

REFINITIV

# DELTA REPORT

## 10-Q

ASUR - ASURE SOFTWARE INC

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

**TOTAL DELTAS** 967

 **CHANGES** 221

 **DELETIONS** 404

 **ADDITIONS** 342

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended **September 30, 2023** **March 31, 2024**

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from    to   

Commission File Number: 1-34522



**ASURE SOFTWARE, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

**74-2415696**

(State or other jurisdiction of incorporation)

(I.R.S. Employer Identification No.)

**405 Colorado Street, Suite 1800, Austin,  
Texas**

**78701**

(Address of principal executive offices)

(Zip Code)

**512-437-2700**

(Registrant's Telephone Number, including Area Code)

**None**

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
<b>Common Stock, \$0.01 par value</b>	<b>ASUR</b>	<b>The Nasdaq Capital Market</b>
<b>Series A Junior Participating Preferred Share Purchase Rights</b>		<b>N/A</b>

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

Yes  No

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

Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting

company

Emerging growth

company

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

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

Yes  No

As of November 10, 2023 May 1, 2024, 24,851,198 25,813,067 shares of the registrant's Common Stock, \$0.01 par value, were outstanding.

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## PART I

### ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2023	December 31, 2022		December 31, 2023
	<b>March 31, 2024</b>		<b>March 31, 2024</b>	
<b>ASSETS</b>	<b>ASSETS</b>			
ASSETS				
Current assets:				
Cash, cash equivalents, and restricted				
cash	\$ 32,787	\$ 17,010		
Accounts receivable, net of allowance for				
doubtful accounts of \$1,186 and \$3,248				
at September 30, 2023 and December				
31, 2022, respectively	15,133	12,123		
Current assets:				
Current assets:				
Cash and cash equivalents				
Cash and cash equivalents				
Cash and cash equivalents				

Accounts receivable, net of allowance for credit losses of \$5,108 and \$4,787 at March 31, 2024 and December 31, 2023, respectively			
Inventory	Inventory	93	251
Prepaid expenses and other current assets	Prepaid expenses and other current assets	3,907	10,304
Total current assets before funds held for clients	Total current assets before funds held for clients	51,920	39,688
Funds held for clients	Funds held for clients	172,503	203,588
Total current assets	Total current assets	224,423	243,276
Property and equipment, net	Property and equipment, net	13,436	11,439
Goodwill	Goodwill	86,011	86,011
Intangible assets, net	Intangible assets, net	57,326	66,594
Operating lease assets, net	Operating lease assets, net	5,265	7,065
Other assets, net	Other assets, net	8,036	5,523
Total assets	Total assets	\$ 394,497	\$ 419,908
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:	Current liabilities:		
Current liabilities:			
Current liabilities:			
Current portion of notes payable			
Current portion of notes payable			

Current portion of notes payable	Current portion of notes payable	\$ 195	\$ 4,106
Accounts payable	Accounts payable	1,696	2,194
Accrued compensation and benefits	Accrued compensation and benefits	5,770	5,791
Operating lease liabilities, current	Operating lease liabilities, current	1,510	1,860
Other accrued liabilities	Other accrued liabilities	5,170	3,728
Contingent purchase consideration		—	2,955
Deferred revenue	Deferred revenue	3,392	8,461
Total current liabilities before client fund obligations	Total current liabilities before client fund obligations	17,733	29,095
Client fund obligations	Client fund obligations	175,056	206,088
Total current liabilities	Total current liabilities	192,789	235,183
Long-term liabilities:	Long-term liabilities:		
Deferred revenue	Deferred revenue		
Deferred revenue	Deferred revenue	666	788
Deferred tax liability	Deferred tax liability	1,614	1,503
Notes payable, net of current portion	Notes payable, net of current portion	2,633	30,795
Operating lease liabilities, noncurrent	Operating lease liabilities, noncurrent	4,956	6,459
Other liabilities	Other liabilities	177	114
Total long-term liabilities	Total long-term liabilities	10,046	39,659
Total liabilities	Total liabilities	202,835	274,842
Stockholders' equity:	Stockholders' equity:		

Preferred stock, \$0.01 par value; 1,500 shares authorized; none issued or outstanding	Preferred stock, \$0.01 par value; 1,500 shares authorized; none issued or outstanding	—	—
Common stock, \$0.01 par value; 44,000 shares authorized; 25,235 and 20,628 shares issued, 24,851 and 20,244 shares outstanding at September 30, 2023 and December 31, 2022, respectively		252	206
Treasury stock at cost, 384 shares at September 30, 2023 and December 31, 2022		(5,017)	(5,017)
Preferred stock, \$0.01 par value; 1,500 shares authorized; none issued or outstanding			
Preferred stock, \$0.01 par value; 1,500 shares authorized; none issued or outstanding			
Common stock, \$0.01 par value; 44,000 shares authorized; 25,749 and 25,382 shares issued, 25,749 and 24,998 shares outstanding at March 31, 2024 and December 31, 2023, respectively			
Treasury stock at cost, zero <sup>(1)</sup> and 384 shares at March 31, 2024 and December 31, 2023, respectively			
Additional paid-in capital	Additional paid-in capital	485,981	433,586

Accumulated deficit	Accumulated deficit	(286,858)	(281,226)
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(2,696)	(2,483)
Total stockholders' equity	Total stockholders' equity	191,662	145,066
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	\$ 394,497	\$ 419,908

(1) The aggregate Treasury stock of prior repurchases of the Company's own common stock was retired and subsequently issued effective January 1, 2024. See the Condensed Consolidated Statement of Changes in Stockholders' Equity for the impact of this transaction.

(1) The aggregate Treasury stock of prior repurchases of the Company's own common stock was retired and subsequently issued effective January 1, 2024. See the Condensed

Consolidated Statement of Changes in Stockholders' Equity for the impact of this transaction.

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2023	2022	2023	2022	
<b>Three Months Ended March 31,</b>					
Revenue:	Revenue:				

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

Comprehensive loss		\$ (2,407)	\$ (5,776)	\$ (5,845)	\$ (16,212)
(Loss) income from operations					
Interest income					
Interest expense					
Other income, net					
(Loss) income from operations before income taxes					
Income tax expense (benefit)					
Net (loss) income					
Other comprehensive (loss) income:					
Unrealized (loss) income on marketable securities					
Unrealized (loss) income on marketable securities					
Unrealized (loss) income on marketable securities					
Comprehensive (loss) income					
Basic and diluted loss per share					
Basic and diluted (loss) income per share					
Basic and diluted (loss) income per share					
Basic and diluted (loss) income per share					
Basic					
Basic					
Basic	Basic	\$ (0.10)	\$ (0.22)	\$ (0.27)	\$ (0.67)
Diluted	Diluted	\$ (0.10)	\$ (0.22)	\$ (0.27)	\$ (0.67)

Weighted average basic and diluted shares	Weighted average basic and diluted shares
Weighted average basic and diluted shares	Weighted average basic and diluted shares
Basic	Basic
Basic	Basic
Basic	22,591 20,219 21,204 20,092
Diluted	Diluted
Diluted	22,591 20,219 21,204 20,092

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

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

	Common Stock Outstanding	Common Stock Amount	Additional Treasury Stock	Paid-in Capital	Accumulated Deficit	Other Comprehensive Loss	Total Stockholders' Equity
Balance at December 31, 2022	20,244	\$ 206	\$ (5,017)	\$ 433,586	\$ (281,226)	\$ (2,483)	\$ 145,066
Stock issued upon option exercise and vesting of restricted stock units	375	4	—	1,984	—	—	1,988
Share based compensation	—	—	—	1,337	—	—	1,337
Net income	—	—	—	—	339	—	339
Other comprehensive income	—	—	—	—	—	481	481
Balance at March 31, 2023	<u>20,619</u>	<u>\$ 210</u>	<u>\$ (5,017)</u>	<u>\$ 436,907</u>	<u>\$ (280,887)</u>	<u>\$ (2,002)</u>	<u>\$ 149,211</u>

Stock issued upon option exercise and vesting of restricted stock units	40	—	—	42	—	—	42
Stock issued, ESPP	46	1	—	236	—	—	237
Share based compensation	—	—	—	1,582	—	—	1,582
Net loss	—	—	—	—	(3,765)	—	(3,765)
Other comprehensive loss	—	—	—	—	—	(493)	(493)
<b>Balance at June 30, 2023</b>	<b>20,705</b>	<b>\$ 211</b>	<b>\$ (5,017)</b>	<b>\$ 438,767</b>	<b>\$ (284,652)</b>	<b>\$ (2,495)</b>	<b>\$ 146,814</b>

Stock issued upon option exercise and vesting of restricted stock units	99	1	—	479	—	—	480
Shares issued, net of issuance costs	4,047	40	—	45,484	—	—	45,524
Share based compensation	—	—	—	1,251	—	—	1,251
Net loss	—	—	—	—	(2,206)	—	(2,206)
Other comprehensive loss	—	—	—	—	—	(201)	(201)
<b>Balance at September 30, 2023</b>	<b>24,851</b>	<b>\$ 252</b>	<b>\$ (5,017)</b>	<b>\$ 485,981</b>	<b>\$ (286,858)</b>	<b>\$ (2,696)</b>	<b>\$ 191,662</b>

	<b>Common Stock Outstanding</b>	<b>Common Stock Amount</b>	<b>Treasury Stock</b>	<b>Additional Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Other Comprehensive Loss</b>	<b>Total Stockholders' Equity</b>
<b>Balance at December 31, 2023</b>	<b>24,998</b>	<b>\$ 254</b>	<b>\$ (5,017)</b>	<b>\$ 487,973</b>	<b>\$ (290,440)</b>	<b>\$ (1,115)</b>	<b>\$ 191,655</b>
Stock issued upon option exercise and vesting of restricted and performance stock units	301	3	—	173	—	—	176
Stock issued for acquisitions	450	5	—	4,489	—	—	4,494

Share based compensation	—	—	—	1,902	—	—	1,902
Retirement and reissuance of treasury shares	—	(4)	5,017	—	(5,013)	—	—
Net loss	—	—	—	—	(308)	—	(308)
Other comprehensive loss	—	—	—	—	—	(244)	(244)
<b>Balance at March 31, 2024</b>	<b>25,749</b>	<b>\$ 258</b>	<b>\$ —</b>	<b>\$ 494,537</b>	<b>\$ (295,761)</b>	<b>\$ (1,359)</b>	<b>\$ 197,675</b>

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

**ASURE SOFTWARE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

(in thousands)  
 (Unaudited)

	Common Stock Outstanding	Common Stock Amount	Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive Loss	Total Stockholders' Equity
<b>Balance at December 31, 2021</b>	<b>20,028</b>	<b>\$ 204</b>	<b>\$ (5,017)</b>	<b>\$ 429,912</b>	<b>\$ (266,760)</b>	<b>\$ (99)</b>	<b>\$ 158,240</b>
Stock issued upon option exercise and vesting of restricted stock units	43	1	—	—	—	—	1
Share based compensation	—	—	—	729	—	—	729
Net loss	—	—	—	—	(3,017)	—	(3,017)
Other comprehensive loss	—	—	—	—	—	(1,063)	(1,063)
<b>Balance at March 31, 2022</b>	<b>20,071</b>	<b>\$ 205</b>	<b>\$ (5,017)</b>	<b>\$ 430,641</b>	<b>\$ (269,777)</b>	<b>\$ (1,162)</b>	<b>\$ 154,890</b>

Stock issued upon option exercise and vesting of restricted stock units	33	—	—	—	—	—	—	—
Stock issued, ESPP	38	—	—	192	—	—	—	192
Share based compensation	—	—	—	814	—	—	—	814
Net loss	—	—	—	—	(5,860)	—	—	(5,860)
Other comprehensive loss	—	—	—	—	—	(496)	—	(496)
Balance at June 30, 2022	<u>20,142</u>	<u>\$ 205</u>	<u>\$ (5,017)</u>	<u>\$ 431,647</u>	<u>\$ (275,637)</u>	<u>\$ (1,658)</u>	<u>\$ 149,540</u>	
Stock issued upon option exercise and vesting of restricted stock units	18	—	—	—	—	—	—	—
Share based compensation	—	—	—	798	—	—	—	798
Net loss	—	—	—	—	(4,533)	—	—	(4,533)
Other comprehensive loss	—	—	—	—	—	(1,243)	—	(1,243)
Balance at September 30, 2022	<u>20,160</u>	<u>\$ 205</u>	<u>\$ (5,017)</u>	<u>\$ 432,445</u>	<u>\$ (280,170)</u>	<u>\$ (2,901)</u>	<u>\$ 144,562</u>	

	Common Stock Outstanding	Common Stock Amount	Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive Loss	Total Stockholders' Equity
Balance at December 31, 2022	20,244	\$ 206	\$ (5,017)	\$ 433,586	\$ (281,226)	\$ (2,483)	\$ 145,066
Stock issued upon option exercise and vesting of restricted stock units	375	4	—	1,984	—	—	1,988
Share based compensation	—	—	—	1,337	—	—	1,337
Net income	—	—	—	—	339	—	339
Other comprehensive income	—	—	—	—	—	481	481

Balance at March 31,								
2023	<u>20,619</u>	<u>\$ 210</u>	<u>\$ (5,017)</u>	<u>\$ 436,907</u>	<u>\$ (280,887)</u>	<u>\$ (2,002)</u>	<u>\$ 149,211</u>	

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

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

		Nine Months Ended			
		September 30,		2023	2022
		Three Months Ended March			
		31,		Three Months Ended March 31,	
			2024	2023	
Cash flows from	Cash flows from				
operating activities:	operating activities:				
Net loss		\$ (5,632)	\$ (13,410)		
Adjustments to reconcile loss to net					
cash provided by operations:					
Net (loss) income					
Net (loss) income					
Net (loss) income					
Adjustments to					
reconcile (loss)					
income to net					
cash (used) in					
provided by					
operations:					
Depreciation and amortization					
Depreciation and amortization					
Depreciation	Depreciation				
and	and				
amortization	amortization	14,243	14,018		

Amortization of operating lease assets	Amortization of operating lease assets	1,129	1,268
Amortization of debt financing costs and discount	Amortization of debt financing costs and discount	548	531
Non-cash interest expense	Non-cash interest expense	1,471	—
Net accretion of discounts and amortization of premiums on available-for-sale securities		(63)	279
Provision for doubtful accounts		2,004	304
Provision for deferred income taxes		111	163
Loss (gain) on extinguishment of debt		1,208	(180)
Net accretion of discounts on available- for-sale securities			
Provision for expected losses			
Provision for (recovery of) deferred income taxes			
Net realized gains on sales of available-for- sale securities	Net realized gains on sales of available-for- sale securities	(1,645)	(808)
Share-based compensation	Share-based compensation	4,170	2,341

Loss on disposals of long-term assets	Loss on disposals of long-term assets	132	1
Change in fair value of contingent purchase consideration	Change in fair value of contingent purchase consideration	175	(1,350)
Adjustment to Intangibles	—	23	
Changes in operating assets and liabilities:	Changes in operating assets and liabilities:		
Accounts receivable			
Accounts receivable			
Accounts receivable	Accounts receivable	(5,014)	(1,816)
Inventory	Inventory	159	(85)
Prepaid expenses and other assets	Prepaid expenses and other assets	4,031	2,855
Operating lease right-of-use assets	Operating lease right-of-use assets	473	(3,489)
Accounts payable	Accounts payable	(498)	738
Accrued expenses and other long-term obligations	Accrued expenses and other long-term obligations	918	2,637
Operating lease liabilities	Operating lease liabilities	(895)	2,298
Deferred revenue	Deferred revenue	(5,190)	639

Net cash provided by operating activities	11,835	6,957
Net cash (used) in provided by operating activities		
Cash flows from investing activities: Cash flows from investing activities:		
Acquisition of intangible asset		
Acquisition of intangible asset		
Acquisition of intangible asset	(697)	(2,289)
Purchases of property and equipment	(1,365)	(2,188)
Software capitalization costs	(5,029)	(3,219)
Purchases of available-for-sale securities	(21,513)	(33,454)
Proceeds from sales and maturities of available-for-sale securities	10,428	7,159
Net cash used in investing activities	(18,176)	(33,991)
Cash flows from financing activities: financing activities:		
Payments of notes payable	(35,627)	(1,688)
Debt extinguishment costs	(468)	—
Payments of contingent purchase consideration	—	(9)
Payments of notes payable		
Payments of notes payable		

Payments made on amounts due for the acquisition of intangible assets			
Net proceeds from issuance of common stock	Net proceeds from issuance of common stock	45,986	192
Capital raise fees		(258)	—
Net change in client fund obligations	Net change in client fund obligations	(31,033)	(32,527)
Net cash used in financing activities		(21,400)	(34,032)
Net decrease in cash, cash equivalents, restricted cash, and restricted cash equivalents		(27,741)	(61,066)
Cash, cash equivalents, restricted cash and restricted cash equivalents, beginning of period		164,042	198,641
Cash, cash equivalents, restricted cash and restricted cash equivalents, end of period		\$136,301	\$137,575
Net cash provided by financing activities			
Net increase in cash and cash equivalents			
Cash and cash equivalents, beginning of period			
Cash and cash equivalents, end of period			

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

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

Nine Months Ended September 30,			
		2023	2022
Reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents to the Condensed Consolidated Balance Sheets			
	Three Months Ended March 31,		Three Months Ended March 31,
	2024	2024	2023
Reconciliation of cash and cash equivalents to the Condensed Consolidated Balance Sheets			
	Cash and cash equivalents	Cash and cash equivalents	\$ 32,787
		\$ 10,885	
Restricted cash and restricted cash equivalents included in funds held for clients		103,514	126,690
Total cash, cash equivalents, restricted cash, and restricted cash equivalents		\$136,301	\$137,575
Cash and cash equivalents included in funds held for clients			

Total cash and cash equivalents	
Supplemental information:	Supplemental information:
Supplemental information:	
Supplemental information:	
Cash paid for interest	
Cash paid for interest	
Cash paid for interest	Cash paid for interest \$ 3,140 \$ 2,247
Cash paid for income	Cash paid for income
taxes	taxes \$ 532 \$ 246
Non-cash investing and financing activities:	Non-cash investing and financing activities:
Non-cash investing and financing activities:	
Non-cash investing and financing activities:	
Acquisition of intangible assets	Acquisition of intangible assets
Acquisition of intangible assets	Acquisition of intangible assets \$ 332 \$ —
Acquisition of intangible assets	Acquisition of intangible assets \$ 332 \$ —
Notes payable issued for acquisitions	Notes payable issued for acquisitions \$ — \$ 411
Shares issued to settle contingent consideration	Shares issued to settle contingent consideration \$ 2,543 \$ —
Shares issued for acquisitions	Shares issued for acquisitions

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

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

**NOTE 1 - THE COMPANY AND BASIS OF PRESENTATION**

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

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

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

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

In the opinion of management, these interim financial statements contain all adjustments, consisting of normal, recurring adjustments, necessary for a fair presentation of our financial position as of September 30, 2023 March 31, 2024, comprehensive loss (loss) income and changes in stockholders' equity for the three and nine months ended September 30,

2023 March 31, 2024 and September 30, 2022 March 31, 2023, and cash flows for the nine three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023. Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements. These reclassifications had no effect on the consolidated financial position or consolidated results of operations of the Company.

These unaudited Condensed Consolidated Financial Statements should be read in conjunction with our audited Consolidated Financial Statements and notes thereto filed with the SEC in our annual report on Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023 (our "2022 "2023 Annual Report on Form 10-K"). The Company's results for any interim period are not necessarily indicative of results for a full fiscal year.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

### USE OF ESTIMATES

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

### CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

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

### LIQUIDITY

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

became effective on April 21, 2021. As of September 30, 2023, there is \$104,000 available under the shelf registration statement.

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

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

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

## RECENT ACCOUNTING PRONOUNCEMENTS

In June 2016, December 2023, the FASB issued ASU No. 2016-13, Financial Instruments — Credit Losses 2023-09, Improvements to Income Tax Disclosures (Topic 326) 740, which establishes a new approach requires companies to estimate credit losses disaggregate information about their effective tax rate reconciliation as well as information on certain financial instruments. The update requires financial assets measured at amortized cost to be presented at the net amount expected to be collected. The amended guidance will also update the impairment model for available-for-sale debt securities, requiring entities to determine whether all or a portion of the unrealized loss on such securities is a credit loss. income taxes paid. The standard became applies to all entities subject to income taxes. The standard becomes effective for public entities for annual periods beginning after December 15, 2024. We are currently evaluating this standard and the potential effects of these changes to our consolidated financial statements and will adopt this new standard in the fiscal year beginning January 1, 2025.

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses for interim and annual periods periods. In addition, the standard requires public entities that have a single reportable segment to provide all the disclosures required by the standard and all existing segment disclosures in Topic 280. The standard is effective for fiscal years beginning after December 15, 2022 December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. Effective January 1, 2023, We are currently evaluating this standard and the Company adopted the provisions potential effects of ASU No. 2016-13 and determined that adoption did not have a material impact on these changes to our consolidated financial statements. statements and will adopt this new standard in the fiscal year beginning January 1, 2024.

## ACCUMULATED OTHER COMPREHENSIVE LOSS

As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, accumulated other comprehensive loss consisted of net unrealized gains and losses on available-for-sale securities.

## NOTE 3 - BUSINESS COMBINATIONS AND ASSET ACQUISITIONS

### **2022** **2024**

Effective **January 1, 2022** **February 22, 2024**, the Company **we** acquired **customer relationships** **certain assets** of a payroll **business** processing and benefits brokerage servicer based in New Jersey. The aggregate purchase price paid for **the** acquisition of these assets was \$6,000, consisting of \$500 paid in cash **payment** **on hand**, 450 shares of \$1,970, which included \$31 **Asure** common stock, having an agreed value of **transaction costs**, \$4,500, and the **delivery** remaining \$1,000 in the form of a promissory **note** in the amount of \$411. **note**. The acquired customer relationships are recorded as an intangible asset and are being amortized on a straight-line basis over eight years. **In May 2023, the Company paid the remaining balance** **As of \$422** **on March 31, 2024**, the promissory note **consisting** **had** **an outstanding balance** of \$411 in principal \$1,000 and \$11 in accrued interest. **As of September 30, 2023, there are no further amounts due or owing under the subordinated promissory note.** **matures on February 22, 2026.**

### **2021 and 2020** **2023**

**In September 2021, the Company Effective October 1, 2023, we acquired certain assets of two payroll businesses, an Alabama based reseller partner, which were used to provide payroll processing services. In connection with** **The aggregate purchase price paid for these acquisitions there were two outstanding promissory notes payable. In September 2023, assets was \$8,391, paid as follows: (i) \$6,891 in cash of which \$6,545 was paid at closing and (ii) the Company paid the remaining balance delivery of \$2,312 on one of the promissory notes, consisting of \$2,223 in principal and \$89 in accrued interest. The seconda promissory note also includes contingent consideration for which in the Company calculated the final value to be \$587. amount of \$1,500. The contingent consideration was added acquired customer relationships are recorded as an increase to the principal balance due intangible asset and are being amortized on the promissory note during the second quarter of 2023. a straight-line basis over eight years. As of September 30, 2023 March 31, 2024, the second promissory note had an outstanding balance of \$4,200 \$1,500 and matures on September 30, 2026 October 1, 2025.**

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

## NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Accounting Standards Codification (ASC) 820 "Fair Value Measurement" (ASC 820) defines fair value, establishes a framework for measuring fair value under U.S. GAAP and enhances disclosures about fair value measurements. Fair value is

defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 describes a fair value hierarchy based on the following three levels of inputs that may be used to measure fair value, of which the first two are considered observable and the last unobservable:

- Level 1: Quoted prices in active markets for *identical* assets or liabilities;
- Level 2: Quoted prices in active markets for *similar* assets or liabilities; quoted prices in markets that are not active for identical or similar assets or liabilities; and model-driven valuations whose significant inputs are observable; and
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

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

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

	Total Carrying			
	Value	Level 1	Level 2	Level 3
<b>March 31, 2024</b>				
<b>Assets:</b>				
Funds held for clients				
Money market funds	\$ 2,316	\$ 2,316	\$ —	\$ —
Available-for-sale securities	72,732	—	72,732	—
Total	\$ 75,048	\$ 2,316	\$ 72,732	\$ —
<b>December 31, 2023</b>				
<b>Assets:</b>				
Funds held for clients				
Money market funds	\$ 3,431	\$ 3,431	\$ —	\$ —
Available-for-sale securities	71,770	—	71,770	—
Total	\$ 75,201	\$ 3,431	\$ 71,770	\$ —

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

	Gross Amortized				Gross Unrealized				Aggregate Unrealized			
	Cost	Gains (1)	Losses (1)	Fair Value	Cost	Gains (1)	Losses (1)	Fair Value	Cost	Gains (1)	Losses (1)	Fair Value
<b>September 30, 2023</b>												
Restricted cash equivalents	\$ 4,711	\$ —	\$ (7)	\$ 4,704								
<b>March 31, 2024</b>												
Amortized Cost												
Cash equivalents												
Cash equivalents												
Cash equivalents												
Available-for-sale securities:	Available-for-sale securities:											

Certificates of deposit					
Certificates of deposit					
Certificates of deposit	Certificates of deposit	973	3	(2)	974
Corporate debt securities	Corporate debt securities	65,946	17	(2,341)	63,622
Municipal bonds	Municipal bonds	4,262	—	(325)	3,937
U.S. Government agency securities	U.S. Government agency securities	500	—	(44)	456
Total available-for-sale securities	Total available-for-sale securities	71,681	20	(2,712)	68,989
Total <sub>(2)</sub>	Total <sub>(2)</sub>	\$ 76,392	\$ 20	\$ (2,719)	\$ 73,693
Total <sub>(2)</sub>					
Total <sub>(2)</sub>					
<b>December 31, 2022</b>					
Restricted cash equivalents \$ 2,829 \$ — \$ — \$ 2,829					
<b>December 31, 2023</b>					
<b>December 31, 2023</b>					
December 31, 2023					
Cash equivalents					
Cash equivalents					
Cash equivalents					
Available-for-sale securities:	Available-for-sale securities:				
Certificates of deposit					
Certificates of deposit					
Certificates of deposit	Certificates of deposit	983	4	(2)	985
Corporate debt securities	Corporate debt securities	52,251	1	(2,023)	50,229

Municipal bonds	Municipal bonds	5,297	—	(405)	4,892
U.S. Government agency securities	U.S. Government agency securities	500	—	(50)	450
Total available-for-sale securities	Total available-for-sale securities	59,031	5	(2,480)	56,556
Total <sup>(2)</sup>	Total <sup>(2)</sup>	\$ 61,860	\$ 5	\$ (2,480)	\$ 59,385
Total <sup>(2)</sup>	Total <sup>(2)</sup>				

(1) Unrealized gains and losses on available-for-sale securities are included as a component of comprehensive loss. As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, there were **732** and **354** securities, respectively, in an unrealized gain position and there were **159,141** and **124,113** securities in an unrealized loss position, respectively. As of **September 30, 2023** **March 31, 2024**, these unrealized losses were less than **\$79,60** individually and **\$2,719,1,489** in the aggregate. As of **December 31, 2022** **December 31, 2023**, these unrealized losses were less than **\$96,61** individually and **\$2,480,1,363** in the aggregate. **We invest in high quality securities with roughly 70% of our portfolio made up of A ratings and above with unrealized losses primarily attributable to macroeconomic factors rather than credit related.** 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** credit losses. Factors considered in determining whether a loss is a credit loss include the length of time and extent to which fair value has been less than the cost basis, the credit rating of the investment, and our intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value.

(2) At **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, none of these securities were classified as cash and cash equivalents on the accompanying Condensed Consolidated Balance Sheets.

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

Funds held for clients have been invested in the following categories **for the periods presented below** (in thousands):

	September 30, 2023	December 31, 2022
Restricted cash and cash equivalents held to satisfy client funds obligations	\$ 103,514	\$ 147,032
Restricted short-term marketable securities held to satisfy client funds obligations	9,297	9,174

Restricted long-term marketable securities held to satisfy client funds obligations	59,692	47,382
Total funds held for clients	\$ 172,503	\$ 203,588

	March 31, 2024	December 31, 2023
Cash and cash equivalents held to satisfy client funds obligations	\$ 167,076	\$ 147,305
Short-term marketable securities held to satisfy client funds obligations	13,881	10,042
Long-term marketable securities held to satisfy client funds obligations	58,851	61,728
Total funds held for clients	\$ 239,808	\$ 219,075

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

	March 31, 2024
One year or less	\$ 9,297 13,881
After one year through five years	59,692 58,851
Total	\$ 68,989 72,732

#### NOTE 5 - GOODWILL AND OTHER INTANGIBLE ASSETS

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

	December 31, 2023	Acquisitions	March 31, 2024
Goodwill	\$ 86,011	\$ —	\$ 86,011

We believe significant synergies are expected to arise from our strategic acquisitions and their assembled work forces. This factor contributed to a purchase price that was in excess of the fair value of the net assets acquired and, as a result, we recorded goodwill for each acquisition. A portion of acquired goodwill will be amortizable for tax purposes. As of September 30, 2023 March 31, 2024, there has been no impairment of goodwill based on the qualitative assessments performed by the Company.

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

	Weighted Average			
	Amortization			
	Period (in Years)	Gross	Accumulated Amortization	Net
September 30, 2023				
	Weighted Average Amortization			Weighted Average Amortization
	Period (in Years)			Period (in Years)
March 31, 2024				
Customer relationships				
Customer relationships				
Customer relationships	Customer relationships	8.7	\$116,971	\$ (62,498) \$54,473
Developed technology	Developed technology	6.9	12,001	(10,651) 1,350
Reseller relationships		6.4	2,373	(985) 1,388
Trade names	Trade names	4.3	880	(872) 8

Non-compete agreements	Non-compete agreements	5.2	1,032	(925)	107
		8.5	\$133,257	\$ (75,931)	\$57,326
<b>December 31, 2022</b>					
<b>December 31, 2023</b>					
<b>December 31, 2023</b>					
<b>December 31, 2023</b>					
Customer relationships					
Customer relationships					
Customer relationships	Customer relationships	8.7	\$116,971	\$ (52,700)	\$64,271
Developed technology	Developed technology	6.6	12,001	(10,283)	1,718
Reseller relationships		6.9	1,344	(889)	455
Trade names	Trade names	3.0	880	(847)	33
Non-compete agreements	Non-compete agreements	5.2	1,032	(915)	117
		8.4	\$132,228	\$ (65,634)	\$66,594
8.3					

We record amortization expenses using the straight-line method over the estimated useful lives of the intangible assets, as noted above. Amortization expenses recorded in Operating Expenses were \$9,929 \$3,449 and \$10,134 \$3,302 for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. Amortization expenses recorded in Cost of Sales were \$368 \$50 and \$889 \$268 for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. There was no impairment of intangibles during the nine three months ended September 30, 2023 March 31, 2024 based on the qualitative assessment performed by the Company. However, if market, political and other conditions over which we have no control continue to affect the capital markets and our stock price declines, we may experience an impairment of our intangibles in future quarters.

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

2023	\$ 3,389	
March 31, 2024		March 31, 2024

2024	2024	13,522
2025	2025	12,736
2026	2026	9,621
2027	2027	7,426
2028	2028	5,957
2029		
Thereafter	Thereafter	4,675
		<u>\$57,326</u>

#### NOTE 6 - NOTES PAYABLE

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

			Cash Interest	September	December		Cash Interest	March	31,	December
		Maturity	Rate	30, 2023	31, 2022	Maturity	Rate	2024	2024	31, 2023
Subordinated Notes	Subordinated Notes	12/31/2022								
Payable – Acquisitions <sup>(1)</sup>	Payable – Acquisitions <sup>(1)</sup>	–	2.00% - 3.00%							
Senior Credit Facility		9/30/2026		\$ 4,200	\$ 6,947					
Gross Notes Payable	Gross Notes Payable	10/1/2025	14.25%	—	30,607					
				\$ 4,200	\$ 37,554					

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

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

	Debt Issuance			Gross Notes Payable	Debt Issuance Costs and Debt Discount	Net Notes Payable
	Gross Notes Payable	Costs and Debt Discount	Net Notes Payable			
September 30, 2023						
March 31, 2024						
Current portion of notes payable						
Current portion of notes payable						

Current portion of notes payable	Current portion of notes payable	\$ 420	\$ (225)	\$ 195
Notes payable, net of current portion	Notes payable, net of current portion	3,780	(1,147)	2,633
Total	Total	\$ 4,200	\$ (1,372)	\$ 2,828
<b>December 31, 2022</b>				
<b>December 31, 2023</b>				
<b>December 31, 2023</b>				
<b>December 31, 2023</b>				
Current portion of notes payable	Current portion of notes payable			
Current portion of notes payable	Current portion of notes payable			
Current portion of notes payable	Current portion of notes payable			
Notes payable, net of current portion	Notes payable, net of current portion			
Total	Total	\$37,554	\$ (2,653)	\$34,901

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

2023	\$	—
------	----	---

March 31, 2024			March 31, 2024
2024	2024	420	
2025	2025	378	
2026	2026	3,402	
Total	Total	\$4,200	

#### Subordinated Notes Payable - Acquisitions

In January 2023, February 2024, we acquired certain assets of a payroll processing and benefits brokerage servicer based in New Jersey. In connection with the Company resolved acquisition that took place, we delivered a promissory note to the outstanding claims for indemnification for which it was withholding payment seller. As of March 31, 2024, the subordinated promissory note payable as security for such claim. As a result of the resolution of those claims, the remaining had an outstanding balance of \$232 has been paid \$1,000 and matures on February 22, 2026.

In October 2023, we acquired certain assets of an Alabama based reseller partner, which were used to provide payroll processing services. In connection with the acquisition that took place, we delivered a promissory note to the Seller (\$182) and to the claimant (\$50) in satisfaction of its claim. seller. As of September 30, 2023 March 31, 2024, there are no further amounts due or owing under this subordinated the promissory note. note had an outstanding balance of \$1,500 and matures on October 1, 2025.

In April 2023, the Company we calculated the final contingent consideration due in connection with the acquisition of a payroll business in September 2021. As a result, the fair value of the contingent consideration of \$587 was added as an increase to the principal balance due on the promissory note. As of September 30, 2023 March 31, 2024, the promissory note had an outstanding balance of \$4,200.

In May January 2023, the Company paid we resolved the outstanding balance claims for indemnification for which we were withholding payment of a subordinated note payable issued in connection with the acquisition of customer relationships purchase of a payroll business that took place acquired in 2022. 2020. Payment on the principal balance was withheld as security for outstanding claims for which we were entitled to indemnification under the purchase agreement. As a result of the Company paid resolution of those claims, the remaining balance of \$422 on \$232 was paid to the promissory note consisting Seller (\$182) and to the claimant (\$50) in satisfaction of \$411 in principal and \$11 in accrued interest. its claim. As of September 30, 2023 March 31, 2024, there are no further amounts due or owing under the this subordinated note payable. promissory note.

In September 2023, See Note 3 — Business Combinations for further discussion regarding the Company paid the outstanding balance issuance of a subordinated note notes payable in connection with the acquisition of certain assets of a payroll business that took place in 2021. As a result, the Company paid the remaining balance of \$2,312 on the promissory note consisting of \$2,223 in principal and \$89 in accrued interest. As of September 30, 2023, there are no further amounts due or owing under the subordinated note payable. related to acquisitions.

## Senior Credit Facility with Structural Capital Investments III, LP

On September 10, 2021 September 12, 2023, we terminated the Company entered into a Loan and Security Agreement (the "Loan Agreement") with, among the Company, Structural Capital Investments III, LP ("Structural" and together with the other lenders that are or become were parties thereto, the "Lenders"), and Ocean II PLO LLC, as administrative and collateral agent for the Lender ("Agent"), under the terms of which the Lenders committed to lend us up to \$50,000 in term loan financing to support our growth needs (the "Facility"). Of the amount committed by the Lenders, the Company drew \$30,000 in September 2021. The Company also entered into a secured promissory note with the Agent evidencing our obligations under the Facility.

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

On September 12, 2023, the Company opted to terminate the Loan Agreement and repay repaid the outstanding balance on the secured promissory note issued under the Loan Agreement (the "Note"). In connection with the termination, the Company paid the Agent for the benefit of the Lenders an aggregate amount of \$30,927 (the "Payoff Amount") in full payment of our outstanding obligations under the Loan Agreement. The Payoff Amount represented \$30,617 of outstanding principal and interest on the unpaid principal balance, a 1.0% prepayment fee in the amount of \$306 and \$5 for the accrued non-utilization fee and lender expenses associated with the extinguishment. As of September 30, 2023 March 31, 2024, there are no further amounts due or owing under the Facility.

On August 7, 2023, we entered into an amendment to the Loan Agreement, whereby the Final Payment Fee (as defined in the Loan Agreement) was settled for \$1,677 (the "Settled Amount"), which was paid on August 7, 2023. The Final Payment Fee was originally equal to 1.0% of the increase in our market capitalization since September 10, 2021, and was due upon payment in full of the obligations under the Loan Agreement. We also paid the Lenders a breakup fee equal to \$250.

## NOTE 7 – CONTRACTS WITH CUSTOMERS AND REVENUE CONCENTRATION

### Receivables

Receivables from contracts with customers, net of allowance for doubtful accounts credit losses of \$1,186, \$5,108, were \$15,133 \$15,074 at September 30, 2023 March 31, 2024. Receivables from contracts with customers, net of allowance for doubtful accounts credit losses of \$3,248, \$4,787, were \$12,123 \$14,202 at December 31, 2022 December 31, 2023. The decrease in We had a provision for expected losses of \$46, write-offs charged against the allowance for doubtful accounts balance credit losses of \$3, and recoveries on previously written off receivables of \$279 during the three and nine months ended September 30, 2023 is primarily due to the removal of fully reserved receivable balances. The increase in the receivable balance during the first nine months of 2023 is primarily due to deferred payment terms on many of our Earned Retention Tax Credit commitments. March 31, 2024. No customer represented more than 10% of our net accounts receivable balance as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

## **Deferred Commissions**

Deferred commission costs from contracts with customers were \$9,155 \$10,378 and \$6,660 \$10,302 at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. The amount of amortization recognized for the three and nine months ended September 30, 2023 March 31, 2024 and 2023 was \$1,029 \$611 and \$2,176, respectively, and for \$496, respectively. The increase in amortization during the three and nine months ended September 30, 2022 was \$412 and \$1,192, respectively. March 31, 2024 is primarily due to an increased focus on sales of recurring revenue streams in the prior year that are now being amortized.

## **Deferred Revenue**

During the three and nine months ended September 30, 2023 March 31, 2024 and 2023, revenue of \$924 \$5,118 and \$6,650, respectively, and during the three and nine months ended September 30, 2022, revenue of \$156 and \$3,362, \$5,613, respectively, was recognized from the deferred revenue balance at the beginning of each period.

## **Transaction Price Allocated to the Remaining Performance Obligations**

As of September 30, 2023 March 31, 2024, approximately \$18,891 \$18,713 of revenue is expected to be recognized from remaining performance obligations. We expect to recognize revenue on approximately 81% 76% of these remaining performance obligations over the next 12 months, with the balance recognized thereafter. These amounts exclude remaining performance obligations related to contracts for professional services for tax and payroll offerings whose remaining contractual term is less than one year as of March 31, 2024.

## **Revenue Concentration**

During the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, there were no customers that individually represented 10% or more of consolidated revenue.

## **NOTE 8 - LEASES**

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

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

<b>Three Months Ended September 30,</b>	<b>Nine Months Ended September 30,</b>
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Three Months Ended March 31,		Three Months Ended March 31,					
		2023	2022	2023	2022	2024	2023
Operating lease cost	Operating lease cost	\$481	\$610	\$1,896	\$1,759		
Sublease income	Sublease income	(5)	(15)	(13)	(84)		
Net rent expense	Net rent expense	<u>\$476</u>	<u>\$595</u>	<u>\$1,883</u>	<u>\$1,675</u>		

For purposes of calculating the operating lease assets and lease liabilities, extension options are not included in the lease term unless it is reasonably certain we will exercise the option, or the lessor has the sole ability to exercise the option. The weighted average discount rate of our operating leases is 10% and 8% as of **September 30, 2023** **March 31, 2024** and **December 31, 2022, respectively.** **December 31, 2023.** The weighted average remaining lease term is five years as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023.**

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

Nine Months Ended September 30,		Three Months Ended March 31,		Three Months Ended March 31,	
		2023	2022	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:	Cash paid for amounts included in the measurement of lease liabilities:			Cash paid for amounts included in the measurement of lease liabilities:	

Operating cash outflows from operating leases	Operating cash outflows from operating leases	\$1,998	\$1,561
Non-cash operating activities:			
Operating lease assets obtained or removed in exchange for new, modified or terminated operating lease liabilities			
		\$ (473)	\$ 2,221

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

2023		\$ 551	
			March 31, 2024
2024	2024	1,883	
2025	2025	1,649	
2026	2026	1,194	
2027	2027	1,001	
2028	2028	993	
Thereafter	Thereafter	743	
Total	Total		
minimum lease payments	minimum lease payments	8,014	
Less: imputed interest	Less: imputed interest	(1,548)	
Total lease liabilities	Total lease liabilities	\$ 6,466	

#### NOTE 9 - SHARE-BASED COMPENSATION

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

The number of shares reserved for issuance under the 2018 Plan is 4,350 shares. We have an aggregate of 2,306 2,612 options, RSUs restricted stock units ("RSUs") and PSUs performance stock units ("PSUs") granted and outstanding pursuant to the 2018 Plan as of September 30, 2023 March 31, 2024. As of September 30, 2023 March 31, 2024, the number of shares available for future grant under the 2018 Plan is 1,737 1,040.

Share based compensation for our stock option plans for the three months ended September 30, 2023 March 31, 2024, and September 30, 2022 March 31, 2023, was \$1,251 \$1,902 and \$799, respectively, and for the nine months ended September 30, 2023, and September 30, 2022, was \$4,170 and \$2,341, \$1,337, respectively. We issued 66 26 and 349 277 shares of common stock related to exercises of stock options for the three and nine months ended September 30, 2023, March 31, 2024 and issued no shares of common stock related to exercises of stock options for the three and nine months ended September 30, 2022, 2023, respectively. We issued 40 166 and 164 98 shares of common stock upon the vesting of restricted stock units for the three and nine months ended September 30, 2023, March 31, 2024 and 2023, respectively. We issued 22 and 95 109 shares of common stock upon the vesting of restricted stock units RSUs converted from PSUs for the three and nine months ended September 30, 2022 March 31, 2024.

Effective January 1, 2023, the Compensation Committee of the Board of Directors (the "Compensation Committee") approved the grant of performance stock units ("PSUs") pursuant to a PSU Award Grant Notice and PSU Award Agreement (the "2023 PSU Award Agreement") under the 2018 Plan to our executive officers payable in the form of RSUs. The number of RSUs into which the PSUs converted for each executive officer was a sliding scale between 0% to 200% of the target amount based on the Company's achievement of certain performance metrics tied to the Company's recurring revenue and gross profit for 2023. On February 26, 2024, the PSUs converted to RSUs at 200% of target based on the achievement of set performance metrics, and we paid out a total of 325 RSUs to our executive officers.

Effective January 1, 2024, the Compensation Committee approved the grant of PSUs pursuant to a PSU Award Grant Notice and PSU Award Agreement (the "2024 PSU Award Agreement") under the 2018 Plan to our executive officers payable in the form of RSUs. The number of RSUs into which the PSUs convert for each executive officer is a sliding scale between 0% to 200% of the target amount based on the Company's achievement of certain performance metrics tied to the Company's recurring revenue and gross profit for 2024.

## NOTE 10 - NET LOSS PER SHARE

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

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

		Three Months		Nine Months			
		Ended		Ended September			
		September 30,		30,			
		2023	2022	2023	2022		
		Three Months		Three Months Ended March 31,			
		Ended March 31,				2024	
Basic:	Basic:						
Net loss		\$(2,206)	\$(4,533)	\$(5,632)	\$(13,410)		
Net (loss) income							
Net (loss) income							
Net (loss) income							
Weighted-average shares of common stock	Weighted-average shares of common stock						
outstanding	outstanding	22,591	20,219	21,204	20,092		
Basic loss per share		\$ (0.10)	\$ (0.22)	\$ (0.27)	\$ (0.67)		
Basic (loss) income per share							
Diluted:	Diluted:						
Net loss		\$(2,206)	\$(4,533)	\$(5,632)	\$(13,410)		
Diluted:							
Diluted:							
Net (loss) income							
Net (loss) income							
Net (loss) income							
Weighted-average shares of common stock	Weighted-average shares of common stock						
outstanding	outstanding	22,591	20,219	21,204	20,092		
Diluted loss per share		\$ (0.10)	\$ (0.22)	\$ (0.27)	\$ (0.67)		

Diluted  
(loss)  
income per  
share

#### **NOTE 11 - EMPLOYEE RETENTION TAX CREDIT**

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

#### **NOTE 12 11 - SUBSEQUENT EVENTS**

On October 1, 2023 April 9, 2024, we filed a universal shelf registration statement on Form S-3 with the Company Securities and Exchange Commission ("SEC") to provide access to additional capital, if needed. Pursuant to the shelf registration statement, we may from time to time offer to sell in one or more offerings shares of our common stock or other securities having an aggregate value of up to \$150,000 (which includes [1,480] of unsold securities that were previously registered on a prior registration statement effective at the time of the filing of our current S-3). The shelf registration statement relating to these securities became effective on April 19, 2024.

On April 9, 2024, we filed an acquisition shelf registration statement on Form S-4 with the SEC to allow for us to issue securities in future business combinations. Pursuant to the acquisition shelf registration statement, we may from time to time issue up to 12,500 shares of our common stock as consideration in future business combinations. The registration statement relating to these securities became effective on April 19, 2024.

On April 30, 2024, we acquired certain assets of a Reseller Partner, reseller partner, which were used to provide payroll processing services. The Partner partner is located in the southeastern United States, Ohio. The aggregate purchase price that the Company we paid for these assets was \$8,391, \$3,000, consisting of \$2,300 paid as follows: (i) \$6,891 in cash of which \$6,545 was paid at closing and (ii) on hand, \$700 in the delivery form of a promissory note in with the amount principal balance due on October 30, 2025, and 50 shares of \$1,500. Asure common stock.

#### **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

developments in the economy, financial markets, credit markets and the impact of current and future accounting pronouncements and other financial reporting standards.

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

## OVERVIEW

The following review of Asure's financial position as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, and results of operations for the three **and nine** months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** should be read in conjunction with our **2022** **2023** Annual Report on Form 10-K filed with the SEC on **February 27, 2023** **February 26, 2024**. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available through the investor relations page of our internet website free of charge as soon as reasonably practicable after they are electronically filed, or furnished to, the SEC. Asure's internet website and the information contained in our website or connected to our website are not incorporated into this Quarterly Report on Form 10-Q. However, we do post information on the investor relations page of our website that we believe may be of interest to our investors. Asure's internet website address is [www.asuresoftware.com](http://www.asuresoftware.com).

## Our Business

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

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

We strive to be the most trusted HCM resource to **SMBs**. **We target** **SMBs** and are focused on less densely populated U.S. metropolitan cities where fewer of our competitors have a presence. Our solutions solve three primary challenges that prevent businesses from growing: HR complexity, allocation of human and financial capital, and the ability to build great teams. We **sell** **our** **solutions** **through** **both** **direct** **and** **partner** **channels**. We **supplement** **our** **direct** **sales** **efforts** **with** **partner** **programs** **that** **afford** **us** **access** **to** **opportunities** **in** **various** **geographic** **and** **industry** **niches**. We have two types of partners: **reseller**

partners that white label our products while providing value-added services to their clients (or indirect clients) and referral partners that provide us with SMB leads but do no resell our solutions. We have and will continue to invest in research and development to expand our solutions. Our solutions reduce the administrative burden on employers and ~~increases~~ increase employee productivity while managing the employment lifecycle.

## Acquisitions

On ~~January 1, 2022~~ April 30, 2024, we acquired certain assets of a reseller partner, which were used to provide payroll processing services. The partner is located in ~~the northeastern United States~~ Ohio. The aggregate purchase price that ~~the Company~~ we paid for these assets was \$2,350, \$3,000, consisting of \$2,300 paid in cash on hand, \$700 in the form of a promissory note with the principal balance due on October 30, 2025, and 50 shares of Asure common stock.

On February 22, 2024, we acquired certain assets of a payroll processing and benefits brokerage servicer based in New Jersey. The aggregate purchase price paid for the acquisition of these assets was \$6,000, consisting of \$500 paid in cash on hand, 450 shares of Asure common stock, having an agreed value of \$4,500, and the remaining \$1,000 in the form of a promissory note. As of March 31, 2024, the promissory note had an outstanding balance of \$1,000 and matures on February 22, 2026.

On October 1, 2023, we acquired certain assets of an Alabama based reseller partner, which were used to provide payroll processing services. The aggregate purchase price paid for these assets was \$8,391, paid as follows: (i) \$1,970 \$6,891 in cash of which \$6,545 was paid at closing (including \$31 of transaction costs) and (ii) the delivery of a promissory note in the amount of \$411. The Company paid the full amount due, including interest, on this promissory note on May 1, 2023.

On September 30, 2021, the Company acquired certain assets of two payroll businesses, which were used to provide payroll processing services. In connection with these acquisitions were two outstanding promissory notes payable. In September 2023, the Company paid the remaining balance of \$2,312 on one of the promissory notes, consisting of \$2,223 in principal and \$89 in accrued interest. The second promissory note also includes contingent consideration for which the Company calculated the final value to be \$587. The contingent consideration was added as an increase to the principal balance due on the promissory note during the second quarter of 2023, \$1,500. As of ~~September 30, 2023~~ March 31, 2024, the second promissory note had an outstanding balance of \$4,200 \$1,500 and matures on ~~September 30, 2026~~ October 1, 2025.

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

## RESULTS OF OPERATIONS (in thousands)

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

	Nine Months Ended September 30,				Three Months Ended March 31,	
	2023	2022			2024	2023
Revenues	100 %	100 %				
Revenue			Revenue		100	%
Gross profit	Gross profit	73 %	62 %	Gross profit	71	%
Sales and marketing	Sales and marketing	24 %	21 %	Sales and marketing	25	%
General and administrative	General and administrative	32 %	36 %	General and administrative	32	%
Research and development	Research and development	6 %	7 %	Research and development	6	%
Amortization of intangible assets	Amortization of intangible assets	11 %	15 %	Amortization of intangible assets	11	%
Total operating expenses	Total operating expenses	72 %	80 %	Total operating expenses	73	%
Interest income			Interest income		1	%
Interest expense	Interest expense	(5)%	(5)%	Interest expense	(1)	%
(Loss) gain on extinguishment of debt		(2)%	— %			
Other (expense) income, net		— %	2 %			
Loss from operations before income taxes		(6)%	(20)%			
Net loss		(6)%	(20)%			
Other income, net			Other income, net		—	%
(Loss) income from operations before income taxes			(Loss) income from operations before income taxes		(1)	%
					—	%

Net (loss) income	Net (loss) income	(1)	%	1 %
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## Revenue

Revenues are Revenue is comprised of recurring revenues, revenue, professional services, hardware, and other revenues, revenue. We expect our revenues, revenue to increase as we introduce new applications, expand our client base and renew and expand relationships with existing clients. As a percentage of total revenues, revenue, we expect our mix of recurring revenues, revenue, and professional services, hardware and other revenues, revenue to remain relatively constant. While revenue mix varies by product, recurring revenue represented over 80% 95% of total revenue in nine three months ended September 30, 2023 March 31, 2024, compared to 93% 84% in nine three months ended September 30, 2022 March 31, 2023.

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

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

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

## Recurring Revenues

	Three Months Ended March 31,		Variance	
	2024			
	2024	2023	\$	%
Recurring	\$ 30,273	\$ 27,956	\$ 2,317	8 %
Professional services, hardware and other	1,379	5,108	(3,729)	(73)%
Total	\$ 31,652	\$ 33,064	\$ (1,412)	(4)%

Recurring revenues include Revenue

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

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

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

Recurring revenue for the three months ended September 30, 2023 March 31, 2024 was \$23,833, \$30,273, an increase of \$3,874, \$2,317, or 19% 8%, from \$19,959 \$27,956 for the three months ended September 30, 2022 March 31, 2023. The increase is primarily due to an increase in HR compliance revenue, an increase in interest earned on funds held for clients, and an increase in revenue from AsureMarketplace™.

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

#### *Professional Services, Hardware and Other Revenues Revenue*

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

Professional services, hardware and other revenue increased \$3,557, decreased \$3,729, or 183% 73%, for the three months ended September 30, 2023 March 31, 2024 from the similar period in 2022, 2023, primarily due to growth a decrease in non-recurring ERTC revenues. revenue. ERTC revenues are revenue was originally expected to wind down as expire during 2024 and 2025; however, it is possible that the government could make changes to or revoke the program prior to its scheduled expiration. For example, in January 2024, the United States House of Representatives passed the Tax Relief for American Families Act of 2024, which set an expiration date of January 31, 2024, on additional claims for ERTC tax credits under the CARES Act that can potentially apply retroactively. If approved by other branches of government, this will have an effect on our ERTC revenue and such regulations will expire in 2025. cash collections. Additionally, in September 2023, the IRS announced a moratorium through the end of the year on processing new ERTC claims due to concerns over questionable or fraudulent claims. The moratorium may potentially delay the processing and collections of previously filed ERTC claims.

Professional services, hardware and other revenue increased \$13,510, or 296% Refer to "Risk Factors" previously disclosed in our Annual Report on Form 10-K, filed with the SEC on February 26, 2024, for the nine months ended September 30, 2023 from the similar period in 2022, primarily due more information about risks related to growth in non-recurring our ERTC revenues. business.

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

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

#### **Gross Profit and Gross Margin**

Consolidated gross profit for the three months ended September 30, 2023 March 31, 2024, was \$21,280, an increase \$22,607, a decrease of \$7,633, \$1,793, or 56% 7%, from \$13,647 \$24,400 for the three months ended September 30, 2022 March 31, 2023. Gross margin as a percentage of revenue was 73% 71% for the three months ended September 30, 2023 March 31, 2024 as compared to 62% 74% for the three months ended September 30, 2022 March 31, 2023. The

increase decrease is primarily attributable to the increase decrease in professional services, hardware and other revenue and more efficient operations driven by consolidation and standardization efforts across during the Company.

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

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

## Sales and Marketing Expenses

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

Sales and marketing expenses for the three months ended September 30, 2023 March 31, 2024 were \$6,597, \$7,767, an increase of \$1,845, \$567, or 39% 8%, from \$4,752 \$7,200 for the three months ended September 30, 2022 March 31, 2023. The increase is primarily due to an increase in direct sales personnel, higher sales commissions owing to increased revenues, and an increase in marketing initiatives. initiatives; partially offset by a decrease in referral fees and bad debt expense. Sales and marketing expenses as a percentage of revenue remained flat at 22% for the three months ended September 30, 2023 from 22% for the same period in 2022.

Sales and marketing expenses for the nine months ended September 30, 2023 were \$22,312, an increase of \$8,074, or 57%, from \$14,238 for the nine months ended September 30, 2022. The increase is primarily due to an increase in direct sales personnel, higher sales commissions owing to increased revenues, and an increase in accounts receivable reserves. Sales and marketing expenses as a percentage of revenue increased to 24% 25% for the nine three months ended September 30, 2023 March 31, 2024 from 21% 22% for the same period in 2022, 2023.

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

## General and Administrative Expenses

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

General and administrative expenses for the three months ended September 30, 2023 March 31, 2024 were \$9,294, \$10,063, an increase of \$1,271, \$107, or 16% 1%, from \$8,023 \$9,956 for the three months ended September 30, 2022 March 31, 2023. The increase is primarily attributable to increased personnel and share-based compensation. compensation expenses, partially offset by a decrease in bonus expense in 2024. General and administrative expenses as a percentage of revenue decreased increased to 32% for the three months ended September 30, 2023 March 31, 2024 from 37% 30% for the same period in 2022.

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

## Research and Development Expenses

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

R&D expenses for the three months ended September 30, 2023 March 31, 2024 were \$1,803, an increase \$1,769, a decrease of \$573, \$210, or 47% 11%, from \$1,230 \$1,979 for the three months ended September 30, 2022 March 31, 2023. The increased decrease is primarily attributable to an increase in personnel costs, partially offset by an increase in capitalized software expenses driven by continued investments in the development of our products. products, partially offset by an increase in personnel costs. R&D expenses as a percentage of revenue remained flat at 6% for the three months ended September 30, 2023 from 6% for March 31, 2024 compared to the same period in 2022.

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

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

Our development efforts for future releases and enhancements are driven by feedback received from our existing and potential customers and by gauging market trends. We believe we have the appropriate development team to design and

enhance our solution suite and integrated platform. We have also made significant investments outside of core R&D into compliance and certifications, including SOC I Type 2 and SOC II Type 2 certifications, BIPA, CCPA, and other initiatives.

## Amortization of Intangible Assets

Amortization expense for the three months ended September 30, 2023 March 31, 2024 was \$3,333, a decrease \$3,449, an increase of \$17, \$147, or 1% 4%, from \$3,350 \$3,302 for the three months ended September 30, 2022 March 31, 2023. Amortization expense as a percentage of revenue decreased increased to 11% for the three months ended September 30, 2023 March 31, 2024 from 15% 10% for the same period in 2022. The increase in amortization expense in the three months ended March 31, 2024 is primarily due to new asset acquisitions in the fourth quarter of 2023.

## Amortization Interest Income and Expense

Interest income for the three months ended March 31, 2024 was \$336 compared to interest income of \$349 for the three months ended March 31, 2023. Interest income as a percentage of revenue was 1% for the three months ended March 31, 2024 and 2023. Interest expense for the nine months ended September 30, 2023 March 31, 2024 was \$9,929, a decrease \$180 compared to interest expense of \$205, or 2%, from \$10,134 \$2,293 for the nine months ended September 30, 2022 March 31, 2023. Amortization Interest expense as a percentage of revenue decreased to 11% for the nine months ended September 30, 2023 from 15% for the same period in 2022.

## Interest Expense, Net

Interest expense, net was 1% for the three months ended September 30, 2023 was \$782 March 31, 2024 compared to \$1,122 7% for the three months ended September 30, 2022 March 31, 2023. Interest expense, net as a percentage of revenue was 3% for the three months ended September 30, 2023, compared to 5% for the three months ended September 30, 2022. The decrease in interest expense net in the three months ended September 30, 2023 March 31, 2024 is primarily due to an increase in interest income compared to our payoff of the prior period.

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

## Other (Expense) Income, Net

Other (expense) income, net for the three months ended September 30, 2023 March 31, 2024 was \$(283) \$10 compared to \$399 \$83 for the three months ended September 30, 2022 March 31, 2023. Other (expense) income, net as a percentage of revenue was negligible for the three months ended September 30, 2023 March 31, 2024, compared to 2% and for the three months ended September 30, 2022. For the three months ended September 30, 2023, the amounts in other

(expense) income, net primarily consisted of losses on disposal of assets. For the three months ended September 30, 2022, the amounts in other (expense) income, net primarily consisted of a fair value adjustment on contingent purchase consideration in connection with the acquisition of a payroll business in September 2021.

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

#### **(Loss) Gain on Extinguishment of Debt**

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

(Loss) gain on extinguishment of debt for the nine months ended September 30, 2023 was \$(1,517) compared to \$180 for the nine months ended September 30, 2022. (Loss) gain on extinguishment of debt as a percentage of revenue was 2% for the nine months ended September 30, 2023, and was negligible for the nine months ended September 30, 2022. For the nine months ended September 30, 2023, the amount in (loss) gain on extinguishment of debt consisted of loss recognized as a result of the termination of our credit facility with Structural. For the nine months ended September 30, 2022, the amounts in (loss) gain on extinguishment of debt consisted primarily of a gain recognized as a result of an adjustment to one of the Company's subordinated notes payable March 31, 2023.

#### **Income Taxes**

For the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, we recorded income tax benefit attributable to continuing operations of \$123 and expense of \$102, respectively, a decrease of \$225.

For the nine months ended September 30, 2023 and 2022, we recorded income tax expense attributable to continuing operations of \$267 \$33 and \$206, an income tax benefit of \$237, respectively, an increase a decrease of \$61 or 30%. \$270.

#### **Net Loss (Loss) Income**

We incurred a loss of \$2,206, \$308, or \$0.10 \$0.01 per share, during the three months ended September 30, 2023 March 31, 2024, compared to a loss income of \$4,533, \$339, or \$0.22 \$0.02 per share, during the three months ended September 30, 2022 March 31, 2023. Loss and income as a percentage of total revenues revenue was 8% 1% and 21% 1% for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively.

We incurred a loss of \$5,632, or \$0.27 per share, during the nine months ended September 30, 2023, compared to a loss of \$13,410, or \$0.67 per share, during the nine months ended September 30, 2022. Loss as a percentage of total

revenues was 6% and 20% for the nine months ended September 30, 2023 and 2022, 2023, respectively.

#### LIQUIDITY AND CAPITAL RESOURCES (in thousands)

	September 30, 2023	December 31, 2022
Cash, cash equivalents and restricted cash <sup>(1)</sup>	\$ 32,787	\$ 17,010
	March 31, 2024	December 31, 2023
Cash and cash equivalents	\$ 23,166	\$ 30,317

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

Working Capital. We had working capital of \$31,634 \$24,040 at September 30, 2023 March 31, 2024, an increase a decrease of \$23,541 \$1,840 from working capital of \$8,093 \$25,880 at December 31, 2022 December 31, 2023. Working capital as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 includes \$3,392 \$3,547 and \$8,461 \$6,853 of short-term deferred revenue, respectively. Deferred revenue is an obligation to perform future services. We expect that deferred revenue will convert to future revenue as we perform our services, but this does not represent future payments. Deferred revenue can vary based on seasonality, expiration of initial multi-year contracts and deals that are billed after implementation rather than in advance of service delivery.

Operating Activities. Net cash provided by used in operating activities of \$11,835 \$3,947 for the nine three months ended September 30, 2023 March 31, 2024 was primarily driven by non-cash adjustments to our net loss of approximately \$23,483, \$6,579, primarily due to depreciation and amortization. This was offset by changes in operating assets and liabilities, which resulted in a use of \$6,016 \$10,218 in cash. Net cash provided by operating activities of \$6,957 \$4,588 for the nine three months ended September 30, 2022 March 31, 2023 was driven by non-cash adjustments to our net loss income of approximately \$16,590, \$7,787, primarily due to depreciation and amortization offset by our net loss of \$13,410. and share-based compensation. For the nine three months ended September 30, 2022 March 31, 2023, changes in operating assets and liabilities resulted in cash provided a use of \$3,777, \$3,538 in cash.

Investing Activities. Net cash used in investing activities of \$18,176 \$4,495 for the nine three months ended September 30, 2023 March 31, 2024 is primarily due to purchases of available-for-sale securities and maturities of \$21,513, \$3,516, offset by proceeds from sales and maturities of available-for-sale securities of \$10,428, \$2,406. Net cash used in investing activities of \$33,991 \$6,647 for the nine three months ended September 30, 2022 March 31, 2023 is primarily due to purchases of available-for-sale securities and maturities of \$33,454, \$10,189.

Financing Activities. Net cash used in provided by financing activities was \$21,400 \$21,062 for the nine months ended September 30, 2023, which primarily consisted of payments of notes payable of \$35,627 and a net decrease in client fund obligations of \$31,033, offset by net proceeds from the issuance of common stock of \$45,986. Net cash used in financing activities was \$34,032 for the nine months ended September 30, 2022 March 31, 2024, which primarily consisted of a net decrease in client fund obligations of \$32,527. \$21,122. Net cash provided by financing activities was \$21,128 for the three months ended March 31, 2023, which primarily consisted of a net increase in client fund obligations of \$19,372.

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

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

The Company also has We have an outstanding promissory note in connection with a payroll business acquired in September 2021 in the amount of \$4,200 as of September 30, 2023 March 31, 2024. The outstanding promissory note matures on September 30, 2026.

We also have an outstanding promissory note in connection with a payroll business acquired in October 2023 in the amount of \$1,500 as of March 31, 2024. The outstanding promissory note matures on October 1, 2025.

We also have an outstanding promissory note in connection with a payroll processing and benefits brokerage servicer acquired in February 2024 in the amount of \$1,000 as of March 31, 2024. The outstanding promissory note matures on February 22, 2026.

Sources of Liquidity. As of September 30, 2023 March 31, 2024, the Company's principal sources of liquidity consisted of approximately \$32,787 \$23,166 of cash and cash equivalents, and restricted cash, together with cash generated from operations of our business over the next twelve months.

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

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

We have prepared our Condensed Consolidated Financial Statements in accordance with U.S. generally accepted accounting principles and included the accounts of our wholly owned subsidiaries. We have eliminated all significant intercompany transactions and balances in the consolidation. Preparation of the Condensed Consolidated Financial Statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are subjective in nature and involve judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at fiscal year-end and the reported amounts of revenues and expenses during the fiscal year. The more significant estimates made by management include the valuation allowance for our gross deferred tax asset, the determination of the fair value of our long-lived assets. We base our estimates on historical experience and on various other assumptions that management believes are reasonable under the given circumstances. These estimates could be materially different under different conditions and assumptions. Additionally, the actual amounts could differ from the estimates made. Management periodically evaluates estimates used in the preparation of our financial statements for continued reasonableness. We prospectively apply appropriate adjustments, if any, to our estimates based upon our periodic evaluation. For a description of our critical accounting policies, see Management's Discussion and Analysis in our Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no material changes to our exposure from market risks from those disclosed in our **2022** **2023** Annual Report on Form 10-K.

## **ITEM 4. CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Control and Procedures**

The Company maintains disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act that are designed to ensure that information required to be disclosed in the reports filed or submitted by Asure to the SEC is recorded, processed, summarized, and reported, within the time periods specified by the SEC's rules and forms, and is accumulated and communicated to management including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Company's management, including the Chief Executive Officer and Chief Financial Officer, performed an evaluation to conclude with reasonable assurance that Asure's disclosure controls and procedures were designed and operating effectively to report the information each company is required to disclose in the reports they file with the SEC on a timely basis. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer of Asure have concluded that as of **September 30, 2023** **March 31, 2024**, disclosure controls and procedures were effective.

### **Change in Internal Controls over Financial Reporting**

During the period ended **September 30, 2023** **March 31, 2024**, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II – OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

We have been, and in the future may be, the defendant or plaintiff in various actions arising in the normal course of business. As of **September 30, 2023** **March 31, 2024**, we were not party to any material legal proceedings.

### ITEM 1A. RISK FACTORS

Except for the risk factor set forth below, there **There** have been no material changes from the risk factors previously disclosed in the Company's **2022** **2023** Annual Report on Form 10-K, filed with the SEC on **February 27, 2023** or the Company's Quarterly Report on Form 10-Q for the quarter ended **June 30, 2023**, filed with the SEC on **August 7, 2023** **February 26, 2024**, and investors are encouraged to review these risk factors prior to making an investment in **us** **the Company**.

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

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

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

In July 2023, On February 22, 2024, we issued 450 shares of our common stock to a payroll processing and benefits brokerage servicer based in New Jersey from whom we acquired certain of their assets. The shares were part of the Company paid the outstanding contingent purchase price consideration due in connection with the acquisition such purchase. The shares were valued at \$10.01 per share, or an aggregate of a payroll tax business in July 2020, see Note 3 - Business Combinations \$4,500. The issuance and Asset Acquisitions for more detail on sale of the July 2020 acquisition. As a result, the outstanding contingent consideration of \$2,299 was extinguished with the issuance of 214 shares of the Company's our common stock in lieu of cash and no further contingent obligation remains. The Company relied upon connection with this acquisition are exempt from the exemption provided by Section 4(a)(2) registration requirements of the Securities Act of 1933 as amended, in connection with foregoing issuance pursuant to Section 4(a)(2) thereof and Rule 506(b) of the securities.

Numbers in this Item 2 are reflected in thousands. Regulation D thereunder.

## **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

## **ITEM 4. MINE SAFETY DISCLOSURES**

None.

## **ITEM 5. OTHER INFORMATION**

None.

## **ITEM 6. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

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

(1) Financial Statements:

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

(2) Financial Statement Schedules:

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

(3) Exhibits:

EXHIBIT NUMBER	DESCRIPTION
<a href="#">10.1*</a> <a href="#">3.5</a>	<a href="#">Amendment No. 2 to Loan Third Amended and Security Agreement between Structural Capital Investments III, LP, Ocean II PLO LLC and Asure Software, Inc., dated August 7, 2023 (incorporated by reference to Exhibit 10.1 Restated Bylaws (Previously filed as an exhibit to the Company's Quarterly Company's Annual Report on Form 10-Q 10-K (File No. 1-34522), filed with the SEC on August 7, 2023 February 26, 2024).</a>
<a href="#">10.6+</a>	<a href="#">First Amendment to Executive Change in Control Severance Plan, dated January 1, 2024 (Previously filed as an exhibit to the Company's Annual Report on Form 10-K (File No. 1-34522), filed February 26, 2024).</a>
<a href="#">10.12+</a>	<a href="#">Form of 2024 Performance Stock Unit Award Grant Notice and Performance Stock Unit Award Agreement under the Company's 2018 Incentive Award Plan (Previously filed as an exhibit to the Company's Annual Report on Form 10-K (File No. 1-34522), filed February 26, 2024).</a>
<a href="#">31.1*</a>	<a href="#">Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).</a>
<a href="#">31.2*</a>	<a href="#">Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).</a>
<a href="#">32.1**</a>	<a href="#">Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).</a>
<a href="#">32.2**</a>	<a href="#">Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).</a>
101	The following materials from Asure Software, Inc.'s Condensed Quarterly Report on Form 10-Q for the three months ended <a href="#">September 30, 2023</a> <a href="#">March 31, 2024</a> , formatted in Inline XBRL: (1) the Condensed Consolidated Balance Sheets, (2) the Condensed Consolidated Statements of Comprehensive Loss, (3) the Condensed Consolidated Statements of Changes in Stockholders' Equity, (4) the Condensed Consolidated Statements of Cash Flows, and (5) Notes to Condensed Consolidated Financial Statements (filed herewith).
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended <a href="#">September 30, 2023</a> <a href="#">March 31, 2024</a> , formatted as Inline XBRL and contained in Exhibit 101 (filed herewith).

\* Filed herewith.

\*\* Furnished herewith.

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

## SIGNATURES

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

**ASURE SOFTWARE, INC.**

Date: **November 13,** By: **/s/ PATRICK GOEPEL**  
**2023** **May 2, 2024**

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Patrick Goepel  
Chief Executive Officer  
(Principal Executive Officer)

Date: **November 13,** By: **/s/ JOHN PENCE**  
**2023** **May 2, 2024**

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John Pence  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

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**EXHIBIT 31.1**

**CERTIFICATION OF PERIODIC REPORT**

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

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

1. I have reviewed this quarterly report on Form 10-Q of the Company (the "Report");
2. Based on my knowledge, the Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in the Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in the Report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and we have:

- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within these entities, particularly during the period in which the Report is being prepared;
- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in the Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by the Report based on such evaluation; and
- (d) Disclosed in the Report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the quarter ended **September 30, 2023** **March 31, 2024**) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

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

- (a) All significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: **November 13, 2023** **May 2, 2024** By: /s/ Patrick Goepel

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Patrick Goepel  
Chief Executive Officer

## EXHIBIT 31.2

### CERTIFICATION OF PERIODIC REPORT

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

I, the undersigned, John Pence, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the Company (the "Report");
2. Based on my knowledge, the Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in the Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in the Report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and we have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within these entities, particularly during the period in which the Report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in the Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by the Report based on such evaluation; and
  - (d) Disclosed in the Report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the quarter ended **September 30, 2023** **March 31, 2024**) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and to the Audit Committee of the Board of Directors:
  - (a) All significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: **November 13, 2023** **May 2, 2024** By: /s/ John Pence

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John Pence  
Chief Financial Officer and Principal Accounting Officer

**EXHIBIT 32.1**

**CERTIFICATION OF PERIODIC REPORT**

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

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

1. The quarterly report on Form 10-Q of the Company for the period ended **September 30, 2023** **March 31, 2024** (the "Report") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended, and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **November 13, 2023** **May 2, 2024** By: /s/ Patrick Goepel

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Patrick Goepel  
Chief Executive Officer

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

**EXHIBIT 32.2**

**CERTIFICATION OF PERIODIC REPORT**

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

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

1. The quarterly report on Form 10-Q of the Company for the period ended **September 30, 2023** **March 31, 2024** (the "Report") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 as

amended, and

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

Date: **November 13, 2023** **May 2, 2024** By: /s/ John Pence

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John Pence  
Chief Financial Officer and Principal Accounting Officer

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

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