Table of Contents

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

FORM 10-Q

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

For the quarterly period ended June 30, 2024

or

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

For the transition period from ________ to ________

Commission File Number **001-35929**

National Research Corporation
(Exact name of Registrant as specified in its charter)

Delaware	**47-0634000**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1245 Q Street, Lincoln, Nebraska 68508
(Address of principal executive offices) (Zip Code)

(402) 475-2525
(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $.001 par value	NRC	The NASDAQ stock market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T 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, 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 Act.) Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Common Stock, $.001 par value, outstanding as of July 26, 2024: 23,871,257

NATIONAL RESEARCH CORPORATION

FORM 10-Q INDEX

For the Quarter Ended June 30, 2024

Special Note Regarding Forward-Looking Statements

Certain matters discussed in this Quarterly Report on Form 10-Q are “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements can generally be identified as such because the context of the statement includes phrases such as National Research Corporation, doing business as NRC Health (“NRC Health,” the “Company,” “we,” “our,” “us” or similar terms), “believes,” “expects,” “may,” “could,” “anticipates,” “estimates,” “plans,” “intends,” or the use of words such as “would,” “will,” “may,” “could,” “goal,” “focus,” or “should,” or other words of similar import. Similarly, statements that describe our future plans, objectives or goals are also forward-looking statements. In this Quarterly Report on Form 10-Q, statements regarding the value and utility of, and market demand for, our service offerings, future opportunities for growth with respect to new and existing clients, our future ability to compete and the types of firms with which we will compete, future consolidation in the healthcare industry, future adequacy of our liquidity sources, future revenue sources, future revenue growth, future revenue estimates used to calculate recurring contract value, the expected impact of economic factors, including interest rates and inflation, future capital expenditures including, without limitation, our headquarters renovation costs, and the timing, amount, and sources of cash to fund such capital expenditures, future stock repurchases and dividends, the expected impact of pending claims and contingencies, the future outcome of uncertain tax positions, our future use of owned and leased real property, future use of AI and the cost associated therewith, and the expected impact of global conflicts, among others, are forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties which could cause actual results or outcomes to differ materially from those currently anticipated. Factors that could affect actual results or outcomes include, without limitation, the following factors:

- The possibility of non-renewal of our client service contracts, reductions in services purchased or prices, and failure to retain key clients;
- Our ability to compete in our markets, which are highly competitive with new market entrants, and the possibility of increased price pressure and expenses;
- The likelihood that a pandemic will adversely affect our operations, sales, earnings, financial condition or liquidity;
- The likelihood that global conflicts will adversely affect our operations, sales, earnings, financial condition and liquidity;
- The effects of an economic downturn;
- The impact of consolidation in the healthcare industry;
- The impact of federal healthcare reform legislation or other regulatory changes;
- Our ability to attract and retain key managers and other personnel;
- The possibility that our intellectual property and other proprietary information technology could be copied or independently developed by our competitors;
- Our ability to maintain effective internal controls;
- The possibility for failures or deficiencies in our information technology platform;
- The possibility that we or our third-party providers could be subject to cyber-attacks, security breaches or computer viruses; and
- The factors set forth under the caption “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K, as such section may be updated or supplemented by Part II, Item 1A of our subsequently filed Quarterly Reports on Form 10-Q (including this Report) and various disclosures in our press releases, stockholder reports, and other filings with the Securities and Exchange Commission.

Shareholders, potential investors and other readers are urged to consider these and other factors in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included are only made as of the date of this Quarterly Report on Form 10-Q and we undertake no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances, except as required by the federal securities laws.

PART I – Financial Information
ITEM 1. Financial Statements

NATIONAL RESEARCH CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts and par value)

	June 30, 2024 (unaudited)	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 485	$ 6,653
Trade accounts receivable, less allowance for doubtful accounts of $ 50 and $75, respectively	10,057	12,378
Prepaid expenses	4,916	4,228
Income taxes receivable	283	161
Other current assets	1,209	940
Total current assets	16,950	24,360
Property and equipment, net	33,741	28,205
Intangible assets, net	1,401	1,471
Goodwill	61,614	61,614
Operating lease right-of-use assets	1,806	2,060
Deferred contract costs, net	1,196	1,453
Other	2,391	3,274
Total assets	$ 119,099	$ 122,437
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of notes payable, net of unamortized debt issuance costs	$ 7,566	$ 7,214
Line of credit	9,000	—
Accounts payable	1,239	1,301
Accrued wages and bonuses	4,370	3,953
Accrued expenses	5,436	4,893
Dividends payable	2,865	2,906
Deferred revenue	14,514	14,834
Income taxes payable	—	222
Other current liabilities	738	880
Total current liabilities	45,728	36,203
Notes payable, net of current portion and unamortized debt issuance costs	25,655	29,470
Deferred income taxes	4,003	4,139
Other long-term liabilities	3,515	3,670
Total liabilities	78,901	73,482
Shareholders' equity:		
Preferred stock, $0.01 par value, authorized 2,000,000 shares, none issued	—	—
Common stock, $0.001 par value; authorized 110,000,000 shares, issued 31,072,144 in 2024 and 31,002,919 in 2023, outstanding 23,871,257 in 2024 and 24,219,887 in 2023	31	31
Additional paid-in capital	179,872	178,213
Retained earnings (accumulated deficit)	(23,726)	(30,530)
Treasury stock, at cost; 7,200,887 Common shares in 2024 and 6,783,032 Common shares in 2023	(115,979)	(98,759)
Total shareholders' equity	$ 40,198	$ 48,955
Total liabilities and shareholders' equity	$ 119,099	$ 122,437

See accompanying notes to condensed consolidated financial statements

NATIONAL RESEARCH CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except for per share amounts, unaudited)

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Revenue	$ 35,021	$ 36,161	$ 70,334	$ 72,634
Operating expenses:				
Direct	13,422	13,309	27,278	27,589
Selling, general and administrative	11,221	11,966	22,471	23,750
Depreciation and amortization	1,513	1,521	2,960	2,915
Total operating expenses	26,156	26,796	52,709	54,254
Operating income	8,865	9,365	17,625	18,380
Other income (expense):				
Interest income	25	273	69	523
Interest expense	(555)	(192)	(1,160)	(433)
Other, net	(11)	(2)	(16)	(15)
Total other income (expense)	(541)	79	(1,107)	75
Income before income taxes	8,324	9,444	16,518	18,455
Provision for income taxes	2,149	2,171	3,984	4,219
Net income	$ 6,175	$ 7,273	$ 12,534	$ 14,236
Earnings Per Share of Common Stock:				
Basic Earnings Per Share	$ 0.26	$ 0.30	$ 0.53	$ 0.58
Diluted Earnings Per Share	$ 0.26	$ 0.29	$ 0.52	$ 0.58
Weighted average shares and share equivalents outstanding:				
Basic	23,871	24,578	23,870	24,582
Diluted	23,915	24,716	23,934	24,727

See accompanying notes to condensed consolidated financial statements

NATIONAL RESEARCH CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands except share and per share amounts, unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Treasury Stock	Total
Balances at December 31, 2023	$ 31	$ 178,213	$ (30,530)	$ (98,759)	$ 48,955
Purchase of 417,855 shares treasury stock	-	-	-	(17,220)	(17,220)
Issuance of 75,283 shares of common stock for the exercise of stock options	-	1,752	-	-	1,752
Non-cash stock compensation (benefit)	-	(36)	-	-	(36)
Dividends declared of $0.12 per share of common stock	-	-	(2,865)	-	(2,865)
Net income	-	-	6,359	-	6,359
Balances at March 31, 2024	$ 31	$ 179,929	$ (27,036)	$ (115,979)	$ 36,945
Non-cash stock compensation (benefit)	-	(57)	-	-	(57)
Dividends declared of $0.12 per share of common stock	-	-	(2,865)	-	(2,865)
Net income	-	-	6,175	-	6,175
Balances at June 30, 2024	$ 31	$ 179,872	$ (23,726)	$ (115,979)	$ 40,198

See accompanying notes to condensed consolidated financial statements.

NATIONAL RESEARCH CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands except share and per share amounts, unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Treasury Stock	Total
Balances at December 31, 2022	$ 31	$ 175,453	$ (25,184)	$ (78,267)	$ 72,033
Purchase of 49,296 shares treasury stock	-	-	-	(1,983)	(1,983)
Issuance of 20,938 shares of common stock for the exercise of stock options	-	300	-	-	300
Non-cash stock compensation expense	-	304	-	-	304
Dividends declared of $0.12 per share of common stock	-	-	(2,953)	-	(2,953)
Net income	-	-	6,964	-	6,964
Balances at March 31, 2023	$ 31	$ 176,057	$ (21,173)	$ (80,250)	$ 74,665
Purchase of 43,723 shares treasury stock	-	-	-	(1,828)	(1,828)
Issuance of 20,000 shares of common stock for the exercise of stock options	-	284	-	-	284
Non-cash stock compensation expense	-	305	-	-	305
Dividends declared of $0.12 per share of common stock	-	-	(2,949)	-	(2,949)
Net income	-	-	7,273	-	7,273
Balances at June 30, 2023	$ 31	$ 176,646	$ (16,849)	$ (82,078)	$ 77,750

See accompanying notes to condensed consolidated financial statements.

NATIONAL RESEARCH CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, unaudited)

	Six months ended June 30 2024	Six months ended June 30 2023
Cash flows from operating activities:		
Net income	$ 12,534	$ 14,236
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,960	2,915
Deferred income taxes	(136)	(750)
Reserve for uncertain tax positions	139	229
Non-cash share-based compensation expense	(93)	609
Net changes in assets and liabilities:		
Trade accounts receivable	2,321	2,570
Prepaid expenses and other current assets	(116)	(3,859)
Deferred contract costs, net	257	497
Operating lease assets and liabilities, net	(38)	(64)
Accounts payable	33	513
Accrued expenses, wages and bonuses	1,627	(459)
Income taxes receivable and payable	(344)	521
Deferred revenue	(320)	(370)
Net cash provided by operating activities	18,824	16,588
Cash flows from investing activities:		
Proceeds from sale of equipment	-	1
Purchases of property and equipment	(9,408)	(7,539)
Net cash used in investing activities	(9,408)	(7,538)
Cash flows from financing activities:		
Payments on notes payable	(3,481)	(2,236)
Borrowings on line of credit	23,500	-
Payments on line of credit	(14,500)	-
Payments on finance lease obligations	(15)	(230)
Proceeds from the exercise of share-based awards	-	584
Payment of payroll tax withholdings on share-based awards exercised	(317)	-
Repurchase of shares for treasury	(14,999)	(3,791)
Payment of dividends on common stock	(5,772)	(5,907)
Net cash used in financing activities	(15,584)	(11,580)
Effect of exchange rate changes on cash and cash equivalents	-	-
Change in cash and cash equivalents	(6,168)	(2,530)
Cash and cash equivalents at beginning of period	6,653	25,026
Cash and cash equivalents at end of period	$ 485	$ 22,496
Supplemental disclosure of cash paid for:		
Interest expense, net of capitalized amounts	$ 1,090	$ 647
Income taxes	$ 4,323	$ 4,219
Supplemental disclosure of non-cash investing and financing activities:		
Stock tendered to the Company for cashless exercise of stock options in connection with equity incentive plans	$ 1,752	-
Purchase of property and equipment in accounts payable and accrued expenses	$ 1,083	$ 1,777
Repurchase of shares for treasury in accounts payable and accrued expenses	$ 152	$ 21

See accompanying notes to condensed consolidated financial statements.

NATIONAL RESEARCH CORPORATION AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of business and basis of presentation

National Research Corporation, doing business as NRC Health ("NRC Health," the "Company," "we," "our," "us" or similar terms), is a leading provider of analytics and insights that facilitate measurement and improvement of the patient and employee experience while also increasing patient engagement and customer loyalty for healthcare organizations in the United States. Our purpose is to humanize healthcare and support organizations in their understanding of each person they serve not as point-in-time insights, but as an ongoing relationship. We believe that understanding the story is the key to unlocking the highest-quality and truly personalized care. Our end-to-end solutions enable health care organizations to understand what matters most to each person they serve – before, during, after, and outside of clinical encounters – to gain a longitudinal understanding of how life and health intersect, with the goal of developing lasting, trusting relationships. Our portfolio of solutions represents a unique set of capabilities that individually and collectively provide value to our clients.

Our condensed consolidated balance sheet at December 31, 2023 was derived from our audited consolidated balance sheet as of that date. All other financial statements contained herein are unaudited and, in the opinion of management, include all adjustments (consisting only of normal recurring adjustments) that we consider necessary for a fair presentation of financial position, results of operations and cash flows in accordance with accounting principles generally accepted in the United States.

Information and footnote disclosures included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto that are included in our Form 10-K for the year ended December 31, 2023, filed with the Securities and Exchange Commission (the "SEC") on February 27, 2024.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The condensed consolidated financial statements include the accounts of the Company and our wholly-owned subsidiary, National Research Corporation Canada. All significant intercompany transactions and balances have been eliminated.

Our Canadian subsidiary used Canadian dollars as its functional currency. We translated its assets and liabilities into U.S. dollars at the exchange rate in effect at the balance sheet date. We translated its revenue and expenses at the average exchange rate during the period. During December 2022, we substantially liquidated our investment in Canada As a result, currency translation changes were recognized in Other income (expense), net in our Condensed Consolidated Statements of Income. In the three-month period ended June 30, 2024 we repatriated the remaining cash from Canada.

Revenue Recognition

We derive a majority of our revenues from our annually renewable subscription-based service agreements with our customers, which include performance measurement and improvement services, healthcare analytics and governance education services. Such agreements are generally cancelable on short or no notice without penalty. See Note 2 for further information about our contracts with customers. We account for revenue using the following steps:

- Identify the contract, or contracts, with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the identified performance obligations; and
- Recognize revenue when, or as, we satisfy the performance obligations.

Our revenue arrangements with a client may include combinations of more than one service offering which may be executed at the same time, or within close proximity of one another. We combine contracts with the same customer into a single contract for accounting purposes when the contract is entered into at or near the same time and the contracts are negotiated together. For contracts that contain more than one separately identifiable performance obligation, the total transaction price is allocated to the identified performance obligations based upon the relative stand-alone selling prices of the performance obligations. The stand-alone selling prices are based on an observable price for services sold to other comparable customers, when available, or an estimated selling price using a cost-plus margin or residual approach. We estimate the amount of total contract consideration we expect to receive for variable arrangements based on the most likely amount we expect to earn from the arrangement based on the expected quantities of services we expect to provide and the contractual pricing based on those quantities. We only include some or a portion of variable consideration in the transaction price when it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. We consider the sensitivity of the estimate, our relationship and experience with the client and variable services being performed, the range of possible revenue amounts and the magnitude of the variable consideration to the overall arrangement. Our revenue arrangements do not contain any significant financing element due to the contract terms and the timing between when consideration is received and when the service is provided.

Our arrangements with customers consist principally of four different types of arrangements: 1) subscription-based service agreements; 2) one-time specified services performed at a single point in time; 3) fixed, non-subscription service agreements; and 4) unit-priced service agreements.

Subscription-based services - Services that are provided under subscription-based service agreements are usually for a twelve- month period and represent a single promise to stand ready to provide reporting, tools and services throughout the subscription period as requested by the customer. These agreements are renewable at the option of the customer at the completion of the initial contract term for an agreed upon price increase each year. These agreements represent a series of distinct monthly services that are substantially the same, with the same pattern of transfer to the customer as the customer receives and consumes the benefits throughout the contract period. Accordingly, subscription services are recognized ratably over the subscription period. Subscription services are typically billed either annually or quarterly in advance but may also be billed on a monthly basis.

One-time services – These agreements typically require us to perform a specific one-time service in a particular month. We are entitled to a fixed payment upon completion of the service. Under these arrangements, we recognize revenue at the point in time we complete the service and it is accepted by the customer.

Fixed, non-subscription services – These arrangements typically require us to perform an unspecified amount of services for a fixed price during a fixed period of time. Revenues are recognized over time based upon the costs incurred to date in relation to the total estimated contract costs. In determining cost estimates, management uses historical and forecasted cost information which is based on estimated volumes, external and internal costs and other factors necessary in estimating the total costs over the term of the contract. Changes in estimates are accounted for using a cumulative catch-up adjustment which could impact the amount and timing of revenue for any period.

Unit-price services – These arrangements typically require us to perform certain services on a periodic basis as requested by the customer for a per-unit amount which is typically billed in the months following the performance of the service. Revenue under these arrangements is recognized over the time the services are performed at the per-unit amount.

Revenue is presented net of any sales tax charged to our clients that we are required to remit to taxing authorities. We recognize contract assets or unbilled receivables related to revenue recognized for services completed but not invoiced to the clients. Unbilled receivables are classified as receivables when we have an unconditional right to contract consideration. A contract liability is recognized as deferred revenue when we invoice clients in advance of performing the related services under the terms of a contract. Deferred revenue is recognized as revenue when we have satisfied the related performance obligation.

Deferred Contract Costs

Deferred contract costs, net is stated at gross deferred costs less accumulated amortization. We defer commissions and incentives, including payroll taxes, and certain implementation costs if they are incremental and recoverable costs of obtaining a renewable customer contract. Deferred contract costs are amortized over the estimated term of the contract, including renewals, which generally ranges from three to five years. The contract term was estimated by considering factors such as historical customer attrition rates and product life. The amortization period is adjusted for significant changes in the estimated remaining term of a contract. An impairment of deferred contract costs is recognized when the unamortized balance of deferred contract costs exceeds the remaining amount of consideration we expect to receive net of the expected future costs directly related to providing those services. We have elected the practical expedient to expense contract costs when incurred for any nonrenewable contracts with a term of one year or less. We deferred incremental costs of obtaining a contract of $197,000 and $70,000 in the three-month periods ended June 30, 2024 and 2023, respectively. We deferred incremental costs of obtaining a contract of $311,000 and $233,000 in the six-month periods ended June 30, 2024 and 2023, respectively. Deferred contract costs, net of accumulated amortization was $1.2 million and $1.5 million at June 30, 2024 and December 31, 2023, respectively. Total amortization by expense classification for the periods ended June 30, 2024 and 2023 was as follows:

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
	(In thousands)			
Direct Expenses	$ 31	$ 43	$ 98	$ 78
Selling, general and administrative expenses	224	312	436	638
Total amortization	$ 255	$ 355	$ 534	$ 716

Additional expense included in selling, general and administrative expenses for impairment of costs capitalized due to lost clients was $ 7,000 for the three-month periods ended June 30, 2023 and $34,000 and $15,000 in the six-month periods ended June 30, 2024 and 2023, respectively. There were no impairments in the three-month period ended June 30, 2024.

Trade Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our existing accounts receivable, determined based on our historical write-off experience, current economic conditions and reasonable and supportable forecasts about the future. We review the allowance for doubtful accounts monthly. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

The following table provides the activity in the allowance for doubtful accounts for the six-month periods ended June 30, 2024 and 2023 (In thousands):

	Balance at Beginning of Period	Bad Debt Expense (Benefit)	Write-offs	Recoveries	Balance at End of Period
Six months ended June 30, 2024	$ 75	$ (65)	$ 9	$ 49	$ 50
Six months ended June 30, 2023	$ 65	$ 113	$ 81	$ 3	$ 100

Leases

We determine whether a lease is included in an agreement at inception. We recognize a lease liability and a right-of-use ("ROU") asset on the balance sheet for our operating leases under which we are lessee. Operating lease ROU assets are included in operating lease right-of-use assets in our condensed consolidated balance sheet. Finance lease assets are included in property and equipment. Operating and finance lease liabilities are included in other current liabilities and other long-term liabilities. Certain lease arrangements may include options to extend or terminate the lease. We include these provisions in the ROU asset and lease liabilities only when it is reasonably certain that we will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term and is included in direct expenses and selling, general and administrative expenses. Our lease agreements do not contain any residual value guarantees.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments during the lease term. ROU assets and lease liabilities are recorded at lease commencement based on the estimated present value of lease payments. Because the rate of interest implicit in each lease is not readily determinable, we use our estimated incremental collateralized borrowing rate at lease commencement, to calculate the present value of lease payments. When determining the appropriate incremental borrowing rate, we consider our available credit facilities, recently issued debt and public interest rate information.

Due to remote working arrangements, we reassessed our office needs and subleased our Seattle location under an agreement considered to be an operating lease beginning in May 2021. We have not been legally released from our primary obligations under the original lease and therefore we continue to account for the original lease separately. Rent income from the sublessee is included in the statement of operations on a straight-line basis as an offset to rent expense associated with the original operating lease included in other expenses.

Fair Value Measurements

Our valuation techniques are based on maximizing observable inputs and minimizing the use of unobservable inputs when measuring fair value. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect our market assumptions. The inputs are then classified into the following hierarchy: (1) Level 1 Inputs—quoted prices in active markets for identical assets and liabilities; (2) Level 2 Inputs—observable market-based inputs other than Level 1 inputs, such as quoted prices for similar assets or liabilities in active markets, quoted prices for similar or identical assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data; (3) Level 3 Inputs—unobservable inputs.

The following details our financial assets within the fair value hierarchy at June 30, 2024 and December 31, 2023:

	Level 1	Level 2	Level 3	Total
		(In thousands)		
As of June 30, 2024				
Money Market Funds	$ 332	$ -	$ -	$ 332
Total Cash Equivalents	$ 332	$ -	$ -	$ 332
As of December 31, 2023				
Money Market Funds	$ 6,471	$ -	$ -	$ 6,471
Total Cash Equivalents	$ 6,471	$ -	$ -	$ 6,471

There were no transfers between levels during the six months ended June 30, 2024.

Our long-term debt described in Note 4 is recorded at historical cost. The fair value of fixed rate long-term debt is classified in Level 2 of the fair value hierarchy and was estimated based primarily on estimated current rates available for debt of the same remaining duration and adjusted for nonperformance and credit. The fair value of our variable rate long-term debt is believed to approximate the carrying value because we believe the current rate reasonably estimates the current market rate for our debt.

The following are the carrying amount and estimated fair values of long-term debt:

	June 30, 2024	December 31, 2023
	(In thousands)	
Total carrying amount of long-term debt	$ 33,305	$ 36,787
Estimated fair value of long-term debt	$ 32,890	$ 36,403

The carrying amounts of accounts receivable, line of credit, accounts payable, and accrued expenses approximate their fair value. All non-financial assets that are not recognized or disclosed at fair value in the financial statements on a recurring basis, which includes ROU assets, property and equipment, goodwill, intangibles and cost method investments, are measured at fair value in certain circumstances (for example, when there is evidence of impairment). As of June 30, 2024 and December 31, 2023, there was no indication of impairment related to these assets.

Annually, we consider whether the recorded goodwill and indefinite lived intangibles have been impaired. However, goodwill and intangibles must be tested between annual tests if an event occurs or circumstances change to indicate that it is more likely than not that an impairment loss has been incurred ("triggering event").

Commitments and Contingencies

From time to time, we are involved in certain claims and litigation arising in the normal course of business. Management assesses the probability of loss for such contingencies and recognizes a liability when a loss is probable and estimable. Legal fees, net of estimated insurance recoveries, are expensed as incurred. We do not believe the final disposition of claims at June 30, 2024 will have a material adverse effect on our consolidated financial position, results of operations or liquidity.

(2) CONTRACTS WITH CUSTOMERS

The following table disaggregates revenue for the three- and six-month periods ended June 30, 2024 and 2023 based on timing of revenue recognition (in thousands):

	Three months ended		Six months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Subscription services recognized ratably over time	$ 33,103	$ 34,306	$ 66,374	$ 68,739
Services recognized at a point in time	855	903	2,276	2,079
Fixed, non-subscription recognized over time	936	742	1,431	1,397
Unit price services recognized over time	127	210	253	419
Total revenue	$ 35,021	$ 36,161	$ 70,334	$ 72,634

The following table provides information about receivables, contract assets, and contract liabilities from contracts with customers (In thousands):

	June 30, 2024	December 31, 2023
Accounts receivables	$ 10,057	$ 12,378
Contract assets included in other current assets	$ 26	$ 84
Deferred Revenue	$ 14,514	$ 14,834

Significant changes in contract assets and contract liabilities during the six-month periods ended June 30, 2024 and 2023 are as follows (in thousands):

	2024		2023	
	Contract Asset	Deferred Revenue	Contract Asset	Deferred Revenue
	Increase (Decrease)			
Revenue recognized that was included in deferred revenue at beginning of year due to completion of services	$ -	$ (11,193)	$ -	$ (11,375)
Increases due to invoicing of client, net of amounts recognized as revenue	-	10,928	-	11,104
Decreases due to completion of services (or portion of services) and transferred to accounts receivable	(79)	-	(81)	-
Change due to cumulative catch-up adjustments arising from changes in expected contract consideration	-	(55)	-	(99)
Increases due to revenue recognized in the period with additional performance obligations before invoicing	21	-	44	-

We have elected to apply the practical expedient to not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less. Total remaining contract revenue for contracts with original duration of greater than one year expected to be recognized in the future related to performance obligations that are unsatisfied at June 30, 2024 approximated $43.8 million, of which $8.9 million, $17.3 million, $13.7 million, $3.7 million, $181,000 and $46,000 are expected to be recognized during 2024, 2025, 2026, 2027, 2028 and 2029, respectively.

(3) INCOME TAXES

The effective tax rate for the three and six-month periods ended June 30, 2024 increased to 26% from 23% and 24% from 23%, respectively, for the same period in 2023. The change in the three and six-month periods was mainly due to decreased tax benefits of $ 132,000 and $53,000, respectively from the exercise of share-based compensation awards and increased state income taxes of approximately $80,000 and $112,000, respectively, which fluctuate based on various apportionment factors and rates for the states in which we operate.

(4) CREDIT AGREEMENT

Our long-term debt consists of the following:

	June 30, 2024	December 31, 2023
	(In thousands)	
Term Loan	$ 15,436	$ 17,787
Delayed Draw Term Loan	17,869	19,000
Less: current portion	(7,566)	(7,214)
Less: unamortized debt issuance costs	(84)	(103)
Notes payable, net of current portion	$ 25,655	$ 29,470

Our amended and restated credit agreement (the “Credit Agreement”) with First National Bank of Omaha (“FNB”) includes (i) a $ 30,000,000 revolving credit facility (the “Line of Credit”), (ii) a $23,412,383 term loan (the “Term Loan”) and (iii) a $ 75,000,000 delayed draw-down term facility (the “Delayed Draw Term Loan” and, together with the Line of Credit and the Term Loan, the “Credit Facilities”). We may use the Delayed Draw Term Loan to fund dividends, any permitted future business acquisitions or repurchases of our common stock and the Line of Credit to fund ongoing working capital needs and for other general corporate purposes.

The Term Loan is payable in monthly installments of $462,988 through May 2027 and bears interest at a fixed rate per annum of 5%.

Borrowings under the Delayed Draw Term Loan and Line of Credit, if any, bear interest at a floating rate equal to the 30-day Secured Overnight Financing Rate (“SOFR”) plus 235 basis points (7.68% at June 30, 2024). Interest on the Line of Credit and Delayed Draw Term Loan accrues and is payable monthly.

Principal amounts outstanding under the Line of Credit are due and payable in full at maturity, in May 2025. As of June 30, 2024, we had $9,000,000 of borrowings outstanding and the availability to borrow $21,000,000 on the Line of Credit. The weighted average borrowings on the Line of Credit for the three and six months ended June 30, 2024 was $10 million and $9.5 million. There were no borrowings on the Line of Credit in the six months ended June 30, 2023. The weighted average interest rate on borrowings on the Line of Credit during the three-month and six-month periods ended June 30, 2024 was 7.67% and 7.68%, respectively.

Principal payments are due on the Delayed Draw Term Loan in monthly installments of $ 226,190 through April 2027 and a balloon payment for the remaining balance of $10.2 million is due in May 2027. We had the availability to borrow an additional $ 56 million on the Delayed Draw Term Loan at June 30, 2024.

We are obligated to pay ongoing unused commitment fees quarterly in arrears pursuant to the Line of Credit and the Delayed Draw Term Loan facility at a rate of 0.20% per annum based on the actual daily unused portions of the Line of Credit and the Delayed Draw Term Loan facility.

The Credit Agreement is collateralized by substantially all of our assets, subject to permitted liens and other agreed exceptions, and contains customary representations, warranties, affirmative and negative covenants (including financial covenants) and events of default. The negative covenants include, among other things, restrictions regarding the incurrence of indebtedness and liens, repurchases of our common stock and acquisitions, subject in each case to certain exceptions. In June 2023, the Credit Agreement was amended to exclude our costs associated with our building renovation from or after January 1, 2023, from the fixed charge coverage ratio calculation. Pursuant to the Credit Agreement, we are required to maintain a minimum fixed charge coverage ratio of 1.10x for all testing periods throughout the term(s) of the Credit Facilities, which calculation excludes, unless our liquidity falls below a specified threshold, (i) any cash dividend in a fiscal quarter that, together with all other cash dividends paid or declared during such fiscal quarter, exceeds $5,500,000 in total cash dividends paid or declared, (ii) the portion of the purchase price for any permitted share repurchase of our shares paid with cash on hand, (iii) the portion of any acquisition consideration for a permitted acquisition paid with cash on hand, and (iv) up to $25 million of costs associated with our building renovation from or after January 1, 2023. We are also required to maintain a cash flow leverage ratio of 3.00x or less for all testing periods throughout the term(s) of the Credit Facilities. All obligations under the Credit Facilities are to be guaranteed by each of our direct and indirect wholly owned domestic subsidiaries, if any, and, to the extent required by the Credit Agreement, direct and indirect wholly owned foreign subsidiaries.

(5) SHARE-BASED COMPENSATION

We measure and recognize compensation expense for all share-based payments based on the grant-date fair value of those awards. All of our existing stock option awards and unvested stock awards have been determined to be equity-classified awards. We account for forfeitures as they occur. We refer to our restricted stock awards as “non-vested” stock in these condensed consolidated financial statements.

Our 2004 Non-Employee Director Stock Plan, as amended (the “2004 Director Plan”), is a nonqualified plan that provides for the granting of options with respect to 3,000,000 shares of our common stock. The 2004 Director Plan provides for grants of nonqualified stock options to each of our directors who we do not employ. On the date of each annual meeting of shareholders, options to purchase shares of common stock equal to an aggregate grant date fair value of $100,000 are granted to each non-employee director that is elected or retained as a director at each such meeting. Stock options vest approximately one year following the date of grant and option terms are generally the earlier of ten years following the date of grant, or three years from the termination of the non-employee director’s service.

Our 2006 Equity Incentive Plan (the “2006 Equity Incentive Plan”), as amended, provides for the granting of stock options, stock appreciation rights, restricted stock, performance shares and other share-based awards and benefits up to an aggregate of 1,800,000 shares of our common stock. Stock options granted may be either incentive stock options or nonqualified stock options. Options to purchase shares of common stock are typically granted with exercise prices equal to the fair value of the common stock on the date of grant. We do, in certain limited situations, grant options with exercise prices that exceed the fair value of the common stock on the date of grant.

Performance-Based Stock Option Awards

We grant stock options to selected executives with vesting contingent upon meeting certain Company-wide performance goals. The performance goals for options issued in 2024 are based on reaching a total recurring contract value target, measured at the end of the performance period, December 31, 2026. Vesting is also dependent upon remaining in our employment through the performance period. The performance awards issued in 2024 have a six-year contractual term. We recognize compensation expense prospectively from the date it is deemed probable that the performance goal will be met through the end of the performance period. We granted 404,833 performance-based stock option awards during the six-month period ended June 30, 2024. No performance-based stock options were awarded in 2023.

The fair value of performance-based stock options granted was estimated using a Black-Scholes valuation model with the following weighted average assumptions:

	2024
Expected dividend yield at date of grant	1.44%
Expected stock price volatility	33.83%
Risk-free interest rate	4.13%
Expected life of options (in years)	4.0

The risk-free interest rate assumptions were based on the U.S. Treasury yield curve in effect at the time of the grant. The expected volatility was based on historical monthly price changes of our stock based on the expected life of the options at the date of grant. The expected life of options is the average number of years we estimate that options will be outstanding. We consider groups of associates that have similar historical exercise behavior separately for valuation purposes.

The following table summarizes performance-based stock option activity under the 2006 Equity Incentive Plan for the six-month period ended June 30, 2024:

	Number of Options		Weighted Average Exercise Price	Weighted Average Remaining Contractual Terms (Years)		Aggregate Intrinsic Value (In thousands)
Outstanding at December 31, 2023	-	$	-			
Granted	404,833	$	39.54			
Exercised	-	$	-			
Forfeited	-	$	-			
Outstanding at June 30, 2024	404,833	$	39.54	5.56	$	-
Exercisable at June 30, 2024	-	$	-	-	$	-

Service-Based Stock Option Awards

We also grant stock options to directors and selected executives with vesting based on specified service periods. Vesting terms vary with each grant and option awards are generally five to ten years following the date of grant. We recognize compensation expense on a straight-line basis over the service period specified in the award. We granted 54,530 and 96,359 service-based stock option awards during the six-month periods ended June 30, 2024 and June 30, 2023, respectively.

The fair value of service-based stock options granted in 2024 was estimated using a Black-Scholes valuation model with the following weighted average assumptions:

	2024
Expected dividend yield at date of grant	1.94%
Expected stock price volatility	33.75%
Risk-free interest rate	4.50%
Expected life of options (in years)	5.0

The risk-free interest rate assumptions were based on the U.S. Treasury yield curve in effect at the time of the grant. The expected volatility was based on historical monthly price changes of our stock based on the expected life of the options at the date of grant. The expected life of options is the average number of years we estimate that options will be outstanding. We consider groups of associates that have similar historical exercise behavior separately for valuation purposes.

The following table summarizes service-based stock option activity under the 2006 Equity Incentive Plan and the 2004 Director Plan for the six-month period ended June 30, 2024:

	Number of Options		Weighted Average Exercise Price	Weighted Average Remaining Contractual Terms (Years)		Aggregate Intrinsic Value (In thousands)
Outstanding at December 31, 2023	569,168	$	35.72			
Granted	54,530	$	29.76			
Exercised	75,283	$	23.27			
Forfeited	56,805	$	43.83			
Outstanding at June 30, 2024	491,610	$	36.03	5.72	$	575
Exercisable at June 30, 2024	344,000	$	34.50	4.66	$	575

There was $584,000 of cash received from stock options exercised for the six-month periods ended June 30, 2023, and no cash received from options exercised in the six-month periods ended June 30, 2024. We recognized $112,000 and $278,000 of non-cash compensation for three-month periods ended June 30, 2024 and 2023, respectively, and $64,000 and $554,000 of non-cash compensation for the six-month periods ended June 30, 2024 and 2023, respectively, related to options, which is included in selling, general and administrative expenses.

As of June 30, 2024, the total unrecognized compensation cost related to non-vested performance-based and service-based stock option awards was approximately $5.5 million which was expected to be recognized over a weighted average period of 2.4 years.

Non-vested Stock Awards

No non-vested shares of common stock were granted under the 2006 Equity Incentive Plan during the six-month periods ended June 30, 2024 and 2023. As of June 30, 2024, there were no non-vested shares of common stock outstanding and no related remaining unrecognized compensation cost to recognize. We recognized non-cash compensation (benefit) expense of ($169,000) and $27,000 for the three-month periods ended June 30, 2024 and 2023, respectively, and ($156,000) and $54,000 for the six-month periods ended June 30, 2024 and 2023, respectively, related to this non-vested stock, which is included in selling, general and administrative expenses. The following table summarizes information regarding non-vested stock granted to associates under the 2006 Equity Incentive Plan for the six-month period ended June 30, 2024:

	Common Stock Outstanding	Weighted Average Grant Date Fair Value Per Share
Outstanding at December 31, 2023	6,058	$ 42.92
Granted	-	-
Vested	-	-
Forfeited	(6,058)	42.92
Outstanding at June 30, 2024	-	$ -

(6) GOODWILL AND OTHER INTANGIBLE ASSETS

The following represents the carrying amount of goodwill at June 30, 2024:

	Gross	Accumulated Impairment	Net
		(In thousands)	
Balance at June 30, 2024	$ 62,328	(714)	$ 61,614

Intangible assets consisted of the following:

	June 30, 2024	December 31, 2023
	(In thousands)	
Non-amortizing intangible assets:		
Indefinite trade name	$ 1,191	$ 1,191
Amortizing intangible assets:		
Customer related	9,192	9,192
Technology	1,959	1,959
Trade names	1,572	1,572
Total amortizing intangible assets	12,723	12,723
Accumulated amortization	(12,513)	(12,443)
Other intangible assets, net	$ 1,401	$ 1,471

(7) PROPERTY AND EQUIPMENT

	June 30, 2024	December 31, 2023
	(In thousands)	
Property and equipment	$ 72,291	$ 63,874
Accumulated depreciation	38,550	35,669
Property and equipment, net	$ 33,741	$ 28,205

(8) EARNINGS PER SHARE

Basic net income per share was computed using the weighted-average shares of common stock outstanding during the period.

Diluted net income per share was computed using the weighted-average shares of common stock and, if dilutive, the potential common stock outstanding during the period. Potential shares of common stock consist of the incremental common stock issuable upon the exercise of stock options and vesting of restricted stock. The dilutive effect of outstanding stock options is reflected in diluted earnings per share by application of the treasury stock method.

We had 796,694 and 276,949 options of common stock for the three-month periods ended June 30, 2024 and 2023, respectively, which have been excluded from the diluted net income per share computation because their inclusion would be anti-dilutive. We had 674,428 and 265,673 options of common stock for the six-month periods ended June 30, 2024 and 2023, respectively, which have been excluded from the diluted net income per share computation because their inclusion would be anti-dilutive.

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2024	2023	2024	2023
	(In thousands, except per share data)			
Numerator for net income per share – basic:				
Net income	$ 6,175	$ 7,273	$ 12,534	$ 14,236
Allocation of distributed and undistributed income to unvested restricted stock shareholders	(1)	(4)	(2)	(7)
Net income attributable to common shareholders	6,174	7,269	12,532	14,229
Denominator for net income per share – basic:				
Weighted average common shares outstanding – basic	23,871	24,578	23,870	24,582
Net income per share – basic	$ 0.26	$ 0.30	$ 0.53	$ 0.58
Numerator for net income per share – diluted:				
Net income attributable to common shareholders for basic computation	6,174	7,269	12,532	14,229
Denominator for net income per share – diluted:				
Weighted average common shares outstanding – basic	23,871	24,578	23,870	24,582
Weighted average effect of dilutive securities – stock options	44	138	64	145
Denominator for diluted earnings per share – adjusted weighted average shares	23,915	24,716	23,934	24,727
Net income per share – diluted	$ 0.26	$ 0.29	$ 0.52	$ 0.58

(9) SUBSEQUENT EVENTS

On July 15, 2024, we acquired all issued and outstanding shares of stock of Nobl, Inc., a company with rounding solutions for healthcare organizations. The acquisition expands our service offerings in patient and employee experience, enhancing our ability to provide real-time feedback. In accordance with the Stock Purchase Agreement, we paid $5.5 million of the all-cash consideration at closing subject to a customary working capital adjustment. The closing payment was funded through borrowings on our Line of Credit. The Stock Purchase Agreement also provides for up to $1.0 million in earn-out payments in the event certain performance-based measures are met during the period following the acquisition through June 30, 2026. Acquisition related expenses of $42,000 are included in Selling, General and Administrative expenses for three and six-month periods ending June 30, 2024. We are currently finalizing the accounting for this transaction and expect to complete our preliminary allocation of the purchase consideration to the assets acquired and liabilities assumed by the end of the third quarter of 2024. Pro-forma information has not been presented because the amounts are insignificant.

On August 5, 2024, we amended our Credit Agreement for our Credit Facilities. The amended Credit Agreement extends the maturity date of our Line of Credit to May 2027. The balance outstanding on our Term Loan is payable in equal monthly installments amortized over a ten-year period and bears interest at a floating rate equal to the 30-day SOFR plus 235 basis points. The Delayed Draw Term Loan is payable in equal monthly installments amortized over a ten-year period. All outstanding principal and accrued interest on the Term Loan and Delayed Draw Term Loan is payable in May 2027. The amendment also extends the use of the Delayed Draw Term Loan to capital expenditures and revises the building renovations excluded from the fixed charge coverage ratio covenant from $25 million to $27.5 million.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our results of operations and financial conditions should be read in conjunction with our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q.

Our purpose is to humanize healthcare and support organizations in their understanding of each unique individual. Our commitment to Human Understanding® helps leading healthcare systems get to know each person they serve not as point-in-time insights, but as an ongoing relationship. Our end-to-end solutions enable our clients to understand what matters most to each person they serve – before, during, after, and beyond clinical encounters – to gain a longitudinal understanding of how life and health intersect, with the goal of developing lasting, trusting relationships. Our ability to measure what matters most and systematically capture, analyze, and deliver insights based on self-reported information from patients, families, and consumers is critical in today's healthcare market. We believe access to and analysis of our extensive consumer-driven information is increasingly valuable as healthcare providers need to better understand and engage the people they serve to create long-term relationships and build loyalty.

Our portfolio of subscription-based solutions provides actionable information and analysis to healthcare organizations across a range of mission-critical, constituent-related elements, including patient experience, service recovery, care transitions, employee engagement, reputation management, and brand loyalty. We partner with clients across the continuum of healthcare services and believe this cross-continuum positioning is a unique and an increasingly important capability as evolving payment models drive healthcare providers and payers towards a more collaborative and integrated service model.

Table of Contents

Results of Operations

The following tables set forth, for the periods indicated, selected financial information derived from our condensed consolidated financial statements and the percentage change in such items versus the prior comparable period, as well as other key financial metrics. The discussion that follows the information should be read in conjunction with our condensed consolidated financial statements.

Three Months Ended June 30, 2024, Compared to Three Months Ended June 30, 2023

	(In thousands, except percentages) Three Months Ended June 30,		Percentage Increase (Decrease)
	2024	2023	2024 over 2023
Revenue	$ 35,021	$ 36,161	(3)
Direct expenses	13,422	13,309	1
Selling, general, and administrative	11,221	11,966	(6)
Depreciation and amortization	1,513	1,521	(1)
Operating income	8,865	9,365	(5)
Total other income (expense)	(541)	79	(785)
Provision for income taxes	2,149	2,171	(1)
Effective Tax Rate	26%	23%	3
Operating margin	25%	26%	(1)

Revenue. Revenue in the 2024 period decreased compared to the 2023 period by $1.1 million. This was mainly from decreased US recurring revenue in our existing client base. Of this decrease, 9% was from our non-core solutions.

Direct expenses. Variable expenses decreased $25,000 in the 2024 period compared to the 2023 period primarily from lower conference expenses. Variable expenses as a percentage of revenue were 15% and 14% in the 2024 and 2023 periods, respectively. Fixed expenses increased $138,000 primarily due to higher contracted services to support investments in our Human Understanding solutions, decreased benefits from state tax incentives and decreased salary and benefit costs from workforce reduction and automation implemented in 2023. We have increased investments and expect to see increased costs in future quarters to support and provide innovative AI solutions to our clients.

Selling, general and administrative expenses . Selling, general and administrative expenses decreased in the 2024 period compared to the 2023 period primarily due to decreased salary and benefit costs of $779,000 from workforce reduction and automation implemented in 2023 as well share based compensation forfeitures. We expect to see selling, general, and administrative expenses increase in future quarters due to our new leadership positions and investments in our product development and sales teams.

Depreciation and amortization . Depreciation and amortization expenses decreased $8,000 due to less building, furniture and equipment depreciation partially offset by increased software investment amortization.

Operating income and margin . Operating income and margin decreased in the 2024 period compared to the 2023 period primarily due to the decline in revenue.

Total other income (expense). Total other expense increased in the 2024 period compared to the 2023 period primarily due to lower interest income of $248,000 from decreased money market funds investments and higher interest expense of $363,000 mainly from borrowings on our Line of Credit and Delayed Draw Term Loan. Other expense is expected to increase in future periods due to the August 2024 amendment to our Credit Agreement, which extended the maturity of our debt and revised the interest rate on our Term Note to SOFR plus 2.35%.

Provision for income taxes and effective tax rate . Provision for income taxes decreased in the 2024 period compared to the 2023 period primarily due to decreased taxable income. The effective tax rate increased mainly due to decreased tax benefits of $132,000 from the exercise of share-based compensation awards partially offset by higher state income taxes of approximately $80,000 which fluctuate based on various apportionment factors and rates for the states in which we operate.

Six Months Ended June 30, 2024, Compared to Six Months Ended June 30, 2023

	(In thousands, except percentages) Six Months Ended June 30, 2024	2023	Percentage Increase (Decrease) 2024 over 2023
Revenue	$ 70,334	$ 72,634	(3)
Direct expenses	27,278	27,589	(1)
Selling, general, and administrative	22,471	23,750	(5)
Depreciation and amortization	2,960	2,915	2
Operating income	17,625	18,380	(4)
Total other income (expense)	(1,107)	75	(1,576)
Provision for income taxes	3,984	4,219	(6)
Effective Tax Rate	24%	23%	1
Operating margin	25%	25%	-
Recurring Contact Value	$ 138,434	$ 146,569	(6)
Cash provided by operating activities	18,824	16,588	13

Revenue. Revenue in the 2024 period decreased compared to the 2023 period by $2.3 million. This was mainly from decreased US recurring revenue of $2.9 million in our existing client base. Of this decrease, 30% was from our non-core solutions.

Direct expenses. Variable expenses increased $42,000 in the 2024 period compared to the 2023 period primarily from higher data collection expenses. Variable expenses as a percentage of revenue were 15% and 14% in the 2024 and 2023 periods, respectively. Fixed expenses decreased $352,000 primarily due to decreased salary and benefit costs from workforce reduction and automation implemented in 2023 partially offset by increased contracted services to support investments in our Human Understanding solutions and decreased benefits from state tax incentives. We have increased investments and expect to see increased costs in future quarters to support and provide innovative AI solutions to our clients.

Selling, general and administrative expenses . Selling, general and administrative expenses decreased in the 2024 period compared to the 2023 period primarily due to decreased marketing expenses of $544,000 and salary and benefits costs of $564,000 primarily from shared based compensation forfeitures. We expect to see selling, general, and administrative expenses increase in future quarters due to our new leadership positions and investments in our product development and sales teams.

Depreciation and amortization . Depreciation and amortization expenses increased $45,000 in the 2024 period compared to the 2023 period primarily due to increased software investment amortization.

Operating income and margin . Operating income decreased in the 2024 period compared to the 2023 period primarily due to the decline in revenue, but operating margin remained consistent between periods due to the decline in revenue being offset by the decline in expenses.

Total other income (expense). Total other expense increased in the 2024 period compared to the 2023 period primarily due to lower interest income of $454,000 from decreased money market funds investments and higher interest expense of $727,000 mainly from borrowings on our Line of Credit and Delayed Draw Term Loan. Other expense is expected to increase in future periods due to the August 2024 amendment to our Credit Agreement, which extended the maturity of our debt and revised the interest rate on our Term Note to SOFR plus 2.35%.

Provision for income taxes and effective tax rate. Provision for income taxes decreased in the 2024 period compared to the 2023 period primarily due to decreased taxable income. The effective tax rate increased mainly due to decreased tax benefits of $53,000 from the exercise of share-based compensation awards and higher state income taxes of approximately $112,000 which fluctuate based on various apportionment factors and rates for the states in which we operate.

Recurring Contract Value. Recurring contract value declined in declined in 2024 compared to 2023 primarily due to the lack of growth in new contracts to replace losses. Our retention rate remained fairly consistent in comparison to prior years. Our recurring contract value metric represents the total revenue projected under all renewable contracts for their respective next annual renewal periods, assuming no upsells, downsells, price increases, or cancellations, measured as of the most recent quarter end.

Liquidity and Capital Resources

Our Board of Directors has established priorities for capital allocation, which prioritize funding of innovation and growth investments, including merger and acquisition activity as well as internal projects. The secondary priority is capital allocation for quarterly dividends and share repurchases.

As of June 30, 2024, our principal sources of liquidity included $485,000 of cash and cash equivalents, up to $21 million of unused borrowings under our Line of Credit and an additional $56 million on our Delayed Draw Term Loan. The Delayed Draw Term Loan can only be used to fund dividends, permitted future business acquisitions or repurchasing our common stock

Our cash flows from operating activities consist of net income adjusted for non-cash items including depreciation and amortization, deferred income taxes, share-based compensation and related taxes, reserve for uncertain tax positions and the effect of working capital changes. Cash provided by operating activities increased primarily due to working capital changes, mainly consisting of changes in accrued expenses, wages and bonuses mainly due to the timing of payments and changes in prepaid expenses and other current assets primarily due to the timing of our annual business insurance and other service agreements partially offset by changes in income taxes receivable and payable due to the timing of payments. Cash provided by operating activities was also partially offset by decreased net income net of non-cash items.

See the Condensed Consolidated Statements of Cash Flows included in this report for the detail of our operating cash flows.

We had a working capital deficit of $28.8 million and $11.8 million on June 30, 2024 and December 31, 2023, respectively. The change was primarily due to decreases in cash and cash equivalents and trade accounts receivable and increases in the borrowings outstanding on our Line of Credit, accrued expenses, and accrued wages and bonuses. These were partially offset by increases in prepaid expenses primarily due to the timing of our annual business insurance payment and other service agreements. Cash and cash equivalents decreased mainly due to the repurchase of shares of our common stock for treasury. We also borrowed on our Line of Credit to fund the share repurchases during the first quarter of 2024. Accrued expenses and accrued wages and bonuses increased primarily due to the timing of payments. Trade accounts receivable decreased due to timing of billing and collections, as well as decreases in our overall recurring contract value. Our working capital is significantly impacted by our large deferred revenue balances which will vary based on the timing and frequency of billings on annual agreements. Notwithstanding our working capital deficit on June 30, 2024, we believe that our existing sources of liquidity, including cash and cash equivalents, borrowing availability, and operating cash flows will be sufficient to meet our projected capital and debt maturity needs for the foreseeable future.

Cash used in investing activities primarily consisted of purchases of property and equipment including computer software and hardware, building improvements, and furniture and equipment.

Cash used in financing activities consisted of payments for borrowings under the Term Loan, Delayed Draw Term Loan, Line of Credit and finance lease obligations. We also used cash to repurchase shares of our common stock for treasury, to pay dividends on common stock and for payment of payroll tax withholdings on options exercised. This was partially offset by cash provided from borrowings on the Line of Credit.

Our material cash requirements include the following contractual and other obligations:

Cash dividends of $5.8 million were paid in the six months ended June 30, 2024. Dividends of $2.9 million were declared in the three months ended June 30, 2024 and paid in July 2024. The dividends were paid from cash on hand and borrowings on our Line of Credit. Our board of directors considers whether to declare a dividend and the amount of any dividends declared on a quarterly basis.

We paid cash of $9.4 million for capital expenditures in the six months ended June 30, 2024. These expenditures consisted mainly of computer software development for our Human Understanding solutions and building renovations to our headquarters. We estimate future costs related to our headquarters building renovations to be $4.9 million in 2024 and $3.4 million in 2025, which we expect to fund through operating cash flows and borrowings on the Line of Credit.

Debt

As of June 30, 2024, our amended and restated credit agreement (the “Credit Agreement”) with First National Bank of Omaha (“FNB”) included (i) a $30,000,000 revolving credit facility (the “Line of Credit”), (ii) a $23,412,383 term loan (the “Term Loan”) and (iii) a $75,000,000 delayed draw-down term facility (the “Delayed Draw Term Loan” and, together with the Line of Credit and the Term Loan, the “Credit Facilities”). As of June 30, 2024 we could use the Delayed Draw Term Loan to fund any dividends, permitted future business acquisitions or repurchases of our common stock. We may use the Line of Credit to fund ongoing working capital needs and for other general corporate purposes.

As of June 30, 2024, the outstanding balance on the Term Loan was $15.4 million and was payable in monthly installments of $462,988 through May 2027. The Term Loan bore interest at a fixed rate per annum of 5%.

Borrowings under the Delayed Draw Term Loan and Line of Credit, if any, bear interest at a floating rate equal to the 30-day Secured Overnight Financing Rate (“SOFR”) plus 235 basis points (7.68% at June 30, 2024). Interest on the Delayed Draw Term Loan and Line of Credit accrues and is payable monthly.

As of June 30, 2024 principal amounts outstanding under the Line of Credit were due and payable in full at maturity, in May 2025. We had $9.0 million of borrowings outstanding and the availability to borrow $21.0 million on the Line of Credit at June 30, 2024. The weighted average borrowings on the Line of Credit for the three-month and six-month periods ended June 30, 2024 was $10 million and 9.5 million, respectively. The weighted average interest rate on borrowings on the Line of Credit during the three-month and six-month periods ended June 30, 2024 was 7.67% and 7.68%, respectively.

The outstanding balance on the Delayed Draw Term Loan was $17.9 million at June 30, 2024. As of June 30, 2024, principal payments were due in monthly installments of $226,190 through April 2027 and a balloon payment for the remaining balance of $10.2 million was due in May 2027. We had the availability to borrow an additional $56.0 million on the Delayed Draw Term Loan at June 30, 2024.

We are obligated to pay ongoing unused commitment fees quarterly in arrears pursuant to the Line of Credit and the Delayed Draw Term Loan facility at a rate of 0.20% per annum based on the actual daily unused portions of the Line of Credit and the Delayed Draw Term Loan facility.

The Credit Agreement is collateralized by substantially all of our assets, subject to permitted liens and other agreed exceptions, and contains customary representations, warranties, affirmative and negative covenants (including financial covenants) and events of default. The negative covenants include, among other things, restrictions regarding the incurrence of indebtedness and liens, repurchases of our common stock and acquisitions, subject in each case to certain exceptions. In June 2023, the Credit Agreement was amended to exclude our costs associated with our building renovation from or after January 1, 2023 from the fixed charge coverage ratio calculation. Pursuant to the Credit Agreement, we are required to maintain a minimum fixed charge coverage ratio of 1.10x for all testing periods throughout the term(s) of the Credit Facilities, which calculation excluded, as of June 30, 2024, unless our liquidity falls below a specified threshold, (i) any cash dividend in a fiscal quarter that, together with all other cash dividends paid or declared during such fiscal quarter, exceeds $5.5 million in total cash dividends paid or declared, (ii) the portion of the purchase price for any permitted share repurchase of our shares paid with cash on hand, (iii) the portion of any acquisition consideration for a permitted acquisition paid with cash on hand, and (iv) up to $25 million of costs associated with our building renovation from or after January 1, 2023 . We are also required to maintain a cash flow leverage ratio of 3.00x or less for all testing periods throughout the term(s) of the Credit Facilities. All obligations under the Credit Facilities are to be guaranteed by each of our direct and indirect wholly owned domestic subsidiaries, if any, and, to the extent required by the Credit Agreement, direct and indirect wholly owned foreign subsidiaries. As of June 30, 2024, we were in compliance with our financial covenants.

The Credit Facilities are secured, subject to permitted liens and other agreed upon exceptions, by a first-priority lien on and perfected security interest in substantially all of our and our guarantors’ present and future assets (including, without limitation, fee-owned real property, and limited, in the case of the equity interests of foreign subsidiaries, to 65% of the outstanding equity interests of such subsidiaries).

On August 5, 2024, we amended our Credit Agreement for our Credit Facilities. The amended Credit Agreement extends the maturity date of our Line of Credit to May 2027. The balance outstanding on our Term Loan is payable in equal monthly installments amortized over a ten-year period and bears interest at a floating rate equal to the 30-day SOFR plus 235 basis points. The Delayed Draw Term Loan is payable in equal monthly installments amortized over a ten-year period. All outstanding principal and accrued interest on the Term Loan and Delayed Draw Term Loan is payable in May 2027. The amendment also extends the use of the Delayed Draw Term Loan to capital expenditures and revises the building renovations excluded from the fixed charge coverage ratio covenant from $25 million to $27.5 million.

Leases

We have lease arrangements for certain computer, office, printing and inserting equipment as well as office and data center space. As of June 30, 2024, we had fixed lease payments of $672,000 and $12,000 for operating and finance leases, respectively payable within 12 months.

Taxes

The liability for gross unrecognized tax benefits related to uncertain tax positions was $2.1 million as of June 30, 2024. See Note 3, "Income Taxes", to the Condensed Consolidated Financial Statements contained in this report for income tax related information.

In June 2024, a final deemed dividend was paid from our Canadian subsidiary and the deemed repatriation tax payable imposed by the U.S. Tax Cuts and Jobs Act of 2017 of $8,000 was paid.

Stock Repurchase Program

In May 2022, our Board of Directors authorized the repurchase of 2,500,000 shares of common stock (the “2022 Program”). Under the 2022 Program we are authorized to repurchase from time-to-time shares of our outstanding common stock on the open market or in privately negotiated transactions. The timing and amount of stock repurchases will depend on a variety of factors, including market conditions as well as corporate and regulatory considerations. The 2022 Program may be suspended, modified, or discontinued at any time and we have no obligation to repurchase any amount of common stock in connection with the 2022 Program. The 2022 Program has no set expiration date.

No shares were repurchased during the three months ended June 30, 2024. As of June 30, 2024, the remaining number of shares of common stock that could be purchased under the 2022 Program was 1,095,850 shares.

Critical Accounting Estimates

There have been no changes to our critical accounting estimates described in the Annual Report on Form 10-K for the year ended December 31, 2023 that have a material impact on our Condensed Consolidated Financial Statements and the related Notes.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

There are no material changes to the disclosures regarding our market risk exposures made in its Annual Report on Form 10-K for the year ended December 31, 2023.

ITEM 4. Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Principal Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report, and our Chief Executive Officer and Principal Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures were effective.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Accordingly, even effective internal control over financial reporting can only provide reasonable assurance of achieving its control objectives.

We have confidence in our internal controls and procedures. Nevertheless, our management, including our Chief Executive Officer and Principal Financial Officer, does not expect that our disclosure procedures and controls or our internal controls will prevent all errors or intentional fraud. An internal control system, no matter how well-conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of such internal controls are met. Further, the design of an internal control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. As a result of the inherent limitations in all internal control systems, no evaluation of controls can provide absolute assurance that all our control issues and instances of fraud, if any, have been detected.

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) that occurred during the quarter ended June 30, 2024 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

From time to time, we are involved in certain claims and litigation arising in the normal course of business. Management assesses the probability of loss for such contingencies and recognizes a liability when a loss is probable and estimable. For additional information, see Note 1, under the heading “Commitments and Contingencies,” to our condensed consolidated financial statements. Regardless of the final outcome, any legal proceedings, claims, inquiries and investigations, however, can impose a significant burden on management and employees, may include costly defense and settlement costs, and could cause harm to our reputation and brand, and other factors.

ITEM 1A. Risk Factors

The significant risk factors known to us that could materially adversely affect our business, financial condition, or operating results are described in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

In May 2022 our Board of Directors authorized the 2022 Program.

Our Credit Agreement provides that, in order for us to pay dividends or repurchase our common stock, there must be no default or event of default existing or that would result from such payment and we must show that we would comply with the Credit Agreement's fixed charge coverage ratio and consolidated cash flow leverage ratio after giving pro forma effect to such payment.

There were no stock repurchases during the three months ended June 30, 2024.

ITEM 5. Other Information

During the second quarter of 2024, no director or officer adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement.

ITEM 6. Exhibits

The exhibits listed in the exhibit index below are filed as part of this Quarterly Report on Form 10-Q.

EXHIBIT INDEX

Exhibit Number	Exhibit Description
(3.1)	Certificate of Incorporation of National Research Corporation, effective June 30, 2021 [Incorporated by reference to Exhibit 3.3 to National Research Corporation's Current Report on Form 8-K dated June 29, 2021, and filed on July 2, 2021 (File No. 001-35929)]
(3.2)	Bylaws of National Research Corporation, as amended to date [Incorporated by reference to Exhibit 3.4 to National Research Corporation's Current Report on Form 8-K dated June 29, 2021 and filed on July 2, 2021 (File No. 001-35929)]
(4.1)	Certificate of Incorporation of National Research Corporation, effective June 30, 2021 [Incorporated by reference to Exhibit 3.3 to National Research Corporation's Current Report on Form 8-K dated June 29, 2021, and filed on July 2, 2021 (File No. 001-35929)]
(4.2)	Bylaws of National Research Corporation, as amended to date [Incorporated by reference to Exhibit 3.4 to National Research Corporation's Current Report on Form 8-K dated June 29, 2021 and filed on July 2, 2021 (File No. 001-35929)]
(31.1)**	Certification by the Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934
(31.2)**	Certification by the Principal Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934
(32)***	Written Statement of the Chief Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350
(101) **	Financial statements from the Quarterly Report on Form 10-Q of National Research Corporation for the quarter ended June 30, 2024, formatted in Inline eXtensible Business Reporting Language (iXBRL): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Income, (iii) the Condensed Consolidated Statements of Comprehensive Income, (iv) the Condensed Consolidated Statements of Cash Flows, (v) the Notes to Condensed Consolidated Financial Statements, and (vi) document and entity information.
(104) **	Cover Page Interactive Data File (formatted in the Inline XBRL and contained in Exhibit 101).

** Filed herewith
*** Furnished herewith

SIGNATURES

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

NATIONAL RESEARCH CORPORATION

Date: August 8, 2024	By: /s/ Michael D. Hays Michael D. Hays Chief Executive Officer (Principal Executive Officer)
Date: August 8, 2024	By: /s/ Linda A. Stacy Linda A. Stacy Secretary, Principal Financial Officer, and Principal Accounting Officer (Principal Financial and Accounting Officer)

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934

I, Michael D. Hays, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of National Research Corporation;

2. Based on my knowledge, this 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 period covered by this report;

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

4. The registrant's other certifying officer(s) 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 registrant and 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 registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this 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 registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

Date: August 8, 2024

/s/ Michael D. Hays
Michael D. Hays
Chief Executive Officer

Exhibit 31.2

Certification of Principal Financial Officer
Pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934

I, Linda A. Stacy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of National Research Corporation;

2. Based on my knowledge, this 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 period covered by this report;

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

4. The registrant's other certifying officer(s) 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 registrant and 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 registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this 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 registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

Date: August 8, 2024

/s/ Linda A. Stacy
Linda A. Stacy
Principal Financial Officer

Exhibit 32

Certification Pursuant to 18 U.S.C. Section 1350
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the accompanying Quarterly Report on Form 10-Q of National Research Corporation (the “Company”) for the three-month period ended June 30, 2024 (the “Report”), I, Michael D. Hays, Chief Executive Officer of the Company, and I, Linda A. Stacy, Principal Financial Officer, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, based on my knowledge, that:

1) 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.

/s/ Michael D. Hays
Michael D. Hays
Chief Executive Officer

/s/ Linda A. Stacy
Linda A. Stacy
Principal Financial Officer

Date: August 8, 2024

A signed original of this written statement required by Section 906 has been provided to National Research Corporation and will be retained by National Research Corporation and furnished to the Securities and Exchange Commission or its staff upon request.