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

FORM 10-Q

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 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 August 4, 2023, 20,919,695 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)

	June 30, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash, cash equivalents, and restricted cash	$ 21,613	$ 17,010
Accounts receivable, net of allowance for doubtful accounts of $4,863 and $3,248 at June 30, 2023 and December 31, 2022, respectively	16,629	12,123
Inventory	134	251
Prepaid expenses and other current assets	3,960	10,304
Total current assets before funds held for clients	42,336	39,688
Funds held for clients	186,517	203,588
Total current assets	228,853	243,276
Property and equipment, net	12,588	11,439
Goodwill	86,011	86,011
Intangible assets, net	60,635	66,594
Operating lease assets, net	5,898	7,065
Other assets, net	7,033	5,523
Total assets	$ 401,018	$ 419,908
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of notes payable	$ 6,557	$ 4,106
Accounts payable	1,365	2,194
Accrued compensation and benefits	4,826	5,791
Operating lease liabilities, current	1,525	1,860
Other accrued liabilities	6,542	3,728
Contingent purchase consideration	2,299	2,955
Deferred revenue	3,293	8,461
Total current liabilities before client fund obligations	26,407	29,095
Client fund obligations	188,863	206,088
Total current liabilities	215,270	235,183
Long-term liabilities:		
Deferred revenue	1,334	788
Deferred tax liability	1,589	1,503
Notes payable, net of current portion	30,226	30,795
Operating lease liabilities, noncurrent	5,631	6,459
Other liabilities	154	114
Total long-term liabilities	38,934	39,659
Total liabilities	254,204	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; 21,089 and 20,628 shares issued, 20,705 and 20,244 shares outstanding at June 30, 2023 and December 31, 2022, respectively	211	206
Treasury stock at cost, 384 shares at June 30, 2023 and December 31, 2022	(5,017)	(5,017)
Additional paid-in capital	438,767	433,586
Accumulated deficit	(284,652)	(281,226)
Accumulated other comprehensive loss	(2,495)	(2,483)
Total stockholders' equity	146,814	145,066
Total liabilities and stockholders' equity	$ 401,018	$ 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 June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue:				
Recurring	$ 22,960	$ 19,014	$ 50,916	$ 42,018
Professional services, hardware and other	7,460	1,286	12,568	2,615
Total revenue	30,420	20,300	63,484	44,633
Cost of Sales	8,402	8,039	17,066	16,908
Gross profit	22,018	12,261	46,418	27,725
Operating expenses:				
Sales and marketing	8,515	4,589	15,715	9,486
General and administrative	10,336	8,696	20,292	16,181
Research and development	1,325	1,472	3,304	3,293
Amortization of intangible assets	3,294	3,352	6,596	6,784
Total operating expenses	23,470	18,109	45,907	35,744
(Loss) income from operations	(1,452)	(5,848)	511	(8,019)
Interest expense, net	(1,593)	(1,085)	(3,538)	(1,901)
Other (expense) income, net	(93)	1,147	(9)	1,147
Loss from operations before income taxes	(3,138)	(5,786)	(3,036)	(8,773)
Income tax expense	627	74	390	104
Net loss	(3,765)	(5,860)	(3,426)	(8,877)
Other comprehensive loss:				
Unrealized loss on marketable securities	(493)	(496)	(12)	(1,559)
Comprehensive loss	$ (4,258)	$ (6,356)	$ (3,438)	$ (10,436)
Basic and diluted loss per share				
Basic	$ (0.18)	$ (0.29)	$ (0.17)	$ (0.44)
Diluted	$ (0.18)	$ (0.29)	$ (0.17)	$ (0.44)
Weighted average basic and diluted shares				
Basic	20,651	20,106	20,500	20,067
Diluted	20,651	20,106	20,500	20,067

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

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

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)

	Six Months Ended June 30,	
	2023	2022
Cash flows from operating activities:		
Net loss	$ (3,426)	$ (8,877)
Adjustments to reconcile loss to net cash provided by operations:		
Depreciation and amortization	9,675	9,363
Amortization of operating lease assets	775	868
Amortization of debt financing costs and discount	355	345
Non-cash interest expense	1,431	—
Net amortization of premiums and accretion of discounts on available-for-sale securities	(31)	205
Provision for doubtful accounts	1,873	198
Provision for deferred income taxes	86	75
Gain on extinguishment of debt	—	(180)
Net realized losses on sales of available-for-sale securities	(1,024)	(406)
Share-based compensation	2,919	1,544
Loss on disposals of long-term assets	92	1
Change in fair value of contingent purchase consideration	(69)	(955)
Changes in operating assets and liabilities:		
Accounts receivable	(6,379)	(627)
Inventory	118	(51)
Prepaid expenses and other assets	4,520	3,890
Operating lease right-of-use assets	189	(997)
Accounts payable	(830)	280
Accrued expenses and other long-term obligations	928	2,099
Operating lease liabilities	(485)	85
Deferred revenue	(4,621)	621
Net cash provided by operating activities	6,096	7,481
Cash flows from investing activities:		
Acquisition of intangible asset	—	(2,039)
Purchases of property and equipment	(1,020)	(306)
Software capitalization costs	(3,301)	(1,805)
Purchases of available-for-sale securities	(18,885)	(19,870)
Proceeds from sales and maturities of available-for-sale securities	5,940	2,450
Net cash used in investing activities	(17,266)	(21,570)
Cash flows from financing activities:		
Payments of notes payable	(643)	—
Net proceeds from issuance of common stock	2,266	192
Net change in client fund obligations	(17,225)	(32,716)
Net cash used in financing activities	(15,602)	(32,524)
Net decrease in cash, cash equivalents, restricted cash, and restricted cash equivalents	(26,772)	(46,613)
Cash, cash equivalents, restricted cash and restricted cash equivalents, beginning of period	164,042	198,743
Cash, cash equivalents, restricted cash and restricted cash equivalents, end of period	$ 137,270	$ 152,130

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)

	Six Months Ended June 30,	
	2023	2022
Reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents to the Condensed Consolidated Balance Sheets		
Cash and cash equivalents	$ 21,613	$ 14,594
Restricted cash and restricted cash equivalents included in funds held for clients	115,657	137,536
Total cash, cash equivalents, restricted cash, and restricted cash equivalents	$ 137,270	$ 152,130
Supplemental information:		
Cash paid for interest	$ 2,119	$ 1,435
Cash paid for income taxes	$ 466	$ 175
Non-cash investing and financing activities:		
Acquisition of intangible assets	$ 954	$ —
Notes payable issued for acquisitions	$ —	$ 411

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 June 30, 2023, comprehensive loss and changes in stockholders’ equity for the three and six months ended June 30, 2023 and June 30, 2022, and cash flows for the six months ended June 30, 2023 and June 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 June 30, 2023, the Company had no restricted cash.

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 June 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 June 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 are two outstanding promissory notes payable in the amounts of $2,223 and $4,667 as of June 30, 2023. One promissory note also includes contingent consideration for which the Company calculated the final value to be $587 as of June 30, 2023. The contingent consideration was added as an increase to the principal balance due on the promissory note during the second quarter of 2023.

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, see Note 12, Subsequent Events for information regarding final payment of the outstanding contingent purchase consideration occurring after June 30, 2023.

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 June 30, 2023 and December 31, 2022, respectively (in thousands):

	Total Carrying Value	Level 1	Level 2	Level 3
June 30, 2023				
Assets:				
Funds held for clients				
Money market funds	$ 14	$ 14	$ —	$ —
Available-for-sale securities	70,860	—	70,860	—
Total	$ 70,874	$ 14	$ 70,860	$ —
Liabilities:				
Contingent purchase consideration[1]	$ 2,299	$ —	$ —	$ 2,299
Total	$ 2,299	$ —	$ —	$ 2,299
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
June 30, 2023				
Restricted cash equivalents	$ 14	$ —	$ —	$ 14
Available-for-sale securities:				
Certificates of deposit	976	3	(2)	977
Corporate debt securities	67,108	11	(2,134)	64,985
Municipal bonds	4,774	—	(328)	4,446
U.S. Government agency securities	500	—	(48)	452
Total available-for-sale securities	73,358	14	(2,512)	70,860
Total[(2)]	$ 73,372	$ 14	$ (2,512)	$ 70,874
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 June 30, 2023 and December 31, 2022, there were 8 and 3 securities, respectively, in an unrealized gain position and there were 160 and 124 securities in an unrealized loss position, respectively. As of June 30, 2023, these unrealized losses were less than $82 individually and $2,512 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 June 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):

	June 30, 2023	December 31, 2022
Restricted cash and cash equivalents held to satisfy client funds obligations	$ 115,657	$ 147,032
Restricted short-term marketable securities held to satisfy client funds obligations	9,762	9,174
Restricted long-term marketable securities held to satisfy client funds obligations	61,098	47,382
Total funds held for clients	$ 186,517	$ 203,588

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

One year or less	$	9,762
After one year through five years		61,098
Total	$	70,860

NOTE 5 - GOODWILL AND OTHER INTANGIBLE ASSETS

	December 31, 2022		Acquisitions		June 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 June 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		June 30, 2023	
Customer relationships	$	116,971	$	—	$	116,971
Developed technology		12,001		—		12,001
Reseller relationships		1,344		954		2,298
Trade names		880		—		880
Non-compete agreements		1,032		—		1,032
	$	132,228	$	954	$	133,182

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

	Weighted Average Amortization Period (in Years)	Gross		Accumulated Amortization		Net	
June 30, 2023							
Customer relationships	8.7	$	116,971	$	(59,235)	$	57,736
Developed technology	6.9		12,001		(10,601)		1,400
Reseller relationships	6.5		2,298		(926)		1,372
Trade names	3.0		880		(863)		17
Non-compete agreements	5.2		1,032		(922)		110
	8.4	$	133,182	$	(72,547)	$	60,635
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 $6,596 and $6,784 for the six months ended June 30, 2023 and 2022, respectively. Amortization expenses recorded in Cost of Sales were $318 and $593 for the six months ended June 30, 2023 and 2022, respectively. There was no impairment of intangibles during the six months ended June 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 June 30, 2023 (in thousands):

2023	$	6,765
2024		13,498
2025		12,713
2026		9,601
2027		7,426
2028		5,957
Thereafter		4,675
	$	60,635

NOTE 6 - NOTES PAYABLE

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

	Maturity	Cash Interest Rate	June 30, 2023		December 31, 2022	
Subordinated Notes Payable – Acquisitions(1)	12/31/2022 – 9/30/2026	2.00% - 3.00%	$	6,890	$	6,947
Senior Credit Facility	10/1/2025	14.00%		32,190		30,607
Gross Notes Payable			$	39,080	$	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	
June 30, 2023						
Current portion of notes payable	$	7,190	$	(633)	$	6,557
Notes payable, net of current portion		31,890		(1,664)		30,226
Total	$	39,080	$	(2,297)	$	36,783
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 June 30, 2023 (in thousands):

2023	$	4,190
2024		6,420
2025		25,068
2026		3,402
Total	$	39,080

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. 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.

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 June 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 Lenders (“Agent”), under the terms of which the Lenders have 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, and the remaining $20,000 has lapsed. The Company also entered into a secured promissory note with the Agent evidencing our obligations under the Facility. The Company’s obligations are further guaranteed by each of our subsidiaries and secured by our assets and the assets of our subsidiaries.

At the onset of the agreement, we paid to the Lenders an origination fee of $500. Interest accrues on any outstanding balance at a rate equal to the greater of 9.0% or the Prime Rate, plus 5.75% (the “Basic Rate”) and is payable in advance, which as of June 30, 2023 was 14.00%. In addition, interest is paid in kind (“PIK”) at a rate of 1.00% or 1.25% based on our APR Ratio, measured on a quarterly basis. The PIK interest is added to our outstanding balance and accrues interest at the Basic Rate. Interest only payments are due until October 2023, with an option to extend until October 2024, dependent on certain financial or revenue metrics before the end of the first twenty-four months of the Facility.

Principal payments begin after the expiration of the interest only period, and are based on a five year amortization schedule, with a balloon payment due in October 2025. The table above in this Note 6 — Notes Payable summarizing future principal payments assumes the Company will not extend the period of interest only payments to October 2024. Upon payment in full of the obligations under the Facility, we agreed to pay Lenders a final payment fee equal to 1.0% of the increase in our market capitalization since September 10, 2021, at that time valued at $182,400.

The Company has agreed to provide the Lenders the right to participate in a future offering—whether public or private—on the same terms and conditions as other investors for an amount not to exceed $3,000.

There are no financial covenants under the agreement if our net cash position is equal to or greater than zero. If our net cash position is less than zero, the Company would be subject to the following financial covenants: (i) unrestricted cash of no less than $5,000, (ii) maintain an ARR ratio of no less than 0.70:1.00 through September 10, 2023, and (iii) maintain an ARR ratio of no less than 0.60:1.00 from September 10, 2023 through the remainder of the term of the Facility. The ARR ratio would be the ratio of our tested debt to our annual recurring revenue and would be measured on a quarterly basis. Our tested debt consists of our outstanding obligations under the Facility (exclusive of PIK interest) and any indebtedness issued or earnouts owed to sellers in connection with acquisitions.

NOTE 7 – CONTRACTS WITH CUSTOMERS AND REVENUE CONCENTRATION

Receivables

Receivables from contracts with customers, net of allowance for doubtful accounts of $4,863, were $16,629 at June 30, 2023. Receivables from contracts with customers, net of allowance for doubtful accounts of $3,248, were $12,123 at December 31, 2022. The increase in the receivable balance during the first six 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 June 30, 2023 and December 31, 2022, respectively.

Deferred Commissions

Deferred commission costs from contracts with customers were $8,314 and $6,660 at June 30, 2023 and December 31, 2022, respectively. The amount of amortization recognized for the three and six months ended June 30, 2023 was $650 and $1,147, respectively, and for the three and six months ended June 30, 2022 was $435 and $780, respectively.

Deferred Revenue

During the three and six months ended June 30, 2023, revenue of $170 and $5,783, respectively, and during the three and six months ended June 30, 2022, revenue of $293 and $3,205, respectively, was recognized from the deferred revenue balance at the beginning of each period.

Transaction Price Allocated to the Remaining Performance Obligations

As of June 30, 2023, approximately $23,124 of revenue is expected to be recognized from remaining performance obligations. We expect to recognize revenue on approximately 87% of these remaining performance obligations over the next 12 months, with the balance recognized thereafter.

Revenue Concentration

During the three and six months ended June 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 six months ended June 30, 2023 and 2022 are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Operating lease cost	$ 884	$ 576	$ 1,415	$ 1,142
Sublease income	(4)	(11)	(9)	(21)
Net rent expense	$ 880	$ 565	$ 1,406	$ 1,121

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 9% and 8% as of June 30, 2023 and December 31, 2022, respectively. The weighted average remaining lease term is five years as of June 30, 2023 and December 31, 2022.

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

	Six Months Ended June 30,	
	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	$ 1,439	$ 1,133
Non-cash operating activities:		
Operating lease assets obtained in exchange for new operating lease liabilities	$ —	$ 1,512

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

2023	$ 1,081
2024	2,017
2025	1,765
2026	1,313
2027	1,121
2028	1,074
Thereafter	568
Total minimum lease payments	8,939
Less: imputed interest	(1,783)
Total lease liabilities	$ 7,156

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 shareholders, 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. In January 2023, we granted Performance Stock Units (“PSU”) to certain members of management under the 2018 Plan. Each PSU will convert into one restricted stock unit (“RSU”) at the end of the performance period. The number of RSUs into which the PSUs convert for each member of management who received the award will be a sliding scale between 0% to 200% of the target amount based on the Company’s achievement of certain performance metrics tied to the Company’s recurring revenue and gross profit for 2023. Once converted, the RSU will vest as follows: one-third on the date the PSU is converted (which is expected to be between January 1, 2024 and March 31, 2024), one-third will vest on January 2, 2025, and one-third will vest on January 2, 2026.

The number of shares reserved for issuance under the 2018 Plan is 4,350 shares. We have an aggregate of 2,557 options, RSUs and PSUs granted and outstanding pursuant to the 2018 Plan as of June 30, 2023. As of June 30, 2023, the number of shares available for future grant under the 2018 Plan is 1,625.

Share based compensation for our stock option plans for the three months ended June 30, 2023 and June 30, 2022 was $1,582 and $814, respectively, and for the six months ended June 30, 2023 and June 30, 2022 was $2,919 and $1,544, respectively. We issued 6 shares of common stock related to exercises of stock options for the three months ended June 30, 2023 and issued no shares of common stock related to exercises for the three months ended June 30, 2022. We issued 26 and 30 shares of common stock upon the vesting of restricted stock units for the three months ended June 30, 2023 and 2022, respectively.

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 three and six months ended June 30 (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Basic:				
Net loss	$ (3,765)	$ (5,860)	$ (3,426)	$ (8,877)
Weighted-average shares of common stock outstanding	20,651	20,106	20,500	20,067
Basic loss per share	$ (0.18)	$ (0.29)	$ (0.17)	$ (0.44)
Diluted:				
Net loss	$ (3,765)	$ (5,860)	$ (3,426)	$ (8,877)
Weighted-average shares of common stock outstanding	20,651	20,106	20,500	20,067
Diluted loss per share	$ (0.18)	$ (0.29)	$ (0.17)	$ (0.44)

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

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 214 shares of the Company’s common stock in lieu of cash and no further contingent purchase obligation remains.

On August 7, 2023, the Company entered into an amendment to the Senior Credit Facility described in Note 6 – Notes Payable, 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 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 Settled Amount is subject to adjustment and any adjusted amount, if due, is expected to be immaterial in amount and would be paid no later than August 18, 2023. In addition, we also paid the Lenders a fee equal to $250, which will be credited against reimbursable expenses owed to Lenders in a future refinancing of the Senior Credit Facility if it occurs before December 31, 2024.

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—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; the expiration of major revenue streams such as Earned Retention Tax Credits; 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; restrictive debt covenants; 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

Our Business

The following review of Asure's financial position as of June 30, 2023 and December 31, 2022, and results of operations for the three and six months ended June 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. Asure's internet website address is www.asuresoftware.com. 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 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 there are two outstanding promissory notes payable in the amounts of $2,223 and $4,667 as of June 30, 2023. The acquisition related to the promissory note in the amount of $4,667 also included contingent purchase consideration. As of June 30, 2023, the Company calculated the final contingent consideration due in connection with the acquisition. As a result, the fair value for the contingent consideration was determined to be $587, which was added as an increase to the principal balance due on the promissory note during the second quarter of 2023. The two outstanding promissory notes mature on September 30, 2023 and 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.

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:

	Six Months Ended June 30,	
	2023	2022
Revenues	100 %	100 %
Gross profit	73 %	62 %
Sales and marketing	25 %	21 %
General and administrative	32 %	36 %
Research and development	5 %	7 %
Amortization of intangible assets	10 %	15 %
Total operating expenses	72 %	80 %
Interest expense	(6)%	(4)%
Other (expense) income, net	— %	3 %
Loss from operations before income taxes	(5)%	(20)%
Net loss	(5)%	(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 six months ended June 30, 2023, compared to 94% in six months ended June 30, 2022.

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

	Three Months Ended June 30,		Variance	
	2023	2022	$	%
Recurring	$ 22,960	$ 19,014	$ 3,946	21 %
Professional services, hardware and other	7,460	1,286	6,174	480 %
Total	$ 30,420	$ 20,300	$ 10,120	50 %

	Six Months Ended June 30,		Variance	
	2023	2022	$	%
Recurring	$ 50,916	$ 42,018	$ 8,898	21 %
Professional services, hardware and other	12,568	2,615	9,953	381 %
Total	$ 63,484	$ 44,633	$ 18,851	42 %

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.

Recurring revenue for the three months ended June 30, 2023 was $22,960, an increase of $3,946, or 21%, from $19,014 for the three months ended June 30, 2022. Recurring revenue 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 six months ended June 30, 2023 was $50,916, an increase of $8,898, or 21%, from $42,018 for the six months ended June 30, 2022. Recurring revenue increase is primarily due to an increase of approximately $3,800 in interest earned on funds held for clients, an increase of $3,200 in HR compliance revenue, and an increase of $1,900 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 $6,174, or 480%, for the three months ended June 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.

Professional services, hardware and other revenue increased $9,953, or 381%, for the six months ended June 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 June 30, 2023, was $22,018, an increase of $9,757, or 80%, from $12,261 for the three months ended June 30, 2022. Gross margin as a percentage of revenue was 72% for the three months ended June 30, 2023 as compared to 60% for the three months ended June 30, 2022. Our increase in gross margin 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 six months ended June 30, 2023 was $46,418, an increase of $18,693, or 67%, from $27,725 for the six months ended June 30, 2022. Gross margin as a percentage of revenue was 73% for the six months ended June 30, 2023 as compared to 62% for the six months ended June 30, 2022. Our increase in gross margin 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 June 30, 2023 were $8,515, an increase of $3,926, or 86%, from $4,589 for the three months ended June 30, 2022, 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 28% for the three months ended June 30, 2023 from 23% for the same period in 2022.

Sales and marketing expenses for the six months ended June 30, 2023 were $15,715, an increase of $6,229, or 66%, from $9,486 for the six months ended June 30, 2022, 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 25% for the six months ended June 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 June 30, 2023 were $10,336, an increase of $1,640, or 19%, from $8,696 for the three months ended June 30, 2022, primarily attributable to increased personnel, share-based compensation, and contracting costs. General and administrative expenses as a percentage of revenue decreased to 34% for the three months ended June 30, 2023 from 43% for the same period in 2022.

General and administrative expenses for the six months ended June 30, 2023 were $20,292, an increase of $4,111, or 25%, from $16,181 for the six months ended June 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 six months ended June 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 June 30, 2023 were $1,325, a decrease of $147, or 10%, from $1,472 for the three months ended June 30, 2022. The decrease in R&D expense is primarily attributable to an increase in capitalized software expenses driven by continued investments in development of our products, partially offset by higher personnel costs. R&D expenses as a percentage of revenue decreased to 4% for the three months ended June 30, 2023 from 7% for the same period in 2022.

R&D expenses for the six months ended June 30, 2023 were $3,304, and remained flat compared with $3,293 for the six months ended June 30, 2022. R&D expenses as a percentage of revenue decreased to 5% for the six months ended June 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 June 30, 2023 was $3,294, a decrease of $58, or 2%, from $3,352 for the three months ended June 30, 2022. Amortization expense as a percentage of revenue decreased to 11% for the three months ended June 30, 2023 from 17% for the same period in 2022.

Amortization expense for the six months ended June 30, 2023 was $6,596, a decrease of $188, or 3%, from $6,784 for the six months ended June 30, 2022. Amortization expense as a percentage of revenue decreased to 10% for the six months ended June 30, 2023 from 15% for the same period in 2022.

Interest Expense, Net

Interest expense, net for the three months ended June 30, 2023 was $1,593 compared to $1,085 for the three months ended June 30, 2022. Interest expense, net as a percentage of revenue was 5% for the three months ended June 30, 2023 and June 30, 2022. The increase in interest expense, net in the current period is primarily due to the interest rates on our borrowings under our credit facility with Structural Capital Investments II LP.

Interest expense, net for the six months ended June 30, 2023 was $3,538 compared to $1,901 for the six months ended June 30, 2022. Interest expense, net as a percentage of revenue was 6% and 4% for the six months ended June 30, 2023 and June 30, 2022, respectively. The increase in interest expense, net in the current period is primarily due to the interest rates on our borrowings under our credit facility with Structural Capital Investments II LP.

Other (Expense) Income, Net

Other (expense) income, net for the three months ended June 30, 2023 was $(93) compared to $1,147 for the three months ended June 30, 2022. Other (expense) income, net as a percentage of revenue was negligible for the three months ended June 30, 2023 compared to 6% for the same period ended June 30, 2022. For the three months ended June 30, 2023, the amounts in other (expense) income, net primarily consisted of loss on disposal of assets. For the three months ended June 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 six months ended June 30, 2023 was $(9) compared to $1,147 for the six months ended June 30, 2022. Other (expense) income, net as a percentage of revenue was negligible for the six months ended June 30, 2023, and 3% for the six months ended June 30, 2022. For the six months ended June 30, 2023, the amounts in other (expense) income, net primarily consisted of loss on disposal of assets. For the six months ended June 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.

Income Taxes

For the three months ended June 30, 2023 and 2022, we recorded income tax expense attributable to continuing operations of $627 and $74, respectively, an increase of $553 or 747%.

For the six months ended June 30, 2023 and 2022, we recorded income tax expense attributable to continuing operations of $390 and $104, respectively, an increase of $286 or 275%.

Net Loss

We incurred a loss of $3,765, or $0.18 per share, during the three months ended June 30, 2023, compared to a loss of $5,860, or $0.29 per share, during the three months ended June 30, 2022. Loss as a percentage of total revenues was 12% and 29% for the three months ended June 30, 2023 and 2022, respectively.

We incurred a loss of $3,426, or $0.17 per share, during the six months ended June 30, 2023, compared to a loss of $8,877, or $0.44 per share, during the six months ended June 30, 2022. Loss as a percentage of total revenues was 5% and 20% for the six months ended June 30, 2023 and 2022, respectively.

LIQUIDITY AND CAPITAL RESOURCES (in thousands)

	June 30, 2023	December 31, 2022
Cash, cash equivalents and restricted cash[(1)]	$ 21,613	$ 17,010

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

Working Capital. We had working capital of $13,583 at June 30, 2023, an increase of $5,490 from working capital of $8,093 at December 31, 2022. Working capital as of June 30, 2023 and December 31, 2022 includes $3,293 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 $6,096 for the six months ended June 30, 2023 was primarily driven by non-cash adjustments to our net loss of approximately $16,082, primarily due to depreciation and amortization. This was offset by changes in operating assets and liabilities, which resulted in a use of $6,560 in cash. Net cash provided by operating activities of $7,481 for the six months ended June 30, 2022 was driven by non-cash adjustments to our net loss of approximately $11,058, primarily due to depreciation and amortization, offset by our net loss of $8,877. For the six months ended June 30, 2022, changes in operating assets and liabilities resulted in cash provided of $5,300.

Investing Activities. Net cash used in investing activities of $17,266 for the six months ended June 30, 2023 is primarily due to purchases of available-for-sale securities and maturities of $18,885, offset by proceeds from sales and maturities of available-for-sale securities of $5,940. Net cash used in investing activities of $21,570 for the six months ended June 30, 2022 is primarily due to purchases of available-for-sale securities and maturities of $19,870.

Financing Activities. Net cash used in financing activities was $15,602 for the six months ended June 30, 2023, which primarily consisted of a net decrease in client fund obligations of $17,225. Net cash used in financing activities was $32,524 for the six months ended June 30, 2022, which primarily consisted of a net decrease in client fund obligations of $32,716.

Principal payments on the Senior Credit Facility with Structural Capital Investments III, LP begin in October 2023 after the expiration of the interest only period, and are based on a five year amortization schedule, with a balloon payment due in October 2025. The Company also has two promissory notes outstanding in connection with two payroll businesses acquired in September 2021, in the amounts of $2,223 and 4,667 as of June 30, 2023. The two outstanding promissory notes mature on September 30, 2023 and September 30, 2026.

Sources of Liquidity. As of June 30, 2023, the Company's principal sources of liquidity consisted of approximately $21,613 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. 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 June 30, 2023, disclosure controls and procedures were effective.

Change in Internal Controls over Financial Reporting

During the period ended June 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 June 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, and investors are encouraged to review these risk factors prior to making an investment in us.

Issues in the use of artificial intelligence ("AI") in our HCM products and services may result in reputational harm or liability to us.

We are enhancing our products and technologies by leveraging artificial intelligence ("AI") and we expect AI to be a growing element of our business offerings. As with many developing technologies, AI presents risks and challenges that could affect its further development, adoption, and use, and therefore our business and product offerings and their reliability. AI algorithms may be flawed. Datasets may be insufficient or of poor quality, or contain biased information. We intend that the product offerings and services integrating AI will assist our customers in data collection. If the information that AI applications assist us in producing for our customers are or are alleged to be deficient or inaccurate, we could be subjected to competitive harm, potential legal liability, and brand or reputational harm. Though our business practices are designed to mitigate many of these risks, our ability to produce data-driven insights for our customers as we leverage AI in our HCM technology may be constrained by current and future regulatory requirements, thereby restricting our ability to use data in innovative ways to support the needs of our customers.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

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 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

On August 7, 2023, the Company entered into an amendment to the Senior Credit Facility described in Note 6 – Notes Payable, 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 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 Settled Amount is subject to adjustment and any adjusted amount, if due, is expected to be immaterial in amount and would be paid no later than August 18, 2023. In addition, the Company also paid the Lenders a fee equal to $250, which will be credited against reimbursable expenses owed to Lenders in a future refinancing of the Senior Credit Facility if it occurs before December 31, 2024.

Numbers in this Item 5 are reflected in thousands.

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.
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 June 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 June 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: August 7, 2023	By:	/s/ PATRICK GOEPEL Patrick Goepel Chief Executive Officer
Date: August 7, 2023	By:	/s/ JOHN PENCE John Pence Chief Financial Officer

AMENDMENT NO. 2
TO
LOAN AND SECURITY AGREEMENT

This Amendment No. 2 to Loan and Security Agreement (“*Amendment No. 2*”) is executed as of August 7, 2023 (the *“Second Amendment Effective Date”*) by and among **Structural Capital Investments III, LP**, a Delaware limited partnership (“*SCI*” and together with any other lenders now or hereafter a party hereto, collectively “*Lenders*” and each a “*Lender*”), **Ocean II PLO LLC**, a California limited liability company, as administrative and collateral agent for Lenders (“*Agent*”) and **Asure Software, Inc.**, a Delaware corporation (“*Borrower”*).

Recitals

WHEREAS, on September 10, 2021, Borrower, Lenders and Agent entered into that certain Loan and Security Agreement, as amended by that certain Amendment No. 1 to Loan and Security Agreement dated as of May 20, 2022 (collectively, the “*Loan Agreement,*” and together with all exhibits, schedules, documents and agreements attached thereto and required thereby, the “*Loan Documents*”); and

WHEREAS, the parties hereto have agreed to make certain modifications to the Loan Agreement to, *inter alia*, modify certain fees set forth in the Loan Agreement, as set forth in this Amendment No. 2.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, and without limiting or amending any other provisions of the Loan Agreement, the parties hereby agree to modify the Loan Agreement and to perform such other covenants and conditions as follows:

I. Amended Definitions.

Section 1.1 of the Loan Agreement is hereby amended to modify the following definitions used in the Loan Agreement:

1. **Amended Definitions**: The following definitions set forth in Section 1.1 of the Loan Agreement are hereby amended and restated to read as follows:

   “Fee Letter” means that certain Amended and Restated Fee Letter dated as of August 7, 2023, between Borrower and Agent for the benefit of Lenders with respect to the payment of certain fees in connection with the transactions contemplated under this Agreement, as the same may be amended, modified or supplemented from time to time.

2. **Deleted Definition:** The definition of “Final Payment Fee” set forth in Section 1.1 of the Loan Agreement is hereby deleted in its entirety from the Loan Agreement.

II. Amendments and Additions.

1. Clause (c) **Section 2.4** of the Loan Agreement is hereby amended by deleting therefrom the words “including any costs or fees payable under the Fee Letter”.

2. **Section 2.6** of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

   “**2.6 Prepayments; Commitment Termination**.

   (a) **Mandatory Prepayment Upon an Acceleration**. If repayment of the Advances is either automatically or at the election of Agent pursuant to the terms hereof accelerated following the occurrence and continuance of an Event of Default, then Borrower shall immediately pay to Agent for the benefit of Lenders (i) all accrued and unpaid payments of interest with respect to the Outstanding Principal Balance due prior to the date of prepayment, (ii) all accrued and unpaid amounts of the Non-Utilization Fee; (iii) the Outstanding Principal Balance (including all amounts of PIK Interest that may have accrued thereon), (iv) the applicable Prepayment Fee, and (v) all other sums, if any, that shall have become due and payable hereunder with respect to the Advances, including all Obligations due hereunder.

   (b) **Mandatory Prepayment Upon a Liquidation Event**. If a Liquidation Event shall occur, or if the Advances and Obligations of Borrower hereunder are accelerated, then Borrower shall upon such Liquidation Event pay to Agent for the benefit of Lenders (i) all accrued and unpaid payments of interest with respect to the Advances due prior to such Liquidation Event, (ii) all accrued and unpaid amounts of the Non-Utilization Fee; (iii) the Outstanding Principal Balance (including all amounts of PIK Interest that may have accrued thereon), (iv) the applicable Prepayment Fee, and (v) all other sums, if any, that shall have become due and payable hereunder with respect to the Advances, including all Obligations due hereunder.

(c) **Voluntary Prepayment**. Borrower may voluntarily prepay the Outstanding Principal Balance at any time, in whole or in part, provided that each of the following conditions is satisfied: Borrower pays to Agent for the benefit of Lenders (i) all accrued and unpaid payments of interest with respect to the Advances due up to and including the date of prepayment, (ii) all accrued and unpaid amounts of the Non-Utilization Fee; (iii) the Outstanding Principal Balance (including all amounts of PIK Interest that may have accrued thereon), (iv) the Prepayment Fee, and (v) all other sums, if any, that shall have become due and payable hereunder with respect to the Advances, including all Obligations due hereunder."

3. **Section 2.8** of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"2.8 Term. This Agreement shall become effective on the Closing Date and shall continue in full force and effect for so long as any Obligations remain outstanding (other than inchoate indemnity obligations). Notwithstanding the foregoing, Agent shall have the right to terminate any obligation to make Advances under this Agreement immediately and without notice upon the occurrence and during the continuance of an Event of Default or upon the Commitment Termination Date. Notwithstanding termination, Agent's Lien on the Collateral shall remain in effect for so long as any Obligations (including any accrued and unpaid amounts of the Non-Utilization Fee together with any amounts of the applicable Prepayment Fee) are outstanding (other than inchoate indemnity obligations) and upon payment in full of all Obligations, including any accrued and unpaid amounts of the Non-Utilization Fee together with any amounts of the applicable Prepayment Fee (other than inchoate indemnity obligations which are not the subject of an indemnity claim), Agent's Lien on the Collateral shall terminate automatically."

4. Clause "Sixth" of **Section 9.9** of the Loan Agreement is hereby deleted in its entirety and the word "Reserved;" substituted in lieu thereof.

5. Subclause (a)(ii) of **Section 11.1** of the Loan Agreement is hereby amended by deleting therefrom the words "or Final Payment Fee".

6. Subclause (c)(iv) of **Section 13.4** of the Loan Agreement is hereby amended by deleting therefrom the words "or the Final Payment Fee".

7. **Section 11.1** of the Loan Agreement is hereby amended to provide the following notice address for Agent and further amended to make the following the notice address for each Lender:

"800 Menlo Avenue, Suite 210
Menlo Park, CA 94025
Attn: Kai Tse
EMAIL: kai@structuralcapital.com"

III. Conditions Precedent and Subsequent to the Effectiveness of Amendment No. 2.

The effectiveness of this Amendment No. 2, if at all, is subject to the fulfillment of each and every of the following conditions precedent in form and substance satisfactory to the Agent in its sole discretion:

(a) Borrower shall have duly executed and delivered the following (collectively, the "*Amendment Documents*"): (i) this Amendment No. 2 and (ii) the Fee Letter;

(b) Receipt by Agent of a duly executed officer's certificate of Borrower containing the following documents; (i) resolutions of Borrower's Board of Directors authorizing Borrower's execution of this Amendment No. 2 and the Fee Letter; (ii) a good standing certificate from Borrower's state of formation; and (iii) incumbency and representative signatures;

(c) Receipt by Agent of the (i) Breakup Fee (as defined in the Fee Letter) and (ii) the Success Fee (as defined in the Fee Letter);

(d) The representations and warranties contained in **Section 5** of the Loan Agreement or in any Loan Document executed and delivered by any Loan Party shall be true and correct as of the Second Amendment Effective Date and no Default or Event of Default shall have occurred and be continuing as of the Second Amendment Effective Date;

(e) Borrower shall pay all Lender's Expenses for the preparation and negotiation of this Amendment No. 2 (including without limitation all reasonable attorneys' fees); and

(f) Such other documents, and completion of such other matters, as Agent may deem necessary or appropriate in its reasonable discretion.

In addition, and without limitation or waiver of the foregoing, it shall be a condition subsequent to the continued effectiveness of this Amendment No. 2 that Borrower shall pay the Catch-Up Success Fee (as defined in the Fee Letter), if any such fee is payable in accordance with the terms of the Fee Letter.

IV. Additional and Terms and Conditions.

(a) **Representations and Warranties of Borrower**. Borrower represents, warrants and covenants to Agent and Lenders as of the Second Amendment Effective Date as follows:

(i) The Amendment Documents have been duly executed and delivered by the Borrower and each applicable Loan Party and constitute legal, valid and binding obligations of the applicable Loan Party, enforceable in accordance with their respective terms, except as the enforceability thereof may be limited by bankruptcy, insolvency or other similar laws of general application relating to or affecting the enforcement of creditors' rights or by general principal of equity.

(ii) Except as set forth on the disclosure schedules the representations and warranties contained in the Loan Documents are true and correct in all material respects (without any duplication of materiality) as if made on the Second Amendment Effective Date, other than those representations and warranties made as of a specified date, which shall have been true and correct in all material respects (without any duplication of materiality) as of such specified date.

(iii) Assuming the effectiveness of this Amendment No. 2 and subject to the disclosure schedules, there exists no Default or Event of Default under the Loan Agreement as of the Second Amendment Effective Date.

(iv) The execution, delivery and performance by Borrower of this Amendment No. 2, the other Amendment Documents, and any other agreements or instruments required hereunder (x) have been duly authorized, and are not in conflict with nor constitute a breach of any provision of such Loan Party's organizational documents (y) do not (1) require any authorization, consent or approval by any Governmental Authority, in each case other than has already been obtained or given will have been obtained or given prior to the time when required, (2) conflict with or result in a breach of any material law or any material regulation, order, writ, injunction or decree of any court or Governmental Authority or of any organizational documents, or (3) require the approval, authorization or consent of any trustee or holder of any indebtedness or obligation of any Loan Party under any material agreement, contract, lease or license or similar document or instrument to which any Loan Party is a party or by which any Loan Party is bound.

(b) **No Control**. Borrower warrants and represents, as a significant material inducement to Agent and the Lenders to enter hereinto, that none of Agent, any Lender nor any affiliate, officer, director, employee, agent, or attorney of any of the foregoing, have at any time, from Borrower's date of formation through to the Second Amendment Effective Date, (i) exercised management or other control over the Borrower; (ii) exercised undue influence over Borrower or any of its officers, employees or directors; (iii) to Borrower's knowledge, made any representation or warranty, express or implied, to any party on behalf of Borrower; (iv) entered into any joint venture; agency relationship, employment relationship, or partnership with Borrower; (v) directed or instructed Borrower on the manner, method, amount, or identity of payee of any payment made to any creditor of Borrower, and further, Borrower warrants and represents that by entering into this Amendment No. 2 that Agent any the Lenders have not, are not and will not have engaged in any of the foregoing.

(c) **No Waiver**. No course of dealing on the part of Agent or any Lender or any employees, officers or directors of any of the foregoing, nor any failure or delay in the exercise of any right by Agent or any Lender, shall operate as a waiver thereof, and any single or partial exercise of any such right shall not preclude any later exercise of any such right. Any failure of Agent or of any Lender at any time to require strict performance by Borrower of any provision shall not affect any right of Agent or Lenders thereafter to demand strict compliance and performance. Any suspension or waiver of a right must be in writing signed by an officer of Agent.

(d) **No Defenses**. As of the Second Amendment Effective Date, neither Borrower nor any Loan Party has any claims, counterclaims, defenses, or setoffs with respect to any of their obligations under the Loan Documents and does fully, finally, and forever releases and discharges Agent and the Lenders from any and all actions, causes of action, claims, debts, demands, liabilities, obligations, and suits, of whatever kind or nature, in law or equity, that Borrower or any Loan Party may have from any actions or omissions of Buyer in respect of the Loan Documents to the extent arising from events occurring prior to the date of this Amendment.

V. Integration Clause.

The Loan Agreement, as amended by this is Amendment No. 2, and each of the other Loan Documents executed as of the Second Amendment Effective Date and made effective as of the Second Amendment Effective Date, as amended, taken together constitute and contain the entire agreement among Borrower, Agent and Lender and supersede any and all prior agreements, negotiations, correspondence, understandings and communications between the parties, whether written or oral, respecting the subject matter hereof. NONE OF THE LOAN AGREEMENT OR THIS AMENDMENT NO. 2 MAY BE MODIFIED EXCEPT BY A WRITING SIGNED BY THE AGENT, THE REQUIRED LENDERS AND BORROWER IN ACCORDANCE WITH SECTION 13.4(c) OF THE LOAN AGREEMENT. Each provision hereof shall be severable from every other provision when determining its legal enforceability under this Amendment No. 2 and the Loan Agreement, as amended by this Amendment No. 2, may be enforced to the maximum extent permitted under applicable law. This Amendment No. 2 shall be binding upon, and inure to the benefit of, each party's respective permitted successors and assigns. This Amendment No. 2 may be executed in counterpart originals, all of which, when taken together, shall constitute one and the same original document. In the event of any contradiction or inconsistency among the terms and conditions of this Amendment No. 2 or the Loan Agreement the terms and conditions of this Amendment No. 2 shall prevail.

VI. Miscellaneous.

Unless otherwise defined, all initially capitalized terms in this Amendment No. 2 shall be as defined in the Loan Agreement. The Loan Agreement, as amended hereby, shall be and remain in full force and effect in accordance with its respective terms and hereby is ratified and confirmed in all respects. Except as expressly set forth herein, the execution, delivery, and performance of this Amendment No. 2 shall not operate as a waiver of, or as an amendment of, any right, power, or remedy of Agent or any Lender under the Loan Agreement, as in effect prior to the Second Amendment Effective Date. Except as amended hereby, the Loan Agreement remains unmodified and unchanged. This Amendment No. 2 may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one instrument. The word "executed" shall be deemed to include signatures delivered by telecopy or other electronic imaging means (e.g. PDF by email) and further, electronic signatures or the keeping of records in electronic form shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act or any other similar state laws based on the Uniform Electronic Transactions Act.

[Remainder of the page intentionally left blank. Signature pages to follow.]

In Witness Whereof, the parties hereto have caused this Amendment No. 2 to be executed as of the date first above written.

BORROWER:

ASURE SOFTWARE, INC.,
a Delaware corporation

By: /s/ Patrick Goepel
Name: Patrick Goepel
Title: Chief Executive Officer

LENDERS: **Structural Capital Investments III, LP**,
a Delaware limited partnership

By: Structural Capital GP III, LLC,
a Delaware limited liability company,
its General Partner

By: /s/ Kai Tse
Name: Kai Tse
Title: Managing Member

Series Structural DCO II Series of Structural Capital DCO, LLC,
a Delaware limited liability company

By: Structural Capital GP III, LLC,
a Delaware limited liability company,
its Manager

By: /s/ Kai Tse
Name: Kai Tse
Title: Managing Member

Series PCI Asure Series of Structural Capital Primary Co-Investment Fund, LLC,
a Delaware limited liability company

By: Structural Capital GP III, LLC,
a Delaware limited liability company,
its Manager

By: /s/ Kai Tse
Name: Kai Tse
Title: Managing Member

SQN Venture Income Fund II, LP,
a Delaware limited partnership

By: /s/ Ryan McCalley
Name: Ryan McCalley
Title: Managing Partner

CEOF Holdings LP,
a Delaware limited partnership

By: Corbin Capital Partners, L.P.,
a Delaware limited partnership
its Investment Manager

By: /s/ Daniel Friedman
Name: Daniel Friedman
Title: General Counsel

AGENT:

OCEAN II PLO LLC
a California limited liability company

By: Structural Capital Management Company II, LP,
a Delaware limited partnership,
its Manager

By: Structural Capital GP, LLC,
a Delaware limited liability company,
its General Partner

By: /s/ Kai Tse
Name: Kai Tse
Title: Managing Member

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 June 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: August 7, 2023

By: /s/ Patrick Goepel
Patrick Goepel
Chief Executive Officer

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 June 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: August 7, 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 June 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: August 7, 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 June 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: August 7, 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.