2 are reflected in thousands.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as a part of this Quarterly Report on Form 10-Q:

(1) Financial Statements:

The Financial Statements required by this item are submitted in Part II, Item 8 of this report.

(2) Financial Statement Schedules:

All schedules are omitted because they are not applicable or the required information is shown in the Financial Statements or in the notes thereto.

(3) Exhibits:

EXHIBIT NUMBER	DESCRIPTION
10.1*	Amendment No. 2 to Loan and Security Agreement between Structural Capital Investments III, LP, Ocean II PLO LLC and Asure Software, Inc., dated August 7, 2023 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 1-34522), filed with the SEC on August 7, 2023).
31.1*	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2*	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1**	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2**	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101	The following materials from Asure Software, Inc.'s Condensed Quarterly Report on Form 10-Q for the three months ended September 30, 2023, formatted in Inline XBRL: (1) the Condensed Consolidated Balance Sheets, (2) the Condensed Consolidated Statements of Comprehensive Loss, (3) the Condensed Consolidated Statements of Changes in Stockholders' Equity, (4) the Condensed Consolidated Statements of Cash Flows, and (5) Notes to Condensed Consolidated Financial Statements (filed herewith).
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, formatted as Inline XBRL and contained in Exhibit 101 (filed herewith).

* Filed herewith.

** Furnished herewith.

SIGNATURES

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

ASURE SOFTWARE, INC.

Date: November 13, 2023 By: /s/ PATRICK GOEPEL
Patrick Goepel
Chief Executive Officer

Date: November 13, 2023 By: /s/ JOHN PENCE
John Pence
Chief Financial Officer

EXHIBIT 31.1

CERTIFICATION OF PERIODIC REPORT

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, the undersigned, Patrick Goepel, certify, that:

1. I have reviewed this quarterly report on Form 10-Q of the Company (the “Report”);

2. Based on my knowledge, the 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 periods covered by this Report;

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

4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and we 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 Company, including its consolidated subsidiaries, is made known to us by others within these entities, particularly during the period in which the 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 Company’s disclosure controls and procedures and presented in the Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by the Report based on such evaluation; and

(d) Disclosed in the Report any change in the Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter (the quarter ended September 30, 2023) that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and

5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and to the Audit Committee of the Board of Directors:

(a) All significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’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 Company’s internal control over financial reporting.

Date: November 13, 2023 By: /s/ Patrick Goepel

Patrick Goepel
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF PERIODIC REPORT

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, the undersigned, John Pence, certify, that:

1. I have reviewed this quarterly report on Form 10-Q of the Company (the "Report");

2. Based on my knowledge, the 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 periods covered by this Report;

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

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and we 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 Company, including its consolidated subsidiaries, is made known to us by others within these entities, particularly during the period in which the 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 Company's disclosure controls and procedures and presented in the Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by the Report based on such evaluation; and

(d) Disclosed in the Report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the quarter ended September 30, 2023) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and to the Audit Committee of the Board of Directors:

(a) All significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company'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 Company's internal control over financial reporting.

Date: November 13, 2023

By: /s/ John Pence
John Pence
Chief Financial Officer and Principal Accounting Officer

EXHIBIT 32.1

CERTIFICATION OF PERIODIC REPORT

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, the undersigned, Patrick Goepel, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The quarterly report on Form 10-Q of the Company for the period ended September 30, 2023 (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 Company.

Date: November 13, 2023	By:	/s/ Patrick Goepel
		Patrick Goepel
		Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Asure Software, Inc. and will be retained by Asure Software, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

EXHIBIT 32.2

CERTIFICATION OF PERIODIC REPORT

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, the undersigned, John Pence, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The quarterly report on Form 10-Q of the Company for the period ended September 30, 2023 (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 Company.

Date: November 13, 2023	By:	/s/ John Pence
		John Pence Chief Financial Officer and Principal Accounting Officer

A signed original of this written statement required by Section 906 has been provided to Asure Software, Inc. and will be retained by Asure Software, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.