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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2020

OR

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

For the transition period from _______ to

Commission file number: 1-34522

ASURE SOFTWARE, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware (State or other jurisdiction of incorporation or organization)	**74-2415696** (I.R.S. Employer Identification No.)
3700 N. Capital of Texas Hwy #350 **Austin, Texas** (Address of Principal Executive Offices)	**78746** (Zip Code)

(512) 437-2700
(Registrant's Telephone Number, including Area Code)

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**	**Nasdaq Capital Market**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

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

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

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

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

As of November 6, 2020, 15,907,302 shares of the registrant's Common Stock were outstanding.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ASURE SOFTWARE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands)

	September 30, 2020 (unaudited)	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 12,939	$ 28,826
Accounts receivable, net of allowance for doubtful accounts of $885 and $904 at September 30, 2020 and December 31, 2019, respectively	5,220	4,808
Inventory	408	656
Prepaid expenses and other current assets	2,558	12,218
Total current assets before funds held for clients	21,125	46,508
Funds held for clients	199,306	137,935
Total current assets	220,431	184,443
Property and equipment, net	8,275	7,867
Goodwill	71,289	68,697
Intangible assets, net	62,055	63,850
Operating lease assets, net	6,837	6,963
Other assets, net	3,839	3,224
Total assets	$ 372,726	$ 335,044
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of notes payable	$ 10,794	$ 2,571
Accounts payable	1,009	1,736
Accrued compensation and benefits	3,305	3,424
Operating lease liabilities, current	1,779	1,575
Other accrued liabilities	791	6,556
Deferred revenue	3,585	5,500
Total current liabilities before client fund obligations	21,263	21,362
Client fund obligations	198,691	145,227
Total current liabilities	219,954	166,589
Long-term liabilities:		
Deferred revenue	161	322
Deferred tax liability	362	336
Notes payable, net of current portion	12,908	24,142
Contingent purchase consideration	2,745	-
Operating lease liabilities, noncurrent	5,844	5,937
Other liabilities	656	139
Total long-term liabilities	22,676	30,876
Total liabilities	242,630	197,465
Commitments		
Stockholders' equity:		
Preferred stock, $.01 par value; 1,500 shares authorized; none issued or outstanding	-	-
Common stock, $.01 par value; 44,000 and 22,000 shares authorized; 16,225 and 16,098 shares issued, 15,900 and 15,714 shares outstanding at September 30, 2020 and December 31, 2019, respectively	163	161
Treasury stock at cost, 384 shares at September 30, 2020 and December 31, 2019	(5,017)	(5,017)
Additional paid-in capital	398,449	396,102
Accumulated deficit	(264,112)	(253,642)
Accumulated other comprehensive income (loss)	613	(25)
Total stockholders' equity	130,096	137,579
Total liabilities and stockholders' equity	$ 372,726	$ 335,044

The accompanying notes are an integral part of these condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
Revenue:				
Recurring	$ 15,273	$ 17,014	$ 47,442	$ 53,429
Professional services, hardware and other	742	840	1,634	2,109
Total revenue	16,015	17,854	49,076	55,538
Cost of Sales	6,942	7,086	20,807	20,399
Gross profit	9,073	10,768	28,269	35,139
Operating expenses:				
Sales and marketing	3,573	3,245	9,916	9,008
General and administrative	5,947	6,972	17,580	21,779
Research and development	1,805	1,271	4,356	3,561
Amortization of intangible assets	2,424	2,322	7,123	7,143
Total operating expenses	13,749	13,810	38,975	41,491
Loss from operations	(4,676)	(3,042)	(10,706)	(6,352)
Interest (expense) income and other, net	(408)	(2,712)	302	(8,495)
Loss from continuing operations before income taxes	(5,084)	(5,754)	(10,404)	(14,847)
Income tax (benefit) expense	(325)	(130)	71	512
Loss from continuing operations	(4,759)	(5,624)	(10,475)	(15,359)
Discontinued operations				
Income from operations of discontinued operations	-	2,126	-	4,030
Income tax benefit	-	(142)	-	(112)
Gain on discontinued operations, net of taxes	-	2,268	-	4,142
Net loss	(4,759)	(3,356)	(10,475)	(11,217)
Other comprehensive income:				
Unrealized gain on marketable securities	16	(4)	643	22
Foreign currency translation loss	-	(514)	-	(560)
Comprehensive loss	$ (4,743)	$ (3,874)	$ (9,832)	$ (11,755)
Basic and diluted loss per share from continuing operations				
Basic	$ (0.30)	$ (0.36)	$ (0.66)	$ (0.99)
Diluted	$ (0.30)	$ (0.36)	$ (0.66)	$ (0.99)
Basic and diluted loss per share				
Basic	$ (0.30)	$ (0.22)	$ (0.66)	$ (0.72)
Diluted	$ (0.30)	$ (0.22)	$ (0.66)	$ (0.72)
Weighted average basic and diluted shares				
Basic	15,873,000	15,565,000	15,793,000	15,472,000
Diluted	15,873,000	15,565,000	15,793,000	15,472,000

The accompanying notes are an integral part of these condensed consolidated financial statements.

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

	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, 2019	15,714	$ 161	$ (5,017)	$ 396,102	$ (253,642)	$ (25)	$ 137,579
Stock issued upon option exercise and vesting of restricted stock units	29	-	-	106	-	-	106
Share based compensation	-	-	-	438	-	-	438
Net loss	-	-	-	-	(1,767)	-	(1,767)
Other comprehensive income	-	-	-	-	-	65	65
Balance at March 31, 2020	15,743	$ 161	$ (5,017)	$ 396,646	$ (255,409)	$ 40	$ 136,421
Stock issued upon option exercise and vesting of restricted stock units	66	1	-	301	-	-	302
Stock issued, ESPP	32	-	-	157	-	-	157
Share based compensation	-	-	-	588	-	-	588
Net loss	-	-	-	-	(3,944)	-	(3,944)
Other comprehensive income	-	-	-	-	-	562	562
Balance at June 30, 2020	15,841	$ 162	$ (5,017)	$ 397,692	$ (259,353)	$ 602	$ 134,086
Stock issued upon option exercise and vesting of restricted stock units	59	1	-	50	-	-	51
Share based compensation	-	-	-	707	-	-	707
Net loss	-	-	-	-	(4,759)	-	(4,759)
Other comprehensive income	-	-	-	-	-	11	11
Balance at September 30, 2020	15,900	$ 163	$ (5,017)	$ 398,449	$ (264,112)	$ 613	$ 130,096

The accompanying notes are an integral part of these condensed consolidated financial statements.

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

	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, 2018	15,282	$ 157	$ (5,017)	$ 391,927	$ (283,643)	$ (906)	$ 102,518
Stock issued upon acquisition	123	1	-	554	-	-	555
Share based compensation	-	-	-	611	-	-	611
Net loss	-	-	-	-	(2,894)	-	(2,894)
Other comprehensive income	-	-	-	-	-	267	267
Balance at March 31, 2019	15,405	$ 158	$ (5,017)	$ 393,092	$ (286,537)	$ (639)	$ 101,057
Stock issued, ESPP	53	-	-	255	-	-	255
Stock issued upon option exercise and vesting of restricted stock units	93	1	-	466	-	-	467
Share based compensation	-	-	-	392	-	-	392
Net loss	-	-	-	-	(4,967)	-	(4,967)
Other comprehensive loss	-	-	-	-	-	(287)	(287)
Balance at June 30, 2019	15,551	$ 159	$ (5,017)	$ 394,205	$ (291,504)	$ (926)	$ 96,917
Stock issued, ESPP	-	-	-	-	-	-	-
Stock issued upon option exercise and vesting of restricted stock units	35	1	-	28	-	-	29
Share based compensation	-	-	-	577	-	-	577
Net loss	-	-	-	-	(3,356)	-	(3,356)
Other comprehensive loss	-	-	-	-	-	(518)	(518)
Balance at September 30, 2019	15,586	$ 160	$ (5,017)	$ 394,810	$ (294,860)	$ (1,444)	$ 93,649

The accompanying notes are an integral part of these condensed consolidated financial statements.

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

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Cash flows from operating activities:		
Net loss	$ (10,475)	$ (11,217)
Adjustments to reconcile loss to net cash (used in) provided by operations:		
Depreciation and amortization	12,046	11,594
Amortization of debt financing costs and discount	348	1,178
Provision for (recovery of) doubtful accounts	317	(414)
Provision for deferred income taxes	26	468
Gain on modification of debt	(123)	-
Share-based compensation	1,733	1,580
Loss on disposals of fixed assets	55	83
Changes in operating assets and liabilities:		
Accounts receivable	1,451	2,930
Inventory	137	(2,062)
Prepaid expenses and other assets	(766)	16
Accounts payable	(726)	(598)
Accrued expenses and other long-term obligations	(2,482)	217
Operating lease liabilities	(1,182)	-
Deferred revenue	(2,076)	148
Net cash (used in) provided by operating activities	**(1,717)**	**3,923**
Cash flows from investing activities:		
Acquisitions, net of cash acquired	(6,994)	(7,443)
Acquisition of intangible asset	(1,823)	-
Purchases of property and equipment	(859)	(1,159)
Software capitalization costs	(1,904)	(3,207)
Net change in funds held for clients	(53,107)	48,361
Net cash (used in) provided by investing activities	**(64,687)**	**36,552**
Cash flows from financing activities:		
Proceeds from notes payable	8,856	8,000
Payments of notes payable	(12,171)	(4,638)
Proceeds from revolving line of credit	-	8,000
Payments of revolving line of credit	-	(4,000)
Debt financing fees	(249)	(1,102)
Payments of finance leases	-	(102)
Net proceeds from issuance of common stock	616	496
Net change in client fund obligations	53,465	(49,964)
Net cash provided by (used in) financing activities	**50,517**	**(43,310)**
Effect of foreign exchange rates	-	**(33)**
Net increase (decrease) in cash and cash equivalents	**(15,887)**	**(2,868)**
Cash and cash equivalents at beginning of period	**28,826**	**15,444**
Cash and cash equivalents at end of period	**$ 12,939**	**$ 12,576**
Supplemental information:		
Cash paid for:		
Interest	$ 967	$ 6,581
Income taxes	3,469	31
Non-cash Investing and Financing Activities:		
Subordinated notes payable –acquisitions	$ -	$ 2,000
Equity issued in connection with acquisitions	-	555

The accompanying notes are an integral part of these condensed consolidated financial statements.

ASURE SOFTWARE, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(Amounts in thousands, except share and per share data unless otherwise noted)

NOTE 1 – THE COMPANY AND BASIS OF PRESENTATION

Asure Software, Inc., (“Asure”, the “Company”, “we” and “our”), a Delaware Corporation, is a leading provider of Human Capital Management (“HCM”). Asure facilitates the growth of small and mid-sized companies by helping them (i) build better teams with skills that get them to the next level, (ii) stay compliant with ever changing federal, state, and local tax jurisdictions and labor laws, and (iii) allocate more resources to support growth rather than back-office overhead that suffocates growth. Asure’s HCM suite, named AsureHCM, includes cloud-based Payroll & Tax, Human Resources ("HR"), and Time & Attendance software as well as HR Services ranging from HR projects to completely outsourcing payroll and HR staff. We develop, market, sell and support our offerings across North America through our principal office in Austin, Texas and from our processing hubs in California, Tennessee, Nebraska, New York, Florida, Vermont, and Washington.

In December 2019, we completed the sale of the assets of our Workspace Management business for an aggregate purchase price of approximately $121,500 in cash. We used the proceeds to pay down debt. In July 2020 we finalized our working capital adjustment and received escrow funds of $1,687. For further information regarding the transaction, see Note 10 to the accompanying consolidated financial statements.

In July 2020, we acquired certain assets of a payroll tax business. The initial Purchase price for the assets was $4.25 million, which we paid cash at closing. The seller will be paid additional consideration for the assets based on the trailing twelve-month revenue at each of April 30, 2021 and October 31, 2021. Contingent purchase consideration, if any, will generally be made by May 30, 2021 and December 30, 2021.

We have prepared the accompanying unaudited condensed consolidated financial statements in accordance with the rules and regulations of the Securities and Exchange Commission and accordingly, they do not include all information and footnotes required under U.S. generally accepted accounting principles ("U.S. GAAP") for complete financial statements. Certain reclassifications were made to conform to the current period presentation in the condensed consolidated statements of comprehensive loss. These reclassifications include a change in the presentation of revenues.

In the opinion of management, these interim financial statements contain all adjustments, consisting of normal, recurring adjustments, necessary for a fair presentation of our financial position as of September 30, 2020 and the results of operations, statements of changes in stockholders' equity for the three and nine months ended September 30, 2020 and September 30, 2019, and our statements of cash flows for the nine months ended September 30, 2020 and September 30, 2019.

These condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and notes thereto filed with the Securities and Exchange Commission in our annual report on Form 10-K for the fiscal year ended December 31, 2019. The results for the interim periods are not necessarily indicative of results for a full fiscal year.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

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, useful lives of fixed 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. Additionally, the actual amounts could differ from the estimates made. Management periodically evaluates estimates used in the preparation of the consolidated financial statements for continued reasonableness. We make appropriate adjustments, if any, to the estimates used prospectively based upon such periodic evaluation.

ASURE SOFTWARE, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(Amounts in thousands, except share and per share data unless otherwise noted)

SIGNIFICANT RISKS AND UNCERTAINTIES

The COVID-19 pandemic has resulted in a global economic slowdown and disruptions that have and could continue to negatively impact our business. The pandemic and numerous measures implemented to contain the virus such as business shutdowns, shelter-in-place orders and travel bans and restrictions have caused businesses, especially small and medium sized businesses some of whom are our customers, to reduce headcount or cease operations as customer demand decreased. Given the economic slowdown and other risks and uncertainties associated with the pandemic, we expect that our business, financial condition, results of operations and growth prospects will be adversely affected in the future. Our business is impacted by employment levels as we have contracts that charge clients on a per-employee basis. In addition, the conditions caused by the COVID-19 pandemic could adversely affect our customers' ability or willingness to purchase our offerings, delay prospective customers' purchasing decisions, delay the provisioning of our offerings, lengthen payment terms, reduce the value or duration of customer subscription contracts, or affect attrition rates, all of which could adversely affect our future sales, operating results and overall financial performance.

The duration and extent of the impact from the COVID-19 pandemic depends on future developments that cannot be accurately predicted at this time, such as the severity and transmission rate of the virus, the extent and effectiveness of containment actions and the impact of these and other factors on our employees, customers, partners and vendors. If we are not able to respond to and manage the impact of such events effectively, our business will be harmed.

RECENT ACCOUNTING PRONOUNCEMENTS

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-13, *Fair Value Measurement* (Topic 820). The new guidance modifies disclosure requirements related to fair value measurement. We adopted the standard on January 1, 2020. The adoption of this standard did not have an impact on our financial statements and disclosures.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40).* The new guidance reduces complexity for the accounting for costs of implementing a cloud computing service arrangement and aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). We adopted the standard on January 1, 2020 prospectively to all implementation costs incurred after the date of adoption. The effects of this standard on our financial position, results of operations and cash flows were not material.

Standards Yet to Be Adopted

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses. ASU 2016-13 requires organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. As we are a smaller reporting company, ASU 2016-13 is effective for us beginning January 1, 2023. We are currently evaluating the impact, if any, the adoption will have on our financial position and results of operations.

In December 2019, the FASB issued ASU No. 2019-12, *Simplifying the Accounting for Income Taxes*. ASU 2019-12 eliminates certain exceptions related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. It also clarifies and simplifies other aspects of the accounting for income taxes. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. We are currently evaluating the impact, if any, the adoption will have on our financial position and results of operations.

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 September 30, 2020, we were not a party to any pending legal proceedings that are material to our business.

ASURE SOFTWARE, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(Amounts in thousands, except share and per share data unless otherwise noted)

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

As of September 30, 2020, and December 31, 2019, funds held for clients invested in available-for-sale securities consisting of government and commercial bonds, including mortgage-backed securities, amounted to $26,958 and $24,136, respectively. As of September 30, 2020, and December 31, 2019, funds held for clients invested in money market funds and other cash equivalents amounted to $37,265 and $48,500, respectively. Additionally, as of September 30, 2020, we had $8,248 of operating funds in money market funds, classified as cash equivalents. Cash equivalents as of December 31, 2019 were not material.

Investments classified as available-for-sale consisted of the following:

	September 30, 2020			
	Amortized Cost	Gross Unrealized Gains (1)	Gross Unrealized Losses (1)	Aggregate Estimated Fair Value
Funds Held for Clients (2)				
Certificates of deposit	$ 8,844	$ 233	$ -	$ 9,077
Corporate debt securities	9,438	288	-	9,726
Municipal bonds	7,561	101	(7)	7,655
US Government agency securities	-	-	-	-
Asset-backed securities	498	2	-	500
Total	$ 26,341	$ 624	$ (7)	$ 26,958

	December 31, 2019			
	Amortized Cost	Gross Unrealized Gains (1)	Gross Unrealized Losses (1)	Aggregate Estimated Fair Value
Funds Held for Clients (2)				
Certificates of deposit	$ 8,828	$ 11	$ -	$ 8,839
Corporate debt securities	6,883	6	(9)	6,880
Municipal bonds	6,383	6	(7)	6,382
US Government agency securities	1,000	-	-	1,000
Asset-backed securities	1,067	-	(32)	1,035
Total	$ 24,161	$ 23	$ (48)	$ 24,136

(1) Unrealized gains and losses on available-for-sale securities are included as a component of comprehensive loss. As of September 30, 2020 and December 31, 2019, there were 74 and 53 securities, respectively, in an unrealized gain position and there were 1 and 18 securities, respectively, in an unrealized loss position. As of September 30, 2020, we had $7 in unrealized losses. As of December 31, 2019, these unrealized losses were less than $35 individually and $50 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 September 30, 2020 and December 31, 2019, none of these securities were classified as cash and cash equivalents on the accompanying condensed consolidated balance sheets.

Expected maturities of available-for-sale securities as of September 30, 2020 are as follows:

Expected Maturities	Amount
One year or less	$ 5,695
After one year through five years	21,263
After five years through 10 years	-
After 10 years	-
	$ 26,958

ASURE SOFTWARE, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(Amounts in thousands, except share and per share data unless otherwise noted)

In July 2020, we acquired certain assets of a payroll tax business. The initial Purchase price for the assets was $4.25 million, which we paid cash at closing. The seller will be paid additional consideration for the assets based on the trailing twelve-month revenue at each of April 30, 2021 and October 31, 2021. Contingent purchase consideration, if any, will generally be made by May 30, 2021 and December 30, 2021. The payment of the contingent consideration paid will be contingent on certain thresholds set forth in the asset purchase agreement. We utilized a Monte Carlo simulation to determine the fair value of the contingent consideration. There was no adjustment to the fair value of the contingent consideration at September 30, 2020.

Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures* defines fair value, establishes a framework for measuring fair value in U.S. generally accepted accounting principles and expands disclosures about fair value measurements.

ASC 820 establishes a three-tier fair value hierarchy, which is based on the reliability of the inputs used in measuring fair values. These tiers include:

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

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

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

The following table presents the fair value hierarchy for our financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2020 and December 31, 2019, respectively:

	September 30, 2020			
	Total Carrying Value	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents				
Money market funds	$ 8,248	$ 8,248	$ -	$ -
Funds held for clients				
Money market funds	37,265	37,265	-	-
Available-for-sale securities	26,958	-	26,958	-
Total	$ 72,471	$ 45,513	$ 26,958	$ -
Liabilities:				
Contingent purchase consideration	$ -	$ -	$ -	$ 2,745
Total	$ -	$ -	$ -	$ 2,745

	December 31, 2019			
	Total Carrying Value	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Funds held for clients				
Money market funds	$ 48,500	$ 48,500	$ -	$ -
Available-for-sale securities	24,136	-	24,136	-
Total	$ 72,636	$ 48,500	$ 24,136	$ -

ASURE SOFTWARE, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(Amounts in thousands, except share and per share data unless otherwise noted)

NOTE 4 – GOODWILL AND OTHER INTANGIBLE ASSETS

As of September 30, 2020 and December 31, 2019, goodwill was $71,289 and $68,697, respectively, which is net of the $35,060 impairment loss recognized in the fourth quarter of 2019. The Company evaluates the recoverability of goodwill annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. As of September 30, 2020, there has been no impairment of goodwill based on the quantitative assessments performed by the Company.

The following table summarizes the changes in our goodwill:

Balance at December 31, 2019	$	68,697
Acquisition		2,592
Balance at September 30, 2020	$	71,289

The gross carrying amount and accumulated amortization of our intangible assets as of September 30, 2020 and December 31, 2019 are as follows:

	September 30, 2020						
Intangible Assets	**Weighted Average Amortization Period (in Years)**		**Gross**		**Accumulated Amortization**		**Net**
Customer relationships	8.9	$	83,111	$	(26,575)	$	56,536
Developed technology	6.6		12,001		(7,230)		4,771
Reseller relationships	7.0		853		(853)		-
Trade names	3.0		780		(254)		526
Noncompete agreements	5.2		1,032		(810)		222
	8.5	$	97,777	$	(35,722)	$	62,055

	December 31, 2019						
Intangible Assets	**Weighted Average Amortization Period (in Years)**		**Gross**		**Accumulated Amortization**		**Net**
Customer relationships	8.9	$	78,558	$	(19,757)	$	58,801
Developed technology	6.0		10,001		(6,004)		3,997
Reseller relationships	7.0		853		(853)		-
Trade names	3.0		780		(78)		702
Noncompete agreements	5.2		1,032		(682)		350
	8.5	$	91,224	$	(27,374)	$	63,850

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 $2,424 and $2,322, for the three months ended September 30, 2020 and 2019, respectively. Amortization expenses recorded in Cost of Sales were $397 and $417 for the three months ended September 30, 2020 and 2019, respectively.

Amortization expenses recorded in Operating Expenses were $7,123 and $7,143, for the nine months ended September 30, 2020 and 2019, respectively. Amortization expenses recorded in Cost of Sales were $1,225 and $1,137 for the nine months ended September 30, 2020 and 2019, respectively. There is no impairment of intangibles during the nine months ended September 30, 2020 based on the qualitative assessment performed by the Company.

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(Amounts in thousands, except share and per share data unless otherwise noted)

The following table summarizes the future estimated amortization expense relating to our intangible assets as of September 30, 2020:

Calendar Years	Amount
2020 (September to December)	$ 2,803
2021	11,048
2022	10,514
2023	9,389
2024	9,162
Thereafter	19,139
	$ 62,055

NOTE 5 – NOTES PAYABLE

The following table summarizes our outstanding debt as of the dates indicated:[1]

	Maturity	Stated Interest Rate	September 30, 2020	December 31, 2019
Subordinated Notes Payable – acquisitions	1/1/2021 – 7/1/2021	2.00% - 3.00%	$ 5,271	$ 7,185
PPP Loan – Pinnacle Bank	4/15/2022	1.00%	8,856	-
Term Loan – Wells Fargo Syndicate Partner	12/31/2024	5.25%	9,938	20,000
Total Notes Payable			$ 24,065	$ 27,185
Short-term Notes Payable			10,901	2,696
Long-term Notes Payable			$ 13,164	$ 24,489

(1) Information presented in this table, the table that immediately follows and the last table in this footnote includes principal and interest due under the terms of a promissory note with Pinnacle Bank. This loan was issued to us in connection with the Paycheck Protection Program pursuant to Title I of the Coronavirus Aid, Relief and Economic Security Act. Under the terms of the Paycheck Protection Program, the principal balance and interest due under the promissory note will be forgiven if we meet certain conditions related to the use of the loan proceeds. Under the terms of our promissory note with Pinnacle Bank, we would begin making payments on this promissory note in November 2020; however, the Small Business Administration has issued guidance that defers all payments that would be owed on this loan until after the Small Business Administration makes a decision on our loan forgiveness application. While we expect that the entire loan will be forgiven, we cannot be certain that the Small Business Administration will grant forgiveness of our entire loan. If we do not receive forgiveness of our entire loan, we will be obligated to start making payments on the portion of the principal and interest that is not forgiven so that it will be fully repaid no later than April 15, 2022, unless we are able to negotiate new payment terms with Pinnacle Bank.

The following table summarizes the debt issuance costs as of the dates indicated:

	September 30, 2020		
	Gross Notes Payable	Debt Issuance Costs and Debt Discount	Net Notes Payable
Notes payable, current portion[1]	$ 10,901	$ (107)	$ 10,794
Notes payable, net of current portion[2]	13,164	(256)	12,908
Total	$ 24,065	$ (363)	$ 23,702

(1) Net Notes Payable includes $5,379 of Gross Notes Payables and $0 Debt Issuance Cost and Debt Discount related to our PPP loan with Pinnacle Bank, all or a portion of which we expect will be forgiven and for which we are not obligated to make any payments until the Small Business Administration has made a decision regarding our application for loan forgiveness.

(2) Net Notes Payable, includes $3,477 of Gross Notes Payables and $0 Debt Issuance Cost and Debt Discount related to our PPP loan with Pinnacle Bank, all or a portion of which we expect will be forgiven and for which we are not obligated to make payments until the Small Business Administration has made a decision regarding our application for loan forgiveness.

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	December 31, 2019		
	Gross Notes Payable	Debt Issuance Costs and Debt Discount	Net Notes Payable
Notes payable, current portion	$ 2,696	$ (125)	$ 2,571
Notes payable, net of current portion	24,489	(347)	24,142
Total	$ 27,185	$ (472)	$ 26,713

The following table summarizes the future principal payments related to our outstanding debt as of September 30, 2020:

Year Ending	Amount
2020 [1]	$ 1,001
2021 [1]	11,450
2022 [1]	2,489
2023	500
2024	8,625
Total	$ 24,065

(1) Includes $8,856 of principal payments related to our PPP loan with Pinnacle Bank, all or a portion of which we expect will be forgiven and for which we are not obligated to make any payments until the Small Business Administration has made a decision regarding our application for loan forgiveness. We expect to make our forgiveness application in the fourth quarter of 2020. Given this, we expect that payments we may owe, if any, would not start until second quarter of 2021.

Senior Credit Facility with Wells Fargo N.A.

In March 2014, we entered into a credit agreement (the “Credit Agreement”) with Wells Fargo, as administrative agent, and the lenders that are party thereto. The Credit Agreement contains customary events of default, including, among others, payment defaults, covenant defaults, judgment defaults, bankruptcy and insolvency events, cross defaults to certain indebtedness, incorrect representations or warranties, and change of control. In some cases, the defaults are subject to customary notice and grace period provisions. In March 2014 and in connection with the Credit Agreement, we and our wholly owned active subsidiaries entered into a Guaranty and Security Agreement with Wells Fargo Bank. Under the Guaranty and Security Agreement, we and each of our wholly owned active subsidiaries have guaranteed all obligations under the Credit Agreement and granted a security interest in substantially all of our and our subsidiaries’ assets. The Credit Agreement has been amended and restated multiple times, with the most recent amendment and restatement effective December 31, 2019. As described below, the Credit Agreement was also amended, but not restated, on August 10, 2020.

Following the amendment and restatement on December 31, 2019, the Credit Agreement provided for $20,000 in term loans and a $10,000 revolver and provided for new applicable margin rates for determining the interest payable on loans and amended certain of our financial covenants, including adding a covenant based on achieving EBITDA of at least $3,750 for the three months ended March 31, 2020, $4,850 for the six months ended June 30, 2020 and $5,950 for the nine months ended September 30, 2020, which covenant was in lieu of a leverage covenant calculated at March 31, 2020, June 30, 2020 and September 30, 2020.

On July 7, 2020, our senior lender identified certain events of default under our Credit Agreement and reserved their rights to pursue their remedies as a result of the events of default. Then, on July 10, 2020, our senior lender issued a reservation of rights letter related to these events of default. The primary event of default that triggered the reservation of rights letter was our failure to achieve Minimum EBITDA of $3,750 for the first quarter ending March 31, 2020, as required under Section 7 of the Credit Agreement, which failure was a result of impacts to our business driven primarily by COVID-19. This covenant was set in December 31, 2019, before the Covid-19 pandemic and its possible effects on our business were known to our senior lender or us. The other events of default our lender identified were technical defaults resulting from the fact that we were either unaware that our senior lender was considering the failure to achieve Minimum EBITDA an event of default as of May 11, 2020 or because we were unaware that the senior lender was still requiring that we provide certain requested documents in connection with our banking relationship. Under the reservation of rights letter, the senior lender began accruing default interest from May 11, 2020.

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On August 10, 2020, we entered into a waiver and amendment to our Credit Agreement and our Amended and Restated Guaranty and Security Agreement (the “Amendment”). The Credit Agreement now provides for $10,000 in term loans and a $5,000 revolver and required that we make a principal payment of $9,750 on our outstanding term loans and reduce future availability on our revolver by $5,000. The outstanding principal balance and all accrued and unpaid interest on the term loans is due on December 31, 2024. The Amendment provides for an accordion feature to our term loan that would allow us to borrow up to an additional $15,000 in term loans subject to certain conditions following the Covenant Conversion Date. The Amendment also reset our financial covenants. The Amendment does not require that we meet our fixed charge ratio or leverage ratio covenant until the Covenant Conversion Date. The Coverage Conversion Date is the earlier of August 10, 2022 or the date in which we have satisfied the fixed charge coverage ratio and leverage ratio for two consecutive reporting periods. Until such time, we are only obligated to comply with our minimum EBITDA and minimum recurring revenue covenants. We expect to be in compliance with these amended financial covenants over the next twelve months.

As of September 30, 2020, and December 31, 2019, no amount was outstanding and $4,500 and $10,000, respectively, was available for borrowing under the revolver.

PPP Loan

In April 2020, Asure entered into a Promissory Note (the “PPP Note”) with Pinnacle Bank as the lender (the “Lender”), pursuant to which the Lender agreed to give us a loan under the Paycheck Protection Program (the "PPP Loan") offered by the U.S. Small Business Administration (the “SBA”) in a principal amount of $8,856 pursuant to Title 1 of the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”).

The interest rate on the PPP Note is a fixed rate of 1% per annum. To the extent that the amounts owed under the PPP Loan, or a portion of them, are not forgiven, the Company will be required to make principal and interest payments in monthly installments beginning after the Small Business Administration makes a decision on our forgiveness application. Based on current guidance from the Small Business Administration and assuming we file our forgiveness application in the fourth quarter of 2020, we would not expect to have a decision on our loan forgiveness application from the Small Business Administration until second quarter of 2021. To the extent any portion of the PPP Loan is not forgiven, the PPP Note matures on April 15, 2022.

The PPP Note includes events of default. Upon the occurrence of an event of default, the Lender will have the right to exercise remedies against the Company, including the right to require immediate payment of all amounts due under the PPP Note.

NOTE 6 – STOCKHOLDERS’ EQUITY

Authorized Shares

On May 28, 2020, the Company amended its Restated Certificate of Incorporation to increase the total number of authorized shares of capital stock from 23,500,000 to 45,500,000 and the number of authorized shares of common stock from 22,000,000 to 44,000,000.

Share Repurchase Program

On March 10, 2020, our Board of Directors authorized a new stock repurchase program, under which we may repurchase up to $5,000 of our outstanding common stock. This new stock repurchase program is in addition to the approximately 66,000 shares available under our existing stock repurchase plan.

Under this new 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.

While the program remains in place, there have been no repurchases in 2020 and 2019.

Employee Stock Purchase Plan

Our Employee Stock Purchase Plan ("Purchase Plan") was approved by the shareholders 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, 225,000 shares were originally reserved for issuance. On May 27, 2020, our shareholders increased the number of shares reserved for issuance under the Purchase Plan by an additional 250,000 shares.

Accumulated Other Comprehensive Income (Loss)

As of September 30, 2020, and December 31, 2019, accumulated other comprehensive income (loss) consisted of net unrealized gains and losses on available-for-sale securities.

NOTE 7 – CONTRACTS WITH CUSTOMERS AND REVENUE CONCENTRATION

Receivables

Receivables from contracts with customers, net of allowance for doubtful accounts of $885 were $5,220 at September 30, 2020. Receivables from contracts with customers, net of allowance for doubtful accounts of $904 were $4,808 at December 31, 2019. As of September 30, 2020, one customer represented 3% of our net accounts receivable balance. No customers represented more than 10% of our net accounts receivable balance as of December 31, 2019.

Deferred Commissions

Deferred commission costs from contracts with customers were $3,530 and $2,697 at September 30, 2020 and December 31, 2019, respectively. The amount of amortization recognized for the three and nine months ended September 30, 2020 was $220 and $660, respectively and for the three and nine months ended September 30, 2019 was $428 and $1,018, respectively.

Deferred Revenue

During the three and nine months ended September 30, 2020, revenue of $259 and $3,652, respectively, and the three and nine months ended September 30, 2019, revenue of $429 and $2,643, respectively, was recognized from the deferred revenue balance at the beginning of each period.

Transaction Price Allocated to the Remaining Performance Obligations

As of September 30, 2020, approximately $24,537 of revenue is expected to be recognized from remaining performance obligations. We expect to recognize revenue on approximately 65% of these remaining performance obligations over the next 12 months, with the balance recognized thereafter.

Revenue Concentration

During the three and nine months ended September 30, 2020 and 2019, there were no customers that individually represented 10% or more of consolidated revenue.

NOTE 8 – LEASES

We have entered into office space lease agreements, which qualify as operating leases under Topic 842. Under such leases, the lessors receive annual minimum (base) rent. The leases have original terms (excluding extension options) ranging from one to ten years. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

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We record base rent expense under the straight-line method over the term of the lease. In the accompanying condensed consolidated statements of comprehensive loss, rent expense is included in operating expenses under selling, general and administrative expenses. The components of the rent expense for the three and nine months ended September 30, 2020 and 2019 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Operating lease cost	$ 540	$ 552	$ 1,613	$ 1,694
Sublease income	(11)	(37)	(107)	(112)
Net rent expense	$ 529	$ 515	$ 1,506	$ 1,582

For purposes of calculating the operating lease assets and lease liabilities, extension options are not included in the lease term unless it is reasonably certain we will exercise the option, or the lessor has the sole ability to exercise the option. The weighted average discount rate of our operating leases is 10% and 9% as of September 30, 2020 and December 31, 2019, respectively. The weighted average remaining lease term is five and six years as of September 30, 2020 and December 31, 2019, respectively.

Supplemental cash flow information related to operating leases for the nine months ended September 30, 2020 and 2019 follow:

	Nine Months Ended September 30,	
	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	$ 1,699	$ 1,743
Non-cash operating activities:		
Operating lease assets obtained in exchange for new operating lease liabilities	$ 1,052	$ 8,093

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

Year Ending December 31	Operating Leases
2020 (remainder)	$ 578
2021	2,354
2022	1,837
2023	1,142
2024	1,022
Thereafter	2,630
Total minimum lease payments	9,563
Less imputed interest	(1,940)
Total lease liabilities	$ 7,623

(Amounts in thousands, except share and per share data unless otherwise noted)

NOTE 9 – SHARE-BASED COMPENSATION

We have one active equity plan, the 2018 Incentive Award Plan (the “2018 Plan”). The 2018 Plan, approved by our shareholders, replaced our 2009 Equity Incentive Plan, as amended (the “2009 Plan”), however, the terms and conditions of the 2009 Plan continues to govern any outstanding awards previously granted under the 2009 Plan.

The number of shares available for issuance under the 2018 Plan is equal to the sum of (i) 2,350,000 shares, and (ii) any shares subject to issued and outstanding awards under the 2009 Plan as of the effective date of the 2018 Plan that expire, are canceled or otherwise terminate following the effective date of the 2018 Plan. We have outstanding options to purchase 1,388,077 shares at a weighted average exercise price of $7.78. During the three and nine months ending September 30, 2020 we issued 123,500 and 668,000 of employee stock options, respectively. The weighted average exercise price of these awards was $6.86 and $6.46 for the three and nine months ended September 30, 2020, respectively, these awards will vest over a three-year period. We also had 497,913 outstanding restricted stock units as of September 30, 2020.

In December 2019, we offered to exchange certain outstanding options to purchase shares of our common stock previously granted under the 2009 Plan and the 2018 Plan that have an exercise price per share higher than the greater of $8.50 or the closing trading price of our common stock on the offer expiration date (“eligible options”) for new RSUs to be granted under the 2018 Plan. The offer exchange program was approved by our board of directors and by our shareholders earlier in 2019. Under the offer exchange program, every 2.5 shares underlying an eligible option would be exchanged for one new RSU. Upon expiration of the exchange offer in January 2020, we granted 187,000 RSUs in exchange for the cancellation of options to purchase 467,500 shares that were tendered by employees who participated in the offer exchange program.

As of September 30, 2020, we had 1,104,614 shares available for grant pursuant to the 2018 Plan.

Share based compensation for our stock option plans for the three months ended September 30, 2020 and September 30, 2019 was $707 and $577, respectively and for the nine months ended September 30, 2020 and September 30, 2019 was $1,733 and $1,580, respectively. We issued 14,173 and 5,000 shares of common stock related to exercises of stock options for the three months ended September 30, 2020 and 2019, respectively. We issued 43,901 and 30,000 shares of common stock related to the issuance of vested restricted stock units for the three months ended September 30, 2020 and 2019, respectively.

NOTE 10 – DISCONTINUED OPERATIONS

In December 2019, we sold our Workspace Management business to FM:Systems for approximately $121,500 in cash. We used the proceeds to pay down debt. In July 2020, in connection with finalizing the working capital adjustment, we received the escrow funds. This transaction enabled us to focus on and continue to deliver our HCM solutions to small and mid-size businesses.

The table below reflects the operating results of the Workspace Management business reported as discontinued operations during the three and nine months ended September 30, 2019.

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Revenue	$ 6,705	$ 20,622
Income from discontinued operations	$ 2,126	$ 4,030
Income tax benefit	(142)	(112)
Income from discontinued operations, net of taxes	$ 2,268	$ 4,142

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The table below reflects the depreciation, amortization, capital expenditures, and significant operating and investing non-cash items of the Workspace Management business reported as discontinued operations during the three and nine months ended September 30, 2019:

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Depreciation and amortization	$ 511	$ 1,744
Provision for doubtful accounts	31	(103)
Share based compensation	3	112
Capital expenditures	(62)	(401)
Software capitalization	(300)	(716)

NOTE 11 – NET LOSS PER SHARE

We compute net loss per share based on the weighted average number of common shares outstanding for the period. Diluted net 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 of approximately 1,859,000 and 2,063,000 shares for the three and nine months ended September 30, 2020 and 2019, respectively, 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 loss per common share for the three and nine months ended September 30, 2020 and September 30, 2019:

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Numerator:				
Loss from continuing operations	$ (4,759)	$ (5,624)	$ (10,475)	$ (15,359)
Income from discontinued operations	-	2,268	-	4,142
Net income (loss)	$ (4,759)	$ (3,356)	$ (10,475)	$ (11,217)
Denominator:				
Weighted-average shares of common stock outstanding, basic and diluted	15,873,000	15,565,000	15,793,000	15,472,000
Basic and diluted income (loss) per share				
Loss per share from continuing operations	$ (0.30)	$ (0.36)	$ (0.66)	$ (0.99)
Income per share from discontinued operations	-	0.14	-	0.27
Income (loss) per share	$ (0.30)	$ (0.22)	$ (0.66)	$ (0.72)

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NOTE 12 – SUBSEQUENT EVENTS

We evaluated subsequent events through the date of the filing of this Quarterly Report on Form 10-Q with the SEC, to ensure that this filing includes appropriate disclosure of events both recognized in the condensed consolidated financial statements as of September 30, 2020, and events which occurred subsequent to September 30, 2020 but were not recognized in the condensed consolidated financial statements. Based on this evaluation, we have determined there were no subsequent events to report.

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Report represent forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results of operations, levels of activity, economic performance, financial condition or achievements to be materially different from future results of operations, levels of activity, economic performance, financial condition or achievements as expressed or implied by such forward-looking statements. Asure has attempted to identify these forward-looking statements with the words “believe,” “estimate,” “continue," "seek," plan,” “expect,” "intend," “anticipate,” “may,” "will," “could” and other similar expressions. Although these forward-looking statements reflect management’s current plans and expectations, which we believe are reasonable as of the filing date of this report, they inherently are subject to certain risks and uncertainties. These risks and uncertainties include — but are not limited to — our ability to achieve or sustain profitability; the impact of COVID-19 on the US and global economy, including business disruptions, reductions in employment and an increase in business failures, specifically among our clients; adverse changes in the economy, financial markets, and credit markets, including a continuing high unemployment rate and the impact of low interest rates on the interest we receive on our cash, cash equivalents and investments; delays or reductions in information technology spending; the development of the market for cloud-based workplace applications; product development; market acceptance of new products and product improvements; changes in the forgiveness provisions for loans under the Paycheck Protection Program; our ability to retain or increase our customer base; security breaches; errors, disruptions or delays in our services; privacy concerns and laws; changes in our sales cycle; competition, including pricing pressures, entry of new competitors, and new technologies; intellectual property enforcement and litigation; our ability to obtain additional capital; our ability to hire, retain and motivate employees; our ability to manage our growth; our ability to realize benefits from acquisitions; limited or single sources of supply of key components; the level of our indebtedness; changes in sales may not be immediately reflected in our operating results due to our subscription model; changes in U.S and foreign laws and regulations; changes in the Internet infrastructure; disruptions in computing and communication infrastructure; and changes in accounting standards. Please refer to Part II, Item IA, “Risk Factors” of this Form 10-Q and Part I, Item IA, “Risk Factors” of our most recently filed Annual Report on Form 10-K for a further description of these and other factors. Asure is under no obligation to update any of the forward-looking statements after the date of this Form 10-Q to conform such statements to actual results.

OVERVIEW

The following review of Asure’s financial position as of September 30, 2020 and December 31, 2019, and results of operations for the three and nine months ended September 30, 2020 and 2019 should be read in conjunction with our 2019 Annual Report on Form 10-K filed with the Securities and Exchange Commission. Asure’s internet website address is http://www.asuresoftware.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available through the investor relations page of our internet website free of charge as soon as reasonably practicable after they are electronically filed, or furnished to, the Securities and Exchange Commission. Asure’s internet website and the information contained in our website or connected to our website is not incorporated into this Quarterly Report on Form 10-Q.

Asure is a leading provider of cloud-based Human Capital Management (“HCM”) software and services and, until its divestiture in December 2019, Workspace Management software solutions. Asure helps small and mid-sized companies grow by helping them build better teams with skills that get them to the next level, stay compliant with ever changing federal, state, and local tax jurisdictions and labor laws, and better allocation of cash so they can spend their financial capital on growing their business rather than back-office overhead that suffocates growth. Asure’s Human Capital Management suite, named AsureHCM, includes cloud-based Payroll & Tax, HR, and Time & Attendance software as well as 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.

Asure’s platform vision is to help clients grow their business and become the most trusted HCM resource to entrepreneurs everywhere. The Asure 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 AsureHCM suite includes four product lines: AsurePayroll&Tax, AsureHR, AsureTime&Attendance, and AsureHRServices.

For all of Asure's product lines, support and professional services are key elements of our value proposition and overall solution. In addition to state-of-the-art hosting platforms and regular software upgrades and releases, Asure gives clients easy access to our skilled support team. Our services and support representatives are knowledgeable about Asure's solutions and HR best practices as many staff have professional certifications in payroll (CPP) and human resources (PHR and SPHR).

Our sales and marketing strategy includes both direct and indirect channels to target small and mid-sized businesses (SMBs) throughout the United States. Our direct sales and marketing efforts include marketing directly to SMBs and their trusted advisors which include CPAs, banks, and benefits brokers who frequently refer their clients to HCM vendors. Our indirect model licenses our HCM software to resellers that provide value-add HCM services to their clients. These resellers include pure-play payroll providers focused on a geographic or industry niche as well as CPAs, banks, and benefits brokers that want to expand relationships with their clients directly without referring those clients outside their business.

Recent Developments

The COVID-19 outbreak has disrupted businesses on a global scale. The rapid spread has resulted in authorities around the world implementing numerous measures to contain the virus, such as business shutdowns, quarantines, shelter-in-place orders and travel bans and restrictions. The pandemic and these containment measures have had, and are expected to continue to have, a substantial negative impact on businesses, especially SMBs. We expect a COVID-19 related decrease in customer demand across all our markets to negatively and materially impact our revenues for the remainder of 2020, with the most significant impact currently expected in the second and third quarters. We implemented cost-saving initiatives in the first quarter of 2020. In April 2020, we entered into a loan under the Paycheck Protection Program ("PPP") offered by the U.S. Small Business Administration in a principal amount of $8,856. In July 2020, we acquired certain assets of a payroll tax business. We did not record any asset impairments or bad debt reserves related to COVID-19 during the first three quarters of 2020, but future events may require such charges. We will continue to evaluate the nature and extent of the COVID-19 outbreak's impact on our financial condition, results of operations and cash flows.

RESULTS OF OPERATIONS
($ in thousands)

Three and Nine Months Ended September 30, 2020 Compared to Three and Nine Months Ended September 30, 2019

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

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2020	**2019**	**2020**	**2019**
Revenues	100.0%	100.0%	100.0%	100.0%
Gross margin	56.7	60.3	57.6	63.3
Sales and marketing	22.3	18.2	20.2	16.2
General and administrative	37.1	39.1	35.8	39.2
Research and development	11.3	7.1	8.9	6.4
Amortization of intangible assets	15.1	13.0	14.5	12.9
Total operating expenses	85.9	77.3	79.4	74.7
Interest expense and other, net	(2.5)	(15.2)	0.6	(15.3)
Loss from continuing operations before income taxes	(31.7)	(32.2)	(21.2)	(26.7)
Net loss from continuing operations	(29.7)	(31.5)	(21.3)	(27.7)

Revenue

Our revenue was derived from the following sources:

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Increase (Decrease)	%
Recurring	$ 15,273	$ 17,014	$ (1,741)	(10.2)
Professional services, hardware and other	742	840	(98)	(11.7)
Total	$ 16,015	$ 17,854	$ (1,839)	(10.3)

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019	Increase (Decrease)	%
Recurring	$ 47,442	$ 53,429	$ (5,987)	(11.2)
Professional services, hardware and other	1,634	2,109	(475)	(22.5)
Total	$ 49,076	$ 55,538	$ (6,462)	(11.6)

Total revenue represents our consolidated revenues, including sales of our payroll and tax services, time and attendance and human resource software, as well as complementary hardware devices to enhance our software products. Recurring revenue consists of cloud revenue, recurring HR consulting revenue, hardware as a service, maintenance and support revenue and interest earned on client funds. Professional services, hardware and other revenue consists of hardware revenue, on-premise software license revenue as well as installation services and other professional services revenue. While revenue mix varies by product, recurring represents over 95% of total revenue.

Revenue for the three months ended September 30, 2020 was $16,015, a decrease of $1,839, or 10.3%, from $17,854 for the three months ended September 30, 2019, which excludes revenue from discontinued operations. Recurring revenue decreased primarily due to the impact of COVID and lower interest rates.

Revenue for the nine months ended September 30, 2020 was $49,076, a decrease of $6,462, or 11.6%, from $55,538 for the nine months ended September 30, 2019, which excludes revenue from discontinued operations. Recurring revenue decreased primarily due to the impact of COVID and lower interest rates.

Although our total customer base is widely spread across industries, our HCM sales are concentrated in small to mid-size businesses. We continue to target small and mid-sized businesses across industries as prospective customers. Geographically, we sell our HCM products primarily in the United States.

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

Gross Profit and Gross Margin

Consolidated gross profit for the three months ended September 30, 2020 was $9,073, a decrease of $1,695 or 15.7%, from $10,768 for the three months ended September 30, 2019. Gross margin as a percentage of revenue was 56.7% for the three months ended September 30, 2020 as compared to 60.3% for the three months ended September 30, 2019. Our decline in gross margin is primarily attributable to lower sales volumes, a growing investment in HCM service resources and personnel, maintaining COVID related tax codes, employment levels are also down due to COVID, a migration to secure cloud hosting services and an increase in the amortization of capitalized software costs.

Consolidated gross profit for the nine months ended September 30, 2020 was $28,269, a decrease of $6,870 or 19.6%, from $35,139 for the nine months ended September 30, 2019. Gross margin as a percentage of revenue was 57.6% for the nine months ended September 30, 2020 as compared to 63.3% for the nine months ended September 30, 2019. Our decline in gross margin is attributable to lower sales volumes, a growing investment in HCM service resources and personnel, maintaining COVID related tax codes, employment levels are also down due to COVID, increased amortization of capitalized software costs as well as migration to secure cloud hosting services.

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 three months ended September 30, 2020 were $3,573, an increase of $328 from $3,245 for the three months ended September 30, 2019. The increase in sales and marketing is primarily due to increased personnel costs as we focus on hiring direct sales personnel. Sales and marketing expenses as a percentage of revenue increased to 22.3% for the three months ended September 30, 2020 from 18.2% for the same period in 2019.

Selling and marketing expenses for the nine months ended September 30, 2020 were $9,916, an increase of $908 from $9,008 for the nine months ended September 30, 2019, primarily due to increased personnel costs as we focus on hiring direct sales personnel. Selling and marketing expenses as a percentage of revenue increased to 20.2% for the nine months ended September 30, 2020 from 16.2% for the same period in 2019.

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 three months ended September 30, 2020 were $5,947, a decrease of $1,025 from $6,972 for the three months ended September 30, 2019, primarily attributable to reduced personnel costs and reduced rent expenses associated with closures of certain facilities we had acquired due to acquisition. General and administrative expenses as a percentage of revenue decreased to 37.1% for the three months ended September 30, 2020 from 39.1% for the same period in 2019.

General and administrative expenses for the nine months ended September 30, 2020 were $17,580, a decrease of $4,199 from $21,779 for the nine months ended September 30, 2019 primarily attributable to a reduction in professional fees that were incurred in the nine months ended September 30, 2019, as well as reduced rent expenses associated with closures of certain facilities we had acquired due to acquisition. General and administrative expenses as a percentage of revenue decreased to 35.8% for the nine months ended September 30, 2020 from 39.2% for the same period in 2019.

We continue to drive efficiencies within our payroll operations and execute vendor rationalization with the sale of the Workspace Management business in the fourth quarter of 2019.

Research and Development Expenses

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

R&D expenses for the three months ended September 30, 2020 were $1,805, an increase of $534, or 42.0%, from $1,271 for the three months ended September 30, 2019. The increase in R&D expense is primarily attributable to increased personnel costs as well as COVID-19 related initiatives in order to comply with the CARES Act legislation. R&D expenses as a percentage of revenues increased to 11.3% for the three months ended September 30, 2020 from 7.1% for the same period in 2019.

R&D expenses for the nine months ended September 30, 2020 were $4,356, an increase of $795, or 22.3%, from $3,561 for the nine months ended September 30, 2019. The increase in R&D expense is primarily attributable to increased personnel costs as well as COVID-19 related initiatives in order to comply with the CARES Act. R&D expenses as a percentage of revenues increased to 8.9% for the nine months ended September 30, 2020 from 6.4% for the same period in 2019.

We will continue to enhance our products and technologies through expansion of our technological resources by increasing headcount and development partnership, 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 lays 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, GDPR, CCPA, and other initiatives.

In the second quarter of 2020, we launched the new Simple Payroll Entry cloud solution for providing clients self-service payroll entry capabilities, with a modern user experience appropriate for small companies. For Asure HR, we developed a new product tier for Advanced HR called Essential HR. Asure Time & Attendance launched our next major release 12.4. Mid-Market HCM released the Asure Mobile app in the Google and Apple stores. The app provides employees quick access to key payroll and benefit information.

Amortization of Intangible Assets

Amortization expense for the three months ended September 30, 2020 was $2,424 an increase of $102 from $2,322 for the three months ended September 30, 2019. Amortization expense as a percentage of revenue was 15.1% and 13.0% for the three months ended September 30, 2020 and 2019, respectively.

Amortization expense for the nine months ended September 30, 2020 of $7,123 was consistent with amortization expense of $7,143 for the nine months ended September 30, 2019. Amortization expense as a percentage of revenue was 14.5% and 12.9% for the nine months ended September 30, 2020 and 2019, respectively.

Interest Expense and Other, net

Interest expense and other, net for the three months ended September 30, 2020 was a loss of $408 compared to a loss of $2,712 for the three months ended September 30, 2019. Interest expense and other as a percentage of revenue was at (2.5%) and (15.2%) for the three months ended September 30, 2020 and September 30, 2019, respectively. Interest expense and other for the three months ended September 30, 2020 is composed of interest expense on notes payable. Interest expense and other for the three months ended September 30, 2019 is composed primarily of interest expense on notes payable.

Interest expense and other, net for the nine months ended September 30, 2020 was a gain of $302 compared to a loss of $8,495 for the nine months ended September 30, 2019. Interest expense and other as a percentage of revenue was at 0.6% and (15.3%) for the nine months ended September 30, 2020 and September 30, 2019, respectively. Interest expense and other for the nine months ended September 30, 2020 is composed of income from the transition services agreement with FM:Systems in relation to the sale of the Workspace business in 2019, offset by interest expense on notes payable. Interest expense and other for the nine months ended September 30, 2019 is composed primarily of interest expense on notes payable.

Income Taxes

For the three months ended September 30, 2020 and 2019, we recorded an income tax benefit attributable to continuing operations of $(325) and $(130), respectively, an increase of $195, or 149.6%. For the nine months ended September 30, 2020 and 2019, we recorded an income tax expense attributable to continuing operations of $71 and $512, respectively, a decrease of $441, or 86.2%.

Loss From Continuing Operations

We incurred a loss from continuing operations of $4,759, or $0.30 per share, during the three months ended September 30, 2020, compared to a loss from continuing operations of $5,624, or $0.36 per share, during the three months ended September 30, 2019. Loss from continuing operations as a percentage of total revenues was 29.7% and 31.5% for the three months ended September 30, 2020 and 2019, respectively.

We incurred a loss from continuing operations of $10,475, or $0.66 per share, during the nine months ended September 30, 2020, compared to a loss from continuing operations of $15,359, or $0.99 per share, during the nine months ended September 30, 2019. Loss from continuing operations as a percentage of total revenues was 21.3% and 27.7% for the nine months ended September 30, 2020 and 2019, respectively.

We intend to continue to implement our corporate strategy for growing our software and services business by investing in areas that directly generate revenue and positive cash flows for the Company. However, uncertainties and challenges remain, including the effects of COVID-19, and there can be no assurance that we can successfully grow our revenues or achieve profitability during the remainder of fiscal year 2020.

LIQUIDITY AND CAPITAL RESOURCES (Amounts in thousands)

	September 30, 2020	December 31, 2019
Working capital	$ 477	$ 17,854
Cash and cash equivalents	12,939	28,826

	Nine Months Ended September 30,	
	2020	2019
Net cash (used in) provided by operating activities	$ (1,717)	$ 3,923
Net cash (used in) provided by investing activities	(64,687)	36,552
Net cash provided by (used in) financing activities	50,517	(43,310)

Working Capital. We had working capital of $477 at September 30, 2020, a decrease of $17,377 from working capital of $17,854 at December 31, 2019. Working capital as of September 30, 2020 and December 31, 2019 includes $3,585 and $5,500 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 used in operating activities of $1,717 for the nine months ended September 30, 2020 was primarily driven by a net loss of $10,475. Non-cash adjustments to our net loss by approximately $87 due to a reduction in the amortization of our deferred financing costs. Changes in operating assets and liabilities resulted in an increased use of cash of $6,295.

Investing Activities. Net cash used in investing activities of $64,687 for the nine months ended September 30, 2020 is primarily due to the net change in funds held for clients and our acquisition of a payroll tax business during the quarter. Net cash provided by investing activities of $36,552 for the nine months ended September 30, 2019 is primarily due to the net change in funds held for clients offset by the acquisition from first quarter of 2019.

Financing Activities. Net cash provided by financing activities was $50,517 for the nine months ended September 30, 2020, which primarily consisted of a net increase in client fund obligations of $53,465 and payments of notes payable of $12,171 offset by proceeds of notes payable of $8,856. Net cash used in financing activities was $43,310 for the nine months ended September 30, 2019. We incurred $8,000 of indebtedness, resulting in a source of cash. This was offset by debt financing fees of $1,102 and the net change in client fund obligations of $49,964.

Sources of Liquidity. As of September 30, 2020, Asure's principal sources of liquidity consisted of approximately $12,939 of cash and cash equivalents, cash generated from operations of our business over the next twelve months, and $4,500 available for borrowing under our Wells Fargo revolver.

Due to the effects of Covid-19 on our business, we were not in compliance with our minimum EBITDA financial covenant as of March 31, 2020. This covenant was set in December 31, 2019, before the Covid-19 pandemic and its possible effects on our business were known to our senior lender or us. On July 10, 2020, our senior lender issued a reservation of rights letter related to our failure to comply with the minimum EBITDA financial covenant, along with other technical defaults. See Part II, Item 3 for more information about this default and our senior lender's reservation of rights letter. Following this default, we negotiated and entered a waiver and amendment to our Credit Agreement and our Amended and Restated Guaranty and Security Agreement (the "Amendment") on August 10, 2020.

The Amendment reduced our facility from $30,000 to $15,000, consisting of $10,000 in term loans and a $5,000 revolver. As a result, we were required to make a principal payment of $9,750 on our outstanding term loans. The Amendment provides for an accordion feature to our term loan that would allow us to borrow up to an additional $15,000 in term loans subject to certain conditions following the Covenant Conversion Date, which is described below.

The Fourth Amendment also reset our financial covenants and added a new financial covenant for minimum recurring revenue.

The Amendment does not require that we meet our fixed charge ratio or leverage ratio covenant until the Covenant Conversion Date. The Coverage Conversion Date is the earlier of August 10, 2022 or the date in which we have satisfied the fixed charge coverage ratio and leverage ratio for two consecutive reporting periods. Until such time, we are only obligated to comply with our minimum EBITDA and minimum recurring revenue covenants.

In addition to the requirement that we pay $9,750 on our outstanding term loans, we were also required to pay our senior lender an amendment fee of $225. Our senior lender waived any prepayment penalty that would have otherwise been due on the $9,750 payment toward our term loan and agreed that we would not owe a prepayment penalty if we were to refinance our facility before December 31, 2021. Finally, as a condition to the amendment, our senior lender required that we agree to obtain lender consent for any acquisitions until the later of August 10, 2021 or the Covenant Conversion Date. Previously certain types of acquisitions were deemed permitted acquisitions, which did not require our lender's consent. We do not anticipate an issue with obtaining consent from our lender for accretive acquisitions.

We had sufficient cash on hand to make the required payment of $9,750 in connection with the Fourth Amendment and expect to have enough cash on hand to meet our future business needs. Further, we expect to comply with our financial covenants in future quarters under the Credit Agreement, as amended by the Fourth Amendment.

Due to the effects of Covid-19 on our business and the related need to support our operations, we applied for and received a loan from Pinnacle Bank under the Paycheck Protection Program during the second quarter of 2020. Under the terms of our note with Pinnacle Bank, principal payments would have begun in November 2020. However, the Small Business Administration, who administers loans issued under the Paycheck Protection Program, has issued guidance, deferring all payments that would be owed on this loan until the Small Business Administration makes a decision on our loan forgiveness application. While we expect that the entire loan will be forgiven, we cannot be certain that the Small Business Administration will grant forgiveness of our entire loan. If we do not receive forgiveness of our entire loan, we will be obligated to begin repaying the portion of the principal and interest that is not forgiven such that it is fully paid no later than April 15, 2022, unless we are able to negotiate new payment terms with Pinnacle Bank. We intend to apply for forgiveness of this loan in the fourth quarter of 2020. Given this, we expect that payments we may owe, if any, would not start until second quarter of 2021. Under GAAP, we are required to report this entire loan as outstanding debt in our financial statements and further identify the current portion of this debt (e.g. amounts which would be payable in the next 12 months) with reference to the actual terms of our note with Pinnacle Bank. Notwithstanding how this loan is reported in our financial statements, we do not expect to make any payments on this note until at least second quarter of 2021, and then only to the extent that any portion of this note is not forgiven in accordance with the terms of the Paycheck Protection Program. Thus, we do not anticipate our obligations to Pinnacle Bank to have a material effect on our liquidity needs in the next twelve months.

OFF-BALANCE SHEET ARRANGEMENTS

As of September 30, 2020, we did not have any off-balance sheet arrangements, as defined in the rules and regulations of the Securities and Exchange Commission.

COMMITMENTS AND CONTINGENCIES

None.

CRITICAL ACCOUNTING POLICIES

Information regarding recent accounting pronouncements is provided in Note 2, *Significant Accounting Policies*, to the Condensed Consolidated Financial Statements. Such information is incorporated by reference herein.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to our exposure from market risks from those disclosed in our 2019 Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Control and Procedures

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for us. 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 not effective as of September 30, 2020 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. During the fourth quarter of 2019, management reported a material weakness in the Company's internal control over financial reporting.

Change in Internal Controls over Financial Reporting

Except for the remediation efforts on the material weakness from the fourth quarter of 2019 noted above, during the period ended September 30, 2020, there were no changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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 September 30, 2020, we were not party to any pending legal proceedings that are material to our business.

ITEM 1A. RISK FACTORS

Except as set forth below, there have been no material changes from the risk factors previously disclosed in the Company's Annual Report on Form 10-K, filed with the Securities Exchange Commission on March 16, 2020 (the "Form 10-K"), and investors are encouraged to review such risk factors prior to making an investment in the Company.

The effects of the COVID-19 pandemic have materially affected how we and our customers are operating our businesses, and the duration and extent to which this will impact our future results of operations and overall financial performance remains uncertain.

In December 2019, a novel coronavirus disease ("COVID-19") was reported and in January 2020, the World Health Organization ("WHO") declared it a Public Health Emergency of International Concern. On February 28, 2020, the WHO raised its assessment of the COVID-19 threat from high to very high at a global level due to the continued increase in the number of cases and affected countries, and on March 11, 2020, the WHO characterized COVID-19 as a pandemic. A significant outbreak of epidemic, pandemic, or contagious diseases in the human population could result in a widespread health crisis that could adversely affect the broader economies, financial markets and overall demand environment for our products.

As a result of the COVID-19 pandemic, we temporarily closed our offices and several other impacted locations and implemented certain travel restrictions, both of which have begun to disrupt how we operate our business. We have shifted certain of our customer events to virtual-only experiences and we may deem it advisable to similarly alter, postpone or cancel entirely additional customer, employee or industry events in the future. Moreover, the conditions caused by the COVID-19 pandemic can affect the rate of IT spending and could adversely affect our customers' ability or willingness to attend our events or to purchase our offerings, delay prospective customers' purchasing decisions, adversely impact our ability to provide on-site consulting services to our customers, delay the provisioning of our offerings, lengthen payment terms, reduce the value or duration of their subscription contracts, or affect attrition rates, all of which could adversely affect our future sales, operating results and overall financial performance.

Our operations have also begun to be negatively affected by a range of external factors related to the COVID-19 pandemic that are not within our control. For example, many cities, counties, states, and even countries have imposed or may impose a wide range of restrictions on our employees, partners and customers physical movement to limit the spread of COVID-19. If the COVID-19 pandemic has a substantial impact on our employees, partners or customers attendance or productivity, our results of operations and overall financial performance may be harmed. Finally, as a result of changes in the tax code such as the recent deferral of certain payroll tax obligations and the implementation of certain tax credits, we have had to devote more resources internally both to monitor the impact of these changes on our clients and ensure that our clients remain compliant with the federal, state and local tax jurisdictions. In addition, there can be no assurance that additional tax changes will not require us to incur more expense.

The duration and extent of the impact from the COVID-19 pandemic depends on future developments that cannot be accurately predicted at this time, such as the severity and transmission rate of the virus, the extent and effectiveness of containment actions and the impact of these and other factors on our employees, customers, partners and vendors. If we are not able to respond to and manage the impact of such events effectively, our business will be harmed and the effects of the COVID-19 pandemic could cause or contribute to the risks and uncertainties set forth in the Form 10-K.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

On July 7, 2020, our senior lender identified certain events of default under our Third Amended and Restated Credit Agreement by and among Wells Fargo Bank, National Association as Administrative Agent, the lenders that are party thereto and us, dated December 31, 2019 (the “Credit Agreement”) and reserved their rights to pursue their remedies under the Credit Agreement as a result of the events of default. Then, on July 10, 2020, our senior lender issued a reservation of rights letter related to these events of default. The primary event of default that triggered the reservation of rights letter was our failure to achieve Minimum EBITDA of $3,750 for the first quarter ending March 31, 2020, as required under Section 7 of the Credit Agreement, which failure was a result of impacts to our business driven primarily by COVID-19. The other events of default were technical defaults resulting from the fact that we were either unaware that our senior lender was considering the failure to achieve Minimum EBITDA an event of default as of May 11, 2020 or because we were unaware that the senior lender was still requiring that we provide certain requested documents in connection with our banking relationship. Under the reservation of rights letter, the senior lender accrued default interest from May 11, 2020, which we would have been required to pay on August 10, 2020. On August 10, 2020 we executed a waiver and amendment to the Credit Agreement, which is described in more detail under “Sources of Liquidity.” The amendment reset our financial covenants and waived the default in exchange for the payment of $9,750 in principal owed on our term loan and the payment of an amendment fee of $225 to our senior lender. Our senior lender also waived payment of a prepayment penalty in connection with the amendment.

ITEM 5. OTHER INFORMATION

On November 6, 2020, James (Jay) A. Powers resigned his position as chief financial officer and secretary for family health reasons and not any disagreement with us on any matter related to our operations, policies or practices. We have not yet confirmed Mr. Powers’ last day with us, which will be dependent upon the need for Mr. Powers to provide us transition support. Solely for purposes of signing and providing the certifications required under this Form 10-Q, our chief executive officer, Patrick Goepel, was appointed principal financial officer and principal accounting officer. Effective November 9, 2020, John F. Pence was appointed as our chief financial officer and secretary. Following the filing of this Form 10-Q, Mr. Pence will serve as our principal financial officer and our principal accounting officer.

Mr. Pence, age 50, has 28 years of increasing levels of financial and accounting leadership experience. He is a certified public accountant licensed in the state of Texas. Mr. Pence was most recently the chief financial officer of Beneplace LLC. He has also served as chief financial officer and chief operating officer for Mobi Corp. from February 2010 to December 2017. Mr. Pence serves on the board of directors of Green Builders, Inc., a regional land development company. During the last two years, there have been no transactions or proposed transactions by the Company in which Mr. Pence has had or is to have a direct or indirect material interest, and there are no family relationships between Mr. Pence and any of the Company’s other executive officers or directors.

We have agreed to pay Mr. Pence an initial annual base salary of $250,000 for his services, which will be increased to $300,000 when the Company determines to reinstate its executive officers’ full salaries, which were reduced as a cost savings measure in connection with the Covid-19 pandemic. In addition, in 2021, Mr. Pence will be eligible for a cash bonus based on the Company’s profitability and other determining factors. The target amount of his cash bonus is $150,000. Effective November 10, 2020, we granted Mr. Pence 10,000 restricted stock units (RSUs) and options to purchase 75,000 shares of our common stock at an exercise price equal to the closing price of our common stock on November 10, 2020. Such RSUs will vest as follows: 1/3 on the first anniversary date of the grant date and the remaining 2/3rds will vest over the following 2 year period in substantially equal quarterly installments. Such options will vest as follows: 1/3 on the first anniversary of the grant date and the remaining 2/3rds will vest over the following 2 year period in substantially equal monthly installments. The RSUs and options will be granted under, and be subject to the terms of, our 2018 Incentive Award Plan. In addition, we have agreed that if we terminate Mr. Pence for any reason other than gross misconduct, he will receive severance pay equal to three (3) months of his then current base salary, plus the employer’s portion of the health care premium for continuation coverage under COBRA, also for a period of three months, provided that he has executed a general release of claims.

Mr. Pence is expected to enter into our standard form of indemnification agreement and to be a participant in our Executive Change in Control Severance Plan. The form of indemnification agreement and our Executive Change in Control Severance Plan have been filed as Exhibits 10.1 and 10.2 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on December 21, 2017.

Charles Lathrop, Jr. informed our board of directors that he intends to resign as a director effective December 31, 2020. His decision to resign from our board was due to health reasons and not any disagreement on any matter related to our operations, policies or practices.

ITEM 6. 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, incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K filed on July 13, 2020.
10.1* **	General Release and Separation Agreement between Asure Software, Inc. and Kelyn J. Brannon dated August 11, 2020 (filed herewith).
10.2	Waiver and Amendment No. 4 to Third Amended and Restated Credit Agreement and Amendment No. 2 to the Amended and Restated Guaranty and Security Agreement, dated August 10, 2020, by and among Asure Software, Inc., the Guarantors party thereto, Wells Fargo Bank, National Association as administrative agent for each member of the Lender Group and the Bank Product Providers identified on the signature pages thereto, Incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the six months ended June 30,2020.
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101	The following materials from Asure Software, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, formatted in iXBRL (Inline Extensible Business Reporting Language): (1) the Condensed Consolidated Balance Sheets, (2) the Condensed Consolidated Statements of Comprehensive Loss, (3) the Condensed Consolidated Statements of Changes in Stockholders' Equity, (4) the Condensed Consolidated Statements of Cash Flows, and (5) Notes to Condensed Consolidated Financial Statements (filed herewith).
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, formatted as Inline XBRL and contained in Exhibit 101 (filed herewith).

* Schedules and similar attachments to the agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish supplementally a copy of all omitted schedules and similar attachments to the SEC upon its request.

** Compensatory plan or arrangement

SIGNATURES

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

ASURE SOFTWARE, INC.

Date: November 9, 2020	By:	/s/ Patrick Goepel
		Patrick Goepel Chief Executive Officer, Principal Financial Officer and Principal Accounting Officer

EXHIBIT 10.1

GENERAL RELEASE
AND SEPARATION AGREEMENT

Asure Software, Inc, its affiliates, subsidiaries, divisions, successors and assigns, and their current and former employees, officers, directors and agents (collectively the "**Employer**"), and Kelyn J. Brannon her/her heirs, executors, administrators, successors, and assigns (collectively "**Employee**"), agree that:

1. Last Day of Employment. Employee's last day of employment with Employer is August 10, 2020 (the "**Last Day of Employment**").

2. Consideration. In consideration for signing this General Release and Separation Agreement and complying with the promises made in it and further provided that Employee signs this General Release and Separation Agreement and does not exercise her right to revoke any portion of it as set forth in Paragraph 6 below, and further conditioned upon Employee's ongoing compliance with and performance of all of her commitments in this General Release and Separation Agreement (including under Paragraph 7) and any agreement identified in Paragraph 17, Employer agrees to provide Employee the following severance benefits (collectively, the "**Severance Benefits**"):

a. Employer shall pay Employee severance pay in the amount of $131,968.63, less applicable withholdings and deductions (the "**Severance Pay**"), which shall be paid in substantially equal installments on a semi-monthly basis, beginning on the first payroll date following the expiration of the Rescission Period and ending on December 31, 2020.

b. Employer shall pay on Employee's behalf the Employer portion of the premium for health insurance through December 31, 2020; provided that Employee timely elects continuation coverage under COBRA.

c. Employer shall accelerate the vesting of options to purchase 30,011 shares of common stock of the Company and 22,499 restricted stock units (the "**Accelerated Equity Awards**"), such that they will be fully vested and exercisable (if options) or issued (if restricted stock units) as of the business day immediately following the expiration of the Rescission Period (the "**Vesting Date**"). From the Vesting Date, Employee shall have until November 8, 2020 to exercise any vested options that she holds, including those that are part of the Accelerated Equity Awards. The Accelerated Equity Awards are identified on ***Exhibit A***. Employee further confirms that all other unvested stock options and restricted stock units granted to her during her employment are forfeited as of the Last Day of Employment.

d. Employer pay on Employee's behalf all rent and utilities on Employee's Texas apartment after the Last Day of Employment through the remaining lease term; provided that Employee cancels all non-essential utilities and vacates the property no later than October 31, 2020. Employee acknowledges that Employer will negotiate a early termination of the lease and agrees to cooperate with Employer in obtaining such earlier negotiation of the lease.

e. Employer will reimburse Employee for her documented moving expenses related to relocating from your Texas residence (the "**Moving Expenses**"), in an amount not to exceed $20,000. The Moving Expenses will be paid on December 31, 2020, provided that Employee has provided to Employer an executed release of claims for the period August 11, 2020 through December 31, 2020 in the form of ***Exhibit B*** and submitted copies of receipts in accordance with Employer's expense reimbursement policy.

3. No Consideration Absent Execution of this Agreement. Employee understands and agrees that she is not otherwise entitled to the Severance Benefits and thus would not receive this Severance Benefits, except for her execution of this General Release and Agreement and the fulfillment of the promises contained in it.

4. Employee's Release of Claims. Except as stated below, Employee knowingly and voluntarily releases and forever discharges Employer of and from any and all claims, known and unknown, Employee has or may have against Employer as of the Last Day of Employment, including, but not limited to, the following (the "**General Release**"):

a. Any and all claims for additional employment, compensation, benefits or payments of any sort;

b. all claims for any alleged violation of (i) the National Labor Relations Act, as amended; (ii) Title VII of the Civil Rights Act of 1964, as amended; (iii) the Civil Rights Act of 1991; (iv) 42 U.S.C §§ 1981-1988, as amended; (v) the Age Discrimination in Employment Act; (vi) the Workers Adjustment and Retraining Notification Act, as amended; (vii) the Older Workers' Benefit Protection Act; (viii) the Family and Medical Leave Act of 1993; (ix) the Employee Retirement Income Security Act of 1974, as amended; (x) the Immigration Reform Control Act, as amended; (xi) the Americans with Disabilities Act of 1990, as amended; (xii) the Rehabilitation Act of 1973; (xiii) the Equal Pay Act of 1963, as amended; (xiv) the Occupational

Safety and Health Act, as amended; (xv) the Consolidated Omnibus Budget Reconciliation Act of 1985, 26 U.S.C. § 4980B; (xvi) the wage-hour and wage payment laws of any federal, state or local statute, ordinances, regulations or common law of any state (including the state(s) in which Employee resides or works); (xvii) any and all federal, state and local "whistleblower" or similar public policy or other anti-retaliation statutes (including those in the states in which Employee resides or works); and (xviii) any and all other actions for "retaliatory treatment" under all federal, state or local laws (including those in the states in which Employee resides or works);

c. Any and all statutory or common law claims for failure to pay wages, waiting time or other penalties; assault, battery, defamation; libel; slander; reprisal; retaliation; negligent or intentional infliction of emotional distress; negligent hiring or retention; breach of oral or written, express or implied contract; misrepresentation; violation of company policies, personnel manuals or employee handbooks; violation of public policy; promissory estoppel; fraud; wrongful discharge; tortious interference with contract; breach of covenant of good faith and fair dealing; invasion of privacy; or any other theory, whether legal or equitable related to the Employee's employment or termination thereof with Employer;

d. Any and all claims to any non-vested ownership interest in Employer, contractual or otherwise, other than the Accelerated Equity Awards;

e. Any and all claims arising out of the execution, performance, or termination of any employment agreement or any other agreement or contract of any kind with Employer; provided, however, that all rights pursuant to this General Release and Agreement are exempted from this release of claims;

f. Any and all other tort, contract, or employment-related claims which Employee had, has or may have against Employer, including any and all other claims arising under the common law, whether state or federal, or any other action, based upon any conduct occurring up to and including the Last Day of Employment; and

g. Any and all claims for compensatory damages, liquidated damages, punitive damages and for costs, fees, or other expenses, including attorneys' fees, costs and disbursements incurred in these matters.

Employee agrees and understands that she is fully and finally releasing all past, present and future claims, and that this General Release and Separation Agreement includes the release of any claims which Employee now has or might have in the future as a result of past events, even if she does not know of them at the time she signs this General Release and Separation Agreement, except as provided immediately below in the next paragraph. Further, Employee hereby waives and assumes the risk of any and all claims for damages which exist as of the date she signs this General Release and Separation Agreement of which she does not know, whether through ignorance, error, oversight, negligence or otherwise, and which if known, would materially affect her decision to enter this General Release and Separation Agreement.

Employee's release of claims is not intended to waive her rights, if any, to claim the following: unemployment benefits; benefits under The Consolidated Omnibus Budget Reconciliation Act of 1985 ("**COBRA**") or other state insurance continuation rights or vested benefits under any applicable qualified or nonqualified benefit plans. Employer reserves any and all defenses and/or offsets, if any, which it has or might have against any claims that Employee makes with respect to any of the above claims.

5. Consideration Period; Revocation Rights; Voluntary Agreement. Employee understands and agrees that the general release contained in this Agreement releases all claims Employee may have under the Age Discrimination in Employment Act of 1967 ("**ADEA**"), as amended by the Older Workers Benefit Protection Act of 1990 ("**OWBPA**"), and that Employee received consideration beyond that to which Employee was previously entitled in exchange for this General Release and Separation Agreement. The OWBPA provides that an individual cannot waive a right or claim under the ADEA, unless the waiver is knowing and voluntary. The Employee has been advised of these laws, and has signed this General Release and Separation Agreement voluntarily and with full knowledge of its consequences. In addition, Employee acknowledges and agrees as follows:

a. The release provisions in this General Release apply to any and all rights, which Employee ever had, now has or may have under ADEA, OWBPA, and all other laws dealing with age discrimination. Employee understands this means that, among other things, she is waiving her rights, if any, to seek recovery for any alleged damages arising out of any type of claims for age discrimination against Employer with the Equal Employment Opportunity Commission, any state or local human rights agency, or any state or federal court.

b. Employee understands that she has been given at least twenty-one (21) days from the date of receipt of this General Release and Agreement to consider whether to sign it, and that she may not sign it until after the termination of her employment. Employee has been advised to consult with legal counsel of her choice, and has had an opportunity to do so. If Employee chooses to sign this General Release and Agreement before twenty-one (21) days have passed, Employee understands that it is her voluntary decision to sign this General Release and Agreement early, and that Employer has made the full twenty-one (21) days available for Employee to consider this General Release and Agreement. Employee further acknowledges that any changes made to the General Release and Agreement do not restart the running of the 21-day review period.

c. Employee acknowledges and agrees that Employer did not have a prior duty to pay or provide the Employee the Severance Benefits, and that the Severance Benefits is being paid or provided to Employee in exchange for this General Release and Agreement. Employee is voluntarily signing this General Release and Separation Agreement in order to receive the Severance Benefits.

d. Employee agrees and understands that she has a legal right to revoke her release of claims arising under the ADEA at any time within seven (7) days after she signs this General Release and Separation Agreement ("**Rescission Period**"). If Employee wishes to so revoke, she must do so in writing, and has to deliver their revocation by email to Cheryl Trbula at ctrbula@asuresoftware.com within seven (7) days of the date that she signs this General Release and Agreement, addressed to:

Employee also understands, however, that if she revokes her release of claims arising under the Age Discrimination in Employment Act, she will no longer be eligible to receive the Severance Benefits.

6. Affirmations. Employee represents and warrants that she has not filed or caused to be filed and is not a party to any complaint, charge, or claim against Employer with any local, state, or federal agency, court, board, office or other forum or entity regarding claims released in this General Release and Agreement. Employee further agrees not to seek to set aside or avoid enforcement of this General Release and Agreement or bring any lawsuit in any court against the Employer. Employee agrees that she will not voluntarily aid, assist, or cooperate with anyone who has a claim against Employer, or with any such person's attorneys or agents, in any claim or lawsuit which such person(s) may bring against Employer. Nothing in this General Release and Separation Agreement, however, prevents Employee from testifying at an administrative hearing, arbitration, deposition, or in court, in response to a lawful and properly served subpoena in a proceeding involving Employer, nor does it prevent Employee from participating in an EEOC investigation or proceeding (although Employee is waiving her right to recover individual relief or money damages in connection with any such EEOC proceeding). Employee further affirms that she has been paid and/or has received all leave (paid or unpaid), compensation, wages, bonuses, commissions, paid time off, vacation, and/or benefits to which she may be entitled, has otherwise been paid for all hours worked and that no other leave (paid or unpaid), compensation, wages, bonuses, commissions, paid time off, vacation and/or benefits are due to her, except for the Severance Benefits provided in this General Release and Separation Agreement. Employee furthermore affirms that she has no known workplace injuries or occupational diseases and has been provided and/or has not been denied any leave requested under the Family and Medical Leave Act. Employee further affirms that she has no future legal right to be hired, employed, or reinstated by Employer, and waives any and all claims, if any, which she may have for reinstatement or future employment with Employer. Employee understands and acknowledges that Severance Benefits will fully compensate Employee for and extinguish any and all of the claims Employee is releasing, including, but not limited to, any claim for attorney's fees and costs and any and all claims for any type of legal or equitable relief she may have under local, state or federal law.

7. Additional Conditions to Severance.

a. Transition Services. Employee agrees to be reasonably available by email and telephone through December 31, 2020 to respond to inquiries from the Employer regarding her job duties and her work responsibilities and to otherwise assist with the transition of her role as chief financial officer.

b. Nondisparagement. Employee agrees that she will not make any oral or written statement about Employer, its directors (including former directors) or officers, which is intended or reasonably likely to disparage Employer, its directors (including former directors) or officers, or otherwise degrade the Employer, its directors (including former directors) or officers' reputation in the business community or the payroll services industry. Employer agrees that it shall ensure that none of its directors or officers make any oral or written statement about Employee, which is intended or reasonably likely to disparage Employee or otherwise degrade her reputation in the business community.

c. Return of Property. Employee agrees, as a condition to receipt of the Severance Benefits, that Employee will deliver or cause to be delivered to the Employer any and all books, notebooks, financial statements, manuals, keys, electronic beepers, cellular telephone, computer or other electronic devices, data and other documents and materials in Employee's possession and under its control related to the Employer or its confidential information and trade secrets or which is otherwise property of the Employer.

d. Restrictions. Employee agrees that, until August 10, 2021, she shall not, directly or indirectly, do any of the following:

(i) induce or solicit any person who is at the time employed by the Employer to leave such employment or to hire or assist anyone in hiring such employee;

(ii) solicit or entice, or attempt to solicit or entice, or assist anyone in doing so, any of the Employer's customers or Potential Customers for the purpose of acquiring or diverting their business or services from the Employer;

(iii) contract with, or assist anyone in doing so, any customers or Potential Customers of the Employer to provide products or services that compete, in whole or in part, with any services provided by the Employer;

(iv) use any confidential information or trade secrets of the Employer to provide products or services that compete with the products or services of the Employer anywhere in the United States; or

(v) destroy, damage, delete, corrupt data, records or other information of the Employer or otherwise take actions that harm the business of the Employer.

For purposes of this Paragraph 7(d), "**Potential Customers**" shall mean an person or business entity that the Employer had contact with in the one year period preceding the Last Day of my Employment with the intent that the Employer would provide such person or business entity services.

If any court of competent jurisdiction at any time deems the restricted period unreasonably lengthy or any of the covenants set forth in this Paragraph 7(d) not fully enforceable, the other provisions of this Paragraph 7(d) , and this General Release and Agreement in general, will nevertheless stand and to the fullest extent consistent with law continue in full force and effect, and it is the intention and desire of the parties that the court treat any provisions of this General Release and Agreement which are not fully enforceable as having been modified to the extent deemed necessary by the court to render them reasonable and enforceable and that the court enforce them to such extent (for example, that the restricted period be deemed to be the longest period permissible by law, but not in excess of the length provided for in this Section 7(d)).

8. **Confidentiality**. Except as required under applicable securities laws, Employee agrees not to disclose any information regarding the existence or substance of this General Release and Separation Agreement, except to her spouse, tax advisor, and an attorney with whom Employee chooses to consult regarding her consideration of this General Release and Separation Agreement.

9. **Governing Law and Interpretation**. This General Release and Separation Agreement shall be governed and conformed in accordance with the State of Texas, without reference to its conflicts of law principles and except to the extent it is pre-empted by federal law. Should any provision of this General Release and Separation Agreement be declared or determined by any court to be illegal or invalid, the validity of the remaining parts, terms or provisions shall not be affected thereby and the illegal or invalid part, term, or provision shall be deemed not to be a part of this General Release and Separation Agreement.

10. **No Admission of Wrongdoing**. Employee agrees that neither this General Release and Separation Agreement nor the furnishing of the Severance Benefits shall be deemed or construed at any time for any purpose as an admission by Employer of any liability or unlawful conduct of any kind.

11. **Amendment**. This General Release and Separation Agreement may not be modified, altered or changed except upon express written consent of both parties wherein specific reference is made to this General Release and Agreement.

12. **Counterparts and Facsimile Signature**. This General Release and Agreement may be executed in counterparts and shall be deemed fully executed when each party has signed and transmitted a counterpart to the other. All counterparts taken together shall constitute a single agreement. A facsimile signature shall have the same force and effect of an original signature.

13. **Enforcement**. In the event of a party's material breach of the General Release and Agreement, the non-breaching party may initiate action seeking any and all appropriate sanctions, damages, and remedies, including, but not limited to, injunctive or other equitable relief, damages, attorneys' fees, costs and interest. In any such action, the prevailing party shall be entitled to recovery of reasonable attorneys' fees. Further, if Employee breaches the covenants set forth in Section 7, Employer can reduce the Severance Benefits to $20,000 and such General Release and Separation Agreement shall remain valid and enforceable, the $20,000 being agreed to by the parties as adequate consideration for the release provided in Paragraph 2. Employer may also seek equitable relief, without the necessity to post a bond, to enforce Employee's obligations under this General Release and Agreement.

14. **Entire Agreement**. This General Release and Separation Agreement sets forth the entire agreement between the parties, and fully supersedes any prior agreements or understandings between them except as set forth in Paragraph 15. Employee acknowledges that she has not relied upon any statements, representations, promises or agreements of any kind made by Employer or its attorneys, written or oral, in connection with her decision to accept this General Release and Separation Agreement, other than the statements and representations that are explicitly set forth in this General Release and Separation Agreement, and any employee benefit plans sponsored by Employer in which Employee is a participant.

15. **Surviving Agreements**. Nothing in the prior paragraph (14. Entire Agreement) or Paragraph 7 shall affect Employee's obligations owed to Employer under any restrictive covenants, confidentiality or other similar agreements, including those set forth in any award agreements related to any restricted stock units or stock options granted to Employee during her employment. Each of these agreements shall survive this General Release and Separation Agreement and remain in full force and effect. If there is a conflict between Paragraph 7 and such prior agreements, the restrictions in Paragraph 7 shall control.

PLEASE READ THIS GENERAL RELEASE AND AGREEMENT CAREFULLY BEFORE SIGNING. THIS GENERAL RELEASE AND AGREEMENT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS EMPLOYEE MAY HAVE AGAINST EMPLOYER.

HAVING ELECTED TO EXECUTE THIS GENERAL RELEASE AND AGREEMENT, TO FULFILL THE PROMISES AND TO RECEIVE THE SEVERANCE BENEFITS, EMPLOYEE FREELY AND KNOWINGLY, AND AFTER DUE CONSIDERATION, ENTERS INTO THIS GENERAL RELEASE AND AGREEMENT INTENDING TO WAIVE, SETTLE AND RELEASE ALL CLAIMS SHE HAS OR MIGHT HAVE AGAINST EMPLOYER.

[Remainder of this page intentionally left blank. Signature page follows.]

IN WITNESS WHEREOF, the parties hereto knowingly and voluntarily executed this General Release and Agreement as of the date set forth below:

/s/ Kelyn Brannon
Kelyn Brannon

Date: August 11, 2020

ASURE SOFTWARE, INC.

/s/ Pat Goepel
By: Pat Goepel
Its: Chief Executive Officer

EXHIBIT 31.1

CERTIFICATION OF PERIODIC REPORT
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

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

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

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

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

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

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

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

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

(d) Disclosed in the Report any change in the Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter (the quarter ended September 30, 2020) that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and

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

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

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

Date: November 9, 2020	By:	/s/ Patrick Goepel
		Patrick Goepel Chief Executive Officer, Principal Financial Officer and Principal Accounting Officer

EXHIBIT 32.1

CERTIFICATION OF PERIODIC REPORT
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

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

1. The quarterly report on Form 10-Q of the Company for the period ended September 30, 2020 (the "Report") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended, and

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

Date: November 9, 2020	By:	/s/ Patrick Goepel
		Patrick Goepel Chief Executive Officer, Principal 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.