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

FORM 10-K

☒ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the calendar year ended December 31, 2022

☐ 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**

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
☐ Yes ☒ No

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

☐

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

☐ Yes ☒ No

Based on the closing sale price of common stock on The Nasdaq Global Select Market on June 30, 2022, the aggregate market value of the voting stock held by non-affiliates of the Registrant was $108,845,707 as of such date, which assumes, for purposes of this calculation only, that all shares of common stock beneficially held by officers and directors of the registrant are shares owned by "affiliates."

As of February 24, 2023, 20,272,004 shares of the registrant's Common Stock, $0.01 par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement relating to its 2023 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Such Proxy Statement, or an amendment to this report containing the Items comprising Part III, will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

ASURE SOFTWARE, INC.

FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2022

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PART I

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain written and oral statements made by management of Asure Software, Inc. and its consolidated subsidiaries (“we”, “Asure”, “our”, “us”) included in this Form 10-K may constitute “forward-looking” statements within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. 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. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in the “Risk Factors” section, factors discussed throughout Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” as well as in our periodic filings with the Securities and Exchange Commission (the “SEC”). Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activities, performance, or achievements.

The information provided in this Form 10-K is based on facts and circumstances known as of the date of this report, and any forward-looking statements made by us in this Form 10-K speak only as of the date on which they are made. We are under no duty to update any of these forward-looking statements after the date of this report or to conform these statements to actual results or revised expectations.

Risk Factor Summary

Our business is subject to numerous risks and uncertainties, including those highlighted in the section titled “Risk Factors.” These risks include, among others, the following:

- If our security measures, or those of our third-party data center hosting facilities, cloud computing platform providers or third-party service partners are compromised or breached, or if personal information of our clients or their employees is accessed or obtained, our services and HCM solution may be perceived as not being secure, our brand could be damaged, our services may be disrupted, and customers may curtail or stop using our services, all of which could reduce our revenue and earnings, increase our expenses, and expose us to legal claims and regulatory actions;
- We have a history of losses, and we cannot be certain that we will achieve or sustain profitability;
- We generate a portion of our revenues by providing services to enable businesses to file for Earned Retention Tax Credits under the CARES Act and such regulations will eventually expire, which, following such expiration, will adversely impact our future revenues;
- Privacy concerns and laws and other regulations may limit the effectiveness of our applications and adversely affect our business;
- Our ability to make scheduled payments on or to refinance our existing indebtedness depends on our future performance, which is subject to economic, financial, competitive and other factors that may be beyond our control;
- The adoption of new or changes to the interpretation of existing money service business statutes and money transmitter statutes at the federal and state level could subject us to additional regulation and related expense and necessitate changes to our business model;
- Acquisitions and potential acquisitions of Reseller Partners' businesses could prove difficult to integrate, result in unknown or unforeseen liabilities, disrupt our business, dilute stockholder value and ownership and adversely affect our operating results and financial condition;
- If we are not able to develop enhancements and new features to our products, keep pace with technological developments or respond to future technologies, our business, operating results and financial results will be adversely affected;

- If we are unable to release timely updates to reflect changes in wage and hour laws, tax, privacy, benefit and other laws and regulations that our products help our clients address, the market acceptance of our products may be adversely affected and our revenues could decline;
- Our business depends substantially on clients renewing their agreements with us, purchasing additional products from us or adding additional users;
- Client funds that we hold in trust are subject to market, interest rate, credit and liquidity risks and loss of these funds could have a material adverse effect on our business, financial condition and results of operations;
- The markets in which we participate are highly competitive, and if we do not compete effectively, our operating results could be adversely affected;
- Our clients could have insufficient funds to cover payments we have made on their behalf or credit that we have extended to them in connection with the services that we have provided, resulting in financial loss to us;
- If the banks that currently provide ACH and wire transfers fail to properly transmit these ACH, exit the payroll industry, terminate their relationship with us or limit our ability to process funds or we are not able to increase our ACH capacity with our existing and new banking partners, our ability to process funds on behalf of our clients and our financial results and liquidity could be adversely affected;
- The impairment of a significant portion of our goodwill and intangible assets would adversely affect our business, operating results and financial condition;
- Our ability to incur debt and the use of our funds could be limited by the restrictive covenants in our loan agreement for our term loan;
- We may be required to incur further debt to meet future capital requirements of our business. Should we be required to incur additional debt, the restrictions imposed by the terms of such debt could adversely affect our financial condition and our ability to respond to changes in our business;
- We depend on data centers and computing infrastructure operated by third parties and any disruption in these operations could adversely affect our business;
- We may require additional capital to support business growth, and this capital may not be available on acceptable terms, or at all;
- If we lose key personnel, or are unable to attract and retain additional personnel as needed in the future, it could disrupt the operation of our business, delay our product development and harm our growth efforts;
- We continue to experience turnover within our finance team. If we are unable to retain and successfully integrate their replacements in our business, it could have a material adverse effect on our business and the reliability of our financial statements;
- If we fail to adequately protect our proprietary rights, our competitive advantage and brand could be impaired and we may lose valuable assets, generate reduced revenue and incur costly litigation to protect our rights;
- We may be sued by third parties for infringement of their proprietary rights;
- Some of our key components are procured from a single or limited number of suppliers and we are at risk of shortage, price increases, tariffs, changes, delay, or discontinuation of key components;
- Even if demand for HCM products and services increases generally, there is no guarantee that demand for SaaS products generally or our products in particular will increase to a corresponding degree, or at all;
- Our failure to comply with existing laws and regulations or failure to comply with changing laws and regulations through modifications, developments, and enhancements to our products and services could have a material adverse effect on our business and results of operations;
- We may be subject to claims, lawsuits, governmental investigations and other proceedings that could adversely affect our business, financial condition and results of operations;
- We incur significant costs and liabilities as a result of operating as a public company, which requires substantial time by management to devote to new compliance initiatives;
- To the extent that our pre-tax income or loss becomes relatively modest, our ability to conclude that a control deficiency is not a material weakness or that an accounting error does not require a restatement could be adversely affected;
- Volatility and weakness in bank and capital markets may adversely affect credit availability and related financing costs for us;
- Changes in financial accounting standards or practices may cause adverse, unexpected financial reporting fluctuations and affect our reported operating results;
- The use of open source software in our applications may expose us to risks and harm our intellectual property rights;
- We may be adversely affected by failure of third parties in providing their services;
- Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited;
- Inability to maintain the third-party licensed software we use in our applications at the current costs could result in increased costs or reduced service levels, which could adversely affect our business;

- Evolving regulation of the Internet, changes in the infrastructure underlying the Internet or interruptions in Internet access may adversely affect our business, operating results and financial condition by increasing our expenditures and causing client dissatisfaction;
- Our common stock has traded in low volumes and we cannot predict whether an active trading market for our common stock will develop;
- Our stock price has been, and likely will continue to be, volatile;
- Sales, or the potential for sales, of a substantial number of shares of our common stock in the public market by us or our existing stockholders could cause our stock price to fall;
- We do not intend to pay dividends for the foreseeable future, and you must rely on increases in the market price of our common stock for returns on equity investment;
- Our stockholder rights plan, or "poison pill," includes terms and conditions which could discourage a takeover or other transaction that stockholders may consider favorable;
- Provisions in our charter documents and under Delaware law, and our stockholder rights plan could discourage a takeover that stockholders may consider favorable and may lead to entrenchment of our management and board of directors; and
- Our business could be negatively affected as a result of actions of activist stockholders, and such activism could impact the trading value of our securities.

ITEM 1. BUSINESS

GENERAL

Asure is a provider of cloud-based Human Capital Management ("HCM") software and services, delivered as Software-as-a-Service ("SaaS") for small and medium-sized businesses ("SMBs"). We offer the human resource ("HR") tools necessary to build a thriving workforce, providing the resources to stay compliant with dynamic federal, state, and local tax jurisdictions and their respective labor laws, freeing cash flows so they 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 ("AsureHCM") 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. We offer these 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.

We were incorporated in 1985 as a Delaware corporation and our principal executive offices are located at 405 Colorado Street, Suite 1800, Austin, Texas 78701. Our telephone number is (888) 323-8835 and our website is www.asuresoftware.com. Information on our website is not part of this Annual Report on Form 10-K, however we do post information on the investor relations page of our website that we believe may be of interest to our investors.

We make available free of charge, on or through our website, our annual report on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after we electronically file these materials or furnish them to the SEC. Reports and other information we file with the SEC may also be viewed at the SEC's website at www.sec.gov.

SOLUTIONS

Our solutions are primarily cloud-based and delivered as SaaS and HR services as well as professional services and hardware (time clocks and data collection devices).

Payroll and Tax. Asure Payroll & Tax is an integrated solution that provides a foundation for our clients' digital HR strategy. We simplify payroll and automate and ensure compliance with the changing nature of regulations associated with payroll and taxes in all U.S. jurisdictions—from wages, benefits, overtime, and garnishments to tips, direct deposits, the Fair Labor Standard Act and federal, state, and local payroll taxes. Features include payroll taxes driven by up-to-date federal, state, and local tax tables and filing in a timely and accurate manner; adhering to annual filing requirements for Form W-2 and forms mandated by the Affordable Care Act; general ledger integration; managed garnishments and employee self-service.

Tax Management Solutions. Asure provides innovative payroll tax processing software and service solutions for the payroll service industry, mid-market and large corporate employers. With several scalable software and service options, from traditional full-service outsourcing to SaaS solutions, the extensive product line offers companies the ability to select a payroll tax solution that suits their needs. Asure's Tax Management solutions also support bulk filing and processing of Employee Retention Tax credits.

Human Resource Compliance. Asure handles HR complexities that SMBs face, including employee self-service, applicant tracking, onboarding and compliance with federal, state and local regulations. Asure provides three core levels of HR services: (i) HR support, which provides an on-demand HR resource library, phone and email support for any HR issues and compliance and policy updates; (ii) Strategic HR, which provides more in-depth support for strategic HR decision making; and (iii) Total HR, which provides a complete HR outsourcing solution.

Time and Attendance. Asure Time & Attendance combines with our complementary hardware (time clocks and data collection devices) to provide cost savings and potential return on investment gains in the form of a more strategic use of labor dollars and the elimination of time theft. Mobile time tracking helps executives better understand where and when their employees are working, providing insight into labor schedules and labor costs. With our mobile solution, employees can punch in and out from remote locations, as geo-positioning verifies their physical coordinates. Biometric time clocks, including facial recognition, reduce time theft and assists in the verification of the identities of workers. Automated system notifications, real-time dashboards, and flexible configuration options all work to streamline operations. Finally, employees, supervisors and executives have real-time access to data and business intelligence to optimize labor costing, improve labor scheduling, and control labor costs.

Asure Marketplace. 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. Asure has developed a large set of pre-built applications that businesses can connect with and has developed integrations with partners to exchange capabilities and data. These integrations enable businesses to communicate seamlessly and support a wide range of business-to-business and business-to-consumer applications. Business applications can include income verification and earned wage access. We are currently developing consumer applications and expect such applications to be a component of the marketplace in the future.

PRODUCT DEVELOPMENT

The HCM industry is characterized by continuing improvements in technology, resulting in the frequent introduction of new products, short product life cycles, changes in client needs, and continual improvement in product performance characteristics. We strive to be cost-effective and timely in enhancing our solutions, developing software that addresses the varied needs of growing businesses and anticipating technological advances while adhering to payroll and HCM industry standards. First-to-market mobile applications are a testament to our success in innovation.

Our development teams work with clients and sales and marketing teams to build solutions based on market requirements and client feedback. We also garner inputs from clients, competitive comparisons, and relevant technology innovations. Development teams are staffed with product owners, solutions architects, software engineers, software engineers in test, quality assurance analysts, technical writers, scrum masters and usability designers.

Our research and development strategies are based on agile methodologies that foster continuous innovation and improvement with collaboration with stakeholders. The development team enhances the functionality of our solutions through new feature releases, with a focus on solutions delivered as SaaS for businesses that struggle with complexity and Reseller Partners that need back-office tools and scalable infrastructure. We continue to evaluate opportunities for developing new solutions that enable organizations to streamline and automate HR tasks associated with growing their businesses. We seek to simultaneously allow organizations to improve their productivity while reducing the costs associated with those tasks.

Asure is particularly focused on developing product capabilities that involve the movement and reconciliation of money. We plan to enhance our Treasury Management software position, which we expect to leverage macro trends in the payroll industry including same-day-pay, pay advances, and employee payments in the currency of their choice – including crypto currencies. We believe these money movement capabilities will also create new product opportunities similar to stored value cards and an "Asure Wallet" which may allow us to hold and invest larger sums of payroll funds for a longer period of time.

We continually work to automate processes using Robotic Process Automation ("RPA") by developing "bots" that perform repetitive tasks. These bots act as digital workers that make us more efficient and eliminate errors. Most importantly, our RPA initiatives allow us to quickly take advantage of new opportunities and scale the business without the expense or lead times required to hire additional staff.

SALES AND DISTRIBUTION

We sell our solutions through both direct and partner models. Prospective clients learn about Asure in a variety of ways, including advertising, website searches, sales calls, public relations, referral channels, direct marketing, and social media. When prospective clients show an interest in Asure, they are connected with a sales representative, who works to close the sale, via Asure's web site, phone, or a face-to-face meeting by discussing solutions that meet their needs. We track our marketing and sales activities to provide immediate insights into activities, leads and pipeline opportunities. Our account management teams work with clients to promote and sell additional solutions that are relevant for each client. We supplement our direct sales efforts with partner programs. By working with partners, we gain access to opportunities in various geographic and industry niches.

Asure has two distinct partners: Reseller Partners and Referral Partners.

Reseller Partners. Reseller Partners pay us recurring license fees to white label our solutions while providing value-added services to their clients (our indirect clients). There are generally two types of Reseller Partners: regional payroll providers and SMB trusted advisors (CPA, regional banks, and benefit brokers). Regional payroll providers typically focus on a specific geographic area or industry. They have proven to be attractive alternatives for SMBs' payroll and HCM needs versus national payroll companies that may not cater to the local needs of SMBs. Since trusted advisors are relied on by entrepreneurs and executives at SMBs to advise on payroll and HR decisions, white labeling our solutions allows them to provide additional solutions directly to their clients.

Our Reseller Partners are the primary source of our acquisitions. Because they white label our solutions, technology integration risk is lessened. By acquiring Reseller Partners, we gain a presence in specific geographic (typically less densely populated U.S. metropolitan cities) and industry niches. These acquisitions help Asure gain scale by assuming all of the Reseller Partners' revenue rather than a recurring licensing fee. Reseller Partners can continue to license our solutions with the opportunity to expand their available solutions, or they can come under the Asure umbrella.

Referral Partners. Referral Partners are typically trusted advisors (e.g., regional banks, CPAs, and benefit brokers) that provide us with SMB leads but do not resell our solutions. Since SMBs rely on their trusted advisors to guide them in selecting payroll and HCM solutions, we have found this to be a fruitful source of leads. Referral Partners provide qualified leads that convert to clients at a higher rate than non-referral leads. We have been successful in nurturing some Referral Partners to become Reseller Partners over time as the referral relationships develop and they become more comfortable in the HCM space.

COMPETITION

The market for HCM solutions is competitive and subject to evolving technology, shifting client needs, and regular introduction of new products and services. Our competitors range from regional payroll companies to large, well-established companies with multiple product offerings.

Competition in the HCM market is primarily based on product and service quality and reputation, scope of service, application offering and price. Price tends to be the most important factor of competition for our small business clients with fewer employees, while the range of features, implementation, and scalability is more important to our clients with larger businesses.

We compete with companies that provide HCM solutions by various means. Many providers continue to deliver legacy enterprise software, but there is increased competition in the delivery of HCM cloud-based solutions by other SaaS providers. Competitors in the HCM market tend to fluctuate, however, Asure's main competitors are ADP, Paychex, UKG, Paylocity, Paycor, Paycom, Ceridian, Namely, and Gusto. Primary competitors to Asure Time & Attendance include UKG, Paychex, ADP and Time Simplicity. Primary competitors to our tax management solutions are Ceridian and ADP.

While Asure has the advantage of a flexible, easy to use, cloud-based SaaS-delivered solution that is affordable for SMBs and has a proven deployment methodology, Asure faces several competitive challenges:

- *Vendors with face-to-face sales contact.* In this highly relationship-based sales process, vendors with large, dispersed field-based sales teams who meet and consult with prospects have an advantage. Vendors that approach the market in this manner include ADP, Paychex, Kronos, and Paylocity.

- *National payroll processors with loss-leader products.* Large brand and market share payroll processing vendors (such as ADP and Paychex) offer equivalent point solutions at little or no cost to prospects when they sign up for the first few months when in a competitive engagement because the short-term lost revenue is inconsequential compared with the long-term revenue they expect to receive over the next 8 to 10 years with that same client.

Some of our competitors, both current and future, may have greater financial, technical and marketing resources than us and therefore may be able to respond more quickly to new or emerging technologies and changes in client requirements. As a result, they may compete more effectively on price and other terms. Additionally, those competitors may devote greater resources in developing products or in promoting and selling their products to achieve greater market acceptance. We are actively taking measures designed to address competitive challenges, and clients tend to recognize the benefits of working with an established and publicly traded partner versus a start-up or transitional vendor. However, we cannot ensure that we will be able to achieve or maintain a competitive advantage with respect to any of these competitive factors.

MARKETING

Our marketing strategy relies on a comprehensive integrated plan rooted in our business objectives. Our marketing plan includes four primary objectives: build brand awareness, develop lead generation programs that drive revenue, launch products in a meaningful way, and develop an infrastructure that supports and measures marketing activities.

We deploy direct marketing programs to drive awareness, interest and revenue. Marketing vehicles include our web site, organic and paid search, advertising, public relations, direct marketing, events, social media, content marketing, reputation management, and other digital marketing tactics. Our marketing plan addresses growth and retention goals for key target audiences throughout the United States.

SALES ENABLEMENT

We continue to invest in sales enablement tools, processes, and best-practice training of our sales organization. We have implemented and continue to optimize an end-to-end lead generation process that generates leads from marketing activities and captures and tracks all digital click behavior of the lead in our marketing automation software and customer relation management. We follow up with leads and take all through a qualification process that ends in a closed loop of either won/lost opportunities or leads that get passed back to marketing for further nurturing. Sales Enablement staff support sales with product training, client and prospect demonstrations, and marketing webinars as well as best practices in modern selling that leverages email, social media, and online video.

INDUSTRY REGULATION

Many of our solutions are designed to assist clients with their compliance with certain U.S. laws and regulations that apply to them, particularly in their capacity as employers under state and federal laws. Failure to comply with existing laws or regulations or to anticipate and incorporate new laws and regulations into our services to remain compliant could have a materially adverse effect on our reputation, results of operations or financial condition, or have other adverse consequences.

Data privacy and security of data is subject to strict regulatory oversight. The laws governing the collection, processing, and storage of personal and sensitive data differ between jurisdictions and differ based on the type of data collected. We collect and process the personal and sensitive information of clients, clients of our Reseller Partners, employees of our clients and Reseller Partners, vendors, and our own employees. In general, data that we process and store includes personally identifying information such as names, addresses, social security numbers, bank account information. As part of our time and attendance products, data that we process and store includes biometric data. We are, therefore, subject to certain compliance obligations under federal, state, and foreign privacy and data security-related laws. For instance, in the United States, the Health Insurance Portability and Accountability Act of 1996, including the related data security provisions, applies to our flexible spending account services. We are also subject to federal and state security, privacy, and security breach notification laws with respect to personal and sensitive data as defined under such laws. Such state and federal laws include laws such as the California Consumer Privacy Act of 2018, as amended and the Illinois Biometric Information Privacy Act and rules and regulations promulgated under the Federal Trade Commission. Other states, including Colorado, Connecticut, Virginia, and Utah, have recently enacted new data privacy laws. The Virginia Consumer Data Protection Act became effective in January 2023. The remainder of the new legislation becomes effective mid to late 2023. These new laws track significant portions of existing laws but include differences that may or may not increase our compliance burden. We have a small number of end-user clients located in the European Union using our time and attendance software. Accordingly, the EU's General Data Protection Regulation applies to the collection, processing, and storage of applicable sensitive and personal data. In some instances, these laws provide for civil penalties for violations and private rights of action for data breaches or other violations of the law. Moreover, enforcement actions and investigations by regulatory authorities related to data security incidents and privacy violations continue to increase. The future enactment of more restrictive laws, rules, or regulations and/or future enforcement actions or investigations could have a materially adverse impact on the Company through increased costs or restrictions on our businesses, and noncompliance could result in regulatory penalties and significant legal liability. Failure to comply with data privacy laws and regulations could have a materially adverse effect on our reputation, results of operations, or financial condition; or have other adverse consequences.

As part of our payroll and payroll tax solutions, we move funds from clients' accounts to employees, taxing authorities, and other payees. Over the past few years, a number of state regulators have expanded their interpretation of state money transmission and money service business statutes to include these standard payroll processing activities, necessitating our registering in certain jurisdictions as a money transmitter. We are licensed as a payroll processor in jurisdictions requiring licensure of payroll processors. We pursue licensure as a money transmitter in jurisdictions that require payroll processors to be licensed under state money transmission laws. We are also planning to pursue money transmission licenses in jurisdictions that have not yet made a determination as to whether their money transmitter statutes apply to payroll processors. Money transmission activities may be subject to anti-money laundering laws at the state and federal levels. The applicable laws may include: the anti-money laundering and reporting provisions of The Bank Secrecy Act of 1970, as amended by the USA PATRIOT Act of 2000, which apply to money services businesses, and all related laws and regulations, including the requirement to verify customer identification and report suspicious activities to applicable authorities.

Many of our solutions assist clients in complying with certain U.S. laws and regulations that apply to them, particularly in the human resources and employment law areas such as wage payment laws, state payroll tax filing and reporting, employee onboarding, and compliance with the IRS rules governing employers including tax withholdings, payroll tax filing and the preparation of Form W-2. Our HCM solutions assist clients with managing their compliance with other laws, including help to meet their obligations as a plan sponsor under COBRA; sponsor and administer compliant Flexible Spending Account Plans; and provide compliant Consumer Health Care Plans, such as Health Savings Accounts and Health Reimbursement Accounts. Our Tax Management solutions also support bulk filing and processing of Employee Retention Tax credits, which is new legislation that is part of the CARES Act.

TRADEMARKS

We have registered Asure Software® as a federal trademark with the U.S. Patent and Trademark Office. Asure's other core federally registered trademarks include AsureForce®, AsureHCM® and Evolution®.

EMPLOYEES

As of December 31, 2022, we had a total of 501 employees, 493 of which are full-time employees. The headcount by department includes 102 in research and development, 147 in sales and marketing, 195 in customer service and technical support, and 57 in finance, human resources and administration.

We continually evaluate and adjust the size and composition of our workforce. We also periodically retain contractors to support our sales and marketing, information technology and administrative functions. None of our employees are represented by a collective bargaining agreement. We have not experienced any work stoppages. Additionally, we augment our workforce capacity in research and development and client service and technical support by contracting for services through third parties.

ITEM 1A. RISK FACTORS

The following risk factors and other information included throughout this Form 10-K, including those risks identified in Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" represent our view of some of the most important risks we face. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we presently deem less significant may also impair our business operations. If any of the events or circumstances described in the following risk factors actually occurs, our business, operating results and financial condition could be materially adversely affected.

Refer to the cautionary note regarding forward-looking statements at the beginning of Part 1 of this Form 10-K.

RISKS RELATED TO OUR BUSINESS

If our security measures, or those of our third-party data center hosting facilities, cloud computing platform providers or third-party service partners are compromised or breached, or if personal information of our clients or their employees is accessed or obtained, our services and HCM solution may be perceived as not being secure, our brand could be damaged, our services may be disrupted, and customers may curtail or stop using our services, all of which could reduce our revenue and earnings, increase our expenses, and expose us to legal claims and regulatory actions.

Our solution involves the collection, storage and transmission of clients' and their employees' confidential and proprietary information, including personal identifying information such as social security numbers and HIPAA data with respect to our consumer health care administration services, as well as financial and payroll data. This type of data is highly sensitive and is regulated by laws in all jurisdictions governing the security and privacy of personal information. HCM software is often targeted in cyber-attacks, including computer viruses, worms, phishing attacks, malicious software programs and other information security breaches due to the sensitive nature of the data, which could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of our clients' sensitive data or otherwise disrupt our clients' or other third parties' business operations. If cybercriminals are able to circumvent our security measures, or if we are unable to detect an intrusion into our systems and contain such intrusion in a reasonable amount of time, our clients' sensitive data may be compromised, as well as our intellectual property and other confidential business information.

In addition to malicious acts by third parties, unauthorized access to or breach of our systems could occur through employee error or employee malfeasance. Certain of our employees have access to sensitive information about our clients' employees. While we conduct background checks of our employees and limit access to systems and data, it is possible that one or more of these individuals may circumvent these controls, resulting in a security breach.

Although we have security measures in place to protect client information and prevent data loss and other security breaches, these measures could be breached as a result of third-party action, employee error, third-party or employee malfeasance or otherwise. Because the techniques used to obtain unauthorized access or to sabotage systems change frequently, we may not be able to anticipate these techniques and implement adequate preventative or protective measures. In addition, our customers may not have adequate security measures in place to protect their data that is stored on our services. Because we do not control our customers or third-party technology providers, or the processing of such data by third-party technology providers, we cannot ensure the integrity or security of such transmissions or processing.

While we currently maintain a cyber liability insurance policy, the coverage limits of our cyber liability insurance may be inadequate or coverage under our cyber liability insurance policy may not be available in the future on acceptable terms, or at all. In addition, our cyber liability insurance policy may not cover all claims made against us, and defending a suit, regardless of its merit, could be costly and divert management's attention from our business and operations. Moreover, if a high profile security breach occurs with respect to another SaaS provider in our market, our clients and potential clients may lose trust in the security of the SaaS business model generally, which could adversely impact our ability to retain clients or attract new ones. Any actual or perceived breach of our security could damage our reputation, cause existing clients and resellers to terminate our services, prevent future clients from doing business with us and result in regulatory liability and third-party liability, any of which could adversely affect our business and results of operations.

We have a history of losses, and we cannot be certain that we will achieve or sustain profitability.

We have historically incurred losses since our inception. We experienced a net loss from continuing operations of $(14.5) million in the fiscal year ended December 31, 2022. At December 31, 2022, our accumulated deficit was $281.2 million and total stockholders' equity was $145.1 million. We expect to continue to incur operating losses as a result of expenses associated with the continued development and expansion of our business. Such expenses include among others, transaction costs associated with acquisitions, sales and marketing, research and development, consulting and support services and other costs relating to the development, marketing and sale and service of our products that may not generate revenue until later periods, if at all. Any failure to increase revenue or manage our cost structure as we implement initiatives to grow our business could prevent us from achieving or sustaining profitability. In addition, our ability to achieve profitability is subject to a number of the risks and uncertainties discussed below, many of which are beyond our control, including the impact of the current economic environment. We cannot be certain that we will be able to achieve or sustain profitability on a quarterly or annual basis.

We generate revenues by providing services to enable businesses to file for Employee Retention Tax Credits under the CARES Act and such regulations will eventually expire, which, following their expiration, will adversely impact our revenues.

Since the introduction of the Employee Retention Tax Credits in 2021, we have received a signification portion of our tax processing revenues from the support we provide our customers in filing for Employee Retention Tax Credits and we expect revenues from these services to continue to be a significant portion of our tax processing revenues while the Employee Retention Tax Credits are available. Employee Retention Tax Credits are expected, at this time, to expire in 2025; however it is possible that the government could revoke the program prior to its scheduled expiration. Given this, investors should not expect our tax processing revenues from ERTC filings to continue beyond 2025, and any earlier expiration or revocation of the ERTC program will have an adverse effect on our financial condition and results of operation. Further, we have entered into deferred payment arrangements with some referral partners whereby collections from the customer are expected to be received upon the customer's future receipt of their tax credit. Given the deferred nature of such receipts there is risk pertaining to our ability to collect such amounts in the future. In certain situations, the tax authorities could have the ability to challenge the validity of a business' filing or could challenge our calculations or find other deficiencies in our filings that could expose us to uncertain penalties or damages. Our current outlook envisions continued revenues from ERTC.

Privacy concerns and laws and other regulations may limit the effectiveness of our applications and adversely affect our business.

Our products are subject to various complex laws and regulations on the federal, state and local levels, including those governing data security and privacy. The regulatory framework for privacy issues is rapidly evolving and will remain uncertain as more jurisdictions adopt laws and regulations regarding the collection, processing, storage and disposal of personal information. In the United States, the laws include regulations promulgated by the Federal Trade Commission, the Health Insurance Portability and Accountability Act of 1996, state data breach notification laws, and state security and privacy laws such as the California Consumer Privacy Act, as amended by the California Privacy Rights Act, (the "CCPA") and the Illinois Biometric Information Privacy Act ("IBIPA") governing biometric data. Some of these laws, such as the CCPA and IBIPA, grant consumers private right of actions for data breaches or violations as applicable. Additionally, The Virginia Consumer Data Protection Act became effective January 2023. Colorado legislation becomes effective mid to late 2023. These laws track significant portions of existing laws but include differences that may or may not increase our compliance burden.

Further, because some of our Reseller clients have clients in the European Union utilizing Asure's Time and Attendance product, the GDPR may impact our processing of certain client and client employee information. Failure to comply with laws, including security and privacy laws, could subject us to liability, fines, lawsuits and could require us to change our applications in order to comply.

In addition to governmental regulation, self-regulatory standards may place additional burdens on us. Many of our customers expect us to meet voluntary certification or other standards established by third parties as well as other audited measures and controls. If we are unable to maintain these certifications or meet these standards, it could adversely affect our ability to provide our solutions to certain customers and could harm our business. Even the perception that the privacy of personal information is not satisfactorily protected or does not meet regulatory requirements could inhibit sales of our products or services, and could limit adoption of our cloud-based solutions.

Furthermore, certain of our products use client data to provide value to our solutions, aid in efficiency and reduce human error. Evolving privacy requirements and privacy concerns could restrict our ability to store and process data, which may impact our ability to offer our services thereby reducing demand. Enforcement actions and investigations could also impact us through increased costs, regulatory penalties, or restrictions on our business.

Our ability to make scheduled payments on or to refinance our existing indebtedness (including the indebtedness under our Senior Credit Facility with Structural Capital Investments III LP and our subordinated promissory notes) depends on our future performance, which is subject to economic, financial, competitive and other factors that may be beyond our control.

Our business may not generate cash flow from operations in the future sufficient to service our debt and support our growth strategies. If we are unable to generate sufficient cash flow, we may be required to pursue one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or on desirable terms, which could result in a default on our debt obligations, including under our current debt obligations. In addition, if for any reason we are unable to meet our debt service and repayment obligations, we would be in default under the terms of our Senior Credit Facility with Structural Capital Investments III LP, which would allow our creditors at that time to declare all outstanding indebtedness to be due and payable. Under these circumstances, our lenders could compel us to apply all of our available cash to repay our indebtedness.

The adoption of new or interpretation of existing money service business statutes and money transmitter statutes at the federal and state level could subject us to additional regulation and related expense and necessitate changes to our business model.

The adoption of new money transmitter or money service business statutes in new jurisdictions, changes in regulators' interpretations of existing statutes, or disagreement by regulators of our interpretation of such statutes or regulations could require additional registrations or licensing, limit certain of our business activities until we are properly licensed and expose us to financial penalties. These occurrences could also require change to the manner in which we conduct some aspects of our money movement business, client funds investment strategy or our overall business strategy. Although we maintain that we are not a money service business or money transmitter, we have proactively registered in some jurisdictions due to regulatory changes and have adopted an Anti-Money Laundering Policy and compliance program designed to mitigate the risk of our services and application being utilized for illegal purposes including money laundering and to assist in detecting fraud. Under the statutes governing our money transmitter licenses, we are subject to routine examinations from the regulatory agencies overseeing these licenses. If these examinations reveal violations of the money transmitter license and those violations cannot be remediated, we may be subject to civil and criminal fines and penalties and we could lose our license to provide our services in those jurisdictions, all of which could have a material adverse effect on our business. Further, should states or jurisdictions where we are not licensed or pursuing licenses determine that that we are a money service business or money transmitter, we could be subject to civil and criminal fines, penalties, registration fees, cost of surety bonds or other security, reputational damage and other negative consequences that may have an adverse effect on our financial condition.

We have acquired and plan to continue to acquire from time to time our Reseller Partners' businesses that have licensed our proprietary software either through stock acquisition or through an asset purchase of their client service agreements and related assets. These acquisitions could prove difficult to integrate, result in unknown or unforeseen liabilities, disrupt our business, dilute stockholder value and ownership and adversely affect our operating results and financial condition.

Acquisitions and investments involve numerous risks, including:

- potential failure to achieve the expected benefits of the combination or acquisition;
- difficulties in, and the cost of, integrating operations, technologies, services, platforms and personnel;
- diversion of financial and managerial resources from existing operations;
- the potential entry into new markets in which we have little or no experience or where competitors may have stronger market positions;
- potential write-offs of acquired assets or investments, and potential financial and credit risks associated with acquired customers;
- potential loss of key employees of the acquired company;

- inability to generate sufficient revenue to offset acquisition or investment costs;
- inability to maintain relationships with customers and partners of the acquired business;
- difficulty of transitioning the acquired technology onto our existing platforms and customer acceptance of multiple platforms on a temporary or permanent basis;
- increasing or maintaining the security standards for acquired technology consistent with our other services;
- potential unknown liabilities associated with the acquired businesses including regulatory noncompliance;
- negative impact to our results of operations because of the depreciation and amortization of amounts related to acquired intangible assets, fixed assets and deferred compensation;
- additional stock based compensation;
- the loss of acquired deferred revenue and unbilled deferred revenue;
- delays in customer purchases due to uncertainty related to any acquisition;
- ineffective or inadequate controls, procedures and policies at the acquired company;
- potential additional cybersecurity and compliance risks resulting from entry into new markets; and
- the tax effects of any such acquisitions.

Any of these risks could have an adverse effect on our business, operating results and financial condition. To facilitate these acquisitions or investments, we may seek additional equity or debt financing, which may not be available on terms favorable to us, or at all, which may affect our ability to complete acquisitions or investments. If we finance acquisitions by issuing equity or convertible or other debt securities or loans, or issue equity as consideration for an acquisition, our existing stockholders may be diluted, or we could face constraints related to the terms of, and repayment obligations related to, the incurrence of indebtedness.

If we are not able to develop enhancements and new features to our products, keep pace with technological developments or respond to future technologies, our business, operating results and financial results will be adversely affected.

Our future success will depend on our ability to adapt and innovate. To attract new clients and increase revenue from existing clients, we will need to enhance and improve our existing products and introduce new features. The success of any enhancement or new feature depends on several factors, including timely completion, introduction and market acceptance. If we are unable to enhance our existing products to meet client needs or successfully develop or acquire new features or products, or if such new features or products fail to be successful, our business, operating results and financial condition will be adversely affected.

Our products are designed to operate on a variety of network, hardware and software platforms using Internet tools and protocols, and we must continuously modify and enhance our products to keep pace with changes in Internet-related hardware, software, communication, browser and database technologies. In addition, if new technologies emerge that are able to deliver HCM software at lower prices, more efficiently or more conveniently, we may be unable to compete with these technologies. If we are unable to respond in a timely and cost-effective manner to these rapid technological developments, our products may become less marketable and less competitive or obsolete, and our business, operating results and financial condition will be adversely affected.

If we are unable to release timely updates to reflect changes in wage and hour laws, tax, privacy, benefit and other laws and regulations that our products help our clients address, the market acceptance of our products may be adversely affected and our revenues could decline.

Our solutions are affected by changes in wage and hour laws, tax, privacy, benefit and other laws and regulations and generally must be updated regularly to maintain their accuracy, compliance and competitiveness. Although we believe our SaaS platform provides us with flexibility to release updates in response to these changes, we cannot be certain that we will be able to make the necessary changes to our solutions and release updates on a timely basis, or at all. Similarly, any compliance failure in our proprietary software and related internal processes will result in clients utilizing the affected services being out of compliance. Failure to provide a fully compliant SaaS solution could have an adverse effect on the functionality and market acceptance of our solutions and noncompliance could expose us and our clients to potential litigation, fines and penalties. Changes in laws and regulations may require us to make significant investments in modifying and improving our products or delay or cease sales of certain products, which could result in reduced revenues or revenue growth and our incurring substantial expenses and write-offs.

Our business depends substantially on clients renewing their agreements with us, purchasing additional products from us or adding additional users. If our customers do not renew their agreements with us or reduce the services purchased, our revenue will decline and our business, operating results and financial condition may be adversely affected. If we cannot accurately predict subscription renewals or upgrade rates, we may not meet our revenue targets, which may adversely affect the market price of our common stock.

In order for us to improve our operating results, it is important that our clients renew their agreements with us when the initial contract term expires and also purchase additional products or add additional users.

Our customers have no obligation to renew their agreements after the expiration of their agreement, and in the normal course of business, some customers have elected not to renew. Even if customers elect to renew, they may renew for fewer subscriptions, renew for shorter contract lengths, or switch to lower cost offerings of our services. Moreover, certain of our clients have the right to cancel their agreements for convenience, subject to certain notice requirements and, in some cases, early termination fees. It is difficult to predict attrition rates given our varied customer base of enterprise, varied sizes of our customers and the number of multi-year subscription contracts. Our client renewal rates may decline or fluctuate as a result of a number of factors, including their satisfaction or dissatisfaction with our products, our pricing, the prices of competing products or services, mergers and acquisitions affecting our client base, reduced hiring by our clients or reductions in our clients' spending levels.

Our future success also depends in part on our ability to sell additional features and services, more subscriptions or enhanced editions of our services to our current customers. This may also require increasingly sophisticated and costly sales efforts. Similarly, the rate at which our customers purchase new or enhanced services depends on a number of factors, including general economic conditions and that our customers do not react negatively to any price changes related to these additional features and services.

In addition, if we cannot accurately predict subscription renewals or upgrade rates, we may not meet our revenue targets, which may adversely affect the market price of our common stock.

Client funds that we hold in trust are subject to market, interest rate, credit and liquidity risk. The loss of these funds could have a material adverse effect on our business, financial condition and results of operations.

We invest our funds held for clients in high quality, investment-grade marketable securities, money markets, and other cash equivalents. However, these funds held for clients are subject to general market, interest rate, credit, and liquidity risks. These risks may be exacerbated during periods of unusual financial market volatility. Any loss or inability to access client funds could have an adverse impact on our cash position and could require us to obtain additional sources of liquidity, and could have a material adverse effect on our business, financial condition and results of operations.

The markets in which we participate are highly competitive, and if we do not compete effectively, our operating results could be adversely affected.

The market for payroll and HCM solutions is fragmented, highly competitive and rapidly changing. Our competitors vary for each of our solutions, and include (i) enterprise-focused software providers, such as Ultimate Software Group, Inc., MasterTax, and Ceridian Corporation, (ii) payroll service providers, such as Automatic Data Processing, Inc., Paychex, Inc., Paycom Software, Inc., Paycor, Inc. and (iii) other regional providers, and HCM point solutions, such as Cornerstone OnDemand, Inc.

Several of our competitors are larger, have greater name recognition, longer operating histories, larger marketing budgets and significantly greater resources than we do, and are able to devote greater resources to the development, promotion and sale of their products and services. Some of our competitors could offer HCM solutions bundled as part of a larger product offering. In addition, many of our competitors have established marketing relationships, access to larger customer bases, and major distribution agreements with consultants, system integrators, and resellers.

Furthermore, our current or potential competitors may be acquired by third parties with greater available resources and the ability to initiate or withstand substantial price competition. As a result, our competitors may be able to develop products and services better received by our markets or may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, regulations or client requirements.

In addition, current and potential competitors have established, and might in the future establish, partner or form other cooperative relationships with vendors of complementary products, technologies or services to enable them to offer new products and services, to compete more effectively or to increase the availability of their products in the marketplace. New competitors or relationships might emerge that have greater market share, a larger client base, more widely adopted proprietary technologies, greater marketing expertise, greater financial resources, and larger sales forces than we have, which could put us at a competitive disadvantage. In light of these advantages, current or potential clients might accept competitive offerings in lieu of purchasing our offerings. We expect intense competition to continue for these reasons, and such competition could negatively impact our sales, profitability or market share.

Our clients could have insufficient funds to cover payments we have made on their behalf or credit that we have extended to them in connection with the services that we have provided, resulting in financial loss to us.

Our payroll processing service involves moving significant funds from our clients' account to employees and taxing authorities. We debit our clients' accounts prior to disbursements; however, due to ACH banking regulations, funds previously credited to our accounts could be reversed after our payment of amounts due to employees and taxing authorities. Therefore, the risk exists that a client's funds will be insufficient to cover the amount paid on its behalf. Should such clients default on their obligations, we might be required to advance substantial funds to cover such obligations. Additionally, we may be the target of deliberate fraud with fraudsters attempting to exploit the payroll payment process by posing as legitimate businesses and deliberately underfunding their payroll obligations. If required to advance substantial amounts of funds to cover payment obligations of our clients, we may need to seek additional sources of short-term liquidity, which may not be available on reasonable terms, which could have a material, adverse effect on our business, financial condition and results of operations.

We grant credit to customers in the ordinary course of business, exposing us to the credit risk of our customers. In the course of our sales to customers, we may encounter difficulty collecting accounts receivable, which could adversely impact our operating results and financial condition. We maintain reserves for potential credit losses. However, these reserves are based on our judgment and a variety of factors and assumptions.

We perform credit evaluations of our customers' financial condition and follow the terms of our AML BSA program to verify clients and their beneficial owners. However, our evaluation of the creditworthiness of customers may not be accurate if they do not provide us with timely and accurate financial information or if their situations change after we evaluate their credit. While we attempt to monitor these situations carefully, adjust our allowances for doubtful accounts as appropriate and take measures to collect accounts receivable balances, we have written down accounts receivable and written off doubtful accounts in prior periods and may be unable to avoid additional write-downs or write-offs of doubtful accounts in the future. Such write-downs or write-offs could negatively affect our operating results for the period in which they occur, and could harm our financial condition.

If the banks that currently provide ACH and wire transfers fail to properly transmit ACH, exit the payroll industry, or terminate their relationship with us or limit our ability to process funds or we are not able to increase our ACH capacity with our existing and new banking partners, our ability to process funds on behalf of our clients and our financial results and liquidity could be adversely affected.

We currently have agreements with banks and third party ACH processors to execute ACH and wire transfers to support our client payroll, benefit and tax services. If one or more of the banks fails to process ACH transfers on a timely basis, or at all, then our relationship with our clients could be harmed and we could be subject to claims by a client with respect to the failed transfers. In addition, these banks have no obligation to renew their agreements with us on commercially reasonable terms, if at all. If these banks terminate their relationships with us or restrict the dollar amounts of funds that they will process on behalf of our clients, their doing so may impede our ability to process funds and could have an adverse impact on our financial results and liquidity.

Our balance sheet includes significant amounts of goodwill and intangible assets. The impairment of a significant portion of these assets would adversely affect our business, operating results and financial condition.

As a result of our acquisitions, a significant portion of our total assets consist of intangible assets, including goodwill. Goodwill and identifiable intangible assets together accounted for approximately 36% of the total assets on our balance sheet as of December 31, 2022. We may not realize the full fair value of our intangible assets and goodwill. We expect to engage in additional acquisitions, which may result in our recognition of additional identifiable intangible assets and goodwill. We evaluate on a regular basis whether all or a portion of our goodwill and identifiable intangible assets may be impaired. Under current accounting rules, any determination that impairment has occurred would require us to write off the impaired portion of goodwill and such intangible assets, resulting in a charge to our earnings. Any future impairment of a significant portion of goodwill or intangible assets could have a material adverse effect on our business, operating results and financial condition.

Our ability to incur debt and the use of our funds could be limited by the restrictive covenants in our loan agreement for our term loan.

Our agreement with Structural Capital Investments III LP provides for a credit facility that contains restrictive covenants, including restrictions on our ability to pay dividends to stockholders, as well as requirements to comply with certain financial maintenance and liquidity tests. The agreement covenants may affect our ability to obtain future financing and to pursue attractive business opportunities and our flexibility in planning for, and reacting to, changes in business conditions. These covenants could place us at a disadvantage compared to some of our competitors, who may have fewer restrictive covenants and may not be required to operate under these restrictions.

We may be required to incur further debt to meet future capital requirements of our business. Should we be required to incur additional debt, the restrictions imposed by the terms of such debt could adversely affect our financial condition and our ability to respond to changes in our business.

If we incur additional debt, we may be subject to the following risks:

- our vulnerability to adverse economic conditions may be heightened;
- our flexibility in planning for, or reacting to, changes in our business may be limited;
- our debt covenants may affect our flexibility in planning for, and reacting to, changes in the economy and in our industry;
- higher levels of debt may place us at a competitive disadvantage compared to our competitors or prevent us from pursuing opportunities;
- covenants contained in the agreements governing our indebtedness may limit our ability to borrow additional funds and make certain investments;
- a significant portion of our cash flow could be used to service our indebtedness; and
- our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions or other general corporate purposes may be impaired.

We cannot assure you that our leverage and such restrictions will not materially and adversely affect our ability to finance our future operations or capital needs or to engage in other business activities.

We depend on data centers and computing infrastructure operated by third parties and any disruption in these operations could adversely affect our business.

We rely on hosted infrastructure partners, such as Amazon Web Services and to a lesser extent, data center providers, to provide third-party hosted environments for our applications. While we control and have access to our servers and all the components of the networks that are located in our hosted environments, we do not control the operations of these facilities. The owners of such facilities have no obligation to renew their agreements with us on commercially reasonable terms. If we are not able to renew these contracts on commercially reasonable terms, we may be required to transfer our servers and other infrastructure to new data facilities, and we may incur significant costs and possible service interruption in doing so. We may not have adequately distributed our systems within our hosted infrastructure partner's environment to prevent in any regional disruption or interference at our hosted infrastructure partners from adversely impacting our operations and our business.

Our SaaS hosting network infrastructure is a critical part of our business operations. Our clients access our HCM software through a standard web browser and depend on us for fast and reliable access to our products. Our software is proprietary, and we rely on third-party data center hosting facilities and the expertise of members of our engineering and software development teams for the continued performance of our software. We have experienced, and may in the future experience, disruptions in our computing and communications infrastructure. Factors that may cause such disruptions include:

- human error;
- security breaches;
- telecommunications outages from third-party providers;
- computer viruses;
- acts of terrorism, war, sabotage or other intentional acts of vandalism, including cyber attacks;
- unforeseen interruption or damages experienced in moving hardware to a new location, including government-imposed travel restrictions;
- fire, earthquake, flood, the spread of major epidemics (including coronavirus) and other natural disasters; and
- power loss.

Although we generally back up our client databases hourly, store our data in more than one geographically distinct location at least weekly, we do not currently offer immediate access to disaster recovery locations in the event of a disaster or major outage. Thus, in the event of any of the factors described above, or other failures of our computing infrastructure, clients may not be able to access their data for lengthy periods of time and it is possible that client data from recent transactions may be permanently lost or otherwise compromised. In addition, we may not have adequate insurance coverage to compensate for losses from a major interruption. Moreover, some of our agreements include performance guarantees and service level standards that obligate us to provide credits, refunds or termination rights in the event of a significant disruption in our SaaS hosting network infrastructure or other technical problems that relate to the functionality or design of our software.

We may require additional capital to support business growth, and this capital may not be available on acceptable terms, or at all.

We intend to continue to make investments, including the acquisition of complementary businesses, to support our business growth and may seek additional funds to respond to business challenges, including the need to develop new features or enhance our existing products, improve our operating infrastructure or acquire complementary businesses and technologies. Accordingly, we may need to engage in additional equity or debt financings to secure additional funds. If we raise additional funds through issuances of equity or debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. In addition, we may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not generate cash flow from operations in the future sufficient to satisfy our obligations under the notes and any future indebtedness we may incur and to make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as reducing or delaying investments or capital expenditures, selling assets, refinancing or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance future indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on the notes or future indebtedness.

If we lose key personnel, including key management personnel, or are unable to attract and retain additional personnel as needed in the future, it could disrupt the operation of our business, delay our product development and harm our growth efforts.

Our future performance depends largely on our ability to continually and effectively attract, train, retain, motivate and manage highly qualified and experienced technical, sales, marketing, managerial and executive personnel. Our future development and growth depend on the efforts of key management personnel and technical employees. We cannot guarantee that we will continue to attract and retain personnel with the requisite capabilities and experience. The loss of one or more of our key management or technical personnel could have a material and adverse effect on our business, operating results and financial condition.

We continue to experience turnover within our finance team. If we are unable to retain and successfully integrate their replacements in our business, it could have a material adverse effect on our business and the reliability of our financial statements.

Our future performance depends largely on our ability to continually and effectively attract, train, retain, motivate and manage highly qualified and experienced individuals, specifically in our finance function. In the last year, we had significant turnover in our finance and accounting team, including tax, SEC reporting, treasury and audit functions, thereby resulting in a lack of institutional knowledge as to our financial operations. While none of these former employees left us due to any disagreement with management over the financial statements, the loss of these individuals impacts the continuity of our financial reporting and related internal controls. If we are unable to retain and successfully integrate the current employees serving in these roles, it could have a material impact on our business and financial results.

If we fail to adequately protect our proprietary rights, our competitive advantage and brand could be impaired and we may lose valuable assets, generate reduced revenue and incur costly litigation to protect our rights.

Our success is dependent, in part, upon protecting our proprietary technology. We rely on a combination of trademarks, service marks, trade secret laws and contractual restrictions to establish and protect our proprietary rights in our products and services. However, the steps we take to protect our intellectual property may be inadequate. We will not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property. Despite our precautions, it may be possible for unauthorized third parties to copy our products and use information that we regard as proprietary to create products and services that compete with ours. Some license provisions protecting against unauthorized use, copying, transfer and disclosure of our licensed products may be unenforceable under the laws of certain jurisdictions and foreign countries. While our general practice is to enter into confidentiality and invention assignment agreements with our employees and consultants and confidentiality agreements with the parties with whom we have strategic relationships and business alliances, these agreements may not be effective in controlling access to and distribution of our products and proprietary information. Further, these agreements do not prevent our competitors from independently developing technologies that are substantially equivalent or superior to our products. Litigation brought to protect and enforce our intellectual property rights could be costly, time consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. If we fail to secure, protect and enforce our intellectual property rights, we may lose valuable assets, generate reduced revenue and incur costly litigation to protect our rights, which could adversely affect our business, operating results and financial condition.

We may be sued by third parties for infringement of their proprietary rights.

There is considerable intellectual property development activity in our industry. Our success depends upon our not infringing upon the intellectual property rights of others. Third parties, including our competitors, may own or claim to own intellectual property relating to our products or services and may claim that we are infringing their intellectual property rights. We may be found to be infringing upon such rights, even if we are unaware of their intellectual property rights. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, obtain licenses, modify applications, prevent us from offering our services, or require that we comply with other unfavorable terms. We may also be obligated to indemnify our customers, vendors or partners in connection with any such claim or litigation. Even if we were to prevail in such a dispute, any litigation regarding our intellectual property could be costly and time-consuming and divert the attention of our management and key personnel form our business operations. Any such events could have a material adverse effect on our business, financial condition and results of operations.

Some of our key components are procured from a single or limited number of suppliers. Thus, we are at risk of shortage, price increases, tariffs, changes, delay, or discontinuation of key components, which could disrupt and materially and adversely affect our business.

Some of the key components used to manufacture our products, such as the AsureForce® time clocks and air clocks, come from limited or single sources of supply. We do not have contractual commitments or guaranteed supply arrangements with our suppliers. As a result, we are subject to the risk of shortages and long lead times in the supply of our components or products. Further, our suppliers may experience financial or other difficulties as a result of uncertain and weak worldwide economic conditions. Other factors which may affect our suppliers' ability or willingness to supply components to us include internal management or reorganizational issues, such as roll-out of new equipment which may delay or disrupt supply of previously forecasted components, or industry consolidation and divestitures, which may result in changed business and product priorities among certain suppliers. It could be difficult, costly and time consuming to obtain alternative sources for these components, or to change product designs to make use of alternative components. In addition, difficulties in transitioning from an existing supplier to a new supplier could create delays in component availability that would have a significant impact on our ability to fulfill orders for our products.

Even if demand for HCM products and services increases generally, there is no guarantee that demand for SaaS products generally or our products in particular will increase to a corresponding degree, or at all.

The widespread adoption of our products depends not only on strong demand for HCM products and services generally, but also for products and services delivered via a SaaS business model in particular. A significant number of organizations do not use HCM products, and it is unclear whether such organizations will ever use these products and, if they do, whether they will choose to use a SaaS software service or our HCM products in particular. As a result, we cannot assure you that our SaaS HCM software products will achieve and sustain the high level of market acceptance that is critical for the success of our business.

Our failure to comply with existing laws and regulations may result in adverse effects on our business, service and financial condition and failure to comply with changing laws and regulations through modifications, developments, and enhancements to our products and services could have a material adverse effect on our business and results of operations.

Our services are subject to various laws and regulations including COBRA, HIPAA, laws and regulations promulgated by state wage and hour authorities and anti-money laundering regulations. Failure to comply with the multiple laws and regulations that impact us may result in civil liability from our clients for noncompliance, regulatory fines, and loss of reputation in the event of a public regulatory investigation or consent order or civil lawsuit. Moreover, many of our solutions are designed to assist our clients with their compliance with myriad government regulations and laws that continually change. For example, regulatory changes in 2020 in response to the COVID-19 pandemic necessitated multiple product modifications to accommodate changes relevant to the collection and remittance of payroll tax, including payroll tax deferments. The introduction of new regulatory requirements or changes in interpretation of existing laws or regulations could increase our cost of doing business. As with the development changes necessitated with new regulations in response to COVID-19, changing regulatory requirements may require the introduction of new applications or enhancements, or may make new modifications or new applications more expensive or could prevent the introduction of new applications. Changes in laws could also impact applications under development, rendering them in applicable or obsolete mid development which could result in wasted time and development money. Any failure to anticipate and respond to these legal regulations and changes and provide tools and applications to solve for these changes in a timely fashion could adversely affect our reputation and affect our business and results of operations.

We may be subject to claims, lawsuits, governmental investigations and other proceedings that could adversely affect our business, financial condition and results of operations.

We are sometimes the subject of claims, lawsuits, governmental investigations and other legal and regulatory proceedings in the ordinary course of business, including those involving, among others, breach of contract, tortious conduct and employment law matters. The results of any such claims, lawsuits, or other legal or regulatory proceedings cannot be predicted with certainty. Any claims against us, whether meritorious or not, could be time-consuming, result in costly litigation, be harmful to our reputation, impact licenses that are necessary or required to operate our business, require significant management attention and divert significant resources. It is possible that a resolution of one or more such proceedings could result in substantial damages, settlement costs, fines and penalties that could adversely affect our business, financial condition and results of operations.

We incur significant costs as a result of operating as a public company, and our management will devote substantial time to new compliance initiatives. We may fail to comply with the rules that apply to public companies, which could result in sanctions or other penalties that would harm our business.

We incur significant legal, accounting and other expenses as a public company, including costs resulting from public company reporting obligations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and regulations regarding corporate governance practices. The listing requirements of The Nasdaq Capital Market require that we satisfy certain corporate governance requirements relating to director independence, distributing annual and interim reports, stockholder meetings, approvals and voting, soliciting proxies, conflicts of interest and a code of conduct. Our management and other personnel devote a substantial amount of time to ensure that we comply with all of these requirements. Moreover, new reporting requirements, rules and regulations will increase our legal and financial compliance costs and will make some activities more time consuming and costly. Any changes we make to comply with these obligations may not be sufficient to allow us to satisfy our obligations as a public company on a timely basis, or at all.

To the extent that our pre-tax income or loss becomes relatively modest, our ability to conclude that a control deficiency is not a material weakness or that an accounting error does not require a restatement could be adversely affected.

Under the Sarbanes-Oxley Act of 2002, our management is required to assess the impact of control deficiencies based upon both quantitative and qualitative factors, and depending upon that analysis, we classify such identified deficiencies as either a control deficiency, significant deficiency or a material weakness. One element of our analysis of the significance of any control deficiency is its actual or potential financial impact. This assessment will vary depending on our level of pre-tax income or loss. For example, a smaller pre-tax income or loss will increase the likelihood of a quantitative assessment of a control deficiency as a significant deficiency or material weakness.

To the extent that our pre-tax income or loss is relatively small, if management or our independent registered public accountants identify an error in our interim or annual financial statements, it is more likely that such an error may be determined to be a material weakness or be considered a material error that could, depending upon the complete quantitative and qualitative analysis, result in our having to restate previously issued financial statements.

Volatility and weakness in bank and capital markets may adversely affect credit availability and related financing costs for us.

Banking and capital markets can experience periods of volatility and disruption. If the disruption in these markets is prolonged, our ability to refinance, and the related cost of refinancing, some or all of our debt could be adversely affected. Although we currently can access the bank and capital markets, there is no assurance that such markets will continue to be a reliable source of financing for us. These factors, including the tightening of credit markets, could adversely affect our ability to obtain cost effective financing. Increased volatility and disruptions in the financial markets also could make it more difficult and more expensive for us to refinance outstanding indebtedness and to obtain financing. In addition, the adoption of new statutes and regulations, the implementation of recently enacted laws, or new interpretations or the enforcement of older laws and regulations applicable to the financial markets or the financial services industry could result in a reduction in the amount of available credit or an increase in the cost of credit. Disruptions in the financial markets can also adversely affect our lenders, insurers, customers, and other counterparties. Any of these results could have a material adverse effect on our business, financial condition, and results of operations.

Changes in financial accounting standards or practices may cause adverse, unexpected financial reporting fluctuations and affect our reported operating results.

A change in accounting standards or practices can have a significant effect on our reported results and may even affect our reporting of transactions completed before the change is effective. New accounting pronouncements and varying interpretations of accounting pronouncements have occurred and may occur in the future. Changes to existing rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business.

The use of open-source software in our applications may expose us to risks and harm our intellectual property rights.

The use of open-source software in our products may expose us to additional risks and harm our intellectual property rights. There have been claims in the past challenging the ownership of open-source software against companies that incorporate such software into their products or applications. As a result, we could be subject to intellectual property related claims around ownership rights to what we believe to be open-source software. In addition, if we were to combine our applications with open-source software in a certain manner, we could, under certain of the open-source licenses, be required to release the source code of our applications. If we inappropriately use open-source software, we may be required to redesign our applications, discontinue the sale of our applications or take other remedial actions, which could adversely impact our business, operating results or financial condition.

We may be adversely affected by failure of third parties in providing their services.

We rely on multiple third-party service providers to provide services to our clients as part of our service offerings. Service providers include for example our banking and ACH transaction partners, mail services, outsourced consumer health care administration service providers, and Amazon Web Services hosting services. Failure of these providers to deliver their services in a compliant, timely manner could result in material disruption to our business, result in reputational damage, expose us to greater liability from our clients than we can recover from the third parties, any of which may adversely affect our results of operations.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, or the Code, if a corporation undergoes an “ownership change,” the corporation’s ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes, such as research tax credits, to offset its post-change income and taxes may be limited. In general, an “ownership change” occurs if there is a cumulative change in our ownership by “5% shareholders” that exceeds 50 percentage points over a rolling three-year period. Similar rules apply under state tax laws. In the event that it is determined that we have in the past experienced ownership changes, or if we experience one or more ownership changes as a result of future transactions in our stock, then we may be limited in our ability to use our net operating loss carryforwards and other tax assets to reduce taxes owed on the net taxable income that we earn. Any such limitations on the ability to use our net operating loss carryforwards and other tax assets could adversely impact our business, operating results, and financial condition.

Our software and solutions may not function adequately, which could damage our reputation and give rise to claims against us, which could harm our business and operating results.

Our software and solutions are complex and operate in an environment of intricate federal, state and local regulations that pertain to human resources, taxes, payroll, benefits and other areas of the Human Capital Management marketplace. To the extent to which our software contains defects or errors our clients might assert claims against us in the future alleging that they suffered damages due to a defect, error or other failure of our software or solutions.

While our agreements with our clients may contain provisions intended to limit our exposure to such claims, they may not be effective in limiting our exposure. A successful claim for product or service liability brought against us could result in substantial cost to us. We maintain insurance to cover such claims, however, it may be inadequate or may not be available in the future on acceptable terms or at all. In addition, the cost of defending a suit, regardless of its merit, could be costly and divert management’s attention.

Inability to maintain the third-party licensed software we use in our applications at the current costs could result in increased costs or reduced service levels, which could adversely affect our business.

We use certain third-party software in our applications that we obtain from other companies and will continue to rely on such third party software. If we were required to find alternatives to such software for whatever reason, it may be expensive to replace, and could require significant investment of time and resources to find alternatives and integrate with our software. Additionally, error or issues in that software could adversely affect our own software and errors or defects may not be readily apparent to use, resulting in a failure of our applications.

Evolving regulation of the Internet, changes in the infrastructure underlying the Internet or interruptions in Internet access may adversely affect our business, operating results and financial condition by increasing our expenditures and causing client dissatisfaction.

Our services depend on the ability of our registered users to access the Internet. Currently, this access is provided by companies that have significant market power in the broadband and Internet access marketplace, including incumbent telephone companies, cable companies, mobile communications companies and government-owned service providers. Laws or regulations that adversely affect the growth, popularity or use of the Internet, including changes to laws or regulations impacting Internet neutrality, could decrease the demand for our products, increase our operating costs, require us to alter the manner in which we conduct our business and/or otherwise adversely affect our business. For example, the Federal Communications Commission (the “FCC”) recently adopted an order repealing rules that prohibit Internet service providers (“ISPs”) from blocking or throttling Internet traffic, and from engaging in practices that prioritize particular Internet content in exchange for payment (also known as “paid prioritization”). The order is not yet effective and has been challenged in court, which could result in further changes to the governing law. There is also uncertainty regarding how the FCC’s new framework, if upheld, and new oversight by the Federal Trade Commission (“FTC”) will be applied. Depending on ongoing appellate proceedings and future action by the FCC and FTC, we could experience discriminatory or anti-competitive practices that could cause us to incur additional expense or otherwise adversely affect our business, operating results and financial condition. In particular, the repeal of restrictions on paid prioritization could enable ISPs to impose higher fees and otherwise adversely affect our business.

In addition, the rapid and continual growth of traffic on the Internet has resulted at times in slow connection and download speeds of Internet users. Our business may be harmed if the Internet infrastructure cannot handle our clients’ demands or if hosting capacity becomes insufficient. If our clients become frustrated with the speed at which they can utilize our products over the Internet, our clients may discontinue the use of our software and choose not to renew their contracts with us. Further, the performance of the Internet has also been adversely affected by viruses, worms, hacking, phishing attacks, denial of service attacks and other similar malicious programs, as well as other forms of damage to portions of its infrastructure, which have resulted in a variety of Internet outages, interruptions and other delays. These service interruptions could diminish the overall attractiveness of our products to existing and potential users and could cause demand for our products to suffer.

Adverse tax laws or regulations could be enacted, or existing laws could be applied to us or our clients, which could increase the costs of our services and adversely impact our business.

The application of federal, state, and local tax laws to services provided electronically often involve complex issues and significant judgment. New laws or changes to existing income, sales, use or other tax laws, statutes, rules, regulations or ordinances could be enacted at any time, possibly with retroactive effect, and could be applied solely or disproportionately to services provided over the Internet. These enactments could adversely affect our business, results of operations and financial condition due to the inherent cost increase. Moreover, each state has different rules and regulations governing sales and use taxes, and these rules and regulations are subject to varying interpretations that change over time. We review these rules and regulations periodically and, when we believe we are subject to sales and use taxes in a particular state, we may voluntarily engage state tax authorities to determine how to comply with that state's rules and regulations. We cannot, however, assure you that we will not be subject to sales and use taxes or related penalties for past sales in states where we currently believe no such taxes are required. If one or more taxing authorities determines that taxes should have, but have not, been paid with respect to our services, we might be liable for past taxes and the associated interest and penalty charges, in addition to taxes going forward, which will adversely affect our business, sales activity, results of operations and financial condition.

RISKS RELATED TO OUR SECURITIES

Our common stock has traded in low volumes. We cannot predict whether an active trading market for our common stock will ever develop.

Historically, our common stock has experienced a lack of trading liquidity. In the absence of an active trading market:

- an investor may have difficulty buying and selling our common stock at all or at the price one considers reasonable; and
- market visibility for shares of our common stock may be limited, which may have a depressive effect on the market price for shares of our common stock and on our ability to raise capital or make acquisitions by issuing our common stock.

Our stock price has been, and likely will continue to be, volatile.

The market price of our common stock has in the past been and is likely to continue in the future to be, volatile. During the fiscal year ended December 31, 2022, the Nasdaq closing price of one share of our common stock fluctuated from a low of $5.04 to a high of $10.50. During the fiscal year ended December 31, 2021, the Nasdaq closing price of one share of our common stock fluctuated from a low of $7.22 to a high of $9.80. The market price of our common stock may be influenced by many factors, some of which are beyond our control, including:

- announcements regarding the results of expansion or development efforts by us or our competitors;
- announcements regarding the acquisition of businesses or companies by us or our competitors;
- technological innovations or new products and services developed by us or our competitors;
- changes in domestic or foreign laws and regulations affecting our industry
- issuance of new or changed securities analysts' reports and/or recommendations applicable to us or our competitors;
- changes in financial or operational estimates or projections;
- additions or departure of our key personnel;
- actual or anticipated fluctuations in our quarterly financial and operating results and degree of trading liquidity in our common stock; and
- political or economic uncertainties, including the continuing impact of the coronavirus, the Russian invasion of Ukraine and other developments that affect the equity trading markets

In addition, stock markets generally have experienced significant price and volume volatility. This volatility has had a substantial effect on the market prices of securities of many public companies for reasons frequently unrelated or disproportionate to the operating performance of the specific companies.

Sales, or the potential for sales, of a substantial number of shares of our common stock in the public market by us or our existing stockholders could cause our stock price to fall.

The sale of substantial amounts of shares of our common stock in the public market, or the perception that such sales could occur, could harm the prevailing market price of shares of our common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to raise capital through the sale of equity securities in the future at a time and at a price that we deem appropriate.

We do not intend to pay dividends for the foreseeable future, and you must rely on increases in the market price of our common stock for returns on equity investment.

For the foreseeable future, we intend to retain any earnings to finance the development and expansion of our business, and we do not anticipate paying any cash dividends on our common stock. In addition, our Senior Credit Agreement with Structural Capital Investments III LP contains limitations on our ability to pay dividends and make other distributions. Accordingly, investors must be prepared to rely on sales of their common stock after price appreciation to earn an investment return, which may never occur. Investors seeking cash dividends should not purchase our common stock. Any determination to pay dividends in the future will be made at the discretion of our board of directors and will depend on our results of operations, financial condition, capital requirements, contractual restrictions, restrictions imposed by applicable law and other factors our board deems relevant.

Our stockholder rights plan, or "poison pill," includes terms and conditions which could discourage a takeover or other transaction that stockholders may consider favorable.

On October 28, 2009, stockholders of record at the close of business on that date received a dividend of one right (a "Right") for each outstanding share of common stock. Each Right entitles the registered holder to purchase one one-thousandth of a share of Series A junior participating preferred stock of the Company (the "Preferred Stock"), at a price of $11.63 per one thousandth of a share of Preferred Stock, subject to adjustment (the "Exercise Price"). The Rights are not exercisable until the Distribution Date referred to below. The description and terms of the Rights are set forth in the Third Amended and Restated Rights Agreement between the Company and American Stock Transfer & Trust Company LLC, dated as of October 28, 2022, which extended the expiration date of the Rights to October 28, 2025.

The Third Amended and Restated Rights Agreement imposes a significant penalty upon any person or group that acquires 4.9% or more (but less than 50%) of our then-outstanding common stock without the prior approval of the board of directors. Stockholders who own 4.9% or more of our then-outstanding common stock as of the close of business on the Record Date will not trigger the Third Amended and Restated Rights Agreement so long as they do not increase their ownership of the common stock after the Record Date by more than one-half of 1% of the then-outstanding common stock. A person or group that acquires shares of our common stock in excess of the above-mentioned applicable threshold, subject to certain limited exceptions, is called an "Acquiring Person." Any rights held by an Acquiring Person are void and may not be exercised. The Rights will not be exercisable until 10 days after a public announcement by us that a person or group has become an Acquiring Person. On the date (if any) that the Rights become exercisable (the "Distribution Date"), each Right would allow its holder to purchase one one-thousandth of a share of Preferred Stock for a purchase price of $11.63. In addition, if a person or group becomes an Acquiring Person after the Distribution Date or already is an Acquiring Person and acquires more shares after the Distribution Date, all holders of Rights, except the Acquiring Person, may exercise their rights to purchase a number of shares of the common stock (in lieu of Preferred Stock) with a market value of twice the Exercise Price, upon payment of the purchase price.

The Rights will expire on the earliest of (a) October 28, 2025, (b) the exchange or redemption of the Rights, (c) consummation of a merger or consolidation or sale of assets resulting in expiration of the Rights, (d) the consummation of a reorganization transaction entered that the board of directors determines will help prevent an "Ownership Change," as defined in Section 382 of the Code and protect our net operating losses, (e) the repeal of Section 382 of the Internal Revenue Code or any successor statute, or any other change, if the board of directors determines the Third Amended and Restated Rights Agreement is no longer necessary for the preservation of tax benefits, or (f) the beginning of a taxable year to which the board of directors determines that no tax benefits may be carried forward.

We may, at our option and with the approval of the board of directors, at any time prior to the close of business on the earlier of (i) the tenth day following the first date of public announcement by us or an Acquiring Person that an Acquiring Person has become such or such later date as may be determined by action of a majority of the members of the board of directors then in office and publicly announced by us or (ii) October 28, 2025, redeem all but not less than all the then outstanding Rights at a redemption price of $0.067 per Right (such redemption price being herein referred to as the "Redemption Price"). We may, at our option, pay the Redemption Price either in common stock (based on the current per share market price thereof) or cash; provided, that if the board of directors authorizes redemption of the Rights on or after the time a person becomes an Acquiring Person, then such authorization shall require the concurrence of a majority of the members of the board of directors then in office. In addition, after a person becomes an Acquiring Person the board of directors may exchange the Rights (other than Rights owned by the Acquiring Person or its affiliates), in whole or in part, at an exchange ratio of one common share per Right (subject to adjustment).

The Rights have certain anti-takeover effects, including potentially discouraging a takeover that stockholders may consider favorable. The Rights will cause substantial dilution to a person or group that attempts to acquire us on terms not approved by the board of directors. On the other hand, the Rights should not interfere with any merger or other business combination approved by the board of directors since the Rights may be redeemed by us at the Redemption Price prior to the date ten days after the public announcement that a person or group has become the beneficial owner of 4.9% or more of the common stock, and any securities which a person or any of such person's affiliates may be deemed to have the right to acquire pursuant to any merger or other acquisition agreement between us and such person may be excluded from the calculation of their beneficial ownership if such agreement has been approved by the board of directors prior to them becoming an Acquiring Person.

Provisions in our charter documents and under Delaware law could discourage a takeover that stockholders may consider favorable and may lead to entrenchment of our management and board of directors.

Our restated certificate of incorporation, as amended, and third amended and restated bylaws, as amended, contain provisions that could have the effect of delaying or preventing changes in control or changes in our management or our board of directors. These provisions include:

- no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;

- in addition to our current stockholder rights plan, the ability of our board of directors to further issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;

- the requirement that a special meeting of stockholders may be called only by the Chairman of the board of directors, the Chief Executive Officer or the Secretary at the request of the board of directors or upon the written request, stating the purpose of the meeting, of stockholders who together own of record 10% of the outstanding shares of each class of stock entitled to vote at such meeting, which may delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors; and

- advance notice procedures that stockholders must comply with in order to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of us.

We are also subject to certain anti-takeover provisions under Delaware law. Under Delaware law, a corporation may not, in general, engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other things, the board of directors has approved the transaction. We have not opted out of this provision of Delaware law.

Our business could be negatively affected as a result of actions of activist stockholders, and such activism could impact the trading value of our securities.

Stockholders may, from time to time, engage in proxy solicitations or advance stockholder proposals, or otherwise attempt to effect changes and assert influence on our board of directors and management. Activist campaigns that contest or conflict with our strategic direction or seek changes in the composition of our board of directors could have an adverse effect on our operating results and financial condition. A proxy contest would require us to incur significant legal and advisory fees, proxy solicitation expenses and administrative and associated costs and require significant time and attention by our board of directors and management, diverting their attention from the pursuit of our business strategy. Any perceived uncertainties as to our future direction and control, our ability to execute on our strategy, or changes to the composition of our board of directors or senior management team arising from a proxy contest could lead to the perception of a change in the direction of our business or instability which may result in the loss of potential business opportunities, make it more difficult to pursue our strategic initiatives, or limit our ability to attract and retain qualified personnel and business partners, any of which could adversely affect our business and operating results. If individuals are ultimately elected to our board of directors with a specific agenda, it may adversely affect our ability to effectively implement our business strategy and create additional value for our stockholders. We may choose to initiate, or may become subject to, litigation as a result of the proxy contest or matters arising from the proxy contest, which would serve as a further distraction to our board of directors and management and would require us to incur significant additional costs. In addition, actions such as those described above could cause significant fluctuations in our stock price based upon temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal offices are located in Austin, Texas where we occupy approximately 9,500 square feet of office space. We also lease office suites in California, Florida, Nebraska, New Jersey, New York, Tennessee and Vermont.

Management believes that the leased properties described above are adequate to meet Asure’s current operational requirements and can accommodate further physical expansion of office space as needed.

ITEM 3. LEGAL PROCEEDINGS

Although 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 December 31, 2022, we were not party to any material legal proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II – OTHER INFORMATION

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET INFORMATION

Our common stock trades on the Nasdaq Capital Market under the symbol "ASUR."

HOLDERS

As of February 24, 2023, we had approximately 253 stockholders of record of our common stock.

UNREGISTERED SALE OF EQUITY SECURITIES

There were no unregistered sales of equity securities by us during the year ended December 31, 2022 that were not reported in our quarterly reports on Form 10-Q or our current reports on Form 8-K.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information as of December 31, 2022 with respect to shares of our common stock that we may issue under our existing equity compensation plans (share amounts in thousands):

	A	B	C
	Number of Securities to be Issued Upon Exercise of Outstanding Options and Release of Nonvested RSUs	**Weighted Average Exercise Price of Outstanding Options**	**Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column A)[3]**
Equity Compensation Plan Approved by Stockholders[1]	$ 2,212	$ 7.30	$ 2,343
Equity Compensation Plans Not Approved by Stockholders[2]	—	—	—
Total	$ 2,212	$ 7.30	$ 2,343

(1) Consists of stock option and restricted stock unit awards granted under our 2018 Incentive Award Plan.
(2) Our stockholders have previously approved our existing equity compensation plan.

ITEM 6. RESERVED

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements in this Report represent forward-looking statements. Forward-looking statements include but are not limited to statements regarding our strategy, future operations, financial condition, results of operations, projected costs, and plans and objectives of management. Actual results may differ materially from those contemplated by the forward-looking statements due to, among others, the risks and uncertainties described in this Report and in our other SEC filings.

We have attempted to identify these forward-looking statements with the words "believes," "estimates," "plans," "expects," "anticipates," "may," "will," "could," "should" and other similar expressions. Although these forward-looking statements reflect management's current plans and expectations, which we believe reasonable as of the filing date of this Report, they inherently are subject to certain risks and uncertainties. Additionally, we are under no obligation to update any of the forward-looking statements after the date of this Annual Report on Form 10-K or to conform such statements to actual results.

OVERVIEW

We are a provider of Human Capital Management ("HCM") solutions, delivered as software-as-a-service. Our product suite manages the entire employment lifecycle, allowing our clients to better serve their employees by providing the tools necessary to field a human resources department without the traditional overhead costs.

We strive to be the most trusted HCM resource to small and medium-sized businesses ("SMBs") and are focused on less densely populated U.S. metropolitan cities where fewer of our competitors have a presence. We sell our solutions through both direct and partner channels. We supplement our direct sales efforts with partner programs that afford us access to opportunities in various geographic and industry niches. Asure has two types of partners: Reseller Partners that white label our products while providing value-added services to their clients (our indirect clients) and Referral Partners that provide us with SMB leads but do not resell our solutions.

As of December 31, 2022, Asure had more than 100,000 clients, split between approximately 15,000 direct and the remaining 85,000 indirect clients who have contracts with Reseller Partners.

Asure has several forms of revenue that result from our business model:

Software-as-a-service revenue is generated when clients utilize our product suite for their recurring human resource needs—primarily payroll, tax, HR compliance, time and attendance, and AsureMarketplace™. This also contains revenue generated from quarterly and annual reporting requirements to local, state and federal regulatory agencies. Examples include Form W-2 and reporting mandated by the Affordable Care Act (the "ACA").

Hardware-as-a-service revenue is generated when clients choose not to purchase our hardware, but rather rent the devices. This hardware includes a variety of clocks used to track time and attendance. Hardware revenue is generated when our clients buy our devices outright.

Maintenance and support revenue is generated from servicing our hardware on our clients' behalf and providing training on how to operate both our hardware and software products.

Professional services revenue is generated from our clients' needs that would normally be fulfilled by an internal payroll system or human resources department.

Our tax management solutions revenue is derived from providing clients with innovative payroll tax processing software and service solutions and includes revenue generated from Employee Retention Tax Credit tax filing activity related to the CARES Act.

Interest from client funds is generated when we gain possession of funds intended to be disbursed based on the clients' needs. We invest the monies in short and long-term securities that may be held to maturity before disbursement.

2022 Highlights

- Consolidated revenue of $95,828 for 2022, representing a 26% increase over revenue in 2021

- Launch of AsureMarketplace™, to automate interactions between Asure's HCM systems with third-party providers to enhance efficiency, improve accuracy and to extend the range of services offered to employers and their employees.

OPERATING SEGMENT

We operate as one operating segment. Operating segments are defined as components of an enterprise for which the chief operating decision maker, who in our case is the Chief Executive Officer, in deciding how to allocate resources and assess performance, evaluates separate financial information regularly. Over the last seven years, we have completed a number of acquisitions. These acquisitions have allowed us to expand our offerings, presence and reach in various market segments of the human capital management market. Our business operates in one operating segment because our chief operating decision maker evaluates our financial information and resources and assesses the performance of these resources on a consolidated basis. Because we operate as one operating segment, all required financial segment information can be found in the Consolidated Financial Statements.

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 Consolidated Statements of Comprehensive (Loss) Income:

	Year Ended December 31,	
	2022	2021
Revenues	100 %	100 %
Gross profit	65 %	61 %
Sales and marketing	21 %	20 %
General and administrative	35 %	36 %
Research and development	6 %	7 %
Amortization of intangible assets	14 %	14 %
Total operating expenses	77 %	78 %
Interest expense and other, net	(5)%	(3)%
Gain on extinguishment of debt	— %	11 %
Employee retention tax credit	— %	14 %
Gain (loss) from operations before income taxes	(15)%	5 %
Net income (loss)	(15)%	4 %

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 90% of total revenue in the year ended 2022, compared to 93% in 2021.

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

	Year Ended December 31,		Variance	
	2022	2021	$	%
Recurring	$ 86,222	$ 71,078	$ 15,144	21 %
Professional services, hardware and other	9,606	4,986	4,620	93 %
Total	$ 95,828	$ 76,064	$ 19,764	26 %

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 revenue 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 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. Therefore, we expect the seasonality of our revenue cycle to decrease to the extent clients utilize more of our non-payroll applications.

This revenue line also includes interest earned on funds held for clients as well as revenues generated via fixed fee arrangements for provisioning and filing for 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 Earned Retention Tax Credits. Revenue generated for such activity is based on multi-year contracts with volume commitments and is recorded as recurring revenues.

Recurring revenue for the year ended December 31, 2022 was $86,222, an increase of $15,144, or 21%, from $71,078 for the year ended December 31, 2021. Recurring revenue increased due to organic growth within our client base, the impact of acquisitions, higher interest revenue and from the 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 $4,620, or 93%, for the year ended December 31, 2022 from the similar period in 2021, due to higher 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 year ended December 31, 2022 was $62,510, an increase of $15,946, or 34%, from $46,564 for the year ended December 31, 2021. Gross margin as a percentage of revenue was 65% for the year ended December 31, 2022 as compared to 61% for the year ended December 31, 2021. Our increase in gross margin is primarily attributable to the increase in revenue and more efficient operations.

Our cost of sales relates primarily to direct product costs, compensation for operations and related consulting expenses, hardware expenses, facilities and related 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, commissions, as well as marketing programs, which include events, corporate communications and product marketing activities.

Selling and marketing expenses for the year ended December 31, 2022 were $20,260, an increase of $4,812, or 31%, from $15,448 for the year ended December 31, 2021, primarily due to increased personnel costs, higher sales commissions owing to increased revenues and higher advertising expense. Selling and marketing expenses as a percentage of revenue increased to 21% for the year ended December 31, 2022 from 20% for the same period in 2021.

We 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 year ended December 31, 2022 were $33,924, an increase of $6,204, or 22%, from $27,720 for the year ended December 31, 2021, primarily attributable to increased personnel, contracting and bank charges. General and administrative expenses as a percentage of revenue decreased to 35% for the year ended December 31, 2022 from 36% for the same period in 2021.

We continue to drive efficiencies within our payroll operations by continually reevaluating our vendor relationships.

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 year ended December 31, 2022 were $6,147, an increase of $737, or 14%, from $5,410 for the year ended December 31, 2021. The increase in R&D expense is primarily attributable to an increase in personnel costs. R&D expenses as a percentage of revenues decreased to 6% for the year ended December 31, 2022 from 7% for the same period in 2021.

We will continue to enhance our products and technologies through expansion of our technological resources by increasing headcount and development partnerships, as well as through organic improvements and acquired intellectual property. We will 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. We believe that our expanded investment in product, engineering, SaaS hosting, mobile and hardware technologies lay the groundwork for broader market opportunities and represents a key aspect of our competitive differentiation. Native mobile applications, common user interface, expanded web service integration and other technologies are all part of our initiatives.

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 in operating expenses for the year ended December 31, 2022 was $13,486, an increase of $2,538, or 23%, from $10,948 for the year ended December 31, 2021. Amortization expense as a percentage of revenue was 14% for the years ended December 31, 2022 and 2021, respectively.

Interest Expense and Other, Net

Interest expense and other, net for the year ended December 31, 2022 was an expense of $4,438 compared to an expense of $2,038 for the year ended December 31, 2021. The increase in interest expense and other, net relative to the prior year is attributable to higher average borrowings under our credit facility with Structural Capital Investments III LP. Interest expense and other, net as a percentage of revenue was an expense of 5% and 3% for the years ended December 31, 2022 and December 31, 2021, respectively. Interest expenses for the year ended December 31, 2022 and 2021 is composed primarily of interest expense on notes payable.

Gain on Extinguishment of Debt

There was no gain on extinguishment of debt for the year ended December 31, 2022, compared with a gain of $8,312 for the year ended December 31, 2021. The gain in 2021 was primarily related to the forgiveness of an unsecured Paycheck Protection Program (“PPP”) loan from Pinnacle Bank (the “Lender”) under the Coronavirus Aid, Relief and Economic Security Act. In June 2021, we received notice from our Lender that the Small Business Administration (“SBA”) had approved our application for forgiveness of our PPP loan. The amount forgiven was $8,654.

Employee Retention Tax Credit

There was no Employee Retention Tax Credit (“ERTC”) recorded for the year ended December 31, 2022. An ERTC of $10,533 was recorded in the year ended December 31, 2021. The ERTC is a refundable tax credit against certain employment taxes provided under the CARES Act. We qualified for the ERTC in 2021 and recorded an aggregate benefit of $10,533 in the third quarter of 2021.

Income Taxes

For the year ended December 31, 2022 and 2021, we recorded an income tax expense attributable to continuing operations of $112 and $802, respectively, a decrease of $690 or 86%.

Income (Loss) From Operations

We incurred a loss from operations of $(14,466), or $(0.72) per share, during the year ended December 31, 2022, compared to income from operations of $3,193, or $0.17 per share, during the years ended December 31, 2021. Loss and income from operations as a percentage of total revenues was (15)% and 4% for the years ended December 31, 2022 and 2021, respectively.

LIQUIDITY AND CAPITAL RESOURCES (in thousands)

	December 31, 2022	December 31, 2021
Cash and cash equivalents[(1)]	$ 17,010	$ 13,427

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

Working Capital. We had working capital of $8,093 at December 31, 2022, a decrease of $8,913 from working capital of $17,006 at December 31, 2021. Working capital as of December 31, 2022 and December 31, 2021 includes $8,461 and $3,750 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 $13,674 for the year ended December 31, 2022 was primarily driven by non-cash adjustments to our net loss of approximately $22,875. This was offset by changes in operating assets and liabilities, which resulted in cash provided of $5,265. Net cash provided by operating activities of $1,378 for the year ended December 31, 2021 was driven by non-cash adjustments to our net income of approximately $12,975, primarily due to depreciation and amortization, offset by our net income of $3,193. For the year ended December 31, 2021, changes in operating assets and liabilities resulted in a use of $14,790 in cash.

Investing Activities. Net cash used in investing activities of $35,999 for the year ended December 31, 2022 is primarily due to purchases of available-for-sale securities of $37,232. Net cash used in investing activities of $36,970 for the year ended December 31, 2021 is primarily due to the purchase and sale of available-for-sale securities as well as acquisitions.

Financing Activities. Net cash used in financing activities was $12,376 for the year ended December 31, 2022, which primarily consisted of a net decrease in client fund obligations of $11,055 and payments of notes payable of $1,688. Net cash used in financing activities was $90,650 for the year ended December 31, 2021, which primarily consisted of a net decrease in client fund obligations of $103,434.

Sources of Liquidity. As of December 31, 2022, the Company's principal sources of liquidity consisted of approximately $17,010 of cash, cash equivalents and restricted cash, and cash generated from operations of our business over twelve months, and $3,457 of Employee Retention Tax Credit cash received as of December 31, 2022. Additionally, $7,076 of Employee Retention Tax Credit cash was received subsequent to December 31, 2022.

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. Future business demands may lead to cash utilization at levels greater than recently experienced. However, we believe to have sufficient liquidity as of December 31, 2022 to support our business operations for the next 12 months. We may need to raise additional capital in the future in order to grow our existing software operations and to seem additional strategic acquisitions in the near future. However, we cannot ensure that we will be able to raise additional capital on acceptable terms, or at all.

CRITICAL ACCOUNTING POLICIES

We have prepared our 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 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 and the fair value of assets acquired and liabilities assumed during acquisitions. 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.

Revenue Recognition

Our revenue consists of software-as-a-service ("SaaS") offerings and time-based software subscription license agreements that also, typically include hardware, maintenance/support, and professional services elements. We recognize revenue on an output basis when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Our contracts with customers may include multiple performance obligations. For such arrangements, we allocate revenue to each performance obligation based on its relative standalone selling price. We determine standalone selling prices based on the amount that we believe the market is willing to pay determined through historical analysis of sales data as well as through use of the residual approach when we can estimate the standalone selling price for one or more, but not all, of the promised goods or services.

Effective January 1, 2018, we adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606), and ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of Effective Date, which deferred the effective date of ASU 2014-09 by one year. ASU 2014-09 ("Topic 606") "Revenue from Contracts with Customers) supersedes the revenue recognition requirements in Accounting Standards Codification ("ASC") 605, Revenue Recognition, and is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue, cash flows arising from customer contracts, including significant judgments and changes in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. The adoption of ASU 2014-09, using the modified retrospective approach, had no significant impact on our results of operations, cash flows, or financial position. The initial application was applied to all contracts at the date of initial application. We recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of retained earnings.

The primary impact of adopting Topic 606 is to sales commissions related to onboarding new clients that were previously expensed. Under the new standard, these costs are now capitalized as deferred commissions and amortized over the estimated customer life of five to ten years.

The terms of our contracts with customers range from month to month for some Asure HCM direct clients to longer terms ranging from one to three years, some of which are renewable for successive terms. A SaaS/software subscription arrangement may also include hardware, setup and implementation services. Revenue allocated to the SaaS/software subscription performance obligations are recognized on an output basis ratably as the service is provided over the non-cancellable term of the SaaS/subscription service and are reported as Recurring revenue on the Consolidated Statements of Comprehensive Income (Loss). Revenues generated via fixed fee arrangements for provisioning and filing for Employee Retention Tax Credits with referral partners are also recorded as recurring revenue. Revenue allocated to other performance obligations included in the arrangement is recognized as outlined in the paragraphs below.

Hardware devices sold to customers are sold as either a standard product sell arrangement where title to the hardware passes to the customer or under a hardware-as-a-service ("HaaS") arrangement where the title to the hardware remains with Asure. Revenue allocated to hardware sold as a standard product are recognized on an output basis when title passes to the customer, typically the date we ship the hardware. Revenue allocated to hardware under a HaaS arrangement are recognized on an output basis, recorded ratably as the service is provided over the non-cancellable term of the HaaS arrangement, typically one year. Revenue recognized from hardware devices sold to customers via either of the two above types of arrangements are reported as Hardware revenue on the Consolidated Statements of Comprehensive Income (Loss).

Our professional services offerings typically include data migration, set up, training, and implementation services. Set up and implementation services typically occur at the start of the software arrangement while certain other professional services, depending on the nature of the services and customer requirements, may occur several months later. We can reasonably estimate professional services performed for a fixed fee and we recognize allocated revenue on an output basis on a proportional performance basis as the service is provided. We recognize allocated revenue on an output basis for professional services engagements billed on a time and materials basis as the service is provided. We recognize allocated revenue on an output basis on all other professional services engagements upon the earlier of the completion of the service's deliverable or the expiration of the customer's right to receive the service. Revenues generated for provisioning and filing for ERTC credits that are based on percentage of recovery are recorded as professional services revenues. Revenue recognized from professional services offerings are reported as Professional service revenue on the Consolidated Statements of Comprehensive Income (Loss).

We recognize allocated revenue for maintenance and support on an output basis ratably over the non-cancellable term of the support agreement. Initial maintenance and support terms are typically one to three years and are renewable on an annual basis. Revenue recognized from maintenance and support are reported as Maintenance and support revenue on the Consolidated Statements of Comprehensive Income (Loss).

We do not recognize revenue for agreements with rights of return, refundable fees, cancellation rights or substantive acceptance clauses until these return, refund or cancellation rights have expired or acceptance has occurred. Our arrangements with Reseller Partners do not allow for any rights of return.

Our payment terms vary by the type of customer and the customer's payment history and the products or services offered. The term between invoicing and when payment is due is not significant and as such our contracts do not include a significant financing component. The transaction prices of our contracts do not include consideration amounts that are variable and do not include noncash consideration.

Deferred revenue includes amounts invoiced to customers in excess of revenue we recognize, and is comprised of deferred SaaS/software, HaaS, Maintenance and support, Professional services revenue and ERTC revenue. We recognize deferred revenue when we complete the service and over the terms of the arrangements, primarily ranging from one to three years.

Intangible Assets and Goodwill

We record the assets acquired and liabilities assumed in business combinations at their respective fair values at the date of acquisition, with any excess purchase price recorded as goodwill. Valuation of intangible assets and in-process research and development entails significant estimates and assumptions including, but not limited to, estimating future cash flows from product sales, developing appropriate discount rates, estimating probability rates for the continuation of customer relationships and renewal of customer contracts. U.S. generally accepted accounting principles ("GAAP") require that we not amortize intangible assets other than goodwill with an indefinite life until we determine their life as finite. We must amortize all other intangible assets over their useful lives. We currently amortize our acquired intangible assets with definite lives over periods ranging from one to nine years. We have assessed the fair value of our customer relationship intangible assets as of December 31, 2022, we do not believe these to be impaired, as the carrying value of the customer relationship intangible assets are recoverable through the associated project cash flows.

Impairment of Intangible Assets and Long-Lived Assets

In accordance with FASB ASC 350, we review and evaluate our long-lived assets for impairment whenever events or changes in circumstances indicate that we may not recover their net book value. When such factors and circumstances exist, including those noted above, we compare the assets' carrying amounts against the estimated undiscounted cash flows we expect to generate with those assets over their estimated useful lives. If the carrying amounts are greater than the undiscounted cash flows, we estimate the fair values of those assets by discounting the projected cash flows. We record any excess of the carrying amounts over the fair values as impairments in that fiscal period.

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired in a business combination. We test goodwill for impairment on an annual basis in the fourth fiscal quarter of each year, and between annual tests if indicators of potential impairment exist, using a fair-value-based approach. There was no impairment of goodwill in either 2022 or 2021.

Income Taxes

We account for income taxes using the liability method under ASC 740, Accounting for Income Taxes, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events included in the financial statements. Under the liability method, we determine deferred tax assets and liabilities based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect in the years in which we expect the differences to reverse. We reduce deferred tax assets by a valuation allowance when it is more likely than not that we will not realize some component or all of the deferred tax assets.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have operations in the United States, and we are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate, foreign exchange, inflation and counterparty risks, as well as risks relating to changes in the general economic conditions. To reduce certain of these risks, we monitor the financial condition of our large clients and limit credit exposure by principally collecting in advance and setting credit limits as we deem appropriate. In addition, our investment strategy has been to invest in financial instruments, including U.S. treasury securities and money market funds backed by United States Treasury Bills within the guidelines established under our investment policy. To date, we have not used derivative instruments to mitigate the impact of our market risk exposures. We have also not used, nor do we intend to use, derivatives for trading or speculative purposes.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of
Asure Software, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Asure Software, Inc. (the “Company”) as of December 31, 2022 and 2021, the related consolidated statements of comprehensive income (loss), changes in stockholders’ equity and cash flows for each of the two years in the period ended December 31, 2022, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matters do not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Evaluation of the recoverability of the carrying value of goodwill and long-lived assets

As described in Note 1 to the financial statements, the Company performed a recoverability test of its long-lived assets by comparing the estimated future cash flows from its asset group to its carrying value. As described in Note 5 to the financial statements, the Company performed its annual evaluation of goodwill for impairment by comparing the estimated fair value of the reporting unit to its carrying value. The Company determined that as of the valuation date there was only one asset group and one reporting unit. The Company used a discounted cash flow model to estimate the fair value of the reporting unit. The Company’s cash flow model used to test the recoverability of its long-lived assets and evaluate goodwill for impairment requires management to make subjective estimates and assumptions, particularly related to the forecast of future revenues.

The principal considerations for our determination that performing procedures relating to evaluating the recoverability of the carrying value of goodwill and long-lived assets is a critical audit matter are that there is significant judgment by management in both the identification of the reporting unit and asset group, and in the estimation of future cash flows. This in turn led to high degree of auditor judgment, subjectivity and effort in performing audit procedures in evaluating audit evidence related to management’s identification of reporting unit and asset group, and management’s estimates and assumptions used in the forecasts and discounted cash flow models, and the audit effort involved the use of professionals with specialized skill and knowledge to assist in evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating evidence in connection with forming our overall audit opinion on the financial statements. These procedures included, among others, (i) evaluating management’s determination of a single reporting unit; (ii) evaluating management’s determination of a single asset group; and (iii) testing management’s process of estimating forecasted cash flows by comparing the forecasts to historical results, internal communications to management and board of directors, forecast information included in analyst and industry reports for the Company, and other macroeconomic indicators. In addition, our procedures to evaluate the recoverability of goodwill included a sensitivity analysis of the implied control premium by comparing the fair value determined by the Company against the market capitalization of the Company at the valuation date. Professionals with specialized skill and knowledge were used to assist in the evaluation of the fair value of the reporting unit

/s/ Marcum LLP

Marcum LLP

We have served as the Company’s auditor since 2016.

Los Angeles, California
February 27, 2023

ASURE SOFTWARE, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	December 31, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash, cash equivalents, and restricted cash	$ 17,010	$ 13,427
Accounts receivable, net of allowance for doubtful accounts of $3,248 and $2,210 at December 31, 2022 and December 31, 2021, respectively	12,123	5,308
Inventory	251	246
Prepaid expenses and other current assets	10,304	13,475
Total current assets before funds held for clients	39,688	32,456
Funds held for clients	203,588	217,376
Total current assets	243,276	249,832
Property and equipment, net	11,439	8,945
Goodwill	86,011	86,011
Intangible assets, net	66,594	78,573
Operating lease assets, net	7,065	5,748
Other assets, net	5,523	4,136
Total assets	$ 419,908	$ 433,245
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of notes payable	$ 4,106	$ 1,907
Accounts payable	2,194	565
Accrued compensation and benefits	5,791	3,568
Operating lease liabilities, current	1,860	1,551
Other accrued liabilities	3,728	2,436
Contingent purchase consideration	2,955	1,905
Deferred revenue	8,461	3,750
Total current liabilities before client fund obligations	29,095	15,682
Client fund obligations	206,088	217,144
Total current liabilities	235,183	232,826
Long-term liabilities:		
Deferred revenue	788	36
Deferred tax liability	1,503	1,595
Notes payable, net of current portion	30,795	33,120
Operating lease liabilities, noncurrent	6,459	4,746
Contingent purchase consideration	—	2,424
Other liabilities	114	258
Total long-term liabilities	39,659	42,179
Total liabilities	274,842	275,005
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; 20,628 and 20,412 shares issued, 20,244 and 20,028 shares outstanding at December 31, 2022 and December 31, 2021, respectively	206	204
Treasury stock at cost, 384 shares at December 31, 2022 and December 31, 2021	(5,017)	(5,017)
Additional paid-in capital	433,586	429,912
Accumulated deficit	(281,226)	(266,760)
Accumulated other comprehensive income	(2,483)	(99)
Total stockholders' equity	145,066	158,240
Total liabilities and stockholders' equity	$ 419,908	$ 433,245

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

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

	Year Ended December 31, 2022	Year Ended December 31, 2021
Revenue:		
Recurring	$ 86,222	$ 71,078
Professional services, hardware and other	9,606	4,986
Total revenue	95,828	76,064
Cost of Sales	33,318	29,500
Gross profit	62,510	46,564
Operating expenses:		
Sales and marketing	20,260	15,448
General and administrative	33,924	27,720
Research and development	6,147	5,410
Amortization of intangible assets	13,486	10,948
Total operating expenses	73,817	59,526
Loss from operations	(11,307)	(12,962)
Interest expense and other, net	(4,438)	(2,038)
Gain on extinguishment of debt	—	8,312
Employee retention tax credit	—	10,533
Other income, net	1,391	150
(Loss) income from operations before income taxes	(14,354)	3,995
Income tax expense	112	802
Net (loss) income	(14,466)	3,193
Other comprehensive loss:		
Unrealized loss on marketable securities	(2,384)	(703)
Comprehensive (loss) income	$ (16,850)	$ 2,490
Basic and diluted (loss) earnings per share		
Basic	$ (0.72)	$ 0.17
Diluted	$ (0.72)	$ 0.16
Weighted average basic and diluted shares		
Basic	20,117	19,313
Diluted	20,117	19,509

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

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

	Common Stock Outstanding	Common Stock Amount	Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at December 31, 2020	18,970	$ 193	$ (5,017)	$ 419,827	$ (269,953)	$ 604	$ 145,654
Stock issued upon option exercise and vesting of restricted stock units	235	2	—	359	—	—	361
Stock issued, ESPP	56	1	—	339	—	—	340
Stock issued — acquisitions	767	8	—	6,420			6,428
Share based compensation	—	—	—	2,990	—	—	2,990
Share issuance costs	—	—	—	(23)	—	—	(23)
Net income	—	—	—	—	3,193	—	3,193
Other comprehensive loss	—	—	—	—	—	(703)	(703)
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	136	$ 1	$ —	$ 89	$ —	$ —	$ 90
Stock issued, ESPP	80	1	—	406	—	—	407
Stock issued — acquisitions	—	—	—	—	—	—	—
Share based compensation	—	—	—	3,179	—	—	3,179
Share issuance costs	—	—	—	—	—	—	—
Net loss	—	—	—	—	(14,466)	—	(14,466)
Other comprehensive loss	—	—	—	—	—	(2,384)	(2,384)
Balance at December 31, 2022	20,244	$ 206	$ (5,017)	$ 433,586	$ (281,226)	$ (2,483)	$ 145,066

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

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

	Year Ended December 31,	
	2022	2021
Cash flows from operating activities:		
Net (loss) income	$ (14,466)	$ 3,193
Adjustments to reconcile (loss) income to net cash provided by operations:		
Depreciation and amortization	18,708	16,246
Amortization of operating lease assets	1,702	1,574
Amortization of debt financing costs and discount	718	309
Net amortization of premiums and accretion of discounts on available-for-sale securities	280	194
Provision for doubtful accounts	803	1
Provision for deferred income taxes	(92)	707
Gain on extinguishment of debt	—	(8,312)
Net realized gains on sales of available-for-sale securities	(1,221)	(542)
Share-based compensation	3,179	2,990
Loss (gain) on disposals of long-term assets	25	(32)
Change in fair value of contingent purchase consideration	(1,245)	(160)
Goodwill and intangible asset adjustment	18	—
Changes in operating assets and liabilities:		
Accounts receivable	(7,618)	(1,293)
Inventory	(14)	142
Prepaid expenses and other assets	2,993	(11,083)
Operating lease right-of-use assets	(3,020)	(1,371)
Accounts payable	1,611	(725)
Accrued expenses and other long-term obligations	3,828	629
Operating lease liabilities	2,023	(348)
Deferred revenue	5,462	(741)
Net cash provided by operating activities	13,674	1,378
Cash flows from investing activities:		
Acquisition of intangible asset	(2,289)	(25,526)
Purchases of property and equipment	(2,318)	(133)
Software capitalization costs	(4,228)	(4,141)
Purchases of available-for-sale securities	(37,232)	(29,051)
Proceeds from sales and maturities of available-for-sale securities	10,068	21,881
Net cash used in investing activities	(35,999)	(36,970)
Cash flows from financing activities:		
Proceeds from notes payable	—	29,425
Payments of notes payable	(1,688)	(14,657)
Payments of contingent purchase consideration	(130)	(1,784)
Debt financing fees	—	(878)
Net proceeds from issuance of common stock	497	678
Net change in client fund obligations	(11,055)	(103,434)
Net cash used in financing activities	(12,376)	(90,650)
Net decrease in cash, cash equivalents, restricted cash, and restricted cash equivalents	(34,701)	(126,242)
Cash, cash equivalents, restricted cash and restricted cash equivalents, beginning of period	198,743	324,985
Cash, cash equivalents, restricted cash and restricted cash equivalents, end of period	$ 164,042	$ 198,743

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

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

	Year Ended December 31,	
	2022	2021
Reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents to the Consolidated Balance Sheets		
Cash and cash equivalents and restricted cash	$ 17,010	$ 13,427
Restricted cash and restricted cash equivalents included in funds held for clients	147,032	185,316
Total cash, cash equivalents, restricted cash, and restricted cash equivalents	$ 164,042	$ 198,743
Supplemental information:		
Cash paid for interest	$ 3,397	$ 1,413
Cash paid for income taxes	$ 233	$ 366
Net assets added from acquisitions	$ —	$ 763
Non-cash investing and financing activities:		
Contingent purchase consideration issued for acquisitions	$ —	$ 2,574
Notes payable issued for acquisitions	$ 411	$ 4,386
Stock issuance for acquisitions	$ —	$ 6,428

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

ASURE SOFTWARE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

Asure Software, Inc., (“Asure”, the “Company”, “we” and “our”), a Delaware corporation, is a provider of Human Capital Management (“HCM”) software solutions. We help small and medium-sized companies grow by helping them build more productive teams, providing the tools and resources that help them stay compliant with ever-changing federal, state, and local tax jurisdictions and labor laws, and better allocate cash so they can spend their financial capital on growing their business rather than back-office overhead expenses. Asure’s Human Capital Management suite, named Asure HCM, includes cloud-based Payroll, Tax Services, and Time & Attendance software as well as human resources (“HR”) services ranging from HR projects to completely outsourcing payroll and HR staff. We also offer these products and services through our network of reseller partners. AsureMarketplace™ provides clients and their employees the benefits of secure verifications of employment and income through existing core HCM technology.

Our platform vision is to become the most trusted HCM resource to entrepreneurs everywhere by helping our clients grow their businesses. Our product strategy is driven by three primary challenges that prevent businesses from growing: HR complexity, allocation of both human and financial capital, and the ability to build great teams. The Asure HCM suite includes five product lines: Asure Payroll & Tax, Asure HR, Asure Time & Attendance, Asure HR Services, 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, Nebraska, New Jersey, New York, Tennessee, and Vermont.

PRINCIPLES OF CONSOLIDATION

We have prepared our Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and have included the accounts of our wholly owned subsidiaries. We have eliminated all intercompany transactions and balances in consolidation.

SEGMENTS

The chief operating decision maker is Asure’s Chief Executive Officer who reviews financial information presented on a company-wide basis. Accordingly, in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 280, we determined that the Company has a single reporting segment and operating unit structure.

USE OF ESTIMATES

Preparation of the 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 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.

CONTINGENCIES

Although 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 December 31, 2022, we were not party to any material legal proceedings.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The standard became effective for interim and annual periods beginning after December 15, 2020, with early adoption permitted. We adopted ASU 2019-12 during the quarter beginning January 1, 2021, using the prospective approach except for hybrid tax regimes, which we adopted using the modified retrospective approach. The adoption of ASU 2019-12 resulted in no material impact to the Company’s financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments — Credit Losses (Topic 326): This update 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 Company is currently evaluating this standard and the potential effects of these changes to its consolidated financial statements and will adopt this new standard in the fiscal year beginning January 1, 2023.

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 has $500 of restricted cash related to collateralizing a letter of credit issued by South State Bank in connection with its money transmission licenses.

INVESTMENTS

Available-for-sale securities are carried at fair value, with the unrealized gains and losses reported in accumulated other comprehensive income (loss). The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. The amortization of premiums and accretion of discounts is included in interest income. Realized gains and losses and declines in value judged to be other-than-temporary, if any, on available-for-sale securities are included in other income (expense). The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in interest income.

FUNDS HELD FOR CLIENTS

Funds held for clients represent assets that are held for the purposes of satisfying the obligations to remit funds relating to the Company’s payroll and payroll tax filing services and are classified as client fund obligations on our Consolidated Balance Sheets. Funds held for clients are held in demand deposit or brokerage accounts at financial institutions and are classified as a current asset on our Consolidated Balance Sheets.

Client fund obligations represent the Company’s contractual obligations to remit funds to satisfy clients’ payroll and tax payment obligations and are recorded on the Consolidated Balance Sheets at the time that the Company impounds funds from clients. The client fund obligations represent liabilities that will be repaid within one year of the balance sheet date. The Company has reported client fund obligations as a current liability on the Consolidated Balance Sheets.

As part of the material weakness identified in 2019 that was subsequently remediated, the Company recovered approximately $4,290 in funds and insurance proceeds. The Company recognized $3,961 of these funds as receivables in other assets on the Consolidated Balance Sheets at December 31, 2019 with an offsetting liability in client fund obligations. The Company collected the full $4,290 during the first quarter of 2020 and disbursed $482 of these funds resulting in a segregated $3,808 in funds held for clients with an offsetting liability in client fund obligations at December 31, 2020. In 2021, the Company disbursed an additional $976 of these funds, resulting in a segregated $2,832 in funds held for clients with an offsetting liability in client fund obligations at December 31, 2021. In 2022, the Company escheated $2,705 to the state of Delaware. The residual balance of $127 is still in the process of being returned to the clients or will be escheated to the appropriate states.

FAIR VALUE OF FINANCIAL INSTRUMENTS

We apply the authoritative guidance on fair value measurements for financial assets and liabilities that are measured at fair value on a recurring basis, and non-financial assets and liabilities such as goodwill, intangible assets and property and equipment that are measured at fair value on a non-recurring basis.

CONCENTRATION OF CREDIT RISK

Cash and cash equivalents are deposited at various area banks, which at times may exceed federally insured limits. The Company monitors the viability of the banking institutions carrying its assets on a regular basis, and has the ability to transfer cash to various institutions during times of risk. The Company has not experienced any losses related to these cash balances, and believes its credit risk to be minimal.

ACCOUNTS RECEIVABLE, NET

We grant credit to customers in the ordinary course of business. We limit concentrations of credit risk related to our trade accounts receivable due to our large number of customers, including third-party resellers, and their dispersion across several industries and geographic areas. We perform ongoing credit evaluations of our customers and maintain reserves for potential credit losses. We require advanced payments or secured transactions when deemed necessary.

We review potential customers' credit ratings to evaluate customers' ability to pay an obligation within the payment term, which is usually net thirty days. If we receive reasonable assurance of payment and know of no barriers to legally enforce the payment obligation, we may extend credit to customers. We place accounts on "Credit Hold" if a placed order exceeds the credit limit or sooner if circumstances warrant. We follow our credit policy consistently and routinely monitor our delinquent accounts for indications of collectability.

We maintain an allowance for doubtful accounts at an amount we estimate to be sufficient to provide adequate protection against losses resulting from extending credit to our customers. We base this allowance, in the aggregate, on historical collection experience, age of receivables and general economic conditions. The allowance for doubtful accounts also considers the need for specific customer reserves based on the customer's payment experience, credit worthiness and age of receivable balances. Our bad debts have not been material and have been within management expectations.

PROPERTY AND EQUIPMENT

We record property and equipment, including software, furniture and equipment, at cost less accumulated depreciation. We record depreciation using the straight-line method over the estimated economic useful lives of the assets, which range from two to five years. Property and equipment also includes leasehold improvements which we record at cost less accumulated amortization. We record amortization of leasehold improvements using the straight-line method over the shorter of the lease term or over the life of the respective assets, as applicable. We recognize gains or losses related to retirements or disposition of fixed assets in the period incurred. We expense repair and maintenance costs as incurred. We periodically review the estimated economic useful lives of our property and equipment and make adjustments, if necessary, according to the latest information available.

BUSINESS COMBINATIONS

We have accounted for our acquisitions using the acquisition method of accounting based on ASC 805—Business Combinations, which requires recognition and measurement of all identifiable assets acquired and liabilities assumed at their full fair value as of the date we obtain control. We have determined the fair value of assets acquired and liabilities assumed based upon our estimates of the fair values of assets acquired and liabilities assumed in the acquisitions. Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired. While we have used our best estimates and assumptions to measure the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, not to exceed one year from the date of acquisition, any changes in the estimated fair values of the net assets recorded for the acquisitions will result in an adjustment to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, we record any subsequent adjustments to our consolidated statements of comprehensive loss.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired in a business combination. We test goodwill for impairment on an annual basis in the fourth fiscal quarter of each year, and between annual tests if indicators of potential impairment exist, by first assessing qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test.

We amortize intangible assets not considered to have an indefinite useful life using the straight-line method over their useful lives. We currently amortize our acquired intangible assets with definite lives over periods ranging from one to nine years. Each reporting period, we evaluate the estimated remaining useful life of intangible assets and assess whether events or changes in circumstances warrant a revision to the remaining period of amortization or indicate that impairment exists.

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets, including intangible assets with definite lives, are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. We have determined that there was no impairment of long-lived assets including intangible assets with definite lives, for the year ended December 31, 2022.

ORIGINAL ISSUE DISCOUNTS

We recognize original issue discounts (“OID”), when incurred on the issuance of debt, as a reduction of the current loan obligations that we amortize to interest expense over the life of the related indebtedness using the effective interest rate method. We record the amortization as interest expense – amortization of OID in the Consolidated Statements of Comprehensive Income (Loss). At the time of any repurchases or retirements of related debt, we write off the remaining amount of net original issue discounts and include them in the calculation of gain or loss on extinguishment in the Consolidated Statements of Comprehensive Income (Loss).

REVENUE RECOGNITION

Our revenue consists of software-as-a-service (“SaaS”) offerings and time-based software subscription license arrangements that also, typically, include hardware, maintenance/support, and professional services elements. We recognize revenue on an output basis when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Our contracts with customers may include multiple performance obligations. For such arrangements, we allocate revenue to each performance obligation based on its relative standalone selling price. We determine standalone selling prices based on the amount that we believe the market is willing to pay determined through historical analysis of sales data as well as through use of the residual approach when we can estimate the standalone selling price for one or more, but not all, of the promised goods or services.

The terms of our contracts with customers range from month to month for some Asure HCM direct clients to longer terms ranging from one to three years, some of which are renewable for successive terms. A typical SaaS/software subscription arrangement will also include hardware, setup and implementation services. Revenue allocated to the SaaS/software subscription performance obligations are recognized on an output basis ratably as the service is provided over the non-cancellable term of the SaaS/subscription service and are reported as Recurring revenue on the Consolidated Statement of Comprehensive Income (Loss). Revenue allocated to other performance obligations included in the arrangement is recognized as outlined in the paragraphs below.

Hardware devices sold to customers are sold as either a standard product sell arrangement where title to the hardware passes to the customer or under a hardware-as-a-service (“HaaS”) arrangement where the title to the hardware remains with Asure. Revenue allocated to hardware sold as a standard product are recognized on an output basis when title passes to the customer, typically the date we ship the hardware. Revenue allocated to hardware under a hardware-as-a-service arrangement are recognized on an output basis, recorded ratably as the service is provided over the non-cancellable term of the HaaS arrangement, typically one year. Revenue recognized from hardware devices sold to customers via either of the two above types of arrangements are reported as Hardware revenue on the Consolidated Statement of Comprehensive Income (Loss).

Our professional services offerings typically include data migration, set up, training, and implementation services. Set up and implementation services typically occur at the start of the software arrangement while certain other professional services, depending on the nature of the services and customer requirements, may occur several months later. We can reasonably estimate professional services performed for a fixed fee and we recognize allocated revenue on an output basis on a proportional performance basis as the service is provided. We recognize allocated revenue on an output basis for professional services engagements billed on a time and materials basis as the service is provided. We recognize allocated revenue on an output basis on all other professional services engagements upon the earlier of the completion of the service's deliverable or the expiration of the customer's right to receive the service. Revenue recognized from professional services offerings are reported as Professional service revenue on the Consolidated Statement of Comprehensive Income (Loss).

We recognize allocated revenue for maintenance/support on an output basis ratably over the non-cancellable term of the support agreement. Initial maintenance/support terms are typically one to three years and are renewable on an annual basis. Revenue recognized from maintenance/support are reported as Recurring on the Consolidated Statement of Comprehensive Income (Loss).

We do not recognize revenue for agreements with rights of return, refundable fees, cancellation rights or substantive acceptance clauses until these return, refund or cancellation rights have expired or acceptance has occurred. Our arrangements with resellers do not allow for any rights of return.

Our payment terms vary by the type of customer and the customer's payment history and the products or services offered. The term between invoicing and when payment is due is not significant and as such our contracts do not include a significant financing component. The transaction prices of our contracts do not include consideration amounts that are variable and do not include noncash consideration.

Deferred revenue includes amounts invoiced to customers in excess of revenue we recognize, and is comprised of deferred SaaS/software, HaaS, Maintenance and support, and Professional services revenue. We recognize deferred revenue when we complete the service and over the terms of the arrangements, primarily ranging from one to three years. In addition, ERTC revenues that are generated under percentage of recovery arrangements with referral partners are deferred until the client collects the credit.

ADVERTISING COSTS

We expense advertising costs as we incur them. Advertising expenses were $1,057 and $108 for the years ended December 31, 2022 and 2021, respectively. We recorded these expenses as part of sales and marketing expenses on our Consolidated Statements of Comprehensive Income (Loss).

LEASE OBLIGATIONS

At the commencement date of a lease, we recognize a liability to make lease payments and an asset representing the right-of-use underlying asset during the lease term. The lease liability is measured at the present value of lease payments over the lease term. As our leases typically do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the commencement date taking into consideration necessary adjustments for collateral, depending on the facts and circumstances of the lessee and the leased asset, and term to match the lease term. The operating lease asset is measured at cost, which includes the initial measurement of the lease liability and initial direct costs incurred by the Company and excludes lease incentives. Operating lease assets and liabilities are shown separately in our Consolidated Balance Sheets.

Lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Operating lease costs are recognized on a straight-line basis over the lease term. Lease agreements that contain both lease and non-lease components are generally accounted for separately.

INCOME TAXES

We account for income taxes using the liability method under ASC 740, Accounting for Income Taxes, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events included in the financial statements. Under the liability method, we determine deferred tax assets and liabilities based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect in the years in which we expect the differences to reverse. We reduce deferred tax assets by a valuation allowance when it is more likely than not that we will not realize some component or all of the deferred tax assets.

SHARE BASED COMPENSATION

We estimate the fair value of each award granted from our stock option plan at the date of grant using the Black-Scholes option pricing model. The fair value is recognized as expense over the service period, net of estimated forfeitures, using the straight-line method. The estimation of share-based awards that will ultimately vest requires judgment, and, to the extent actual results or updated estimates differ from current estimates, such amounts will be recorded as a cumulative adjustment in the period estimates are revised. We primarily consider historical experience when estimating expected forfeitures.

NOTE 2 - BUSINESS COMBINATIONS

2020

In July 2020, we acquired certain assets of a payroll tax business (the "Asset Purchase Agreement"). The initial purchase price for the assets was $4,250, which we paid in cash at closing. The Asset Purchase Agreement set forth two subsequent purchase consideration payments, which are contingent on certain thresholds. The first contingent purchase consideration of $1,975, was offset by certain net amounts owed to us by the seller primarily related to transition services in the amount of $191, was paid in June 2021 (a total payment of $1,784). We utilized a Monte Carlo simulation to determine the fair value of the contingent consideration. The adjustment to the fair value of the contingent consideration as of December 31, 2022 was an increase of $394. The contingent purchase consideration of $2,299 was valued based on the trailing twelve-month revenue at October 31, 2021 and will be settled in 2023.

2021

In September 2021, the Company acquired certain assets (the "Second Asset Purchase Agreement") of a payroll business, which was used to provide payroll processing services. The aggregate purchase price that the Company paid for these assets was $14,750, paid as follows: (i) $10,325 in cash at closing, (ii) the delivery of a promissory note in the amount of $2,223, and (iii) the delivery of 244 shares of the Company's common stock as of December 31, 2022.

Also in September 2021, we acquired certain assets of a payroll business (the "Third Asset Purchase Agreement"). The initial purchase price for the assets was $24,150, of which $15,000 was paid in cash at closing. The Third Asset Purchase Agreement also included the delivery of 523 shares of the Company's common stock, which both parties agreed had an aggregate value of $4,800 at closing. Finally, the Third Asset Purchase Agreement set forth a promissory note valued at $4,080 and a contingent consideration estimate of $655 as of December 31, 2022.

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.

NOTE 3 - 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 December 31, 2022 and December 31, 2021, respectively (in thousands):

	Total Carrying Value	Level 1	Level 2	Level 3
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)	$ 2,954	$ —	$ —	$ 2,954
Total	$ 2,954	$ —	$ —	$ 2,954
December 31, 2021				
Assets:				
Cash equivalents				
Money market funds	$ —	$ —	$ —	$ —
Funds held for clients				
Money market funds	1,116	1,116	—	—
Available-for-sale securities	32,060	—	32,060	—
Total	$ 33,176	$ 1,116	$ 32,060	$ —
Liabilities:				
Contingent purchase consideration(1)	$ 4,329	$ —	$ —	$ 4,329
Total	$ 4,329	$ —	$ —	$ 4,329

(1) See Note 2 — Business Combinations for further discussion regarding the contingent purchase consideration.

The contractual obligations and earn out provision are accounted for as a contingent liability and fair value is determined using Level 3 inputs, as estimating the fair value of these contingent liabilities require the use of significant and subjective inputs that may and are likely to change over the duration of the liabilities. The following table discloses the change in the gross contingent purchase consideration on the Company's Consolidated Balance Sheets as of December 31, 2022 (in thousands):

December 31, 2021	$	4,329
Contingent purchase consideration paid		(130)
Change in fair value of contingent liability		(1,245)
Issued for acquisitions		—
December 31, 2022	$	2,954

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
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
December 31, 2021				
Restricted cash equivalents	$ 1,116	$ —	$ —	$ 1,116
Available-for-sale securities:				
Certificates of deposit	1,240	7	(4)	1,243
Corporate debt securities	22,597	2	(76)	22,523
Municipal bonds	7,825	3	(24)	7,804
U.S. Government agency securities	500	—	(10)	490
Total available-for-sale securities	32,162	12	(114)	32,060
Total(2)	$ 33,278	$ 12	$ (114)	$ 33,176

(1) Unrealized gains and losses on available-for-sale securities are included as a component of comprehensive income (loss). As of December 31, 2022 and December 31, 2021, there were 3 and 10 securities, respectively, in an unrealized gain position and there were 124 and 57 securities in an unrealized loss position, respectively. As of December 31, 2022, these unrealized losses were less than $96 individually and $2,480 in the aggregate. As of December 31, 2021, these unrealized losses were less than $11 individually and $114 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 possible other-than-temporary impairment. Factors considered in determining whether a loss is other-than-temporary include the length of time and extent to which fair value has been less than the cost basis, the financial condition and near-term prospects of the investee, 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 December 31, 2022 and December 31, 2021, none of these securities were classified as cash and cash equivalents on the accompanying 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 Consolidated Balance Sheets.

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

	2022	2021
Restricted cash and cash equivalents held to satisfy client funds obligations	$ 147,032	$ 185,316
Restricted short-term marketable securities held to satisfy client funds obligations	9,174	5,559
Restricted long-term marketable securities held to satisfy client funds obligations	47,382	26,501
Total funds held for clients	$ 203,588	$ 217,376

Expected maturities of available-for-sale securities as of December 31, 2022 are as follows (in thousands):

One year or less	$ 9,174
After one year through five years	47,382
	$ 56,556

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2022 and 2021 consisted of the following (in thousands):

	Estimated Useful Life (in years)	**2022**	**2021**
Furniture and equipment	2 to 5	$ 7,552	$ 6,935
Software development costs	3	18,678	14,449
Software	2 to 5	2,808	2,808
Leasehold improvements	2 to 5	1,878	1,638
Gross property and equipment		30,916	25,830
Less: accumulated depreciation and amortization		(19,477)	(16,885)
Property and equipment, net		$ 11,439	$ 8,945

We record the amortization of our finance leases as depreciation expense on our Consolidated Statements of Comprehensive Income (Loss). Depreciation and amortization expenses relating to property and equipment were $4,044 and $3,808 for the years ended December 31, 2022 and 2021, respectively.

We acquired software development costs from prior acquisitions and we continue to invest in software development. We are developing products which we intend to offer utilizing software as-a-service ("SaaS"). We follow the guidance of ASC 350-40, Intangibles—Goodwill and Other—Internal-Use Software, for development costs related to these new products. Costs incurred in the planning stage are expensed as incurred while costs incurred in the application and infrastructure stage are capitalized, assuming such costs are deemed to be recoverable. Costs incurred in the operating stage are generally expensed as incurred except for significant upgrades and enhancements. Capitalized software costs are amortized over the software's estimated useful life, which management has determined to be three years. During the years ended December 31, 2022 and 2021, we capitalized $4,228 and $4,141 of software development costs, respectively.

NOTE 5 - GOODWILL AND OTHER INTANGIBLE ASSETS

	2021	**Acquisitions**	**2022**
Goodwill	$ 86,011	$ —	$ 86,011

We believe significant synergies are expected to arise from our strategic acquisitions and their assembled workforces. 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 December 31, 2022, there has been no impairment of goodwill based on the qualitative assessments performed by the Company.

Gross Intangible Assets	**2021**	**Acquisitions**	**2022**
Customer relationships	$ 114,611	$ 2,360	$ 116,971
Developed technology	12,001	—	12,001
Reseller relationships	1,012	332	1,344
Trade names	880	—	880
Non-compete agreements	1,032	—	1,032
	$ 129,536	$ 2,692	$ 132,228

The gross carrying amount and accumulated amortization of our intangible assets as of December 31, 2022 are as follows (in thousands, except weighted average periods):

	Weighted Average Amortization Period (in Years)	**Gross**	**Accumulated Amortization**	**Net**
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
December 31, 2021				
Customer relationships	8.7	$ 114,611	$ (39,535)	$ 75,076
Developed technology	6.6	12,001	(9,098)	2,903
Reseller relationships	7.2	1,012	(864)	148
Trade names	3.0	880	(579)	301
Non-compete agreements	5.2	1,032	(887)	145
	8.4	$ 129,536	$ (50,963)	$ 78,573

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 $13,486 and $10,948 for the years ended December 31, 2022 and 2021, respectively. Amortization expenses recorded in Cost of Sales were $1,186 and $1,489 for the years ended December 31, 2022 and 2021, respectively. There was no impairment of intangibles during the year ended December 31, 2022 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 December 31, 2022 (in thousands):

2023	$	13,601
2024		13,339
2025		12,553
2026		9,442
2027		7,267
Thereafter		10,392
	$	66,594

NOTE 6 - NOTES PAYABLE

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

	Maturity	Cash Interest Rate	December 31, 2022		December 31, 2021	
Subordinated Notes Payable – Acquisitions[(1)]	12/31/2022 – 9/30/2026	2.00% - 3.00%	$	6,947	$	8,178
Senior Credit Facility	10/1/2025	13.25%		30,607		30,224
Total Notes Payable			$	37,554	$	38,402

(1) See Note 2 — Business Combinations 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	
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
December 31, 2021						
Current portion of notes payable	$	2,079	$	(172)	$	1,907
Notes payable, net of current portion		36,323		(3,203)		33,120
Total	$	38,402	$	(3,375)	$	35,027

The following table summarizes the future principal payments related to our outstanding debt as of December 31, 2022 (in thousands):

2023	$	4,774
2024		6,367
2025		23,439
2026		2,974
2027		—
Total	$	37,554

Subordinated Notes Payable - Acquisitions

There remains an outstanding principal balance on the subordinated note payable issued in connection with the purchase of a business the Company acquired in 2020, which note matured on July 1, 2022. Payment on the principal balance was withheld as security for outstanding claims for which the Company is entitled to indemnification under the purchase agreement. The Company will make payment, subject to its right to offset under the purchase agreement, when the claims are resolved. Due to its rights under the purchase agreement and the terms of this note, the Company was not in default under the note. See Note 13 - Subsequent Events for information related to the resolution of these outstanding claims and the outstanding principal balance on this subordinated note payable.

See Note 2 — Business Combinations for further discussion regarding the issuance of subordinated notes payable related to acquisitions.

PPP Loan with Pinnacle Bank

Due to the effects of COVID-19 on our business and the related need to support our operations, we received an unsecured Paycheck Protection Program loan in the amount of $8,856 (the “PPP Loan”) in April 2020 from Pinnacle Bank (the “Lender”) under the Coronavirus Aid, Relief and Economic Security Act. In June 2021, we received notice from our Lender that the Small Business Administration (“SBA”) had approved our application for forgiveness of our PPP Loan. The amount forgiven of $8,560 was the amount we requested in our forgiveness application but was less than the original principal balance due, in part, to changes in SBA guidance following the date of our original loan application. Following the grant of forgiveness, we had an outstanding principal balance of $296 and an additional immaterial amount of accrued interest in our PPP Loan, both of which were paid in full in June 2021. During the three months ended June 30, 2021 the Company recorded a gain on the forgiveness of the PPP Loan and accrued interest in the amount of $8,654. The gain on the forgiveness of the PPP Loan is reflected on our Consolidated Statements of Comprehensive Income (Loss), and is a non-taxable event.

Senior Credit Facility with Structural Capital Investments III, LP

On September 10, 2021, the Company entered into a Loan and Security 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 Structural and the Lenders (“Agent”), under the terms of which the Lenders had committed to lend us up to $50,000 in term loan financing to support our growth needs (the “Facility”) until June 30, 2022. Of the amount committed by the Lenders, the Company drew $30,000 in September 2021, at the closing 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. 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 are to pay Lenders a final payment fee equal to 1.0% of the increase in our market capitalization since the onset of the agreement, 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 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 APR ratio of no less than 0.70:1.00 through September 10, 2023, and (iii) maintain an APR ratio of no less than 0.60:1.00 from September 10, 2023 through the remainder of the term of the Facility. The APR 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 - 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 ten 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 Consolidated Statements of Comprehensive Income (Loss), rent expense is included in operating expenses under general and administrative expenses. The components of the rent expense for the years ended December 31, 2022 and 2021, are as follows (in thousands):

	2022	2021
Operating lease cost	$ 2,326	$ 2,171
Sublease income	(89)	(43)
Net rent expense	$ 2,237	$ 2,128

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 8% as of December 31, 2022 and December 31, 2021, respectively. The weighted average remaining lease term is five years and five years as of December 31, 2022 and December 31, 2021, respectively.

Supplemental cash flow information related to operating leases for the years ended December 31, 2022 and 2021 are as follows (in thousands):

	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	$ 2,326	$ 2,338
Non-cash operating activities:		
Operating lease assets obtained in exchange for new operating lease liabilities	$ 1,317	$ 1,240

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

2023	$ 2,474
2024	2,154
2025	1,765
2026	1,313
2027	1,121
Thereafter	1,643
Total minimum lease payments	10,470
Less: imputed interest	(2,151)
Total lease liabilities	$ 8,319

NOTE 8 - CONTRACTS WITH CUSTOMERS AND REVENUE CONCENTRATION

Receivables

Receivables from contracts with customers, net of allowance for doubtful accounts of $3,248, were $12,123 at December 31, 2022. Receivables from contracts with customers, net of allowance for doubtful accounts of $2,210, were $5,308 at December 31, 2021. No customers represented more than 10% of our net accounts receivable balance as of December 31, 2022 and December 31, 2021, respectively.

Deferred Commissions

Deferred commission costs from contracts with customers were $6,660 and $4,684 at December 31, 2022 and December 31, 2021, respectively. The amount of amortization recognized for the years ended December 31, 2022 and December 31, 2021 was $1,644 and $1,318, respectively.

Deferred Revenue

During the years ended December 31, 2022 and December 31, 2021, revenue of $3,415 and $4,410, respectively, was recognized from the deferred revenue balance at the beginning of each period.

Transaction Price Allocated to the Remaining Performance Obligations

As of December 31, 2022, approximately $25,032 of revenue is expected to be recognized from remaining performance obligations. We expect to recognize revenue on approximately 86% of these remaining performance obligations over the next 12 months, with the balance recognized thereafter.

Revenue Concentration

During the year ended December 31, 2022 and 2021, there were no customers that individually represented 10% or more of consolidated revenue.

NOTE 9 - STOCKHOLDERS' EQUITY, EMPLOYEE BENEFIT PLANS AND SHARE-BASED COMPENSATION

Shelf Registration

In March 2021, we filed a universal shelf registration statement on Form S-3 with the Securities and Exchange Commission ("SEC") to provide access to additional capital, if needed. Pursuant to the shelf registration statement, we may from time to time offer to sell in one or more offerings shares of our common stock or other securities having an aggregate value of up to $150,000 (which includes 1,480 of unsold securities that were previously registered on other registration statements effective at the time of this filing of our current S-3). The shelf registration statement relating to these securities became effective on April 21, 2021. As of December 31, 2022, there is $150,000 available under the shelf registration statement.

Also in March 2021, we filed an acquisition shelf registration statement on Form S-4 with the SEC to allow for us to issue securities in future business combinations, Pursuant to the acquisition shelf registration statement, we may from time to time issue up to 12,500 shares of our common stock as consideration in future business combinations. The shelf registration statement relating to these securities became effective on April 21, 2021. As of December 31, 2022, there are 12,500 shares of common stock available for issuance under this acquisition shelf registration statement.

Share Repurchase Program

On March 10, 2020, our Board of Directors authorized a stock repurchase plan, under which we may repurchase up to $5,000 of our outstanding common stock. This stock repurchase program is in addition to 364 shares available under our stock repurchase plan existing prior to March 10, 2020.

Under this stock repurchase program, we may repurchase shares in accordance with all applicable securities laws and regulations, including Rule 10b-18 of the Securities Exchange Act of 1934, as amended. The extent to which we repurchase our shares, and the timing of such repurchases, will depend upon a variety of factors, including market conditions, regulatory requirements and other corporate considerations, as determined by our management. The repurchase program may be extended, suspended or discontinued at any time. We expect to finance the program from existing cash resources.

Stock and Stock Option Plans

We have one active equity plan, the 2018 Incentive Award Plan (the "2018 Plan").

Employees and consultants of the Company, its subsidiaries and affiliates, as well as members of our board, are eligible to receive awards under the 2018 Plan. The 2018 Plan provides for the grant of stock options, including incentive stock options ("ISOs") and nonqualified stock options ("NQSOs"), stock appreciation rights, restricted stock, restricted stock units ("RSUs"), performance bonus awards, performance stock unit awards, other stock or cash-based awards and dividend equivalents to eligible individuals. We generally grant stock options with exercise prices equal to the fair market value at the time of grant. The options generally vest over three to four years and are exercisable for a period of five to ten years beginning with the date of grant.

The number of shares available for issuance under the 2018 Plan is 4,350 shares. We have 1,932 options and 281 RSUs granted and outstanding pursuant to the 2018 Plan as of December 31, 2022.

We use the Black-Scholes option valuation model to value employee stock awards. We estimate stock price volatility based upon our historical volatility. Estimated option life and forfeiture rate assumptions are derived from historical data. For stock-based compensation awards with graded vesting, we recognize compensation expense using the straight-line amortization method.

Total compensation expense recognized in the Consolidated Statements of Comprehensive Income (Loss) for stock based awards was $3,179 and $2,990 for 2022 and 2021, respectively.

The following table summarizes the weighted average assumptions used to develop their fair value for the years ending December 31:

	2022	2021
Grant date fair value	$ 2.47	$ 3.63
Risk-free interest rate	1.92 %	0.64 %
Expected volatility	51 %	61 %
Expected life	2.88 years	3.99 years
Dividend yield	—	—

As of December 31, 2022, we reserved shares of common stock for future issuance under the 2018 Plan as follows (in thousands):

Options and RSUs outstanding	2,216
Shares available for future grant	2,343
Shares reserved	4,559

The following table summarizes activity related to options during the year ended December 31, 2022:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, beginning of year	1,871	$ 8.03		
Granted	453	6.65		
Exercised	(13)	6.96		
Cancelled	(379)	7.81		
Outstanding, end of year	1,932	$ 7.30	3.16	$ 4,034
Vested and expected to vest	1,793	$ 7.30	3.12	$ 3,754
Exercisable	941	$ 7.33	2.67	$ 1,988

The total intrinsic value of options exercised during the years ended December 31, 2022 and 2021 was $20 and $110, respectively. As of December 31, 2022, total compensation cost not yet recognized related to nonvested share options was $2,669, which is expected to be recognized over a weighted average period of 1.65 years.

The following table summarizes activity related to RSUs during the year ended December 31, 2022 (in thousands, except for weighted average grant date fair value):

	Shares	Weighted Average Grant Date Fair Value
Outstanding, beginning of year	217	$ 7.17
Granted	226	6.44
Released	(123)	7.07
Forfeited	(39)	7.13
Outstanding, end of year	281	$ 6.66

The total fair value of RSUs vested during the years ended December 31, 2022 and 2021 was $839 and $1,507, respectively. As of December 31, 2022, total compensation cost net yet recognized related to nonvested RSUs was $1,490, which is expected to be recognized over a weighted average period of 1.87 years.

As of December 31, 2022, we had 2,343 shares available for grant pursuant to the 2018 Plan.

401(k) Savings Plan

We sponsor a defined contribution 401(k) plan that is available to substantially all employees. Our Board of Directors may amend or terminate the plan at any time. We made a Safe Harbor non-elective contribution of $1,495 as of December 31, 2022. We accrued matching contributions to the plan of $261 as of December 31, 2021.

Employee Stock Purchase Plan

Our Employee Stock Purchase Plan (“Purchase Plan”) was approved by the stockholders in June 2017. The Purchase Plan allows all eligible employees to purchase a limited number of shares of our common stock during pre-specified offering periods at a discount established by the Board of Directors, not to exceed 15% of the fair market value of the common stock, at the beginning or end of the offering period (whichever is lower). Under the ESPP, 475 shares were reserved for issuance of which there remains 228 shares available for future issuance.

NOTE 10 - 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 Consolidated Statements of Comprehensive Income (Loss) to reflect the ERTC payable to us for the first three quarters in 2021. In 2022, the Company received cash of $3,457, reflecting a portion of our ERTC. See Note 13 - Subsequent Events regarding activity related to ERTC payments occurring after December 31, 2022.

NOTE 11 - INCOME TAXES

The components of the provision (benefit) for income taxes attributable to continuing operations for the years ended December 31, 2022 and 2021 are as follows (in thousands):

	2022	2021
Current		
State	$ 204	$ 95
Total current	$ 204	$ 95
Deferred		
Federal	$ 187	$ 292
State	(279)	415
Total deferred	$ (92)	$ 707
Gross tax provision	$ 112	$ 802

Our provision for income taxes attributable to continuing operations for the years ended December 31, 2022 and 2021 differ from the expected tax expense (benefit) amount computed by applying the statutory federal income tax rate of 21% to income before income taxes as a result of the following:

	2022	2021
Computed at statutory rate	$ (3,013)	$ 846
State tax, net of federal benefit	(1,181)	(207)
PPP loan forgiveness	—	(1,817)
Permanent items and other	(13)	34
Credit carryforwards	166	(308)
Change in tax carryforwards not benefited	14	457
Change in valuation allowance	4,139	1,797
	$ 112	$ 802

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of our deferred taxes for the years ended December 31, 2022 and 2021 are as follows (in thousands):

	2022	2021
Deferred tax assets		
Net operating leases	$ 11,462	$ 11,522
Research and development credit carryforwards	3,407	3,600
Disallowed interest expense carryforwards	187	5
Stock compensation	1,011	480
Deferred revenue	9	27
Accrued expenses	1,739	984
Lease liabilities	2,163	1,637
Other	3	2
Gross deferred tax assets	19,981	18,257
Less: Valuation allowance	(12,828)	(8,689)
Total deferred tax assets	$ 7,153	$ 9,568
Deferred tax liabilities		
Acquired intangibles	$ (1,257)	$ (4,075)
Fixed assets	(205)	(189)
Capitalized software	313	(1,835)
Deferred commissions	(1,732)	(1,218)
Right-of-use assets	(1,837)	(1,494)
Goodwill	(3,938)	(2,352)
Total deferred tax liabilities	$ (8,656)	$ (11,163)
Net deferred tax liabilities	$ (1,503)	$ (1,595)

At December 31, 2022, we had federal net operating loss carryforwards of $47,386, research and development credit carryforwards of $3,520. The net operating loss and research and development credit carryforwards will expire in varying amounts from 2023 through 2042, if not utilized. Approximately $17,853 of the net operating loss carryforwards carry forward indefinitely, but can only offset up to 80% of taxable income.

As a result of various acquisitions by us in prior years, we may be subject to a substantial annual limitation in the utilization of the net operating losses and credit carryforwards due to the “change in ownership” provisions of Section 382 of the Internal Revenue Code of 1986. The annual limitation may result in the expiration of net operating losses before utilization.

Due to the uncertainty surrounding the timing of realizing the benefits of our favorable tax attributes in future tax returns, we have placed a valuation allowance against our net deferred tax assets, exclusive of jurisdictions in which we have net deferred tax liabilities. During the year ended December 31, 2022, the valuation allowance increased by $4,139 due primarily to operations.

Under ASC 740-10, Income Taxes, we periodically review the uncertainties and judgments related to the application of complex income tax regulations to determine income tax liabilities in several jurisdictions. We use a “more likely than not” criterion for recognizing an asset for unrecognized income tax benefits or a liability for uncertain tax positions. We have determined we have the following unrecognized assets or liabilities related to uncertain tax positions as of December 31, 2022. We do not anticipate any significant changes in such uncertainties and judgments during the next twelve months. To the extent we are required to recognize interest and penalties related to unrecognized tax liabilities, this amount will be recorded as an accrued liability. The reconciliation of our unrecognized tax benefits is as follows:

Balance at December 31, 2020	$	587
Additions based on tax positions related to the current year		23
Additions for tax positions of prior years		4
Reductions for tax positions of prior years		—
Balance at December 31, 2021		614
Additions based on tax positions related to the current year		40
Additions for tax positions of prior years		—
Reductions for tax positions of prior years		(88)
Balance at December 31, 2022	$	566

As of December 31, 2022, we had $566 of unrecognized tax benefits, of which $15 would affect the effective tax rate if recognized. Our assessment of our unrecognized tax benefits is subject to change as a function of our financial statement audit.

Our practice is to recognize interest and/or penalties related to income tax matters in income tax expense. During the twelve months ended December 31, 2022, we recognized $0 of interest and penalties in our income tax expense.

We file tax returns in the U.S. federal jurisdiction and in several state jurisdictions. We are subject to U.S. federal income tax examinations for years ending on or after December 31, 2018 and are subject to state and local income tax examinations by tax authorities for years ending on or after December 31, 2017. We are not currently under audit for any federal or state jurisdictions.

NOTE 12 - NET EARNINGS (LOSS) PER SHARE

We compute net earnings (loss) per share based on the weighted average number of common shares outstanding for the period. Diluted net earnings (loss) per share reflects the maximum dilution that would have resulted from incremental common shares issuable upon the exercise of stock options. We compute the number of common share equivalents, which includes stock options, using the treasury stock method. We have excluded stock options and restricted stock units reflecting 108 shares for the year ended December 31, 2022 and 2,096 shares for the year ended December 31, 2021 from the computation of the diluted shares because the effect of including the stock options and restricted stock units would have been anti-dilutive.

The following table sets forth the computation of basic and diluted net earnings (loss) per common share for the years ended December 31 (in thousands, except per share amounts):

		2022		2021
Basic:				
Net income (loss)	$	(14,466)	$	3,193
Weighted-average shares of common stock outstanding		20,117		19,313
Basic earnings (loss) per share	$	(0.72)	$	0.17
Diluted:				
Net income (loss)	$	(14,466)	$	3,193
Weighted-average shares of common stock outstanding		20,117		19,509
Diluted earnings (loss) per share	$	(0.72)	$	0.16

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NOTE 13 - SUBSEQUENT EVENTS

In January 2023, the Company resolved the outstanding claims for indemnification for which it was holding back 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 note payable.

As discussed in Note 10, the Company received the remaining balance of $7,076 for the ERTC benefit in January and February 2023.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DOCUMENTS

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Control and Procedures

Based on an evaluation under the supervision and with the participation of our management, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act were effective as of December 31, 2022 to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). Based on our assessment, management has concluded that our internal control over financial reporting was effective as of December 31, 2022 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. generally accepted accounting principles.

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints, and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Changes in Internal Control Over Financial Reporting

There have been no other changes in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act) that occurred during the fourth quarter of 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Effective January 1, 2023, the Compensation Committee of the Board of Directors (the "Compensation Committee") approved the grant of performance stock units ("PSU") pursuant to a Performance Stock Unit Award Grant Notice and Performance Stock Unit Award Agreement (the "PSU Award Agreement") under the 2018 Plan to Pat Goepel, John Pence and Eyal Goldstein payable in the form of RSUs. A form of the PSU Award Agreement is attached to this annual report as Exhibit 10.13. The PSU Award Agreements set target and maximum levels of awards based on the achievement of Performance Metrics (as defined in the PSU Award Agreement) through the Performance Period (as defined in the PSU Award Agreement). The RSUs granted pursuant to the PSU Award Agreement will vest over a three year period with one-third vesting on the Final Payment Date (as defined in the PSU Award Agreement) and each of the two years thereafter.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Except as set forth below, the information required under this Item is incorporated by reference to the information set forth in our definitive proxy statement for our 2023 annual meeting of shareholders under the headings “Item 1 – Election of Directors and Other Matters.”

Code of Ethics

The Company has adopted a code of ethics entitled “Code of Business Conduct and Ethics” that applies to directors, officers and employees. It may be accessed through the “Corporate Governance” section of the Company’s website at *investor.asuresoftware.com/corporate-governance*. Asure also elects to disclose the information required by Form 8-K, Item 5.05, “Amendments to the Registrant’s Code of Ethics, or Waiver of a Provision of the Code of Ethics,” through the Company’s website, and such information will remain available on this website for at least a twelve month period. A copy of the “Code of Business Conduct and Ethics” is available in print to any stockholder who requests it.

ITEM 11. EXECUTIVE COMPENSATION

The information required under this Item is incorporated by reference to the information set forth in our definitive proxy statement for our 2023 annual meeting of shareholders under the headings “Executive Compensation,” “Equity Compensation Plan Information” and “Non-Employee Director Compensation Table.”

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required under this Item is incorporated by reference to the information set forth in our definitive proxy statement for our 2023 annual meeting of shareholders under the heading “Security Ownership of Certain Beneficial Owners and Management.”

ITEM 13. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required under this Item is incorporated by reference to the information set forth in our definitive proxy statement for our 2023 annual meeting of shareholders under the heading “Approval of Transactions with Related Parties.”

ITEM 14. PRINCIPAL ACCOUNTANT AND SERVICES

The information required under this Item is incorporated by reference to the information set forth in our definitive proxy statement for our 2023 annual meeting of shareholders under the heading “Item 2 – Ratification of Independent Registered Public Accounting Firm.”

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

(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
2.1	Asset Purchase Agreement among Asure Payroll Tax Management LLC, Payroll Tax Management, Inc., Financial Business Group Holdings, and Alden J. Blowers, dated as of July 1, 2020 (Previously filed as an Exhibit to the Company's Current Report on Form 8-K (File No. 1-34522), filed July 13, 2020).
2.2	Asset Purchase Agreement, among Evolution Payroll Processing LLC, USA Processing, Inc., Mary VanWyck-Fiannaca and Frank Fiannaca, dated as of September 30, 2021 (Previously filed as an Exhibit to the Company's Current Report on Form 8-K (File No. 1-34522), filed October 6, 2021).
2.3	Asset Purchase Agreement, among Evolution Payroll Processing LLC, Paydata Payroll Systems, Inc., Summit Trahan Revocable Trust data 2/10/09, as amended and restated U/A/D 6/12/12, Michael J. Trahan, and Michael J. Trahan, as Seller Representative, dated as of September 30, 2021 (Previously filed as an Exhibit to the Company's Current Report on Form 8-K (File No. 1-34522), filed October 6, 2021).
3.1	Restated Certificate of Incorporation (Previously filed as an Exhibit to the Company's Quarterly Report on Form 10-Q (File No. 1-34522), filed May 11, 2017).
3.2	Certificate of Amendment to Certificate of Incorporation (Previously filed as an Exhibit to the Company's Current Report on Form 8-K (File No. 1-34522), filed June 2, 2020).
3.3	Third Amended and Restated Bylaws (Previously filed as an Exhibit to the Company's Quarterly Report on Form 10-Q (File No. 1-34522), filed November 9, 2018).
3.4	Amendment to No. 1 to Third Amended and Restated Bylaws (Previously filed as an Exhibit to the Company's Current Report on Form 8-K (File No. 1-34522), filed April 6, 2020).
4.1	Specimen Certificate for the Common Stock (Previously filed as Exhibit 4.1 to the Company's Registration Statement on Form S-3 (File No. 1-34522), filed December 13, 2012).
4.2	Third Amended and Restated Rights Agreement, dated effective October 28, 2022 between Asure Software, Inc. and American Stock Transfer & Trust Company (Previously filed as an Exhibit to the Company's Current Report on Form 8-K (File No. 1-34522), filed June 3, 2022).
4.3	Letter Agreement from Patrick Goepel relating to forfeiture of option rights (Previously filed as an Exhibit to the Company's Annual Report on Form 10-K (File No. 1-34522), filed March 30, 2012).+
4.4	Stock Option Agreement for Patrick Goepel (Previously filed as an Exhibit to the Company's Annual Report on Form 10-K (File No. 1-34522), filed March 30, 2012).+
4.5	Description of the Company's securities registered pursuant to Section 12 of the Securities Exchange Act of 1934.*
10.1	Stock Purchase Agreement dated September 25, 2009 with Patrick Goepel (Previously filed as an Exhibit to the Company's Current Report on Form 8-K/A (File No. 1-34522), filed September 28, 2009).
10.2	Amended and Restated Employment Agreement dated July 2, 2011 with Patrick Goepel (Previously filed as an Exhibit to the Company's Annual Report on Form 10-K (File No. 1-34522), filed March 30, 2012).
10.3	Employee Stock Purchase Plan, as amended on May 27, 2020 (Previously incorporated to the Company's Proxy Statement (File No. 1-34522) for its Annual Meeting of Shareholders held on May 27, 2020).+

EXHIBIT NUMBER	DESCRIPTION
10.4	Form of Indemnification Agreement (Previously filed as an Exhibit to the Company's Current Report on Form 8-K (File No. 1-34522), filed December 21, 2017).
10.5	Executive Change in Control Severance Plan (Previously filed as an Exhibit to the Company's Current Report on Form 8-K (File No. 1-34522), filed December 21, 2017).+
10.6	Asure Software, Inc. 2018 Incentive Award Plan, as amended on May 29, 2019, May 27, 2020 and May 31, 2022 (Previously filed as an Exhibit to the Company's Quarterly Report on Form 10-Q (File No. 1-34522), filed May 11, 2020).+
10.7	Form of Restricted Stock Unit Award Grant Notice and Restricted Stock Unit Award Agreement under the 2018 Incentive Award Plan (Previously filed as an Exhibit to the Company's Annual Report on Form 10-K (File No. 1-34522), filed March 11, 2021).+
10.8	Form of Stock Option Grant Notice and Stock Option Agreement under the 2018 Incentive Award Plan (Previously filed as an Exhibit to the Company's Annual Report on Form 10-K (File No. 1-34522), filed March 11, 2021).+
10.9	Loan and Security Agreement, dated as of September 10, 2021, among Asure Software, Inc., and Structural Capital Investments III, LP, Ocean II PLO LLC as administrative and collateral agent and the other lenders that are or become parties thereto (Previously filed as an Exhibit to the Company's Current Report on Form 8-K (File No. 1-34522), filed September 16, 2021).
10.10	Secured Term Promissory Note, dated as of September 10, 2021, between Asure Software, Inc. and Ocean PLO LLC (Previously filed as an Exhibit to the Company's Current Report on Form 8-K (File No. 1-34522), filed September 16, 2021).
10.11	Lease between 405 Colorado Holdings LP and Asure Software Inc., dated February 4, 2022. (Previously filed as an Exhibit to the Company's Annual Report on Form 10-K (File No. 1-34522), filed March 14, 2022)
10.12	Amendment No. 1 to Loan and Security Agreement between Structural Capital Investments III, LP Ocean II PLO LLC and Asure Software, Inc. effective as of April 1, 2022 (Previously filed as an Exhibit to the Company's Quarterly Report on Form 10-Q (File No. 1-34522), filed August 8, 2022).
10.13	Form of Performance Stock Unit Award Grant Notice and Performance Stock Unit Award Agreement under the Company's 2018 Incentive Award Plan+*
21.1	Subsidiaries of the Company*
23.1	Consent of Marcum LLP*
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
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, not filed)**
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, not filed)**
101	The following materials from Asure Software, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2022, formatted in Inline XBRL: (1) the Consolidated Balance Sheets, (2) the Consolidated Statements of Comprehensive Loss, (3) the Consolidated Statements of Changes in Stockholders' Equity, (4) the Consolidated Statements of Cash Flows, and (5) Notes to Consolidated Financial Statements (filed herewith).
104	The cover page from the Company's Annual Report on Form 10-K for the year ended December 31, 2022, formatted as Inline XBRL and contained in Exhibit 101 (filed herewith).

+ Indicates management contract or compensatory plan, contract or arrangement in which directors or executive officers participate.

* Filed herewith.

** Furnished herewith.

ITEM 16. FORM 10-K SUMMARY

None.

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: February 27, 2023

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

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signed	Title	Date
/s/ PATRICK GOEPEL Patrick Goepel	Chief Executive Officer, Chairman of the Board of Directors Principal Executive Officer	February 27, 2023
/s/ JOHN PENCE John Pence	Chief Financial Officer Principal Financial and Accounting Officer	February 27, 2023
/s/ DANIEL GILL Daniel Gill	Lead Independent Director	February 27, 2023
/s/ BENJAMIN ALLEN Benjamin Allen	Director	February 27, 2023
/s/ CARL DREW Carl Drew	Director	February 27, 2023
/s/ GRACE LEE Grace Lee	Director	February 27, 2023
/s/ BRADFORD OBERWAGER Bradford Oberwager	Director	February 27, 2023
/s/ BJORN REYNOLDS Bjorn Reynolds	Director	February 27, 2023

DESCRIPTION OF THE REGISTRANT’S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

Asure Software, Inc. (“Asure,” “we” or “our”) has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”): its common stock, par value $ 0.01 per share (“Common Stock”), currently listed on the Nasdaq Stock Market. In addition, holders of Common Stock have the right to purchase Series A Junior Participating Preferred Stock (the “Series A Stock”). The following is a summary of the material terms of the Common Stock and the Series A Stock. This summary is qualified in its entirety by reference to Asure’s Restated Certificate of Incorporation, as amended by the Certificate of Amendment to Certificate of Incorporation (the “Charter”) and Third Amended and Restated By-laws, as amended by Amendment No. 1 to the Third Amended and Restated Bylaws (the “By-laws”). The Charter is incorporated herein by reference as Exhibits 3.1 and 3.2 to Asure’s Annual Report on Form 10-K of which this Exhibit 4.5 is a part. The By-laws are incorporated herein by reference as Exhibits 3.3 and 3.4 to Asure’s Annual Report on Form 10-K of which this Exhibit 4.5 is a part. We encourage you to read the Charter, the By-laws and applicable provisions of the Delaware General Corporation Law (the “DGCL”) for additional information.

General

Our authorized capital stock consists of 44,000,000 shares of Common Stock, $0.01 par value per share, and 1,500,000 shares of preferred stock, $0.01 par value per share.

Common Stock

Voting Rights

The holders of Common Stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders, including the election of directors, and do not have cumulative voting rights.

Dividends

Subject to limitations under the DGCL and preferences that may be applicable to any then outstanding preferred stock, holders of Common Stock are entitled to receive ratably those dividends, if any, as may be declared by our board of directors out of legally available funds.

Liquidation

In the event of our liquidation, dissolution or winding up, the holders of Common Stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of or provision for all of our debts and other liabilities, subject to the prior rights of any preferred stock then outstanding.

Rights and Preferences

Holders of Common Stock have no preemptive or conversion rights or other subscription rights and there are no redemption or sinking funds provisions applicable to the Common Stock.

Transfer Agent and Registrar

The transfer agent and registrar for our Common Stock is American Stock Transfer & Trust Company.

Preferred Stock

We currently have authorized 1,500,000 shares of preferred stock, $0.01 par value per share. Of those shares, we have designated 350,000 shares of Series A Junior Participating Preferred Stock, none of which shares are outstanding. The balance of our preferred stock is undesignated.

Series A Junior Participating Preferred Stock and Related Rights

We previously declared a dividend per share of Common Stock of one right (a "Right") to purchase from us one one-thousandth of a share of Series A Stock at a price of $1.7465 per one thousandth of a share of Series A Stock, subject to adjustment (the "Exercise Price"). The Rights are not exercisable until the Distribution Date referred to below. Until the Rights are exercised, the Rights holders will not have rights as our stockholders, including, without limitation, the right to vote or to receive dividends. The description and terms of the Rights are described in the Third Amended and Restated Rights Agreement between American Stock Transfer & Trust Company LLC and us, dated effective October 28, 2022, which we have previously filed with the SEC and which is incorporated by reference as Exhibit 4.5 to Asure's Annual Report on Form 10-K. We qualify the following summary by reference to the Third Amended and Restated Rights Agreement.

The Third Amended and Restated Rights Agreement imposes a significant penalty upon any person or group that acquires 4.9% or more (but less than 50%) of our outstanding Common Stock without the prior approval of our board.

The Rights become exercisable, if at all, ten days after a public announcement by us that a person or group has become an Acquiring Person. Until that date (the "Distribution Date"), our Common Stock certificates will evidence the Rights and will contain a notation to that effect. Any transfer of shares of Common Stock prior to the Distribution Date will constitute a transfer of the associated Rights. If the Rights become exercisable, each Right will allow its holder to purchase from us one one-thousandth of a share of Series A Stock for a purchase price of $1.7465. Each fractional share of Series A Stock would give the stockholder approximately the same dividend, voting and liquidation rights as one share of Common Stock. After the Distribution Date, the Rights will separate from the Common Stock and be evidenced by a Rights certificate, which we will mail to all holders of the Rights that are not void.

In addition, if a person or group becomes an Acquiring Person after the Distribution Date or already is an Acquiring Person and acquires more shares after the Distribution Date, all holders of Rights, except the Acquiring Person, may exercise their rights to purchase a number of shares of Common Stock (in lieu of Series A Stock) with a market value of twice the Exercise Price, upon payment of the purchase price.

Although we issued the Rights in an attempt to preserve our net operating loss carryforwards for tax purposes (which we cannot assure), the Rights have certain anti-takeover effects. The Rights will cause substantial dilution to a person or group that attempts to acquire us on terms not approved by our board. We do not expect that the Rights will interfere with any merger or other business combination approved by our board since we may redeem the Rights at the Redemption Price prior to the date ten days after the public announcement that a person or group has become the beneficial owner of 4.9% or more of the Common Stock. Further, we may exclude from the calculation of beneficial ownership any securities which a person or any of such person's affiliates may be deemed to have the right to acquire pursuant to any merger or other acquisition agreement between such person and us if our board has approved such agreement prior thereto.

The transfer agent and registrar for our Series A Stock is American Stock Transfer & Trust Company.

ASURE SOFTWARE, INC.
2018 INCENTIVE AWARD PLAN

PERFORMANCE STOCK UNIT AWARD GRANT NOTICE

Asure Software, Inc., a Delaware corporation, (the "**Company**"), pursuant to its 2018 Incentive Award Plan, as amended from time to time (the "**Plan**"), hereby grants to the holder listed below (the "**Participant**"), an award of performance stock units ("**Performance Stock Units**" or "**PSUs**"). This award of Performance Stock Units is subject to all of the terms and conditions set forth in this Grant Notice, in the Performance Stock Unit Award Agreement attached as **Exhibit A** (the "**Agreement**") and the Plan, each of which are incorporated herein by reference. Unless otherwise defined in this Grant Notice, capitalized terms used in this Grant Notice or the Agreement shall have the meanings ascribed to them in the Plan.

Participant:	[______________]
Grant Date:	[______________]
Performance Period:	January 1, 2023 through December 31, 2023
Target Award:	[______________] PSUs
Final Award:	Target Award, multiplied by the Payout Percentage based on the achievement of the Performance Metrics.
Payment of Final Award:	Asure will pay the Final Award as soon as practicable and no later than March 15, 2024 (such date of payment, begin the "**Final Payment Date**"). The Final Award shall be paid in Restricted Stock Units (the "**RSUs**") at a conversion rate of 1 PSU equals 1 RSU. The RSUs will vest in three installments: 1/3rd will vest immediately on the Final Payment Date, 1/3rd will vest on January 2, 2025, and the remaining third will vest on January 2, 2026.
RSU conversion:	Each vested RSU will convert into one share of the common stock of Asure Software, Inc.
Termination:	If the Participant experiences a Termination of Service before the Final Payment Date, all PSUs shall be automatically forfeited by the Participant without payment of any consideration therefor. If the Participant experiences a Termination of Service after the Final Payment Date, any RSUs that have not vested on or prior to the date of such Termination of Service will thereupon be automatically forfeited by the Participant without payment of any consideration therefor.

By his or her signature and the Company's signature below, the Participant agrees to be bound by the terms and conditions of the Plan, the Agreement and this Grant Notice. The Participant has reviewed the Plan, the Agreement and this Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of the Plan, the Agreement and this Grant Notice. The Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, the Agreement or this Grant Notice. In addition, by signing below, the Participant also agrees that the Company, in its sole discretion, may satisfy any withholding obligations in accordance with Section 2.10(b) of the Agreement by (i) withholding shares of Common Stock otherwise issuable to the Participant upon vesting of the RSUs, (ii) instructing a broker on the Participant's behalf to sell shares of Common Stock otherwise issuable to the Participant upon vesting of the RSUs and submit the proceeds of such sale to the Company, or (iii) using any other method permitted by Section 2.6(b) of the Agreement or the Plan.

ASURE SOFTWARE, INC.		**PARTICIPANT:**
By:		By:
Print Name:	Patrick Goepel	Print Name:
Title:	Chief Executive Officer	

EXHIBIT A
PERFORMANCE STOCK UNIT AWARD AGREEMENT

This Performance Stock Unit Agreement (this "**Agreement**"), dated as of the Grant Date set forth in the Performance Stock Unit Award Grant Notice (the "**Grant Notice**,") is made between Asure Software, Inc. (the "**Company**") and the Participant. The Grant Notice is included in, and made part of, this Agreement.

ARTICLE I.
GENERAL

1.1 **Defined Terms**. Capitalized terms not specifically defined in this Agreement shall have the meanings specified in the Plan and the Grant Notice.

1.2 **Incorporation of Terms of Plan**. The PSUs are subject to the terms and conditions of the Plan, which are incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control.

ARTICLE II.
PERFORMANCE CRITERIA AND AWARD DETERMINATION

1.1 **Target Award Grant**. Subject to the provisions of this Agreement and the Plan, the Company hereby grants to Participant the number of performance stock units ("**Performance Stock Units**" or "**PSUs**") set forth in the Grant Notice (the "**Target Award**").

1.2 **Final Award Determination**. At the end of the Performance Period and subject to the achievement of the performance metrics set forth in Section 2.3(the "**Performance Metrics**"), the Participant shall be entitled to receive that number of restricted stock units (the "**Restricted Stock Units**" or "**RSUs**") equal to (i) the Target Award, multiplied by (ii) the Payout Percentage (the "**Final Award**"). The Payout Percentage shall be calculated with reference to Schedule 1 after the achievement of the Performance Metrics are certified in writing by the Compensation Committee of the Company's Board of Directors (the "**Committee**") following completion of the audit of the Company's financial statements for the period ending on the last day of the Performance Period.

1.3 **Performance Metrics**. The Performance Metrics are (i) recurring revenue, and (ii) gross profit. Recurring revenue shall be determined in accordance with generally accepted accounting practices and as set forth in the Company's audited Consolidated Statements of Comprehensive Income (Loss) for the period ending on the last day of the Performance Period and subject to such exclusions and adjustments in each case as set forth on **Schedule 1** or as determined by the Committee and communicated to the Participant in writing, when determined. Gross profit shall be determined in a manner generally consistent with the Company's calculation of non-GAAP gross profit for the period ending on the last day of the Performance Period and included in the Company's earnings release for such period, alos subject to such exclusions and adjustments in each case as set forth on **Schedule 1** or as determined by the Committee and communicated to the Participant in writing, when determined. The Committee has established the base threshold, target and maximum values for each Performance Metric, which are set forth on **Schedule 1**. The Committee may modify such threshold, target and maximum values for any Performance Metric to account for changed circumstances in the Company's business occurring during the Performance Period, including, without limitation, acquisitions, new lines of business, divestitures, audit adjustments.

1.4 **Performance Period.** The Performance Period, for purposes of this Agreement, shall be determined by the Compensation Committee and shall be the period set forth in the Grant Notice.

1.5 **Settlement of Final Award.** As soon as reasonably practicable following the completion of the Company's annual audit of its financial statements for the year ended on the last day of the Performance Period and no later than March 15 of the year following the year in which the Performance Period ends, the Committee shall certify the achievement of the Performance Metrics, determine the Final

Award and issue RSUs to each Participant in the amount of the Final Award. Each RSU shall be equivalent to one share of the common stock of the Company.

1.6 **Unsecured Obligation to RSUs**. Unless and until the PSUs have been earned and the Final Award determined, the RSUs have been issued and the RSUs have vested in the manner set forth in Section 2.7 of this Agreement, the Participant will have no right to receive Common Stock under any such RSUs. Prior to actual payment of any vested RSUs, such RSUs will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.

1.7 **Vesting Schedule**. Subject to Section 2.9 of this Agreement, the RSUs issued in connection with the payment of the Final Award shall vest and become nonforfeitable with respect to the applicable portion thereof according to the vesting schedule set forth in the Grant Notice (rounding down to the nearest whole Share).

1.8 **Consideration to the Company**. In consideration of the grant of the award of PSUs pursuant hereto, the Participant agrees to render faithful and efficient services to the Company or any Subsidiary.

1.9 **Forfeiture, Termination and Cancellation upon Termination of Service.** Notwithstanding any contrary provision of this Agreement or the Plan, upon the Participant's Termination of Service for any or no reason, any PSUs that have not been earned and any RSUs, which have not vested prior to or in connection with such Termination of Service shall thereupon automatically be forfeited, terminated and cancelled as of the applicable termination date without payment of any consideration by the Company, and the Participant, or the Participant's beneficiary or personal representative, as the case may be, shall have no further rights hereunder. No portion of the PSUs which have not been earned and the RSUs issued in connection with a Final Award and which have not become vested as of the date on which the Participant incurs a Termination of Service shall thereafter become vested.

1.10 **Issuance of Common Stock upon Vesting**.

(a) As soon as administratively practicable following the vesting of any Restricted Stock Units pursuant to Section 2.7 of this Agreement, but in no event later than 30 days after such vesting date (for the avoidance of doubt, this deadline is intended to comply with the “short term deferral” exemption from Section 409A of the Code), the Company shall deliver to the Participant, a number of Shares equal to the number of RSUs subject to this Award that vest on the applicable vesting date. Notwithstanding the foregoing, in the event Shares cannot be issued pursuant to Section 10.7 of the Plan, the Shares shall be issued pursuant to the preceding sentence as soon as administratively practicable after the Administrator determines that Shares can again be issued in accordance with such Section.

(b) As set forth in Section 10.5 of the Plan, the Company shall have the authority and the right to deduct or withhold, or to require the Participant to remit to the Company, an amount sufficient to satisfy all applicable federal, state and local taxes required by law to be withheld with respect to any taxable event arising in connection with the Restricted Stock Units. The Company shall not be obligated to deliver any Shares to the Participant or the Participant’s legal representative unless and until the Participant or the Participant’s legal representative shall have paid or otherwise satisfied in full the amount of all federal, state and local taxes applicable to the taxable income of the Participant resulting from the grant or vesting of the Restricted Stock Units or the issuance of Shares.

1.11 **Conditions to Delivery of Shares**. The Shares deliverable hereunder may be either previously authorized but unissued Shares, treasury Shares or issued Shares which have then been reacquired by the Company. Such Shares shall be fully paid and nonassessable. The Company shall not be required to issue Shares deliverable under this Agreement prior to fulfillment of the conditions set forth in Section 10.7 of the Plan.

1.12 **Rights as Stockholder**. The holder of the PSUs shall not be, nor have any of the rights or privileges of, a stockholder of the Company, including, without limitation, voting rights and rights to dividends, in respect of the PSUs, the RSUs that may be issued following the Performance Period in

connection with a Final Award and any Shares underlying the RSUs and deliverable under this Agreement unless and until such Shares shall have been issued by the Company and held of record by such holder (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Article IX of the Plan.

1.13 **No Effect on Capital Structure**. No award or right granted under this Agreement shall affect the right of the Company or any Subsidiary to reclassify, recapitalize or otherwise change its capital or debt structure or to merge, consolidate, convey any or all of its assets, dissolve, liquidate, windup, or otherwise reorganize.

1.14 **Change In Control**. If there is a Change in Control and the Committee determines that it is infeasible or impractical to determine the Payout Percentage because the Performance Period is not yet complete, the PSUs shall be converted into that number of RSUs equal to the Target Award and will thereupon vest under the terms set forth in Section 2.7 of this Agreement and otherwise be treated in accordance with Section 9.3 of the Plan.

ARTICLE III.
OTHER PROVISIONS

1.1 **Administration**. The Administrator shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret, amend or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator in good faith shall be final and binding upon the Participant, the Company and all other interested persons. No member of the Administrator or the Board shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan, this Agreement or the PSUs or RSUs.

1.2 **PSUs/RSUs Not Transferable**. The PSUs and RSUs shall be subject to the restrictions on transferability set forth in Section 10.1 of the Plan.

1.3 **Tax Consultation**. The Participant understands that the Participant may suffer adverse tax consequences in connection with the PSUs granted pursuant to this Agreement, the RSUs issued in connection with a Final Award (and the Shares issuable with respect thereto). The Participant represents that the Participant has consulted with any tax consultants the Participant deems advisable in connection with the PSUs, the RSUs and the issuance of Shares with respect thereto and that the Participant is not relying on the Company for any tax advice.

1.4 **Binding Agreement.** Subject to the limitation on the transferability of the PSUs and RSUs contained in this Agreement, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

1.5 **Adjustments Upon Specified Events.** The Administrator may accelerate the vesting of the RSUs in such circumstances as it, in its sole discretion, may determine. The Participant acknowledges that the RSUs are subject to adjustment, modificatio7n and termination in certain events as provided in this Agreement and Article IX of the Plan.

1.6 **Notices**. Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the Company’s principal office, and any notice to be given to the Participant shall be addressed to the Participant at the Participant’s last address reflected on the Company’s records. By a notice given pursuant to this Section 3.6, either party may hereafter designate a different address for notices to be given to that party. Any notice shall be deemed duly given when sent via email or when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

1.7 **Participant’s Representations.** If the Shares issuable hereunder have not been registered under the Securities Act or any applicable state laws on an effective registration statement at

the time of such issuance, the Participant shall, if required by the Company, concurrently with such issuance, make such written representations as are deemed necessary or appropriate by the Company or its counsel.

1.8 **Titles**. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

1.9 **Governing Law**. The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

1.10 **Conformity to Securities Laws**. The Participant acknowledges that the Plan and this Agreement are intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act and any other Applicable Law. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the RSUs are granted, only in such a manner as to conform to Applicable Law. To the extent permitted by Applicable Law, the Plan and this Agreement shall be deemed amended to the extent necessary to conform to such Applicable Law.

1.11 **Amendment, Suspension and Termination**. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board.

1.12 **Successors and Assigns**. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject

1.13 **Limitations Applicable to Section 16 Persons**. Notwithstanding any other provision of the Plan or this Agreement, if the Participant is subject to Section 16 of the Exchange Act, then the Plan, the PSUs, the RSUs issued in connection with a Final Award and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

1.14 **Not a Contract of Service Relationship**. Nothing in this Agreement or in the Plan shall confer upon Participant any right to continue to serve as an employee or other service provider of the Company or any of its Subsidiaries or interfere with or restrict in any way with the right of the Company or any of its Subsidiaries, which rights are hereby expressly reserved, to discharge or to terminate for any reason whatsoever, with or without cause, the services of the Participant at any time.

1.15 **Entire Agreement**. The Plan, the Grant Notice and this Agreement (including all Schedules thereto, if any) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and the Participant with respect to the subject matter hereof.

1.16 **Section 409A**. This Award is not intended to constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code (together with any Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the date hereof, “***Section 409A***”). However, notwithstanding any other provision of the Plan, the Grant Notice or this Agreement, if at any time the Administrator determines that this Award (or any portion thereof) may be subject to Section 409A, the Administrator shall have the right in its sole discretion (without any obligation to do so or to indemnify Participant or any other person for failure to do so) to adopt such amendments to the Plan, the Grant Notice or this Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Administrator determines are necessary or appropriate for this Award either to be exempt from the application of Section 409A or to comply with the requirements of Section 409A.

1.17 **Limitation on Participant’s Rights**. Participation in the Plan confers no rights or interests other than as provided in this Agreements. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. The Participant shall have only the rights of a general unsecured creditor of the Company and its Subsidiaries with respect to amounts credited and benefits payable, if any, with respect to the PSUs, and rights no greater than the right to receive the Common Stock as a general unsecured creditor with respect to RSUs, as and when payable under this Agreement.

* * * * *

Schedule 1
Calculation of Payout Percentage

The Payout Percentage will be calculated with reference to the following formula:

PP = ([●] × RR) + ([●] × GP)

where:

RR is one of the following:

(a) If Recurring Revenue[1] is less than Threshold, RR is 0.

(b) If Recurring Revenue[1] is equal to the Threshold, but less than the Target, RR is equal to [●] + ([●] × ((Recurring Revenue – Threshold) / [●]).

(c) If Recurring Revenue[1] is equal to the Target, but less than the Maximum, RR is equal to [●] + ([●] × ((Recurring Revenue – Target) / [●]).

(d) If Recurring Revenue[1] is equal to or greater than the Maximum, RR is equal to [●].

For this purpose, the RR Threshold, Target and Maximum for Recurring Revenue are as follows:

Threshold	$[●]
Target	$[●]
Maximum	$[●]

[1]Recurring Revenue [includes/does not include] ________________________________.

and

GP is one of the following:

(a) If Gross Profit* is less than Threshold, GP is 0.

(b) If Gross Profit* is equal to the Threshold, but less than the Target, GP is equal to [●] + ([●] × ((Gross Profit – Threshold) / [●]).

(c) If Gross Profit* is equal to the Target, but less than the Maximum, GP is equal to [●] + ([●] × ((Gross Profit – Target) / [●]).

(d) If Gross Profit* is equal to or greater than the Maximum, GP is equal to [●].

For this purpose, the Threshold, Target and Maximum for Gross Profit are as follows:

Threshold	$[●]
Target	$[●]
Maximum	$[●]

*Gross Profit [includes/does not include] ________________________________.

EXHIBIT 21.1

LIST OF SUBSIDIARIES

Subsidiary	State of Formation
Asure Consulting, Inc.	Washington
Asure Operations, Inc.	Delaware
Asure Payroll Tax Management LLC	Delaware
Associated Data Services, Inc.	Alabama
Compass HRM, Inc.	Florida
Evolution Payroll Processing LLC	Delaware
iSystems Intermediate HoldCo, Inc.	Delaware
iSystems, LLC	Vermont
Mangrove Employer Services, Inc.	Florida
Asure Payroll Services, Inc.	Florida
Mangrove Software, Inc.	Florida
Payroll Maxx LLC	Colorado
PaySystems of America, Inc.	Tennessee
Savers Administrative Services, Inc.	North Carolina
Telepayroll, Inc.	California
USA Payrolls, Inc.	New York

EXHIBIT 23.1

Independent Registered Public Accounting Firm's Consent

We consent to the incorporation by reference in the Registration Statement of Asure Software, Inc. on Form S-3 (File No. 333-254138), Form S-4 (File No. 333-254140) and on Form S-8 (File Nos. 333-215097, 333-230967, 333-232754, 333-249986 and 333-268220) of our report dated February 27, 2023, with respect to our audits of the consolidated financial statements of Asure Software, Inc. as of December 31, 2022 and 2021 and for the years ended December 31, 2022 and 2021, which report is included in this Annual Report on Form 10-K of Asure Software, Inc. for the year ended December 31, 2022.

/s/ Marcum LLP

Marcum LLP
Los Angeles, California
February 27, 2023

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 annual report on Form 10-K of the Company for the calendar year ended December 31, 2022 (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 December 31, 2022) 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: February 27, 2023 By: /s/ Patrick Goepel

Patrick Goepel
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF PERIODIC REPORT

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

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

1. I have reviewed this annual report on Form 10-K of the Company for the calendar year ended December 31, 2022 (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 December 31, 2022) 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: February 27, 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 annual report on Form 10-K of the Company for the period ended December 31, 2022 (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: February 27, 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 annual report on Form 10-K of the Company for the period ended December 31, 2022 (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: February 27, 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.