Healthcare just got personal.

2021 ANNUAL REPORT | 2022 PROXY STATEMENT

nrc HEALTH | Human Understanding
Behind every person is a story...

Company Profile

A company can be described in a variety of ways including the industry it serves, its product, service, or even size. However, at its core, every organization is a collection of its associates. Listed below is who we are.

Carling Adams
Veronica Adekile
Junayed Ahmed
Lindsey Akiyama
Sophia Ali
Ben Allemann
Karen Althouse
Tracy Alward
Eliot Anderson
Ellie Anderson
Mike Anderson
Kathy Anstine
Holly Antonson
Hannah Arington
Vaida Armanaviciute
Jess Arter
Test Associate
Rachel Ayalon
Michelle Bachman
Suzanne Baidoo
Desarie Ball
Cindy Ballow
Emily Barker
Jackie Barnhart
Jason Barry
Nick Bartholomai
Steve Barton
Anna Bates
Allan Bautista
Amanda Beardsley
Rachel Beavers
Heidi Behrens
Nick Beiermann
Jocelyn Belden
Cindy Bell
Sara Bennett
India Bercey
Miguel Betancourt Soto
Daniel Beuses
Dan Biggs
Tia Black
Tracy Black
Stephanie Blodgett
Cody Bodfield
Kasy Bodfield
Jeff Bogner
Ava Bohlender
Ryan Bondegard
Shweta Borate
Jon Boumstein
Kassandra Braaten
Lindsey Bradley
Nick Brandt
Nicki Bratten
Leanne Bristol
Dawn Brock
Erin Brodhagen
Ryan Broker
Tyler Brothers
Jenn Brown
Sandrina Brown
Dustin Bruce
Bergen Bruhn
Dawn Brunke Helmstadter
Jenny Brunke
Helen Bruns
Katie Bruss
Haley Bucknell
Tyler Burbach
Brett Burkard
Julie Busekist
Kenzie Busekist
Chris Butler
Sarah Callicoat
Allison Camm
Nick Canino
Corry Caouette
June Captain
Jenna Carlson
Karol Carlson
Kathy Carroll
Mary Ann Castillo
Joanna Castro
Erin Cerretta
Isak Chai
Thadd Chastain
Samantha Cheek
Stella Chen
Anna Chitepu
Bryan Christiancy
Bailey Christy
Jared Chulufas
Brianne Clark
Alayna Clouston
Kim Clouston
Sam Cole
Kirsten Coniglio
Alyssa Conn
Kelsey Cook
Tim Cook
Heather Costa-Greger
Teresa Costello-Raddatz
Denise Cousino
Ken Cousino
Joshua Cowan
Chase Craddock
Karla Cram
Brad Crockett
Melissa Cummings
Ainslee Curtis
Jessie Daake
Pat Dabney
Kathleen Damme
Jake Daniel
Rob Davis
Greg Deakins
Ashlee Deeds
Tyler Dempsay
Zoe Deoudes
Lauryn Dermit
Sam Desh
Lauri Dettmer
Julie Diaz
Jennifer Dietze
Ryan Donohue
John Dorn
Anthony Dornacher
Katie Douglas
Mike Dowd
Connor Drake
Austin Edstrom
TJ Ehlers
Sara Ehnes
Zane Ehnes
Matthew Elliott
Jill Ellis
Jhordan Elsberry
William England
Matt Engler
Joe Epperson
Jon Ergun
Andy Essink
Maggie Essink
Hanna Estep
Jared Eubank
Heather Evans-McCullock
Cris Ewell
Jillian Fast
Ashley Felker
Beki Ferguson
Laura Fiala
Bobbie Ficken
Travis Ficken
Micaela Fikar
Brian Finck
Lauren Fix
Coleman Fleming-Dumas
Aliya Flores
Jane Flores
Michelle Folken
Kami Fox
Travis Freeburg
Ben Frodyma
Sarah Fryda
Jing Fu
Oscar Galindo
Cortney Galvin
Michelle Rubio
Alex Gerch
Tim Gerken
Jeff Gill
Dave Gilsdorf
Andy Glenn
Candi Glover
Geeta Goenka
Eddie Gonzales
Aislinn Goodrich
Sarah Gordon
Toya Gorley
Jenny Grant
Jenna Grell
Patrick Griffin
Abbie Grim
Lydia Grossenbacher
Meghan Gull
David Gutgesell
Ashley Haas
Candis Hager
Marty Hager
Ted Hailer
Dan Halverson
Rachel Hamilton
Tracy Hanger
Hailey Hanlin
Andria Hannula
Jon Hanseling
Dave Hansen
Courtney Harper
Ryan Harpham
Malik Harrison
Tom Hart
Shannon Hasemann
Kylee Hasenauer
Ryan Hatt
Kirsten Hattan
Renee Hauser
Britt Hayes
Shannon Hayes
Mike Hays
Kipp Heidtbrink
Marypat Heineman
Becky Hergert
Bret Hermsen
Jimmy Hilaire
Darius Hill
James Hill
Orlando Hill
Deb Hinds
Carmen Hinseth
Danny Hipskind
Nick Hodge
Bryony Hokanson-Jack
Jason Holm
Alaia Holmes
Trevor Holmes
Kaitlyn Hopkins
Kim Houle
Helen Hrdy
Dorothy Hu
Ming Huang
Dena Hughes
Ada Hui
Greg Humlicek
LaDonna Humphrey
Katie Hunke
Brandon Hurley
Elisabeth Hurst
Tharziv Ilangovan
Camille Jackson
Jessica Jahen
Todd Jarchow
Jamie Jensen
Daniel Jo
Jean Johnson
Katie Johnson
Mariah Johnson
Nygel Jones
Jamie Jorgenson
Kayce Kahl
Kathy Kalkwarf
Ryan Kalkwarf
Mel Kamm
Kevin Karas
Kris Karolkiewicz
Dana Kearse
Whitney Keirns
Kevin Kelly
Madeline Kelly
Triet Khuc
Kagan Kiesel
Kate Kimmons
Abby Kincanon
Alicia King
Shawnelle King
Sam Kingsley
Mike Koh
Bill Kossack
Pete Kostelnick
Glenn Kramer
Annie Krein
Katie Kriegler
Michelle Kruse
Justin Kubick
Billy Kuehn
Nate Kumwenda
Brian Kvapil
Erin Lachey
Bridget Lamb
Andy Lambert
Heather Lannin
Lindsay Laug
Bridget Leake
McKenna Lee
Bonny Lehmer
Jia Li
Christina Liendro
Garth Lienemann
Richard Lierman
Sheri Life
Sarah Linn
Tom Lipari
Kaili Little
Lu Liu
Anne Loethen
Scott Logan
Justin Longnecker
Michelle Lopez
Rocio Lopez
Amanda Loseke
Pam Luciano
Greg Ludvik
Megan Luebke
Katrina Lupsiakova
Adrienne Lurvey
Jamison Luther
Ken Lynch
Manasa Madabhushi
Linda Magin
Greg Makoul
Laine Makoul
Nathan Marra
Brad Martins
Austin Martz
Jake Mastera
Corey Matejka
Jamie Matthews
Bridget Matthiessen
Larry Mayer
Shannon McCann
Jennifer McCready
Jo Mcelwain
Jen McHargue
Laura McLeod
Maggie Mendoza
Simeon Menso
Jason Messerli
Amber Meyer
Lindsay Meyer
Emilio Meza
Joe Michalski
Amanda Mickle
Missy Middleton
AJ Miller
Ian Miller
Matthew Miller
Nolan Miller
Lisa Minchow
Yuri Miranda
Cami Mitelman
Kade Mohrman
Sheena Mommens
Addie Mortensen
Ken Morton
Shelly Morton
Laura Moulton
Archana Muduganti
Kathy Mummert
Ana Munoz
Chloe Murphy
Luanne Murphy
Molly Murphy
Kaitlyne Nash
Andrew Nelson
Pam Nelson
Sara Nelson
Taylor Nelson
Tristen Nelson
Taylor Neuhalfen
Emma Newcomb
James Newton
Emily Ngo
Jennifer Nguyen
Joan Niemann
Courtney Nitzel
Courtney Nore
Keshia Norris
Adam Northrup
Roxana Novoa
Oksana Nupreichyk
Bethann Oberlander
Breanna Obermier
Tim O'Brien
Laura Olinger
Drew Oliver
Levi Olson
Tony Ong
Tim Ottersburg
Shravanya Palavarapu
John Palmer
Justin Palmer
Emy Pandoff
Kayla Papazian
Caleb Parker
Cate Parrish
Shilpa Patel
Sheri Patterson
Shane Patterson
Connie Pautz
Jordan Pedersen
Heidi Peirce
Kathryn Peisert
Christa Peters
Michelle Peters
Dana Petersen
Elizabeth Phillips
Spencer Phillips
Tyler Phillips
Sara Pickrel
Abby Plybon
Joseph Vanlon
Devika Pondicherry
Bailey Pons
Elliot Presnell
Molly Preston
Taylor Price
Abby Protzman
Lin Quach
Jona Raasch
Zac Rabe
Zaidee Rada
Judy Radford
Cydnee Rand
Angie Rauner
Ashley Read
Ryan Real
Elizabeth Reid
Luisa Restrepo
Aulii Reyes
Dylan Ritchie
Samantha Roach
Karen Robertus
Andre Rodrigues Ferreira
Rachel Pollreis
Kim Ruff
Tiffany Ryck
Judd Salem
Ashley Santos
Sarah Satre
Mitchell Scheuler
Nathan Schmitz
Kelsey Schneider
Wes Schoenfelder
Rana Schreiber
Justin Schuerman
Ashley Schultz
April Schulz
Hannah Schwanebeck
Tawna Schwarz
Josh Sexson
Maggie Sexson
Mary Shaw
Evan Sheaff
Ben Shelton
Grant Shinn
Liz Shotkoski
Kenzy Showalter
Evan Shuey
Jessi Sims
John Sinco
Hannah Skiff
Ted Smidberg
Jay Smith
Shak Sobuj
Jake Sola
Drew Soukup
Linda Stacy
Carla Steadman
Amber Steffen
Andy Steffen
Jenelle Stein
DeAnn Stephan
Jake Stephens
Erin Steuben
Joel Steuben
Jackie Stevens
Stan Sticka
Lisa Stolzenburg
Abby Stonehocker
Lindsay Stoner
Ryan Stoner
Melissa Summers
Natalie Summers
Dana Svehla
Sean Swanson
Jon Tanner
Kim Taruc
Megan Taruc
Jake Tegler
Allison Thomas
Sean Thomas
Donalee Tillitt
James Tobey
Mia Tompkins
Eugene Tong
Leslie Tristan
Shayla Underwood
Fernando Urena
Ashlee Uttecht-Lierman
Marci Vander Tuig
Teresa Rodriguez
Ismael Vasquez
Mike Vaughn
Priya Visweswaran
Gunter Voelker
Mary Volkmer
Vicki Vopalensky
Kayla Wagner
Jessica Walters
Evelyn Wang
Maxia Webb
Sam Weis
Tiffany Weitzenkamp
Andie Westling
Deb Weyers
Connie White
Michele Whitehouse
Madison Whitmill
Jenny Wieseler
Karen Wilken
Holly Wilkinson
Minon Wilkinson
Tanner Wilkinson
Joshua Willey
Brinn Williams
Melissa Williams
Sara Winchell
Daniel Windham
Rob Wirth
Kendall Witt
Emilie Wohlers
Jessie Wolfe
Alissa Wood
Kelli Woods
Miranda Wotipka
Joe Xiao
Josh Yeoman
Ian York
Ilze Young
Jon Young
Anita Yu
Natalia Yunge Ossenkop
JP Zuhur

Annual Meeting

The annual meeting of shareholders will be held on May 18, at 3:00 p.m. Central Time, live via the Internet at www.virtualshareholdermeeting.com/nrc2022.

Dear Fellow Owners:

Behind each of us is a story. Stories that, when understood, can be a game-changer for patients and providers alike.

Care teams understand over 10,000 medical conditions that can impact us, yet rarely are medical professionals equally empowered to understand their patients' fears, behaviors, and preferences—the keys to opening the door and delivering better healthcare. The following is one real-life example of the powerful impact that Human Understanding™ is having on care.

> *Early in the doctor's career, he met a patient who loved to ride Harleys. Understanding how many times a week the patient had been riding became the barometer for their health. The doctor started every visit with, "How often have you been riding your Harley?" More than a couple times a week, health was good. If less, the conversation centered on what wasn't allowing them to ride and what could be done to get them back riding. Uncovering and understanding this patient's passion increasingly shaped a personalized care plan and devoted adherence.*
>
> *This doctor has spent the past years wondering, "How do I figure out what every patient's Harley is?"*

What if every caregiver really understood, personally, those whom they served? How much would each patient's health improve? Would clinician burnout be replaced by a renewed joy of practice? Would the fundamental mission of healthcare be consistently fulfilled? I encourage you to learn more how your Company, NRC Health, is impacting each of these questions by enabling health systems to deliver truly personalized care powered by Human Understanding.

Sincerely,

Michael D. Hays
CEO and Fellow Owner

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NATIONAL RESEARCH CORPORATION
D/B/A NRC Health

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held May 18, 2022

To the Shareholders of
National Research Corporation:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of National Research Corporation will be held on Wednesday, May 18, 2022, at 3:00 P.M., Central Time, via the Internet at www.virtualshareholdermeeting.com/nrc2022, for the following purposes:

1. To elect two directors to hold office until the 2025 annual meeting of shareholders and until their successors are duly elected and qualified.

2. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for 2022.

3. To conduct an advisory vote to approve the compensation of our named executive officers as disclosed in the accompanying proxy statement.

4. To consider and act upon such other business as may properly come before the meeting or any adjournment or postponement thereof.

The close of business on March 21, 2022, has been fixed as the record date for the determination of shareholders entitled to notice of, and to vote at, the meeting and any adjournment or postponement thereof.

A proxy for the meeting and a proxy statement are enclosed herewith.

By Order of the Board of Directors
NATIONAL RESEARCH CORPORATION

Kevin R. Karas
Secretary

Lincoln, Nebraska
April 7, 2022

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting To Be Held on May 18, 2022. The National Research Corporation proxy statement for the 2022 Annual Meeting of Shareholders and the 2021 Annual Report to Shareholders are available at www.proxyvote.com.

YOUR VOTE IS IMPORTANT NO MATTER HOW LARGE OR SMALL YOUR HOLDINGS MAY BE. TO ASSURE YOUR REPRESENTATION AT THE MEETING, PLEASE DATE THE ENCLOSED PROXY, WHICH IS SOLICITED BY THE BOARD OF DIRECTORS, SIGN EXACTLY AS YOUR NAME APPEARS THEREON AND RETURN IMMEDIATELY.

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NATIONAL RESEARCH CORPORATION

D/B/A NRC Health
1245 Q Street
Lincoln, Nebraska 68508

PROXY STATEMENT
FOR
ANNUAL MEETING OF SHAREHOLDERS
To Be Held May 18, 2022

This proxy statement is being furnished to shareholders by the Board of Directors (the "Board") of National Research Corporation, doing business as NRC Health ("NRC Health," the "Company," "we," "our," "us" or similar terms), beginning on or about April 7, 2022, in connection with a solicitation of proxies by the Board for use at the Annual Meeting of Shareholders to be held on Wednesday, May 18, 2022, at 3:00 P.M., Central Time, virtually via the Internet at www.virtualshareholdermeeting.com/nrc2022, and all adjournments or postponements thereof (the "Annual Meeting") for the purposes set forth in the attached Notice of Annual Meeting of Shareholders.

Execution of a proxy given in response to this solicitation will not affect a shareholder's right to vote their shares during the Annual Meeting. Participation at the Annual Meeting of a shareholder who has signed a proxy does not in itself revoke a proxy. Any shareholder giving a proxy may revoke it at any time before it is exercised by giving notice thereof to us in writing or in open meeting. Instructions on how to vote while participating in the Annual Meeting live via the Internet are posted at www.virtualshareholdermeeting.com/nrc2022.

A proxy, in the enclosed form, which is properly executed, duly returned to us and not revoked, will be voted in accordance with the instructions contained therein. The shares represented by executed but unmarked proxies will be voted as follows:

- FOR the two persons nominated for election as directors referred to herein;
- FOR the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2022;
- FOR the advisory vote to approve the compensation of the individuals named in the Summary Compensation Table set forth below in this proxy statement (such group of individuals are sometimes referred to as our named executive officers); and
- On such other business or matters which may properly come before the Annual Meeting in accordance with the best judgment of the persons named as proxies in the enclosed form of proxy.

Other than the election of two directors, the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2022, and the advisory vote to approve the compensation of our named executive officers, the Board has no knowledge of any matters to be presented for action by the shareholders at the Annual Meeting.

Only holders of record of our common stock, $.001 par value per share (the "Common Stock"), at the close of business on March 21, 2022 (the "Record Date"), are entitled to vote at the Annual Meeting. On that date, we had outstanding and entitled to vote 25,194,447 shares of Common Stock, each of which is entitled to one vote per share. The presence at the Annual Meeting, via live webcast or by proxy, of a majority of the votes entitled to be cast shall constitute a quorum for the purpose of transacting business at the Annual Meeting. Abstentions and broker non-votes will be counted as present in determining whether there is a quorum.

Information Regarding Participation in the Annual Meeting via the Internet

Due to the public health impact of the coronavirus outbreak (COVID-19) and to support the health and well-being of our associates and shareholders, we will be hosting the Annual Meeting live via the Internet. You will not be able to attend the Annual Meeting in person. Any stockholder can listen to and participate in the Annual Meeting live via the Internet at www.virtualshareholdermeeting.com/nrc2022. The Annual Meeting webcast will begin promptly at 3:00 P.M., Central Time. We encourage you to access the Annual Meeting webcast prior to the start time. Online check-in will begin, and stockholders may begin submitting written questions, at 2:45 P.M., Central Time, and you should allow ample time for the check-in procedures.

You will need the 16-digit control number included on your proxy card or voting instruction form, or included in the e-mail to you if you received the proxy materials by e-mail, in order to be able to vote your shares or submit questions during the Annual Meeting. Instructions on how to connect to the Annual Meeting and participate via the Internet, including how to demonstrate proof of stock ownership, are posted at www.virtualshareholdermeeting.com/nrc2022. If you do not have your 16-digit control number, you will be able to access and listen to the Annual Meeting but you will not be able to vote your shares or submit questions during the Annual Meeting. Our virtual meeting platform vendor will have technicians ready to assist you with any technical difficulties you may have accessing the virtual meeting or submitting questions. If you encounter any difficulties accessing the virtual meeting during the check-in or meeting time, please call the technical support number that will be posted on the Virtual Shareholder Meeting login page.

PROPOSAL NO. 1 – ELECTION OF DIRECTORS

Our Bylaws provide that the directors shall be divided into three classes, with staggered terms of three years each. At the Annual Meeting, the shareholders will elect two directors to hold office until the 2025 annual meeting of shareholders and until their successors are duly elected and qualified. Unless shareholders otherwise specify, the shares represented by the proxies received will be voted in favor of the election as directors of the two persons named as nominees herein. The Board has no reason to believe that the listed nominees will be unable or unwilling to serve as directors if elected. However, in the event that any nominee should be unable to serve or for good cause will not serve, the shares represented by proxies received will be voted for another nominee selected by the Board. Each director will be elected by a plurality of the votes cast at the Annual Meeting (assuming a quorum is present). Consequently, any shares not voted at the Annual Meeting, whether due to abstentions, broker non-votes or otherwise, will have no impact on the election of the directors. Votes will be tabulated by an inspector of elections appointed by the Board.

The following sets forth certain information, as of March 21, 2022, about the Board's nominees for election at the Annual Meeting and each director of the Company whose term will continue after the Annual Meeting.

Nominees for Election at the Annual Meeting

Terms expiring at the 2025 Annual Meeting

Donald M. Berwick, 75, has served as a director of the Company since October 2015. Dr. Berwick is the former President and Chief Executive Officer of the Institute for Healthcare Improvement, which he co-founded and led for almost 20 years, and where he now serves as President Emeritus and Senior Fellow. He is also currently a Lecturer in the Department of Health Care Policy at Harvard Medical School. From July 2010 to December 2011, Dr. Berwick served as the Administrator of the Centers for Medicare and Medicaid Services as an appointee of President Barack Obama. Dr. Berwick previously served on the faculty of the Harvard Medical School and the Harvard School of Public Health (from 1974 to 2010). He was also vice chair of the U.S. Preventive Services Task Force (from 1990 to 1995), the first "Independent Member" of the Board of Trustees of the American Hospital Association (from 1996 to 1999) and the chair of the National Advisory Council of the Agency for Healthcare Research and Quality (from 1995 to 1999). Dr. Berwick's expertise as a professional, administrator, lecturer and educator in the field of healthcare led to the conclusion that he should serve as a director of the Company.

Stephen H. Lockhart, 63, has served as a director of the Company since May 2021. Dr. Lockhart served as senior vice president and chief medical officer for Sutter Health Network, a not-for-profit system of hospitals, physician organizations, and research institutions in Northern California, from 2015 to 2021. Prior to that role, Dr. Lockhart served as Sutter Health Network's regional chief medical officer for the East Bay Region from 2010 to 2015. From 2008 to 2010, Dr. Lockhart served as the chief administrative officer at the St. Luke's campus of Sutter's California Pacific Medical Center. In 2017, Dr. Lockhart was named to California Governor Brown's Advisory Committee on Precision Medicine as part of California's effort to use advanced computing and technology to better understand, treat, and prevent disease. Dr. Lockhart serves on the board of Molina Healthcare, Inc. (NYSE: MOH), a health plan provider under Medicaid and Medicare programs and in state insurance marketplaces. Dr. Lockhart also serves on the boards of the ECRI Institute, Recreational Equipment, Inc., the David and Lucile Packard Foundation, and is chairman of Parks California – a nonprofit dedicated to supporting California's parks and public lands. Dr. Lockhart's 35 years of experience in the healthcare industry and his background as medical provider and administrator in a large healthcare system led to the conclusion that he should serve as a director of the Company.

THE BOARD RECOMMENDS THE FOREGOING NOMINEES FOR ELECTION AS DIRECTORS AND URGES EACH SHAREHOLDER TO VOTE "FOR" SUCH NOMINEES. SHARES OF THE COMPANY'S COMMON STOCK REPRESENTED BY EXECUTED BUT UNMARKED PROXIES WILL BE VOTED "FOR" SUCH NOMINEES.

Directors Continuing in Office

Term expiring at the 2023 Annual Meeting

Penny A. Wheeler, 63, has served as a director of the Company since May 2021. From 2015 to 2021, Dr. Wheeler served as the chief executive officer of Allina Health, a not-for-profit healthcare system serving over 1.5 million individuals in Minnesota and western Wisconsin. Prior to that role she served as chief clinical officer since 2006. For 20 years, Dr. Wheeler has also served as a board certified obstetrician/gynecologist where she spent considerable time interacting with, and caring for, patients and the community. In 2015, Minnesota Governor Mark Dayton appointed Dr. Wheeler to the Taskforce for Health Care Financing, and Dr. Wheeler has been named as one of the top 25 women in health care by Modern Healthcare magazine. Dr. Wheeler also serves on the board of Portico Healthnet, a not-for-profit organization dedicated to helping uninsured Minnesotans receive affordable health coverage and care, St. Thomas University, and the University of Minnesota Foundation. She is also on the Board of Cedar Cares, an organization that eases the patient billing experience through customized engagement. Dr. Wheeler's past leadership experiences in the healthcare industry led to the conclusion that she should serve as a director of the Company.

Terms expiring at the 2024 Annual Meeting

Michael D. Hays, 67, has served as Chief Executive Officer and a director since he founded the Company in 1981. He also served as President of the Company from 1981 to 2004, from July 2008 to July 2011, and from October 2020 to present. Prior to founding the Company, Mr. Hays served for seven years as a Vice President and a director of SRI Research Center, Inc. (n/k/a the Gallup Organization). Mr. Hays' background as founder of the Company, and his long and successful tenure as Chief Executive Officer and a director, led to the conclusion that he should serve as a director of the Company.

John N. Nunnelly, 69, has served as a director of the Company since December 1997. Mr. Nunnelly is a retired Group President from McKesson Corporation, a leader in pharmaceutical distribution and healthcare information technology. During his 28-year career at McKesson, Mr. Nunnelly served in a variety of other positions, including Vice President of Strategic Planning and Business Development, Vice President and General Manager of the Amherst Product Group and Vice President of Sales-Decision Support. These responsibilities included leading several business units, including one with over $360 million in annual revenue. In addition, he was involved in managing a number of mergers and acquisitions. Mr. Nunnelly has also served as an adjunct professor at the University of Massachusetts, School of Nursing, advising students and faculty on matters pertaining to healthcare information technology. These experiences and Mr. Nunnelly's expertise as a professional and educator in the field of healthcare information technology led to the conclusion that he should serve as a director of the Company.

Board Diversity Matrix

The Company is committed to diversity and inclusion, and the diverse nature of the Board reflects our commitment. The Company believes that a variety of backgrounds, experiences, perspectives, and points of view contribute to a more effective decision-making process and the Board is committed to considering diversity of race, ethnicity, gender, age, cultural background, and professional experiences in evaluating the composition of the Board. The Board Diversity Matrix below reports self-identified diversity statistics of the Board in accordance with NASDAQ rules.

Board Diversity Matrix (as of April 7, 2022)				
Total Number of Directors	5			
	Female	Male	Non-Binary	Did Not Disclose Gender
Part I: Gender Identity				
Directors	1	4	0	0
Part II: Demographic Background				
African American or Black	0	1	0	0
Alaskan Native or Native American	0	0	0	0
Asian	0	0	0	0
Hispanic or Latinx	0	0	0	0
Native Hawaiian or Pacific Islander	0	0	0	0
White	1	3	0	0
Two or More Races or Ethnicities	0	0	0	0
LGBTQ+	1			
Did Not Disclose Demographic Background	0			

CORPORATE GOVERNANCE

Independent Directors and Annual Meeting Attendance

Of the five directors currently serving on the Board, the Board has determined that Donald M. Berwick, John N. Nunnelly, Stephen H. Lockhart, and Penny A. Wheeler are "independent directors" as that term is defined in the listing standards of The NASDAQ Stock Market.

Directors are typically expected to attend our annual meeting of shareholders each year. For the 2022 Annual Meeting, such attendance will be through the Internet via live webcast. Each of the directors attended our 2021 annual meeting of shareholders.

Currently, we do not have a chairman, and the Board does not have a policy on whether the roles of chief executive officer and chairman should be separate. The Board has, however, designated a lead director since 2007, with Mr. Nunnelly serving as the lead director since May 2012. The Board believes its current leadership structure is appropriate at this time since it establishes our chief executive officer as the primary executive leader with one vision and eliminates ambiguity as to who has primary responsibility for our performance.

The lead director is an independent director who is appointed by the independent directors and who works closely with the chief executive officer. In addition to serving as the principal liaison between the independent directors and the chief executive officer in matters relating to the Board as a whole, the primary responsibilities of the lead director are as follows:

- Preside at all meetings of the Board at which the chief executive officer is not present, including any executive sessions of the independent directors, and establish agendas for such executive sessions in consultation with the other directors and the chief executive officer;

- Advise the chief executive officer as to the quality, quantity, and timeliness of the flow of information from management that is necessary for the independent directors to effectively perform their duties;

- Have the authority to call meetings of the independent directors as appropriate; and
- Be available to act as the spokesperson for the Company if the chief executive officer is unable to act as the spokesperson.

Committees

The Board held sixteen meetings in 2021. All incumbent directors attended at least 75% of the meetings of the Board and the committees on which they served during 2021.

The Board has a standing Audit Committee, Compensation and Talent Committee, Nominating Committee and Strategic Planning Committee. Each of these committees has the responsibilities set forth in formal written charters adopted by the Board. We make available copies of each of these charters free of charge on our website located at www.nrchealth.com/our-purpose/investor-relations/corporate-governance/. Other than the text of the charters, we are not including the information contained on or available through our website as a part of, or incorporating such information by reference into, this proxy statement.

The Audit Committee's primary function is to assist the Board in fulfilling its oversight responsibilities by overseeing our systems of internal controls regarding finance, accounting, legal compliance and ethics that management and the Board have established; our accounting and financial reporting processes; and the audits of our financial statements. The Audit Committee presently consists of John N. Nunnelly (Chairperson), Penny A. Wheeler, and Donald M. Berwick, each of whom meets the independence standards of The NASDAQ Stock Market and the Securities and Exchange Commission for audit committee members. The Board has determined that John N. Nunnelly qualifies as an "audit committee financial expert," as Mr. Nunnelly (i) meets the Audit Committee member independence criteria under applicable SEC rules, (ii) is independent, as independence for Audit Committee members is defined under applicable NASDAQ listing standards, and (iii) has sufficient knowledge, experience and sophistication in financial and auditing matters under relevant SEC and NASDAQ rules. The Audit Committee held six meetings in 2021.

The Compensation and Talent Committee determines compensation programs for our executive officers, reviews management's recommendations as to the compensation to be paid to other key personnel and administers our equity-based compensation plans. The Compensation and Talent Committee presently consists of Donald M. Berwick (Co-Chairperson), Stephen H. Lockhart (Co-Chairperson), and John N. Nunnelly, each of whom meets the independence standards of The NASDAQ Stock Market and the Securities and Exchange Commission for compensation committee members. The Compensation and Talent Committee held three meetings in 2021. From time to time, with the last time being in 2015, the Compensation and Talent Committee or our management has engaged a nationally recognized compensation consultant to assist us in our review of our compensation and benefits programs, including the competitiveness of pay levels, executive compensation design issues, market trends and technical considerations. The Compensation and Talent Committee, however, did not use this information in setting the compensation of our executive officers in 2021.

The Nominating Committee presently consists of Donald M. Berwick (Chairperson), Stephen H. Lockhart, Penny A. Wheeler, and John N. Nunnelly, each of whom meets the independence standards of The NASDAQ Stock Market for nominating committee members. The Nominating Committee's primary functions are to: (1) recommend persons to be selected by the Board as nominees for election as directors and (2) recommend persons to be elected to fill any vacancies on the Board. The Nominating Committee held one meeting in 2021.

The Strategic Planning Committee assists the Board in reviewing and, as necessary, altering, our strategic plan, reviewing industry trends and their effects, if any, on us and assessing our products, services and offerings and the viability of such portfolio in meeting the needs of the markets that we serve. John N. Nunnelly (Chairperson), Donald M. Berwick, Stephen H. Lockhart, and Penny A.

Wheeler are the current members of the Strategic Planning Committee. The Strategic Planning Committee did not hold any meetings in 2021.

Board Oversight of Risk

The full Board is responsible for the oversight of our operational and strategic risk management process. The Board relies on its Audit Committee to address significant financial risk exposures facing us and the steps management has taken to monitor, control and report such exposures, with appropriate reporting of these risks to be made to the full Board. The Board relies on its Compensation and Talent Committee to address significant risk exposures facing us with respect to compensation, with appropriate reporting of these risks to be made to the full Board. The Board's role in our risk oversight has not affected the Board's leadership structure.

Majority Vote Policy

As a matter of robust and effective corporate governance, our Bylaws require that for directors to be elected (or reelected) to serve on the Company's Board, in an uncontested election, they must receive support from holders of a majority of shares voted. Pursuant to our Bylaws, if a director does not receive at least a majority of the votes cast in an uncontested election, such director is required to submit his or her offer of resignation for consideration by the Board. Following submission of such offer of resignation and within sixty days following certification of the stockholder's vote, the Nominating Committee shall recommend to the Board the action to be taken with respect to such offer of resignation. In determining whether or not to recommend that the Board accept a resignation offer, the Nominating Committee may consider all factors believed to be relevant by the Committee's members, including without limitation: (1) any stated reasons for the director not receiving the required majority vote and whether the underlying cause or causes are curable; (2) the factors, if any, set forth in the guidelines or other policies that are to be considered by the Nominating Committee in evaluating potential candidates for the Board as such factors relate to each director who has so offered his or her resignation; (3) the length of service of such director, (4) the effect of such resignation on the Company's compliance with any law, rule, regulation, stock exchange listing standards, or contractual obligations, (5) such director's contributions to the Company, and (6) any other factors that the Nominating Committee believes are in the best interest of the Company. Following submission of the Nominating Committee's recommendation and within ninety days of certification of the stockholder's vote, the Board shall act on the Nominating Committee's recommendation and publicly disclose their decision and reasons therefor. In determining whether or not to accept any resignation offer, the Board shall take into account the factors considered by the Nominating Committee and any additional information and factors the Board believes relevant.

Proxy Access

In accordance with our Bylaws, eligible stockholders who have continuously owned at least 3% of our outstanding Common Stock for at least the three immediately preceding years may submit director nominees for inclusion in our proxy materials. Up to 20 eligible stockholders may aggregate their holdings together to reach the 3% ownership threshold. The number of director nominees nominated by an eligible stockholder or a group of eligible stockholders may not be more than 20% of the total number of directors of the Company, but not less than two. Notice of nominations must be received no earlier than 150 days and no later than 120 days prior to the anniversary of the date the Company mailed its proxy for the immediately preceding annual meeting of stockholders, provided that if the current year's annual meeting is not scheduled to be held within a period that commences 30 days before the anniversary date of the immediately preceding annual meeting of stockholders and ending within 30 days after such anniversary, notice of nominations must be given by the later of the close of business on the date which is 180 days prior to the date of the current year's annual meeting or the 10^{th} day following the date the current year's annual meeting is first publicly announced or disclosed.

Nominations of Directors

The Nominating Committee will consider persons recommended by shareholders to become nominees for election as directors. Recommendations for consideration by the Nominating Committee should be sent to the Secretary of the Company in writing together with appropriate biographical information concerning each proposed nominee. Our Bylaws also set forth certain requirements for shareholders wishing to nominate director candidates directly for consideration by the shareholders. With respect to an election of directors to be held at an annual meeting, a shareholder must, among other things, give notice of intent to make such a nomination to the Secretary of the Company not less than 60 days or more than 90 days prior to the second Wednesday in the month of April. In the event, however, that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from the second Wednesday in the month of April, in order to be timely notice by the shareholder must be received not earlier than the 90th day prior to the date of such annual meeting and not later than the close of business on the later of (i) the 60th day prior to such annual meeting and (ii) the 10th day following the day on which public announcement of the date of such meeting is first made.

In identifying and evaluating nominees for director, the Nominating Committee seeks to ensure that the Board possesses, in the aggregate, the strategic, managerial and financial skills and experience necessary to fulfill its duties and to achieve its objectives, and seeks to ensure that the Board is comprised of directors who have broad and diverse backgrounds, possessing knowledge in areas that are of importance to us. The Nominating Committee looks at each nominee on a case-by-case basis regardless of who recommended the nominee. In looking at the qualifications of each candidate to determine if their election would further the goals described above, the Nominating Committee takes into account all factors it considers appropriate, which may include strength of character, mature judgment, career specialization, relevant technical skills or financial acumen, diversity of viewpoint and industry knowledge. In addition, the Board and the Nominating Committee believe that the following specific qualities and skills are necessary for all directors to possess:

- A director must display high personal and professional ethics, integrity and values.
- A director must have the ability to exercise sound business judgment.
- A director must be accomplished in his or her respective field, with broad experience at the administrative and/or policy-making level in business, government, education, technology or public interest.
- A director must have relevant expertise and experience, and be able to offer advice and guidance based on that expertise and experience.
- A director must be independent of any particular constituency, be able to represent all shareholders of the Company and be committed to enhancing long-term shareholder value.
- A director must have sufficient time available to devote to activities of the Board and to enhance his or her knowledge of the Company's business.

The Board also believes the following qualities or skills are necessary for one or more directors to possess:

- At least one independent director must have the requisite experience and expertise to be designated as an "audit committee financial expert," as defined by applicable rules of the Securities and Exchange Commission, and have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the member's financial sophistication, as required by the rules of NASDAQ.

- One or more of the directors generally must be active or former executive officers of public or private companies or leaders of major complex organizations, including commercial, scientific, government, educational and other similar institutions.

As noted above, in identifying and evaluating nominees for director, the Nominating Committee seeks to ensure that, among other things, the Board is comprised of directors who have broad and diverse backgrounds, because the Board believes that directors should be selected so that the Board is a diverse body. The Nominating Committee implements this policy by considering how potential directors' backgrounds would contribute to the diversity of the Board. As part of its annual self-evaluation, the Nominating Committee assesses the effectiveness of its efforts to attain diversity by considering whether it has an appropriate process for identifying and selecting director candidates.

Compensation Committee Interlocks and Insider Participation

Mr. Nunnelly, Mr. Lockhart, Mr. Berwick, and JoAnn M. Martin, our former director, served on the Compensation and Talent Committee during 2021. None of such individuals were our officers or employees at any time during 2021 or as of the date of this Proxy Statement, nor was any such individual a former officer of the Company. In 2021, no member of our Compensation and Talent Committee had any relationship or transaction with us that would require disclosure as a "related person transaction" under Item 404 of Securities and Exchange Commission Regulation S-K in this Proxy Statement under the section entitled *Transactions with Related Persons*.

During 2021, none of our executive officers served as a member of the board of directors or compensation committee (or other board committee performing equivalent functions) of another entity, one of whose executive officers served on our Compensation and Talent Committee. Additionally, during 2021, none of our executive officers served as a member of the compensation committee (or other board committee performing equivalent functions) of another entity, one of whose executive officers served as a member of our Board or Compensation and Talent Committee.

Transactions with Related Persons

Except as otherwise disclosed in this section, we had no related person transactions during 2021, and none are currently proposed, in which we were a participant and in which any related person had a direct or indirect material interest. Our Board has adopted written policies and procedures regarding related person transactions. For purposes of these policies and procedures:

- A "related person" means any of our directors, executive officers, nominees for director, any holder of 5% or more of the common stock or any of their immediate family members; and

- A "related person transaction" generally is a transaction (including any indebtedness or a guarantee of indebtedness) in which we were or are to be a participant and the amount involved exceeds $120,000, and in which a related person had or will have a direct or indirect material interest.

Each of our executive officers, directors or nominees for director is required to disclose to the Audit Committee certain information relating to related person transactions for review, approval or ratification by the Audit Committee. Disclosure to the Audit Committee should occur before, if possible, or as soon as practicable after the related person transaction is effected, but in any event as soon as practicable after the executive officer, director or nominee for director becomes aware of the related person transaction. The Audit Committee's decision whether or not to approve or ratify a related person transaction is to be made in light of the Audit Committee's determination that consummation of the transaction is not or was not contrary to our best interests. Any related person transaction must be disclosed to the full Board.

Ms. Wheeler, our director since May 2021, served as chief executive officer of Allina Health in 2021, a not-for-profit healthcare system. In connection with its routine business operations, Allina Health purchases certain of our products and services. Total revenue we earned from Allina Health for the year ended December 31, 2021 approximated $1.7 million. These transactions were conducted at arms' length and approved by the Audit Committee pursuant to our related person transaction policies and procedures.

Communications with the Board of Directors

Shareholders may communicate with the Board by writing to NRC Health, Board of Directors (or, at the shareholder's option, to a specific director), c/o Kevin R. Karas, Secretary, 1245 Q Street, Lincoln, Nebraska 68508. The Secretary will ensure that the communication is delivered to the Board or the specified director, as the case may be.

Information About Our Executive Officers

Set forth below is certain information regarding our current executive officers (other than our CEO and President, Mr. Hays, for whom information is set forth above under *Directors Continuing in Office*).

Kevin R. Karas, 64, has served as our Chief Financial Officer, Treasurer and Secretary since September 2011, and as Senior Vice President Finance since he joined us in December 2010. From 2005 to 2010, he served as Vice President of Finance for Lifetouch Portrait Studios, Inc., a national retail photography company. Mr. Karas also previously served as Chief Financial Officer at CARSTAR, Inc., an automobile collision repair franchise business, from 2000 to 2005, Chief Financial Officer at Rehab Designs of America, Inc., a provider of orthotic and prosthetic services, from 1993 to 2000, and as a regional Vice President of Finance and Vice President of Operations at Novacare, Inc., a provider of physical rehabilitation services, from 1988 to 1993. He began his career as a Certified Public Accountant at Ernst & Young.

Jona S. Raasch, 63, has served as our Chief Operating Officer from 1988 to 2011 and from 2014 to present. She has also served as Chief Executive Officer of the Governance Institute, one of our divisions, since May 2006.

Helen L. Hrdy, 57, has served as our Chief Growth Officer since January 2020. Prior to that position Ms. Hrdy served as our Senior Vice President, Customer Success, from January 2012 to January 2020. Prior to this Ms. Hrdy held various positions of increasing responsibility with the Company since 2000.

Our executive officers are elected by and serve at the discretion of the Board. There are no family relationships between any of our directors or executive officers. There are no arrangements or understandings between any of our executive officers and any other person pursuant to which any of our executive officers was or is to be selected as an officer.

Employee, Officer and Director Hedging

We do not have practices or policies regarding the ability of employees (including officers) or directors of the Company, or any of their designees, to purchase financial instruments, or otherwise engage in transactions, that hedge or offset, or are designed to hedge or offset, any decrease in the market value of our equity securities. Our officers and Named Executive Officers have not historically engaged in any such hedging transactions and as of the Record Date none of our officers or Named Executive Officers were party to any such hedging transactions.

2021 DIRECTOR COMPENSATION

Directors who are executive officers of the Company receive no compensation for service as members of either the Board or committees thereof. Directors who are not executive officers of the Company receive an annual fixed fee of $75,000 for the lead director and $50,000 for each other director. Directors are also reimbursed for out-of-pocket expenses associated with attending meetings of the Board and committees thereof. Mr. Nunnelly has served as our lead director since May 2012.

Pursuant to the National Research Corporation 2004 Non-Employee Director Stock Plan, as amended (the "Director Plan"), each director who is not an associate (i.e., employee) of the Company also receives an annual grant of an option to purchase shares of our Common Stock on the date of each Annual Meeting of Shareholders. For the period from January 1, 2021 to December 31, 2021, each director continuing in office who was not an associate of the Company received a grant of options to purchase shares of our Common Stock with a target grant date fair value of approximately $100,000, rounded to the nearest whole share and computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation-Stock Compensation ("FASB ASC Topic 718"), or successor rule, on the date of our 2021 annual meeting of shareholders. The options were granted with an exercise price equal to the fair market value of our common stock on the date of grant, and are scheduled to vest the day immediately preceding the Annual Meeting.

On May 18, 2021 as a discretionary award pursuant to the Director Plan and in connection with their appointment to the Board, the Board granted Mr. Lockhart and Ms. Wheeler each nonqualified stock options with a grant date fair value of approximately $100,000, rounded to the nearest whole share and computed in accordance with FASB ASC Topic 718. The options become exercisable on May 18, 2022 and expire on May 18, 2031. The grants were made to compensate Mr. Lockhart and Ms. Wheeler for agreeing to serve and their future service on the Board and to further align the interests, perspectives and decision-making of our Board with the interests of our shareholders. While the grants were discretionary, it has been the Company's practice to make such grants to newly appointed directors to assure our Board can recruit and retain the best personnel.

On May 6, 2021, Mr. Nunnelly had 22,837 options for shares our common stock granted in 2011, with an exercise price of $9.74 (the "2011 Options"), expire during the Company's trading blackout period. Mr. Nunnelly intended to exercise the 2011 Options and sell such resulting shares, however, the Company, contrary to past practice, failed to inform Mr. Nunnelly of the impending expiration of the 2011 Options prior to commencement of the blackout period. Our trading policy prevents officers and directors from purchasing and selling shares of our common stock during a blackout period, and as a result, Mr. Nunnelly was unable to exercise the 2011 Options prior to their expiration.

On June 25, 2021, pursuant to a recommendation from the Compensation and Talent Committee, the Board approved a one-time cash award to Mr. Nunnelly of $872,830.14 to provide compensation for the net amount Mr. Nunnelly would have received had the 2011 Options been exercised on their expiration date on a "net exercise" basis (i.e., the value of the net number of shares Mr. Nunnelly would have received had he sold or forfeited shares to pay for the exercise price of the options). Before making the award the Board considered that the 2011 Options were intended to compensate Mr. Nunnelly for his service on the Board, Mr. Nunnelly served for the entire ten-year option period, extenuating circumstances existed at the option expiration date, and that the Company's compensation programs are below the median of peer companies. Further, the Director Plan places strict limits on the terms of option grants to directors, which precluded granting similar replacement options or amending the 2011 Options. The Board therefore decided it was in the best interests of the Company and its shareholders to ensure Mr. Nunnelly was properly compensated by making the above noted cash payment to Mr. Nunnelly.

Because the 2011 Options expired unexercised after the grant was made, the 22,837 shares of Common Stock underlying the 2011 Options would have remained available for issuance under the Director Plan. However, since Mr. Nunnelly was compensated with cash in lieu of stock for the 2011 Options, the Board adopted a resolution in which it voluntarily determined it would not issue 22,837 shares that would otherwise be available for issuance under the Director Plan. This determination is intended to prevent the directors from being indirectly compensated for equity grants with an aggregate number of shares that exceeds the amount approved by our stockholders.

The following table sets forth information regarding the compensation received by each of our directors during 2021:

Name	Fees Earned or Paid in Cash	Option Awards[1]	Total
Donald M. Berwick	$ 50,000	$ 100,005	$ 150,005
Stephen H. Lockhart	$ 31,233	$ 200,016[2]	$ 231,249
JoAnn M. Martin	$ 40,278	$ 100,005	$ 140,283
John N. Nunnelly	$947,830[3]	$ 100,005	$ 1,047,835
Penny A. Wheeler	$ 31,233	$ 200,016[2]	$ 231,249

(1) Represents the aggregate grant date fair value of option awards granted during the year, computed in accordance with FASB ASC Topic 718. See Note 9 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the years ended December 31, 2021, December 31, 2020, and December 31, 2019, for a discussion of assumptions made in the valuation of share-based compensation. As of December 31, 2021, the outstanding option awards for each director were as follows: Dr. Berwick – 21,289 options; Mr. Lockhart – 14,111 options; Ms. Martin – 67,729 options; Mr. Nunnelly – 34,127 options; and Ms. Wheeler – 14,111 options.
(2) Includes a one-time discretionary option award granted to Mr. Lockhart and Ms. Wheeler upon their becoming members of the Board.
(3) Includes a one-time cash award of $872,830.14, as described above.

REPORT OF THE AUDIT COMMITTEE

In accordance with its written charter, the Audit Committee's primary function is to assist the Board in fulfilling its oversight responsibilities by overseeing the Company's systems of internal controls regarding finance, accounting, legal compliance and ethics that management and the Board have established; the Company's accounting and financial reporting processes; and the audits of the financial statements of the Company.

In fulfilling its responsibilities, the Audit Committee has reviewed and discussed the audited financial statements contained in the 2021 Annual Report on Form 10-K with the Company's management and independent registered public accounting firm. Management is responsible for the financial statements and the reporting process, including the system of internal controls. The independent registered public accounting firm is responsible for expressing an opinion on the audited financial statements in conformity with U.S. generally accepted accounting principles and on the Company's internal control over financial reporting.

The Audit Committee discussed with the independent registered public accounting firm matters required to be discussed under the applicable requirements of the Public Company Accounting Oversight Board regarding communications with audit committees. In addition, the Company's independent registered public accounting firm provided to the Audit Committee the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and the Audit Committee discussed with the independent registered public accounting firm the firm's independence. The Audit Committee pre-approves all audit and permissible non-audit services provided by the independent registered public accounting firm. The Audit Committee has considered whether the provision of the services relating to the *Audit-Related Fees*, *Tax Fees* and *All Other Fees* set forth in "Miscellaneous – Independent Registered Public Accounting Firm" was compatible with maintaining the independence of the independent registered public accounting firm and determined that such services did not adversely affect the independence of the firm.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board (and the Board has approved) that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021, for filing with the Securities and Exchange Commission.

This report shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, and shall not otherwise be deemed filed under such Acts.

AUDIT COMMITTEE

John N. Nunnelly, Chairperson
Donald M. Berwick
Penny A. Wheeler

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding the beneficial ownership of Common Stock as of the Record Date (i.e., March 21, 2022) by: (1) each director and director nominee; (2) each of the executive officers named in the Summary Compensation Table; (3) all of the directors, director nominees and executive officers as a group; and (4) each person or entity known to the Company to be the beneficial owner of more than 5% of the Common Stock. Except as otherwise indicated in the footnotes, each of the holders listed below has sole voting and investment power over the shares beneficially owned. As of the Record Date, there were 25,194,447 shares of Common Stock outstanding.

	Shares Beneficially Owned	
Name of Beneficial Owner	**Shares**	**%** (1)
Directors and Executive Officers (2)		
Michael D. Hays	176,676(3)(4)	*
Kevin R. Karas	54,482(4)(5)	*
Jona S. Raasch	113,343(4)(6)	*
Helen L. Hrdy	64,381(4)	*
Donald M. Berwick	21,289(4)	*
John N. Nunnelly	61,021(4)	*
Stephen H. Lockhart	14,111(4)	*
Penny A. Wheeler	14,111(4)	*
All directors, nominees and executive officers as a group (eight persons)	519,414(4)	2.0%
Other Holders		
Amandla MK Trust and Patrick E. Beans, as the Special Holdings Direction Advisor under this Trust (7)	5,954,258	23.6%
Common Property Trust, Common Property Trust LLC and Thomas Richardson, as Trustee of Common Property Trust and Manager of Common Property Trust LLC(8)	4,772,522	18.9%
Kayne Anderson Rudnick Investment Management LLC (9)	3,316,072	13.2%

* Denotes less than 1%.

(1) In accordance with applicable rules under the Securities Exchange Act of 1934, as amended, the number of shares indicated as beneficially owned by a person includes shares of common stock and shares underlying options that are currently exercisable or will be exercisable within 60 days of March 21, 2022. Shares of common stock underlying stock options that are currently exercisable or will be exercisable within 60 days of March 21, 2022 are deemed to be outstanding for purposes of computing the percentage ownership of the person holding such options, but are not deemed outstanding for purposes of computing the percentage ownership of any other person.

(2) The address of all directors and officers is 1245 Q Street, Lincoln, Nebraska 68508.

(3) Includes 102,095 shares of Common Stock held by Mr. Hays' wife. Mr. Hays disclaims beneficial ownership of the shares held by his wife.

(4) Includes shares of Common Stock that may be purchased under stock options which are currently exercisable or exercisable within 60 days of March 21, 2022, as follows: Mr. Hays, 40,479 shares; Mr. Karas, 37,186 shares; Ms. Raasch, 62,724 shares; Ms. Hrdy, 24,965 shares; Dr. Berwick, 21,289 shares; Mr. Nunnelly, 34,127 shares; Dr. Lockhart, 14,111 shares; Dr. Wheeler, 14,111 shares; and all directors, nominees and executive officers as a group, 248,992 shares.

(5) Includes 17,296 shares of Common Stock pledged as security.

(6) Includes 50,619 shares of Common Stock held indirectly through a trust.

(7) The trustee of this Trust is The Bryn Mawr Trust Company of Delaware and its address is 20 Montchanin Road, Suite 100, Greenville, Delaware 19807. The address of the Special Holdings Direction Advisor for this Trust is 709 Pier 2, Lincoln, Nebraska 68528.

(8) The address for the Common Property Trust and Common Property Trust LLC is 4535 Normal Boulevard, Suite 195, Lincoln, Nebraska 68506. The trustee of Common Property Trust and the manager of Common Property Trust LLC is Thomas Richardson. Mr. Richardson's address is 601 Massachusetts Avenue, NW, Washington, D.C. 20001.

(9) The number of shares owned set forth above in the table is as of or about December 31, 2021 as reported by Kayne Anderson Rudnick Investment Management LLC ("Kayne Anderson") in its amended Schedule 13G filed with the Securities and Exchange Commission. The address for Kayne Anderson is 1800 Avenue of the Stars, 2nd Floor, Los Angeles, California 90067. Kayne Anderson reports sole voting power with respect to 551,053 of these shares; sole dispositive power with respect to 619,885 of these shares; and shared voting and dispositive power with respect to 2,696,217 of these shares. The amended Schedule 13G further provides that the shares noted as beneficially owned by Kayne Anderson include: (i) 2,696,217 shares beneficially owned by Virtus Investment Advisers, Inc., One Financial Plaza, Hartford, Connecticut 06103, for which such person has shared voting and dispositive power, and (ii) 2,409,518 shares beneficially owned by Virtus Equity Trust, on behalf of Virtus KAR Small Cap Growth Fund, 101 Munson Street, Greenfield, Massachusetts 01301, for which such person has shared voting and dispositive power.

DELINQUENT SECTION 16(A) REPORTS

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and any owner of greater than 10% of our Common Stock to file reports with the Securities and Exchange Commission concerning their ownership of our Common Stock. Based solely upon information provided to us by individual directors and executive officers, we believe that, during the fiscal year ended December 31, 2021, all of our directors and executive officers and owners of greater than 10% of our Common Stock complied with the Section 16(a) filing requirements, except that Mr. Karas did not timely file that certain Form 4, filed March 25, 2021.

PROPOSAL NO. 2 – RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed KPMG LLP to serve as our independent registered public accounting firm for the year ending December 31, 2022.

We are asking our shareholders to ratify the appointment of KPMG LLP as our independent registered public accounting firm. Although ratification is not required, our Board is submitting the appointment of KPMG LLP to our shareholders for ratification because we value our shareholders' views on our independent auditors and as a matter of good corporate practice. In the event that our shareholders fail to ratify the appointment, the Audit Committee will consider it as a direction to consider the appointment of a different firm. Even if the appointment is ratified, the Audit Committee in its discretion may select a different independent auditor at any time if it determines that such a change would be in the best interests of the Company and our shareholders.

Representatives of KPMG LLP are expected to participate in the Annual Meeting via the live webcast with the opportunity to make a statement if they so desire. Such representatives are also expected to be available to respond to appropriate questions.

Assuming a quorum is present at the Annual Meeting, the number of votes cast for the ratification of the Audit Committee's appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2022 must exceed the number of votes cast against it. Abstentions and broker non-votes will be counted as present in determining whether there is a quorum; however, they will not constitute a vote "for" or "against" ratification and will be disregarded in the calculation of votes cast. A broker non-vote occurs when a broker submits a proxy card with respect to shares that the broker holds on behalf of another person but declines to vote on a particular matter, either because the broker elects not to exercise its discretionary authority to vote on the matter or does not have authority to vote on the matter.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM. SHARES OF THE COMPANY'S COMMON STOCK REPRESENTED BY EXECUTED BUT UNMARKED PROXIES WILL BE VOTED "FOR" RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

COMPENSATION DISCUSSION AND ANALYSIS

The following discussion and analysis relates to the compensation of the individuals named in the Summary Compensation Table, a group we refer to as our "named executive officers." In this discussion, the terms "we," "our," "us" or similar terms refer to the Company.

Overview of Executive Compensation Philosophy

Key features of our compensation program include the following:

- ✓ Conservative pay policy with total named executive officer and director compensation positioned below the median
- ✓ Direct link between pay and performance that aligns business strategies with stockholder value creation
- ✓ Annual say-on-pay votes
- ✓ No tax gross-ups
- ✓ No excessive perquisites for executives
- ✓ No change of control or severance obligations to named executive officers, including no accelerated vesting of equity awards upon a change of control
- ✓ No re-pricing or back-dating of stock options or similar awards
- ✓ Appropriate balance between short- and long-term compensation that discourages short-term risk taking at the expense of long-term results
- ✓ Five year cliff vesting period for executive option grants

We recognize the importance of maintaining sound principles for the development and administration of our executive compensation and benefit programs. Specifically, we design our executive compensation and benefit programs to advance the following core principles:

- <u>Competitive Pay for Our Market</u>. We strive to compensate our executive officers at levels to ensure that we continue to attract and retain a highly competent, committed management team. Our Midwest headquarters provides a low cost of living that allows us to provide compensation that accomplishes this goal while keeping total compensation below that of many similar companies.

- <u>Align with Shareholders</u>. We seek to align the interests, perspectives and decision-making of our executive officers with the interests of our shareholders.

- <u>Incentivize Performance</u>. We link our executive officers' compensation, particularly annual cash bonuses, to our established financial performance goals.

We believe that a focus on these principles will benefit us and, ultimately, our shareholders in the long term by ensuring that we can attract and retain highly-qualified executive officers who are committed to our long-term success.

Role of the Compensation and Talent Committee

The Board appoints the Compensation and Talent Committee (the "Committee"), which consists entirely of directors who are "non-employee directors" for purposes of the Securities Exchange Act of 1934. The following individuals are members of the Committee:

- Donald M. Berwick (Co-Chairperson)

- Stephen H. Lockhart (Co-Chairperson)

- John N. Nunnelly

The Committee is responsible for discharging the Board's responsibilities with respect to all significant aspects of our compensation policies, programs and plans, and accordingly the Committee determines compensation programs for our executive officers or recommends such programs to the full Board for approval. The Committee also reviews management's recommendations as to the compensation to be paid to other key personnel and administers our equity-based compensation plans. Periodically, the Committee reviews and determines our compensation and benefit programs, with the objective of ensuring the executive compensation and benefits programs are consistent with our compensation philosophy. The Committee has authority to carry out the foregoing responsibilities under its charter and may delegate such authority to subcommittees of the Committee. From time to time, the Committee or management has engaged a nationally recognized compensation consultant to conduct a benchmarking study of executive compensation levels and practices. This market information has, in the past, been used to help inform and shape decisions, but was (and is) neither the only nor the determinative factor in making compensation decisions.

At the time our Committee recommended, and our Board approved, our named executive officers' 2021 compensation, our most recent review of our compensation and benefit programs was in late 2015, when our Committee engaged Aon Hewitt to review our programs before determining compensation for 2016. In determining compensation levels for our named executive officers in 2021, our Committee did not engage Aon Hewitt or any other compensation consultant to provide advice concerning executive officer compensation.

One objective of the Committee in setting compensation for our executive officers, other than our Chief Executive Officer, is to establish base salary at a level that will attract and retain highly-qualified individuals. The Committee's considerations in setting our Chief Executive Officer's base salary are described below. For our executive officers other than our Chief Executive Officer, we also consider individual performance, level of responsibility, skills and experience, and internal comparisons among executive officers in determining base salary levels.

The Committee administers our annual cash incentive program and long-term equity incentive plans and approves all awards made under the program and plans. For annual and long-term incentives, the Committee considers internal comparisons and other existing compensation awards or arrangements in making compensation decisions and recommendations. In its decision-making process, the Committee receives and considers the recommendations of our Chief Executive Officer as to executive compensation programs for all of the other officers. In its decision-making process for the long-term incentives for our executive officers, the Committee considers relevant factors, including our performance and relative shareholder return and the awards given to the executive officer in past years. The Committee makes its decisions regarding general program adjustments to future base salaries, annual incentives and long-term incentives concurrently with its assessment of the executive officers' performance. Adjustments generally become effective in January of each year.

In fulfilling its objectives as described above, the Committee took the following steps in determining 2021 compensation levels for our named executive officers:

- Considered the performance of our Chief Executive Officer and determined his total compensation;

- Considered the performance of our other executive officers and other key associates (i.e., employees) with assistance from our Chief Executive Officer; and

- Determined total compensation for our named executive officers based on recommendations by our Chief Executive Officer (as to the other officers) and the Committee's consideration of the Company's and the individual officer's performance.

2021 Say on Pay Vote

In June 2021 (after the 2021 executive compensation actions described in this Compensation Discussion and Analysis had taken place), we held our annual advisory shareholder vote on the compensation of our named executive officers at our annual shareholders' meeting, and, consistent with the recommendation of the Board, our shareholders approved our executive compensation, with more than 99% of votes cast in favor. Consistent with this strong vote of shareholder approval, we have not undertaken any material changes to our executive compensation programs.

Total Compensation

We intend to continue our strategy of compensating our executive officers through programs that emphasize performance-based incentive compensation in the form of cash and equity-based awards. To that end, we have structured total executive compensation to ensure that there is an appropriate balance between a focus on our long-term versus short-term performance. We believe that the total compensation paid or awarded to the executive officers during 2021 was consistent with our financial performance and the individual performance of each of our executive officers. We also believe that this total compensation was reasonable in its totality and is consistent with our compensation philosophies described above.

CEO Compensation

The Committee reviews annually the salary and total compensation levels of Michael D. Hays, our Chief Executive Officer. While Mr. Hays' salary and overall compensation are significantly below the median level paid to chief executive officers of comparable companies, he requested that his base salary and targeted overall compensation remain unchanged. The Committee has not proposed an increase in his salary or overall compensation since 2005.

Elements of Compensation

Base Salary

The objective of the Committee is to establish base salary, when aligned with performance incentives, to continue to attract and retain the best talent (with the exception of Mr. Hays' salary as noted above). We have historically attempted to minimize base salary increases in order to limit our executive compensation expense if we do not meet our objectives for financial growth under our incentive compensation program.

Consistent with this practice, the Committee left base salaries unchanged in 2021 for Mr. Hays, Mr. Karas, Ms. Raasch and Ms. Hrdy, maintaining the salary levels in place since 2016 for all named executive officers with the exception of Ms. Hrdy, whose salary level has been unchanged since her appointment as Chief Growth Officer in 2020. In the case of Mr. Hays, the decision was based on his request, described above, that his salary not be increased. In the case of the other named executive officers, the decision was based on our performance and the belief that such named executive officer's salaries were at an appropriate level to retain their talent.

Base salaries paid to our named executive officers represented the following percentages of their total compensation (as calculated for purposes of the Summary Compensation Table).

Base Salary as a Percentage of Total Compensation	
Michael D. Hays	59%
Kevin R. Karas	59%
Jona S. Raasch	59%
Helen L. Hrdy	59%

Annual Cash Incentive

Our executive officers are eligible for annual cash incentive awards under our incentive compensation program. Please note that, while we may refer to annual cash incentive awards as bonuses in this discussion, the award amounts are reported in the Summary Compensation Table under the column titled "Non-Equity Incentive Plan Compensation" pursuant to the Securities and Exchange Commission's regulations.

We intend for our incentive compensation program to provide an incentive to meet and exceed our financial goals, and to promote a superior level of performance. Within the overall context of our pay philosophy and culture, the program:

- Provides total cash compensation to attract and retain key executive talent;
- Aligns pay with organizational performance;
- Focuses executive attention on key business metrics; and
- Provides a significant incentive for achieving and exceeding performance goals.

Under our incentive compensation program, the Committee establishes performance measures for our named executive officers at the beginning of each year. For 2021, the Committee used our overall revenue and net income as performance measures because the Committee believes these are key measures of our ability to deliver value to our shareholders for which our named executive officers have primary responsibility. The Committee weighted the two performance measures equally in determining bonus payouts. The Committee structured the incentive compensation program so that our named executive officers would receive a bonus based on the percentage of growth in overall revenue and net income in 2021 over 2020, starting from "dollar one" of such growth. Consistent with past years, the Committee structured the incentive compensation program for our named executive officers to require performance representing growth in revenue or net income for any payout to be received.

The Committee structured the incentive compensation program to permit payouts to be earned for any growth in revenue and net income because it believed that providing an incentive to achieve growth in these measures would provide an effective incentive to the executive officers in 2021. The Committee determined that the bonuses under the incentive compensation program would be equal to the following (subject to a maximum of 200% of base salary): the product of the executive officer's base salary (i) multiplied by the sum of the percentage year over year increase, if any, in overall revenue plus the percentage year over year increase, if any, in overall net income (ii) multiplied by 2.5.

In determining the potential bonus amounts for our named executive officers described above, the Committee concluded that their payouts determined by these formulas were likely to produce results consistent with our past practice of setting annual target payouts at 50% of base salary, and would continue to provide competitive compensation consistent with our goals for annual incentive awards.

The following table shows amounts actually earned by our named executive officers for 2021, along with the percentages of their total compensation (as calculated for purposes of the Summary Compensation Table) that these amounts represent.

Name	2021 Actual Bonus Percentage of Total Compensation	2021 Actual Bonus Amount
Michael D. Hays	16%	$35,672
Kevin R. Karas	17%	$79,800
Jona S. Raasch	17%	$84,000
Helen L. Hrdy	17%	$79,800

Long-Term Equity Incentive

The general purpose of our current equity-based plans is to promote the achievement of our long-range strategic goals and enhance shareholder value. The Committee may from time to time approve discretionary awards, however, we generally grant equity-based awards in the following circumstances:

- *Annual Awards.* To provide an additional performance incentive for our executive officers and other key management personnel, our executive compensation package generally includes annual grants of stock options with respect to our common stock.

- *New Hire or Promotion Awards.* We also award restricted stock grants to newly hired or promoted executive officers during their first year of participation in our equity incentive program to provide greater alignment between the officers' interests and those of our shareholders, and to assist in retention.

Options to purchase shares of common stock are typically granted with a per-share exercise price equal to the closing price of our common stock on the trading day immediately prior to the date of the grant. The value of the option will be dependent on the future market value of the common stock, which we believe helps to align the economic interests of our key management personnel with the interests of our shareholders. To encourage our key management personnel to continue in employment with us, when we grant restricted stock under the 2006 Equity Incentive Plan to executive officers, we generally impose a 5-year restriction period on the grant, pursuant to which the options do not become fully vested and exercisable until the fifth anniversary of the grant date.

In determining equity incentive awards for 2021, the Committee concluded that setting annual equity awards for our named executive officers at a grant date target fair value of approximately 50% of their respective then-current base salaries would provide competitive compensation consistent with our goals for equity awards. The Committee generally grants stock options effective on a date in the first week of January. Accordingly, effective January 5, 2021, the Committee granted options to each of our named executive officers. To determine the number of option shares with a grant date target fair value approximately equal to 50% of an executive officer's base salary, the Committee divided 50% of the current base salary by the most recent Common Stock closing price to determine the number of shares that equal 50% of the current base salary. The number of shares were then multiplied by a factor of three to determine the number of option shares to be granted. The number of options granted to our named executive officers is shown in the Grants of Plan-Based Awards Table.

For 2021, no performance-based equity awards were granted to our named executive officers. Our Committee may, however, consider in the future conditioning awards on the achievement of various performance goals, including return on equity, shareholder value added, earnings from operations, net earnings, net earnings per share, market price of our common stock, and/or total shareholder return.

Other Benefits

To assist our associates in preparing financially for retirement, we maintain a 401(k) plan for all associates over 21 years of age, including our executive officers. Pursuant to the 401(k) plan, we match 25% of the first 6% of compensation contributed by our associates up to allowable Internal Revenue Service limitations. We also maintain group life, health, dental and vision insurance programs for all of our salaried associates, and our named executive officers are eligible to participate in these programs on the same basis as all other eligible associates. During 2021 we also provided our associates a work-from-home allowance to further enable remote work due to COVID-19.

Agreements with Officers

We do not have employment, retention, severance, change of control or similar agreements with any of our executive officers. While we enter into award agreements with our executive officers and other participants under our long-term equity award plans, these agreements and plans do not provide for acceleration of vesting or other benefits upon a change of control or termination.

2021 SUMMARY COMPENSATION TABLE

Set forth below is information regarding compensation earned by or paid or awarded to the following executive officers: Michael D. Hays, our Chief Executive Officer and President; Kevin R. Karas, our Senior Vice President Finance, Chief Financial Officer, Treasurer and Secretary; Jona S. Raasch, our Chief Operating Officer; and Helen L. Hrdy, our Chief Growth Officer. We had no other executive officers, as defined in Rule 3b-7 of the Securities Exchange Act of 1934, whose total compensation exceeded $100,000 during 2021. The identification of such named executive officers is determined based on the individual's total compensation for 2021, as reported below in the Summary Compensation Table, other than amounts reported as above-market earnings on deferred compensation and the actuarial increase in pension benefit accruals.

The following table sets forth for our named executive officers with respect to 2021, 2020, and 2019: (1) the dollar value of base salary earned during the year; (2) the aggregate grant date fair value of stock and option awards granted during the year, computed in accordance with FASB ASC Topic 718; (3) the dollar value of earnings for services pursuant to awards granted during the year under non-equity incentive plans; (4) all other compensation for the year; and (5) the dollar value of total compensation for the year.

Name and Principal Position	Year	Salary ($)	Option Awards ($)[1]	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)[2]	Total ($)
Michael D. Hays	2021	$ 127,400	$ 49,595	$ 35,672	$ 4,427	$ 217,094
Chief Executive Officer	2020	$ 127,400	$ 60,258	$ 62,426	$ 4,420	$ 254,504
and President	2019	$ 127,400	$ 54,890	$ 47,265	$ 4,323	$ 233,878
Kevin R. Karas	2021	$ 285,000	$ 110,954	$ 79,800	$ 6,798	$ 482,552
Senior Vice President	2020	$ 285,000	$ 134,813	$ 139,650	$ 6,868	$ 566,331
Finance, Chief Financial Officer, Treasurer and Secretary	2019	$ 285,000	$ 122,782	$ 105,735	$ 6,529	$ 520,046
Jona S. Raasch	2021	$ 300,000	$ 116,803	$ 84,000	$ 5,351	$ 506,154
Chief Operating Officer	2020	$ 300,000	$ 141,909	$ 147,000	$ 6,914	$ 595,823
Helen L. Hrdy	2021	$ 285,000	$ 110,954	$ 79,800	$ 6,943	$ 482,697
Chief Growth Officer	2020	$ 285,000	$ 118,254	$ 139,650	$ 5,410	$ 548,314

(1) Represents the aggregate grant date fair value of the option awards granted during the year, computed in accordance with FASB ASC Topic 718. See Note 9 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2021 for a discussion of assumptions made in the valuation of share-based compensation.

(2) Includes, for each of our named executive officers, the amount of our 401(k) matching contributions and our health saving account matching contributions; and for Mr. Karas and Mses. Raasch and Hrdy, the amount of our technology allowance.

GRANTS OF PLAN-BASED AWARDS IN 2021

We maintain the 2006 Equity Incentive Plan pursuant to which grants may be made to our executive officers. The following table sets forth information regarding all such incentive plan awards that were made to the named executive officers in 2021.

Name	Grant Date	Date of Committee Action	Estimated Future Payouts Under Non-Equity Incentive Plan Awards[1] Threshold ($)[2]	Target ($)	Maximum ($)	All Other Option Awards: No. of Securities Underlying Options (#)[3]	Exercise or Base Price of Option Awards ($)[2]	Closing Price on Date of Grant ($)	Grant Date Fair Value of Stock and Option Awards ($)
Michael D. Hays	1/5/2021	12/15/2020				4,452	$ 42.92	$ 43.05	$ 49,595
			--	$ 63,700	$ 254,800				
Kevin R. Karas	1/5/2021	12/15/2020				9,960	$ 42.92	$ 43.05	$ 110,954
			--	$ 142,500	$ 570,000				
Jona S. Raasch	1/5/2021	12/15/2020				10,485	$ 42.92	$ 43.05	$ 116,803
			--	$ 150,000	$ 600,000				
Helen L. Hrdy	1/5/2021	12/15/2020				9,960	$ 42.92	$ 43.05	$ 110,954
			--	$ 142,500	$ 570,000				

(1) These amounts represent only potential payments under the 2021 incentive plan awards; the actual amounts received (if any) are shown in the Summary Compensation Table above.
(2) There were no thresholds for payments under these 2021 incentive plan awards; payments below target would be made for any year-over-year increase in any of the applicable performance measures.
(3) The stock option awards were granted under the 2006 Equity Incentive Plan. The exercise price of the stock option awards was equal to the closing stock price on January 4, 2021, the day immediately prior to the grant date.

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2021

The following table sets forth information on outstanding option awards held by the named executive officers at December 31, 2021, including the number of shares underlying both exercisable and unexercisable portions of each stock option, the exercise price and expiration date of each outstanding option.

	Option Awards			
Name	**No. of Securities Underlying Unexercised Options (Exercisable) (#)**	**No. of Securities Underlying Unexercised Options (Unexercisable) (#)**	**Option Exercise Price ($)**	**Option Expiration Date**
Michael D. Hays	10,938 [1] [2]	-	$ 14.50	01/07/23
	2,904 [1][3]	-	$ 18.80	01/07/24
	10,014 [1][4]	-	$ 13.17	01/06/25
	9,145 [1][5]	-	$ 15.23	01/05/26
	-	7,478 [1][6]	$ 18.80	01/04/27
	-	5,193 [1][7]	$ 36.80	01/03/28
	-	4,990 [1][8]	$ 38.30	01/03/29
	-	2,904 [1][9]	$ 65.80	01/03/30
	-	4,452 [1][10]	$ 42.92	01/05/31
Kevin R. Karas	20,458 [1][5]	-	$ 15.23	01/05/26
	-	16,728 [1][6]	$ 18.80	01/04/27
	-	11,617 [1][7]	$ 36.80	01/03/28
	-	11,162 [1][8]	$ 38.30	01/03/29
	-	6,497 [1][9]	$ 65.80	01/03/30
	-	9,960[1][10]	$ 42.92	01/05/31
Jona S. Raasch	23,581[1][4]	-	$ 13.17	01/06/25
	21,535[1][5]	-	$ 15.23	01/05/26
	-	17,608 [1][6]	$ 18.80	01/04/27
	-	12,228 [1][7]	$ 36.80	01/03/28
	-	11,749 [1][8]	$ 38.30	01/03/29
	-	6,839 [1][9]	$ 65.80	01/03/30

	Option Awards			
Name	**No. of Securities Underlying Unexercised Options (Exercisable) (#)**	**No. of Securities Underlying Unexercised Options (Unexercisable) (#)**	**Option Exercise Price ($)**	**Option Expiration Date**
	-	10,485 [1][10]	$ 42.92	01/05/31
Helen L. Hrdy	12,346[1][5]	-	$ 15.23	01/05/26
	-	12,619 [1][6]	$ 18.80	01/04/27
	-	8,764 [1][7]	$ 36.80	01/03/28
	-	8,420 [1][8]	$ 38.30	01/03/29
	-	5,699 [1][9]	$ 65.80	01/03/30
	-	9,960 [1][10]	$ 42.92	01/05/31

(1) Option to purchase shares of common stock.
(2) Options vest in full on the fifth anniversary of the grant date. These options vested on January 7, 2018.
(3) Options vest in full on the fifth anniversary of the grant date. These options vested on January 7, 2019.
(4) Options vest in full on the fifth anniversary of the grant date. These options vested on January 6, 2020.
(5) Options vest in full on the fifth anniversary of the grant date. These options vested on January 5, 2021.
(6) Options vest in full on the fifth anniversary of the grant date. These options vested on January 4, 2022.
(7) Options vest in full on the fifth anniversary of the grant date. These options will vest on January 3, 2023.
(8) Options vest in full on the fifth anniversary of the grant date. These options will vest on January 3, 2024.
(9) Options vest in full on the fifth anniversary of the grant date. These options will vest on January 3, 2025.
(10) Options vest in full on the fifth anniversary of the grant date. These options will vest on January 5, 2026.

OPTION EXERCISES AND STOCK VESTED IN 2021

	Option Awards	
Name	Number of Shares Acquired on Exercise (#)[1]	Value Realized on Exercise ($)[2]
Michael D. Hays	32,694	$ 1,037,731
Kevin R. Karas	24,647	$ 768,039
Jona S. Raasch	-	-
Helen L. Hrdy	13,520	$ 396,542

(1) Shares of common stock.
(2) Amounts represent the product of the number of shares acquired on exercise multiplied by the excess of the closing market price per share on the date of exercise over the exercise price per share.

Risk Assessment of Compensation Policies and Practices

The Board relies on the Committee to address risk exposures facing us with respect to compensation, with appropriate reporting of these risks to be made to the full Board. The Committee, as part of its periodic review of compensation and benefit programs, assesses the potential risks arising from our compensation policies and practices and considers safeguards against incentives to take excessive risks. Based on its most recent review, the Committee has concluded that the risks arising from our compensation policies and practices for its associates are not reasonably likely to have a material adverse effect on us.

COMPENSATION COMMITTEE REPORT

The Committee has reviewed and discussed the preceding Compensation Discussion and Analysis with management and, based on such review and discussion, has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company’s proxy statement.

Donald M. Berwick, Co-Chairperson
Stephen H. Lockhart, Co-Chairperson
John N. Nunnelly

PROPOSAL NO. 3 – ADVISORY VOTE ON EXECUTIVE COMPENSATION

This proposal provides our shareholders with the opportunity to cast a vote either for or against a non-binding, advisory resolution to approve the compensation of our named executive officers as disclosed in the Compensation Discussion and Analysis section and the accompanying compensation tables and narrative discussion in this proxy statement. We are required to hold this vote by Section 14A of the Securities Exchange Act of 1934. As discussed in the Compensation Discussion and Analysis above, beginning on page 18, we have designed our executive compensation and benefit programs for our executive officers, including our named executive officers, to advance the following core principles:

- Competitive Pay for Our Market. We strive to compensate our executive officers at levels to ensure that we continue to attract and retain a highly competent, committed management team. Our Midwest headquarters provides a low cost of living that allows us to provide compensation that accomplishes this goal while keeping total compensation below that of many similar companies.

- Align with Shareholders. We seek to align the interests, perspectives and decision-making of our executive officers with the interests of our shareholders.

- Incentivize Performance. We link our executive officers' compensation, particularly annual cash bonuses, to our established financial performance goals.

We believe that a focus on these principles will benefit us and, ultimately, our shareholders in the long term by ensuring that we can attract and retain highly-qualified executive officers who are committed to our long-term success.

The Board invites you to review carefully the Compensation Discussion and Analysis beginning on page 18 and the tabular and other disclosures on compensation beginning on page 24, and cast an advisory vote either for or against the following resolution:

> "Resolved, that shareholders approve, on an advisory basis, the compensation of the Company's named executive officers as disclosed in the Compensation Discussion and Analysis section and the compensation tables and narrative discussion contained in this Proxy Statement."

While the vote does not bind the Board to any particular action, the Board values the input of our shareholders, and will take into account the outcome of this vote in considering future compensation arrangements.

Assuming a quorum is present at the Annual Meeting, the number of votes cast for the non-binding resolution to approve the Company's executive compensation program must exceed the number of votes cast against it. Abstentions and broker non-votes will be counted as present in determining whether there is a quorum; however, they will not constitute a vote "for" or "against" the non-binding resolution and will be disregarded in the calculation of votes cast. A broker non-vote occurs when a broker submits a proxy card with respect to shares that the broker holds on behalf of another person but declines to vote on a particular matter, either because the broker elects not to exercise its discretionary authority to vote on the matter or does not have authority to vote on the matter.

Based on the outcome of the advisory vote on the frequency of shareholder votes on executive compensation at our 2017 annual shareholders meeting, the Company will ask its shareholders to consider an advisory vote on the compensation of our named executive officers every year until otherwise determined by a vote of our shareholders pursuant to applicable Securities and Exchange Commission rules. The next advisory vote on the compensation of our named executive officers will occur at the 2023 annual meeting of shareholders.

THE BOARD RECOMMENDS A VOTE "FOR" APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT. SHARES OF THE COMPANY'S COMMON STOCK REPRESENTED BY EXECUTED BUT UNMARKED PROXIES WILL BE VOTED "FOR" APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT.

CEO PAY RATIO

As required by Item 402(u) of Regulation S-K promulgated under the Securities Exchange Act of 1934, we are providing the following information about the ratio of the median annual total compensation of our associates (i.e., employees) and the annual total compensation of Michael D. Hays, our Chief Executive Officer. For the year ended December 31, 2021:

- the median of the annual total compensation of all associates of the Company was reasonably estimated to be $67,583; and

- the annual total compensation of Mr. Hays was $217,094.

- Based on this information, the ratio of the annual total compensation of our Chief Executive Officer to the median of the annual total compensation of all other associates is estimated to be 3.21 to 1.

We identified the median associate by examining total cash compensation (i.e., base wages plus cash bonuses and/or commissions) for 2021 of all individuals employed by us on December 1, 2021 (other than Mr. Hays), whether full-time, part-time or on a seasonal basis. We annualized total cash compensation for all permanent associates who were hired after January 1, 2021, as permitted by the rules of the Securities and Exchange Commission. To calculate total cash compensation for any associate paid in currency other than U.S. dollars, we then applied the applicable foreign currency exchange rate in effect on December 1, 2021 to convert such associate's total cash compensation into U.S. dollars.

To calculate the 2021 annual total compensation of our median associate for purposes of this disclosure, we added together all of the elements of our median associate's compensation for 2021 in the same way that we calculate the annual total compensation of our named executive officers in the Summary Compensation Table. To calculate Mr. Hays' annual total compensation, we used the amount reported in the "Total" column of our 2021 Summary Compensation Table. To calculate our ratio, we divided Mr. Hays' annual total compensation by the annual total compensation of our median associate.

MISCELLANEOUS

Independent Registered Public Accounting Firm

KPMG LLP acted as the independent registered public accounting firm for us in 2021. The Audit Committee is solely responsible for the selection, retention, oversight and, when appropriate, termination of our independent registered public accounting firm.

The fees to KPMG LLP for the fiscal years ended December 31, 2021 and 2020 were as follows:

	2021	2020
Audit Fees(1)	$524,750	$457,810
Audit-Related Fees(2)	139,000	134,500
Tax Fees(3)	111,460	83,285
All Other Fees	--	--
Total	$775,210	$675,595

(1) Audit of annual financial statements, review of financial statements included in Form 10-Q and other services normally provided in connection with statutory and regulatory filings, including out-of-pocket expenses.
(2) Information security audit services, including out-of-pocket expenses.
(3) Tax consultations and tax return preparation including out-of-pocket expenses. Of this amount, $80,630 related to tax return preparation services and $30,830 related to tax consulting services.

The Audit Committee has established pre-approval policies and procedures with respect to audit and permitted non-audit services to be provided by our independent registered public accounting firm. Pursuant to these policies and procedures, the Audit Committee may form, and delegate authority to, subcommittees consisting of one or more members when appropriate to grant such pre-approvals, provided that decisions of such subcommittee to grant pre-approvals are presented to the full Audit Committee at its next scheduled meeting. The Audit Committee's pre-approval policies do not permit the delegation of the Audit Committee's responsibilities to management. In 2021, the Audit Committee pre-approved all services provided by our independent registered public accounting firm, and no fees to the independent registered public accounting firm were approved pursuant to the de minimis exception under the Securities and Exchange Commission's rules.

Expenses

The cost of soliciting proxies will be borne by the Company. In addition to soliciting proxies by mail, proxies may be solicited personally and by telephone by certain officers and regular associates of the Company. Such individuals will not be paid any additional compensation for such solicitation. We will reimburse brokers and other nominees for their reasonable expenses in communicating with the persons for whom they hold Common Stock.

Multiple Shareholders Sharing the Same Address

Pursuant to the rules of the Securities and Exchange Commission, services that deliver our communications to shareholders that hold their stock through a bank, broker or other holder of record may deliver to multiple shareholders sharing the same address a single copy of our annual report to shareholders and proxy statement, unless we have received contrary instructions from one or more of the shareholders. Upon written or oral request, we will promptly deliver a separate copy of the annual report to shareholders and/or proxy statement to any shareholder at a shared address to which a single copy of each document was delivered. For future deliveries of annual reports to shareholders and/or proxy statements, shareholders may also request that we deliver multiple copies at a shared address to which a single copy of each document was delivered. Shareholders sharing an address who are currently receiving multiple copies of the annual report to shareholders and/or proxy statement may also request delivery of a single copy. Shareholders may notify us of their requests by calling or writing Kevin R. Karas, Secretary, NRC Health, at (402) 475-2525 or 1245 Q Street, Lincoln, Nebraska 68508.

Shareholder Proposals

Our Bylaws include a proxy access provision. Stockholders who meet the requirements set forth in our Bylaws may submit director nominations for inclusion in the proxy materials. Proxy access nominations for the 2023 Annual Meeting must be received by the Company no earlier than November 8, 2022 and no later than December 8, 2022. However, if the date of the 2023 Annual Meeting of Stockholders is more than thirty days before or after May 18, 2023, then the deadline for submitting any such proxy access nominations is the later of the close of business on the date that is 180 days prior to the date of the 2023 Annual Meeting of Stockholders or the tenth day following the date that such date of the 2023 Annual Meeting of Stockholders is first publicly announced or disclosed. Proxy access nominations must meet all the requirements set forth in our Bylaws.

Proposals that our shareholders intend to present at and have included in our proxy statement for the 2023 annual meeting pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended ("Rule 14a-8"), must be received by us by the close of business on December 8, 2022. In addition, a shareholder who otherwise intends to present business at the 2023 annual meeting (including nominating persons for election as directors) must comply with the requirements set forth in our Bylaws. Among other things, to bring business before an annual meeting, a shareholder must give written notice thereof, complying with the Bylaws, to the Secretary of the Company not less than 60 days and not more than 90 days prior to the second Wednesday in the month of April. In the event, however, that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from the second Wednesday in the month of April, in order to be timely notice by the shareholder must be received not earlier than the 90th day prior to the date of such annual meeting and not later than the close of business on the later of (i) the 60th day prior to such annual meeting and (ii) the 10th day following the day on which public announcement of the date of such meeting is first made. Under the Bylaws, if we do not receive notice of a shareholder proposal submitted otherwise than pursuant to Rule 14a-8 (i.e., proposals shareholders intend to present at the 2023 annual meeting but do not intend to include in our proxy statement for such meeting) prior to February 21, 2023, then the notice will be considered untimely and we will not be required to present such proposal at the 2023 annual meeting. If the Board chooses to present such proposal at the 2023 annual meeting, then the persons named in proxies solicited by the Board for the 2023 annual meeting may exercise discretionary voting power with respect to such proposal.

By Order of the Board of Directors
NATIONAL RESEARCH CORPORATION

Kevin R. Karas
Secretary

April 7, 2022

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

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2021

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report ☒

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

Aggregate market value of the common stock held by non-affiliates of the registrant at June 30, 2021: $533,334,729.

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 February 25, 2022: 25,194,447

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2022 Annual Meeting of Shareholders are incorporated by reference into Part III.

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PART I

Item 1. Business

Special Note Regarding Forward-Looking Statements

Certain matters discussed in this Annual Report on Form 10-K 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," or the use of words such as "would," "may," "could," 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 Annual Report on Form 10-K, statements regarding the future impact of adopting new accounting standards, 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, future capital expenditures 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, the source of funds for future payments of deferred purchase price obligations and other cash expenses, the future phase out of LIBOR and applicable replacement benchmark rates and the expected impact of the COVID-19 pandemic and related government mandates and recommendations, 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 likelihood that the COVID-19 pandemic will adversely affect our operations, sales, earnings, financial condition and liquidity;
- 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 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;
- 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 this Annual Report on Form 10-K 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 Annual Report on Form 10-K 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.

General

Our purpose is to establish human understanding by enabling our clients to understand what matters most to each person they serve. We are a leading provider of analytics and insights that facilitate measurement and improvement of patient engagement and customer loyalty for healthcare organizations. Our heritage, proprietary methods, and holistic approach enable our partners to better understand the people they care for and design experiences that inspire loyalty and trust, while also facilitating regulatory compliance and the shift to population-based health management. 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 that access to and analysis of our extensive consumer-driven information is becoming more valuable as healthcare providers increasingly need to more deeply understand and engage the people they serve to build customer loyalty.

Our expertise includes the efficient capture, transmittal, benchmarking, analysis and interpretation of critical data elements from millions of healthcare consumers. Using our solutions, our clients gain insights into what people think and feel about their organizations in real-time, allowing them to build on their strengths and resolve service issues with greater speed and personalization. We also provide legacy experience-based solutions and shared intelligence from industry thought leaders and the nation's largest member network focused on healthcare governance and strategy to member boards and executives.

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, health risk assessments, employee engagement, reputation management and brand loyalty. We partner with clients across the continuum of healthcare services. We 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.

We have a broad and diversified client base that is distributed primarily across the United States. Our ten largest clients collectively accounted for 14%, 14%, and 16% of our total revenue in 2021, 2020 and 2019, respectively. Approximately 2%, 2% and 3% of our revenue was derived from foreign customers in 2021, 2020, and 2019, respectively.

We have achieved a market leadership position through our more than 40 years of industry innovation and experience, as well as our long-term, recurring revenue relationships (solutions that are used or required by a client each year) with many of the healthcare industry's largest organizations. Since our founding in 1981, we have focused on meeting the evolving information needs of the healthcare industry through internal product development, as well as select acquisitions. We are a Delaware corporation headquartered in Lincoln, Nebraska.

Human Understanding Solutions

Our portfolio of solutions collectively provide a comprehensive set of capabilities that enable healthcare providers to collect, measure and analyze data collected across the patient journey to understand the preferences, experiences and needs of the people they serve. Our digital solutions consist of three primary solution categories which can be implemented both collectively as an enterprise solution or individually to meet specific needs within the organization. The primary solution categories include Market Insights solutions, Transparency solutions, and Experience solutions.

Market Insights Solutions – Our Market Insights solutions are subscription-based services that allow for improved tracking of awareness, perception, and consistency of healthcare brands; real-time assessment of competitive differentiators; and enhanced segmentation tools to evaluate the needs, wants, and behaviors of communities through real-time competitive assessments and enhanced segmentation tools. Market Insights is the largest U.S. healthcare consumer database of its kind, measuring the opinions and behaviors of approximately 300,000 healthcare consumers across the contiguous United States annually. Our Market Insights is a syndicated survey that provides clients with an independent third-party source of information that is used to understand consumer perception and preferences and optimize marketing strategies. Our Market Insights solutions provide clients with on-demand tools to measure brand value and build brand equity in their markets, evaluate and optimize advertising efficacy and consumer recall, and tailor research to obtain the real time voice of customer feedback to support branding and loyalty initiatives.

Experience Solutions – Our Experience solutions are provided on a subscription basis via a cross-continuum multi-mode digital platform that collects and measures data and then delivers business intelligence that our clients utilize to improve patient experience, engagement and loyalty. Patient experience data can also be collected on a periodic basis using CAHPS compliant mail and telephone survey methods for regulatory compliance purposes and to monitor and measure improvement in CAHPS survey scores. Consumer Assessment of Healthcare Providers and Systems ("CAHPS") survey data can be collected and measured as an integrated service within our digital platform or independently as a legacy service offering. Our Experience solutions provide healthcare systems the ability to receive and take action on customer and employee feedback across all care settings in real-time. Experience solutions include patient experience, workforce engagement, health risk assessments, care transition, and improvement tools. These solutions enable clients to comply with regulatory requirements and to improve their reimbursement under value-based purchasing models. More importantly, our Experience solutions provide quantitative and qualitative real-time feedback, improvement plans, and coaching insights. By illuminating the complete care journey in real time, our clients are able to ensure each individual receives the care, respect, and experience he or she deserves. Developing a longitudinal profile of what healthcare customers want and need allows for organizational improvement and increased customer loyalty.

Our Experience solutions also include the Transitions solution to drive effective communication between healthcare providers and patients in the critical 24-72 hours post discharge using an automated discharge call workflow supported by our digital platform. Through preference-based communications and real-time alerts, these solutions enable organizations to identify and manage high-risk patients to reduce readmissions, increase patient satisfaction and support safe care transitions. Tracking, trending and benchmarking tools isolate the key areas for process improvement allowing organizations to implement changes and reduce future readmissions.

Transparency Solutions – Our Transparency solutions allow healthcare organizations to share a picture of their organization and ensure that timely and relevant content informs better consumer decision-making. Our Star Ratings solution enables clients to publish a five-star rating metric and verified patient feedback derived from actual patient survey data to complement their online physician information. Sharing this feedback not only results in better-informed consumer decision-making but also has the ability to drive new patient acquisition and grow online physician reputation. Our Reputation Monitoring solution alerts clients to ratings and reviews on third-party websites and provides workflows for response and service recovery. These solutions raise physician awareness of survey results and provide access to improvement resources and educational development opportunities designed to improve the way care is delivered.

The Governance Institute

Our Governance solutions, branded as The Governance Institute ("TGI"), serves not-for-profit health system boards of directors, executives, and physician leadership. TGI's subscription-based, value-driven membership services are provided through national conferences, publications, advisory services, and an online portal designed to improve the effectiveness of hospital and healthcare systems by continually strengthening their board governance, strategic planning, medical leadership, management performance and customer loyalty. TGI also conducts research studies and tracks industry trends showcasing emerging healthcare trends and best practice solutions of healthcare system boards across the country. TGI thought leadership helps our client board members and executives inform and guide their organization's strategic priorities in alignment with the rapidly changing healthcare market.

For additional information on our operating segment and our revenue and assets by geographic area, see Note 13, "Segment Information," to our consolidated financial statements.

Markets

Growth Strategy

We believe that the value proposition of our current solutions, combined with the favorable alignment of our solutions with emerging market demand, positions us to benefit from multiple growth opportunities. We believe that we can accelerate our growth through (1) increasing scope of services and sales of our existing solutions to our existing clients (or cross-selling), (2) winning additional new clients through market share growth in existing market segments, (3) developing and introducing new solutions to new and existing clients, and (4) pursuing acquisitions of, or investments in, firms providing products, solutions or technologies which complement ours.

Increasing contract value with existing clients. Approximately 32% of our existing clients purchase more than one of our solutions. Our sales organization actively identifies and pursues cross-sell opportunities for clients to add additional solutions in order to accelerate our growth. Organic contract value growth is also realized by the increased scope of solution adoption as the size of client organizations increase from market expansion and consolidation.

Adding new clients. We believe that there is an opportunity to add new clients across all existing market segments. Our sales organization is actively identifying and engaging new client prospects with a focus on demonstrating the economic value derived from adopting the portfolio of solutions in alignment with the prospect's strategic objectives.

Adding new solutions. The need for effective solutions in the market segments that we serve is evolving to align with emerging healthcare consumerism trends. The evolving market creates an opportunity for us to introduce new solutions that leverage and extend our existing core competencies. We believe that there is an opportunity to drive sales growth with both existing and new clients, across all of the market segments that we serve, through the introduction of new solutions.

Pursue strategic acquisitions and investments. We have historically complemented our organic growth with strategic acquisitions, having completed eight such transactions over the past nineteen years. These transactions have added new capabilities and access to market segments that are adjacent and complementary to our existing solutions and market segments. We believe that additional strategic acquisition and/or investment opportunities will exist from time to time to complement our organic growth by further expanding our service capabilities, technology offerings and end markets.

We generate the majority of our revenue from the renewal of subscription-based client service agreements, supplemented by sales of additional solutions to existing clients and the addition of new clients. Our sales activities are carried out by our direct sales organization staffed with professional, trained sales associates.

We engage in marketing activities that enhance our brand visibility in the marketplace, generate demand for our solutions and engage existing clients. Strategic campaigns and programs focus on (1) ensuring coverage of prospective clients via targeted advertising and account-based campaigns, (2) elevating client value evidence and success stories to an executive level profile, (3) engaging key stakeholders with content, programming and events and (4) amplifying thought leadership through public and media relations programs that include earning placement in national media and trade publications, securing podium presentations at key industry events and winning awards on behalf of us and our executives.

Competition

The healthcare information and market research services industry is highly competitive. We have traditionally competed with healthcare organizations' internal marketing, market research, and/or quality improvement departments which create their own performance measurement tools, and with relatively small specialty research firms which provide survey-based healthcare market research and/or performance assessment. Our primary competitors among such specialty firms include Press Ganey, which we believe has significantly higher annual revenue than us, and several other organizations that we believe have less annual revenue than us. We also compete with market research firms and technology solutions which provide survey-based, general market research or voice of the customer feedback capabilities and firms that provide services or products that complement healthcare performance assessments such as healthcare software or information systems.

We believe the primary competitive factors within our market include quality of service, timeliness of delivery, unique service capabilities, credibility of provider, industry experience, and price. We believe that our industry leadership position, exclusive focus on the healthcare industry, cross-continuum presence, comprehensive portfolio of solutions and relationships with leading healthcare payers and providers position us to compete in this market.

Although only a few of these competitors have offered specific services that compete directly with our solutions, many of these competitors have substantially greater financial, information gathering, and marketing resources than us and could decide to increase their resource commitments to our market. There are relatively few barriers to entry into our market, and we expect increased competition in our market which could adversely affect our operating results through pricing pressure, increased marketing expenditures, and market share losses, among other factors. There can be no assurance that we will continue to compete successfully against existing or new competitors.

We believe that our competitive strengths include the following:

A leading provider of patient experience solutions for healthcare providers, payers and other healthcare organizations. Our history is based on capturing the voice of the consumer in healthcare markets. Our solutions build on the "Eight Dimensions of Patient-Centered Care," a philosophy developed by noted patient advocate Harvey Picker, who believed patients' experiences are integral to quality healthcare. This foundation has been enhanced through our digital platform offering that provides the delivery of data and insights on a real time basis to understand what matters most to each individual. Based on our more than 40 years of experience, we are able to deliver unique and relevant healthcare domain expertise to the clients we serve.

Established client base of leading healthcare organizations. Our client portfolio encompasses a majority of the leading healthcare systems across the United States. Over 275 of the top 400 healthcare systems based on net patient revenue are currently using one or more of our solutions. Our client base provides a unique network effect to share best practices among existing clients and to attract new clients. Our existing client base also provides a significant organic growth opportunity to upsell and cross sell additional solutions.

Highly scalable and visible revenue model. Our solutions are offered primarily through fixed price, subscription-based service agreements. The solutions we provide are also recurring in nature, which enables an ongoing relationship with our clients and favorable retention. This combination of subscription-based revenue, a base of ongoing client renewals and automated platforms creates a highly visible and scalable revenue model.

Comprehensive portfolio of solutions. We offer a portfolio of solutions that provide insights across the patient journey, which is unique in the healthcare industry. Our solutions enable the collection of data and insights from individuals prior to receiving care and then throughout their care journey from first encounter to after completion of their care. The data and insights provided through our solutions enable our clients to better understand what matters most to each person they serve to meet expectations and increase customer loyalty.

Exclusive focus on healthcare. We focus exclusively on healthcare and serving the unique needs of healthcare organizations across the continuum, which we believe gives us a distinct competitive advantage compared to other survey and analytics software providers. Our value proposition incorporates the benefits to clients derived from our deep subject matter expertise that has been built from helping healthcare organizations over the past 40 years. Our platform includes features and capabilities built specifically for healthcare providers, including a library of performance improvement content which can be tailored to the provider based on their specific customer feedback profile.

Experienced senior management team led by our founder. Our senior management team has extensive industry and leadership experience. Michael D. Hays, our Chief Executive Officer and President, founded NRC Health in 1981. Prior to launching the Company, Mr. Hays served as Vice President and as a Director of SRI Research Center, Inc. (now known as the Gallup Organization). Our Chief Financial Officer, Kevin Karas, CPA, has extensive financial experience having served as CFO at two previous companies, along with healthcare experience at Rehab Designs of America, Inc. and NovaCare, Inc. Jona Raasch has served as our Chief Operating Officer for most of the last 30 years and as Chief Executive Officer of the Governance Institute for more than 15 years. Helen Hrdy was appointed as our Chief Growth Officer in 2020. Prior to this position Ms. Hrdy served as our Senior Vice President, Customer Success, for eight years.

Resources

Our success depends in part upon our data collection processes, research methods, data analysis techniques and internal systems, and procedures that we have developed specifically to serve clients in the healthcare industry. We have no patents for most of our intellectual property. Consequently, we rely on a combination of copyright and trade secret laws and associate nondisclosure agreements to protect our systems, survey instruments and procedures. There can be no assurance that the steps we have taken to protect our rights will be adequate to prevent misappropriation of such rights or that third parties will not independently develop functionally equivalent or superior systems or procedures. We believe that our systems and procedures and other proprietary rights do not infringe upon the proprietary rights of third parties. There can be no assurance, however, that third parties will not assert infringement claims against us in the future or that any such claims will not result in protracted and costly litigation, regardless of the merits of such claims or whether we are ultimately successful in defending against such claims.

Government Regulation

According to the Centers for Medicare and Medicaid Services (“CMS”), health expenditures in the United States were approximately $4.1 trillion in 2020, or $12,530 per person. In total, health spending accounted for 19.7% of the nation’s Gross Domestic Product in 2020. Addressing this growing expenditure burden continues to be a major policy priority at both federal and state levels. In addition, increased co-pays and deductibles in healthcare plans have focused even more consumer attention on health spending and affordability. In the public sector, Medicare provides health coverage for individuals aged 65 and older, while Medicaid provides coverage for low-income families and other individuals in need. Both programs are administered by the CMS. With the aging of the U.S. population, Medicare enrollment has increased significantly. In addition, longer life spans and greater prevalence of chronic illnesses among both the Medicare and Medicaid populations have placed tremendous demands on the health care system.

An increasing percentage of Medicare reimbursement and reimbursement from commercial payers has been determined under value payment models, based on factors such as patient readmission rates and provider adherence to certain quality-related protocols. At the same time, many hospitals and other providers are creating new models of care delivery to improve patient experience, reduce cost and provide better clinical outcomes. These new models are based on sharing financial risk and managing the health and behaviors of large populations of patients and consumers. This transformation towards value-based payment models and increased engagement of healthcare consumers is resulting in a greater need for existing healthcare providers to deliver more customer-centric healthcare. At the same time, organizations that have successfully developed effective customer service models and brand loyalty in other industry verticals are entering the healthcare services market.

We believe that our current portfolio of solutions is uniquely aligned to address these healthcare market trends and related business opportunity. We provide tools and solutions to capture, interpret and improve the CAHPS data required by CMS as well as real time feedback that enables clients to better understand what matters most to people at key moments in their relationship with a health organization. Our solutions enable our clients to both satisfy patient survey compliance requirements and design experiences to build loyalty and improve the wellbeing of the people and communities they care for.

Human Capital

As of December 31, 2021, we employed a total of 511 associates, 10 of those were employed in Canada. None of our associates are represented by a collective bargaining unit. As a result of the COVID-19 pandemic, the majority of our associates are working remotely with very successful results. We attract a passionate team of associates who care deeply about making a difference in advancing "Human Understanding" in healthcare. We consider our relationships with our associates to be good.

We are committed to providing a workplace free of harassment or discrimination based on race, color, religion, sex, sexual orientation, gender identity, national origin, genetic information, ancestry, veteran status, or disability. We are an equal opportunity employer committed to inclusion and diversity.

Available Information

More information regarding NRC Health is available on our website at www.nrchealth.com. We are not including the information contained on or available through our website as part of, or incorporating such information by reference into, this Annual Report on Form 10-K. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports are made available to the public at no charge through a link appearing on our website. We provide access to such materials through our website as soon as reasonably practicable after electronically filing such material with, or furnishing it to, the Securities and Exchange Commission. Reports and amendments posted on our website do not include access to exhibits and supplemental schedules electronically filed with the reports or amendments.

Item 1A. **Risk Factors**

You should carefully consider each of the risks described below, together with all of the other information contained in this Annual Report on Form 10-K, before making an investment decision with respect to our securities. If any of the following risks develop into actual events, our business, financial condition or results of operations could be materially and adversely affected and you may lose all or part of your investment.

Risks Related to our Business

We could be negatively impacted by the Coronavirus or "COVID-19" outbreak or other similar outbreaks.

The outbreak of COVID-19, and the associated responses, have impacted our business in a variety of ways. Governments have implemented business and travel restrictions and recommended social distancing and other guidelines. Many businesses, including many of our clients, have de-emphasized external business opportunities and restricted in-person meetings while shifting their attention toward addressing COVID-19 planning, business disruptions, higher costs, and revenue shortfalls. Although the impact on our healthcare clients has varied, many of our clients have experienced decreased revenues, contracting margins, and cash losses. Some clients' cost reducing measures have included and could continue to include reducing or eliminating the services they purchase from us. While these circumstances did not significantly impact our financial position or results of operations in 2020 and 2021, the negative impact could continue to increase.

We rely on third-party service providers and business partners, for services or supplies that are critical to providing our clients' services. These include activities such as internet, cloud data storage, information technology services, and survey related services. These third parties are also subject to risks and uncertainties related to the COVID-19 pandemic, which may interfere with their ability to provide their services in a timely manner and in accordance with the agreed-upon terms or our agreements, which could interfere with our ability to operate our business.

At NRC, the vast majority of our associates are working remotely, and to date we have been capable of providing our services without significant disruption. We have made our facilities available for associates to return to work effective July 1, 2021 at their discretion. Historically, we have relied on national travel as part of our sales efforts, but as a result of the pandemic we had placed a temporary hold on all company related travel. We modified our travel policy and limited travel did resume in the third quarter of 2021. To date, we are still capable of providing our services without interruption and without significant changes to our internal control over financial reporting. However, we may need to develop or adapt to new ways of doing business that challenge our leadership, our associate training, our human resources, and our business practices, and we cannot assure you that we will be successful in doing so. The short and long-term costs associated with these potential changes are difficult to quantify. For these and other reasons, the outbreak and associated responses could negatively affect our business, and the impact could be material.

To the extent the COVID-19 pandemic adversely affects the Company's business, results of operations, financial condition and stock price, it may also have the effect of heightening many of the other risks described in this Part I, Item 1A of this Form 10-K.

We depend on contract renewals, including retention of key clients, for a large share of our revenue and our operating results could be adversely affected.

We expect that a substantial portion of our revenue for the foreseeable future will continue to be derived from renewable service contracts. Substantially all contracts are renewable annually at the option of our clients, although contracts with clients under unit-based arrangements generally have no minimum purchase commitments. Client contracts are generally cancelable on short notice without penalty, however we are entitled to payment for services through the cancellation date. To the extent that clients fail to renew or defer their renewals, we anticipate our results may be materially adversely affected. We rely on a limited number of key clients for a substantial portion of our revenue. Our ten largest clients collectively accounted for 14%, 14%, and 16% of our total revenue in 2021, 2020, and 2019, respectively. Our ability to secure renewals depends on, among other things, our ability to gather and analyze performance data in a consistent, high-quality, and timely fashion. In addition, the service needs of our clients are affected by accreditation requirements, enrollment in managed care plans, the level of use of satisfaction measures in healthcare organizations' overall management and compensation programs, the size of operating budgets, clients' operating performance, industry and economic conditions, and changes in management or ownership. As these factors are beyond our control, we cannot ensure that we will be able to maintain our renewal rates. Any material decline in renewal rates from existing levels would have an adverse effect on our revenue and a corresponding effect on our operating and net income.

We operate in a highly competitive market and could experience increased price pressure and expenses as a result.

The healthcare information and market research services industry is highly competitive. We have traditionally competed with healthcare organizations' internal marketing, market research and/or quality improvement departments that create their own performance measurement tools, and with relatively small specialty research firms that provide survey-based healthcare market research and/or performance assessment. Our primary competitors among such specialty firms include Press Ganey, which we believe has significantly higher annual revenue than us, and three or four other firms that we believe have lower annual revenue than us. We also compete with market research firms and technology solutions which provide survey-based, general market research or voice of the customer feedback capabilities and firms that provide services or products that complement healthcare performance assessments, such as healthcare software or information systems. Although only a few of these competitors have offered specific services that compete directly with our services, many of these competitors have substantially greater financial, information gathering, and marketing resources than us and could decide to increase their resource commitments to our market. There are relatively few barriers to entry into our market, and we expect increased competition in our market which could adversely affect our operating results through pricing pressure, increased marketing expenditures, and market share losses, among other factors. There can be no assurance that we will continue to compete successfully against existing or new competitors.

Because our clients are concentrated in the healthcare industry, our revenue and operating results may be adversely affected by changes in regulations, a business downturn or consolidation with respect to the healthcare industry.

Substantially all of our revenue is derived from clients in the healthcare industry. As a result, our business, financial condition and results of operations are influenced by conditions affecting this industry, including changing political, economic, competitive and regulatory influences that may affect the procurement practices and operation of healthcare providers and payers. Future legislative changes, including additional provisions to control healthcare costs, improve healthcare quality and expand access to health insurance, could result in lower reimbursement rates and otherwise change the environment in which providers and payers operate. In addition, large private purchasers of healthcare services are placing increasing cost pressure on providers. Healthcare providers may react to these cost pressures and other uncertainties by curtailing or deferring purchases, including purchases of our services.

Moreover, there has been consolidation of companies in the healthcare industry, a trend which we believe will continue to grow. Consolidation in this industry, including the potential acquisition of certain of our clients, could adversely affect aggregate client budgets for our services, could result in clients performing more marketing, market research and/or quality improvement functions internally or could result in the termination of a client's relationship with us. The impact of these developments on the healthcare industry is difficult to predict and could have an adverse effect on our revenue and a corresponding effect on our operating and net income.

We rely on third parties for data collection and other services whose actions could have a material adverse effect on our business.

We outsource certain operations and engage third parties to perform work needed to fulfill our client services. For example, we use vendors to perform certain printing, mailing, information transmittal and other services related to our survey operations. If any of these vendors cease to operate or fail to adequately perform the contracted services and alternative resources and processes are not utilized in a timely manner, our business could be adversely affected. The loss of any of our key vendors could impair our ability to perform our client services and result in lower revenues and income. It would also be time-consuming and expensive to replace, either directly or through other vendors, the services performed by these vendors, which could adversely impact revenues, expenses and net income. Furthermore, our ability to monitor and direct our vendors' activities is limited. If their actions and business practices violate policies, regulations or procedures otherwise considered illegal, we could be subject to reputational damage or litigation which would adversely affect our business.

We face several risks relating to our ability to collect the data on which our business relies.

Our ability to provide timely and accurate performance measurement and improvement services to our clients depends on our ability to collect large quantities of high-quality data through surveys and interviews. If our mail survey operations are disrupted and we are unable to mail our surveys in a timely manner, then our revenue and net income could be negatively impacted. If receptivity to our survey and interview methods by respondents declines, or, for some other reason, their willingness to complete and return surveys declines, or if we, for any reason, cannot rely on the integrity of the data we receive, then our revenue could be adversely affected with a corresponding effect on our operating and net income. We also rely on third-party panels of pre-recruited consumer households to produce our Market Insights in a timely manner. If we are not able to continue to use these panels, or the time period in which we use these panels is altered and we cannot find alternative panels on a timely, cost-competitive basis, we could face an increase in our costs or an inability to effectively produce our Market Insights. In either case, our operating and net income could be negatively affected.

If intellectual property and other proprietary information technology were copied or independently developed by our competitors, our operating results could be negatively affected.

Our success depends in part upon our data collection process, research methods, data analysis techniques, and internal systems and procedures that we have developed specifically to serve clients in the healthcare industry. We have no patents for most of our intellectual property. Consequently, we rely on a combination of copyright, trade secret laws and associate nondisclosure agreements to protect our systems, survey instruments and procedures. We cannot assure you that the steps we have taken to protect our rights will be adequate to prevent misappropriation of such rights, or that third parties will not independently develop functionally equivalent or superior systems or procedures. We believe that our systems and procedures and other proprietary rights do not infringe upon the proprietary rights of third parties. We cannot assure you, however, that third parties will not assert infringement claims against us in the future, or that any such claims will not result in protracted and costly litigation, regardless of the merits of such claims, or whether we are ultimately successful in defending against such claims.

Failures or deficiencies in our information technology platform could negatively impact our operating results.

Our ability to provide client service is dependent, to a significant extent, upon the technology that we develop internally. Investment in the enhancement of existing and development of new information technology processes is costly and affects our ability to successfully serve our clients. The failure or deficiency of the technology we develop could negatively impact the willingness or ability for our clients to use our services and our ability to perform our services. Our failure to anticipate clients' expectation and needs, adapt to emerging technological trends, or design efficient and effective information technology platforms, could result in lower utilization, loss of customers, damage to customer relationships, reduced revenue and profits, refunds to customers and damage to our reputation. Although we have procedures to monitor the efficacy of our information technology platforms, the procedures may not prevent failures or deficiencies in the information technology platforms we develop, we may not adapt quickly enough and may incur significant costs and delays that could harm our business. Additional costs could be incurred to further develop and improve our information technology platforms.

Our business and operating results could be adversely affected if we experience business interruptions or failure of our information technology and communication systems.

Our ability to provide timely and accurate performance measurement and improvement services to our clients depends on the efficient and uninterrupted operation of our information technology and communication systems, and those of our external service providers. Our systems and those of our external service providers could be exposed to damage or interruption from fire, natural disasters, energy loss, telecommunication failure, security breach and computer viruses. An operational failure or outage in our information technology and communication systems or those of our external service providers, could result in loss of customers, damage to customer relationships, reduced revenue and profits, refunds of customer charges and damage to our reputation and may result in additional expense to repair or replace damaged equipment and recover data loss resulting from the interruption. Although we have taken steps to prevent system failures and have back-up systems and procedures to prevent or reduce disruptions, such steps may not prevent an interruption of services and our disaster recovery planning may not account for all contingencies. Additionally, our insurance may not adequately compensate us for all losses or failures that may occur. Any one of the above situations could have a material adverse effect on our business, financial condition, results of operations and reputation.

If we sustain cyber-attacks or other privacy or data security incidents that result in security breaches that disrupt our operations or result in the unintended dissemination of protected personal information or proprietary or confidential information, we could suffer a loss of revenue and increased costs, exposure to significant liability, reputational harm and other serious negative consequences.

In connection with our client services, we receive, process, store and transmit sensitive business information and, in certain circumstances, personal medical information of our clients' patients, electronically over the internet. We may become the target of attempted cyber-attacks and other security threats and may be subject to breaches of the information technology systems we use. Experienced computer programmers and hackers may be able to penetrate our security controls and access, misappropriate or otherwise compromise protected personal information or proprietary or confidential information or that of third-parties, create system disruptions or cause system shutdowns that could negatively affect our operations. They also may be able to develop and deploy viruses, worms, ransomware, and other malicious software programs that attack our systems or otherwise exploit any security vulnerabilities.

We were the target of an external cyber-attack in February 2020 (the "February incident") which resulted in a temporary suspension of our services to clients. We will likely continue to be the target of other attempted cyber-attacks and security threats. Such cyber-attacks may subject us to litigation and regulatory risk, civil and criminal penalties, additional costs and diversion of management attention due to investigation, remediation efforts and engagement of third party consultants and legal counsel in connection with such incidents, payment of "ransoms" to regain access to our systems and information, loss of clients, damage to client relationships, reduced revenue and profits, refunds of client charges and damage to our reputation, any of which could have a material adverse effect on our business, cash flows, financial condition and results of operations. While we have contingency plans and insurance coverage for potential liabilities of this nature, they may not be sufficient to cover all claims and liabilities and in some cases are subject to deductibles and layers of self-insured retention.

We cannot ensure that we will be able to identify, prevent or contain the effects of cyber-attacks or other cybersecurity risks that bypass our security measures or disrupt our information technology systems or business. We have security technologies, processes and procedures in place to protect against cybersecurity risks and security breaches. However, hardware, software or applications we develop or procure from third parties may contain defects in design, manufacturer defects or other problems that could unexpectedly compromise information security. In addition, because the techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently, are becoming increasingly sophisticated, and may not immediately produce signs of intrusion, we may be unable to anticipate these techniques, timely discover or counter them or implement adequate preventative measures.

In addition, we use third-party technology, systems and services for a variety of reasons, including, without limitation, encryption and authentication technology, employee email, content delivery to clients, back-office support, and other functions that in some cases involve processing, storing and transmitting large amounts of data for our business. These third-party providers may also experience security breaches or interruptions to their information technology hardware and software infrastructure and communications systems that could adversely impact us.

Under the Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, or HITECH, implementing regulations promulgated by the U.S. Department of Health and Human Services, or "HHS," including what are referred to as the "Privacy Rule" and the "Security Rule" (collectively, "HIPAA"), we face potential liability related to the privacy of health information we obtain. We are required through our contracts with our clients and by HIPAA to protect the privacy and security of certain health information and to make certain disclosures to our clients or to the public if this information is unlawfully accessed.

Changes in privacy and information security laws and standards may require we incur significant expense to ensure compliance due to increased technology investment and operational procedures. Noncompliance with any privacy or security laws and regulations, including, without limitation, HIPPA, or any security breach, cyber-attack or cybersecurity breach, and any incident involving the misappropriation, loss or other unauthorized disclosure or use of, or access to, sensitive or confidential information, whether by us or by one of our third-party service providers, could require us to expend significant resources to continue to modify or enhance our protective measures and to remediate any damage. In addition, this could negatively affect our operations, cause system disruptions, damage our reputation, cause client losses and contract breaches, and could also result in regulatory enforcement actions, material fines and penalties, litigation or other actions that could have a material adverse effect on our business, cash flows, financial condition and results of operations. Even if cyber-attacks or other cybersecurity breaches do not result in noncompliance with privacy or security laws, the perception that such noncompliance may have occurred by our clients or in the news media may have an adverse impact on our stock price and could result in damage to our reputation or loss of clients, which could have a material adverse effect on our business, cash flows, financial condition and results of operations.

Reputational harm could have a material adverse effect on our business, financial condition and results of operations.

Our ability to maintain a good reputation is critical to selling our services. Our reputation could be adversely impacted by any of the following (whether or not valid): the failure to maintain high ethical and social standards; the failure to perform our client services in a timely manner; violations of laws and regulations; failure to adequately preserve information security; and the failure to maintain an effective system of internal controls or to provide accurate and timely financial information. Damage to our reputation or loss of our clients' confidence in our services for any of these, or any other reasons, could adversely impact our business, revenues, financial condition, and results of operations, as well as require additional resources to rebuild our reputation.

Our operations are subject to laws and regulations that impose significant compliance costs and create reputational and legal risk.

Due to the nature of the services we offer, we are subject to significant commercial, trade and privacy regulations. We cannot predict the nature, scope or effect of future regulatory requirements to which our operations might be subject or the manner in which existing laws might be administered or interpreted, which could have a material and negative impact on our business and our results of operation. For example, recent years have seen an increase in the development or enforcement of legislation related to healthcare reform, privacy, trade compliance and anti-corruption. Additionally, some of the services we provide include information our clients need to fulfill regulatory reporting requirements. If our services result in errors or omissions in our clients' regulatory reporting, we may be subject to loss of clients, reputational harm or litigation, each potentially adversely impacting our business. Furthermore, although we maintain a variety of internal policies and controls designed to educate, discourage, prevent and detect violations of such laws, we cannot guarantee that such actions will be effective or sufficient or that individual employees will not engage in inappropriate behavior in breach of our policies. Such conduct, or even an allegation of misbehavior, could result in material adverse reputational harm, costly investigations, severe criminal or civil sanctions, or could disrupt our business, and could negatively affect our results of operations or financial condition.

Our growth strategy includes future acquisitions and/or investments which involve inherent risk.

In order to expand services or technologies to existing clients and increase our client base, we have historically, and may in the future, make strategic business acquisitions and/or investments that we believe complement our business. Acquisitions have inherent risks which may have material adverse effects on our business, financial condition, or results of operations, including, among other things: (1) failure to successfully integrate the purchased operations, technologies, products or services and maintain uniform standard controls, policies and procedures; (2) substantial unanticipated integration costs; (3) loss of key associates including those of the acquired business; (4) diversion of management's attention from other operations; (5) failure to retain the customers of the acquired business; (6) failure to achieve any projected synergies and performance targets; (7) additional debt and/or assumption of known or unknown liabilities; (8) dilutive issuances of equity securities; and (9) a write-off of goodwill, software development costs, client lists, other intangibles and amortization of expenses. If we fail to successfully complete acquisitions or integrate acquired businesses, we may not achieve projected results and there may be a material adverse effect on our business, financial condition and results of operations.

Risks Related to our Common Stock

Our principal shareholders effectively control the Company.

A majority of our common stock and voting power was historically owned and/or held by Michael D. Hays, our Chief Executive Officer and President. However, over the years Mr. Hays, for estate planning purposes, gifted and/or transferred almost all of his directly owned shares to trusts for the benefit of his family. Currently, the principal holders of shares previously owned by Mr. Hays are the Common Property Trust and the Amandla MK Trust (collectively the "Trusts").

As of February 25, 2022, approximately 42.6% of our outstanding common stock was owned by the Trusts and approximately 52.4% of our outstanding common stock was held by the Trusts and other entities owned or controlled by members of Mr. Hays' family. As a result, the Trusts and these other entities have the power to indirectly control decisions such as whether to issue additional shares or declare and pay dividends and can control matters requiring shareholder approval, including the election of directors and the approval of significant corporate matters such as change of control transactions. The effects of such influence could be to delay or prevent a change of control of the Company unless the terms are approved by the Trusts and these other entities.

The market price of our common stock may be volatile and shareholders may be unable to resell shares at or above the price at which the shares were acquired.

The market price and trading volume of our common stock has historically been and may continue to be highly volatile, and investors in our common stock may experience a decrease in the value of their shares, including decreases that are in response to factors beyond our control, including, but not limited to:

- Variations in our financial performance and that of similar companies;
- Regulatory and other developments that may impact the demand for our services;
- Reaction to our press releases, public announcements and filings with the Securities and Exchange Commission;
- Client, market and industry perception of our services and performance;
- Actions of our competitors;
- Changes in earnings estimates or recommendations by analysts who follow our stock;
- Loss of key personnel;
- Investor, management team or large stockholder sales of our stock;
- Changes in accounting principles; and
- Variations in general market, economic and political conditions or financial markets.

Any of these factors, among others, may result in changes in the trading volume and/or market price of our common stock. Following periods of volatility in the market price of securities, shareholders have often filed securities class-action lawsuits. Our involvement in a class-action lawsuit would result in substantial legal fees and divert our senior management's attention from operating our business, which could harm our business and net income.

General Risk Factors

Our operating results may fluctuate and this may cause our stock price to decline.

Our overall operating results may fluctuate as a result of a variety of factors, including the size and timing of orders from clients, client demand for our services (which, in turn, is affected by factors such as accreditation requirements, enrollment in managed care plans, operating budgets and clients' operating performance), the hiring and training of additional staff, expense increases, and industry and general economic conditions. Because a significant portion of our overhead is fixed in the short-term, particularly some costs associated with owning and occupying our building and full-time personnel expenses, our results of operations may be materially adversely affected in any particular period if revenue falls below our expectations. These factors, among others, make it possible that in some future period our operating results may be below the expectations of securities analysts and investors which would have a material adverse effect on the market price of our common stock.

Our business and operating results could be adversely affected if we are unable to attract or retain key managers and other personnel.

Our future performance may depend, to a significant extent, upon the efforts and ability of our key personnel who have expertise in gathering, interpreting and marketing survey-based performance information for healthcare markets. Although client relationships are managed at many levels within our company, the loss of the services of Michael D. Hays, our Chief Executive Officer and President, or one or more of our other senior managers, could have a material adverse effect, at least in the short to medium term, on most significant aspects of our business, including strategic planning, product development, and sales and customer relations. Our success will also depend on our ability to hire, train and retain skilled personnel in all areas of our business. Competition for qualified personnel in our industry is intense, and many of the companies that compete with us for qualified personnel have substantially greater financial and other resources than us. Furthermore, we expect competition for qualified personnel to become more intense as competition in our industry increases. We cannot assure you that we will be able to recruit, retain and motivate a sufficient number of qualified personnel to compete successfully.

Like many other companies, we experienced higher attrition rates in 2021. We may incur higher costs to attract, train and retain these associates. Attrition in our sales and service areas can also impact our ability to retain and attract new business. We may need to develop or adapt to new ways of doing business that challenge our leadership, our associate training, our human resources, and our business practices, and we cannot assure you that we will be successful in doing so. The short and long-term costs associated with these potential changes are difficult to quantify.

Failure to comply with public company regulations could adversely impact our profitability.

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, the Sarbanes-Oxley Act of 2002, the Dodd-Frank Act Wall Street Reform and Consumer Protection Act, the listing requirements of NASDAQ and other applicable securities rules and regulations. Additionally, laws, regulations and standards relating to corporate governance and public disclosure are subject to varying interpretations and continue to develop and change. If we misinterpret or fail to comply with these rules and regulations, our legal and financial compliance costs and net income may be adversely affected.

Item 1B. Unresolved Staff Comments

We have no unresolved staff comments to report pursuant to this item.

Item 2. Properties

Our headquarters is located in an owned office building in Lincoln, Nebraska, of which 62,000 square feet have been used for operations. Our credit facilities are secured by this property and our other assets. We are currently renovating the building and expect renovations to complete in early 2023. In February 2021, we began leasing 19,300 square feet of space in Lincoln, Nebraska for our survey programming, printing and distribution previously housed at our headquarters.

We are leasing 4,000 square feet of office space in Markham, Ontario, 6,500 square feet of office space in Atlanta, Georgia, 1,000 square feet of office space in Bethel, Connecticut and 100 square feet of office space in Nashville, Tennessee as a month-to month lease. We are also subleasing as a sublessor 4,300 square feet of office space in Seattle, Washington. In January 2022, the leased space in Atlanta, Georgia will be reduced to a 300 square feet month-to-month lease. Due to our decision to close the Canadian office, the Markham, Ontario lease will also be terminated in late 2022.

Item 3. 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 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 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Currently we have one class of outstanding capital stock, which is our Common Stock, par value $.001 per share ("Common Stock"). Our Common Stock trades on the NASDAQ Global Select Market under the symbol "NRC".

Cash dividends in the aggregate amount of $12.2 million were declared in 2021 with $9.2 million paid in 2021 and the remaining $3.0 million paid in January 2022. Cash dividends in the aggregate amount of $5.3 million were declared and paid in 2020. Cash dividends in the aggregate amount of $19.4 million were declared in 2019 with $14.2 million paid in 2019 and the remaining $5.2 million paid in January 2020. The payment and amount of future dividends, if any, is at the discretion of our Board of Directors and will depend on our future earnings, financial condition, general business conditions, alternative uses of our earnings and cash and other factors.

On February 16, 2022, there were approximately 11 shareholders of record and approximately 11,814 beneficial owners of our Common Stock.

Our Board of Directors has authorized a stock repurchase program that initially provided for the repurchase of up to 2,250,000 shares of our Common Stock.

The table below summarizes repurchases of Common Stock during the three-month period ended December 31, 2021.

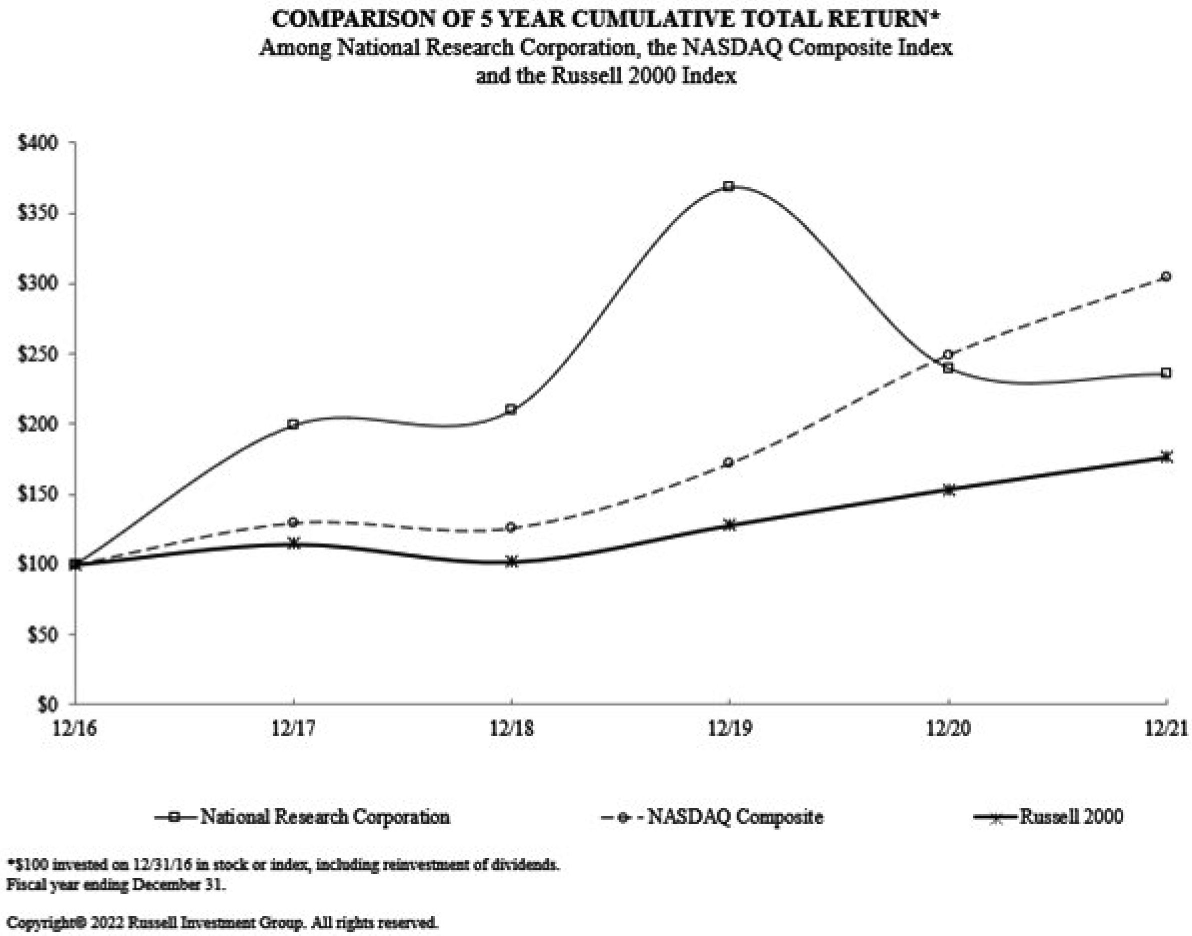
Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[1]	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs[1]
Oct 1 – Oct 31, 2021	--	--	--	280,491
Nov 1 – Nov 30, 2021	24,298	41.48	24,298	256,193
Dec 1 – Dec 31, 2021	94,846 [2]	41.53	87,250	168,943

[1] Shares were repurchased pursuant to a repurchase plan originally announced on February 14, 2006. The repurchase plan was subsequently amended to permit the repurchase of up to 2,250,000 shares of Common Stock.

[2] Includes 7,596 shares of Common Stock that were owned by an associate and surrendered to us as payment of the exercise price for, and to satisfy tax withholding obligations in connection with, the exercise of stock options.

See Item 12 in Part III of this Annual Report on Form 10-K for certain information concerning shares of our Common Stock authorized for issuance under our equity compensation plans.

The following graph compares the cumulative 5-year total return provided shareholders on our Common Stock relative to the cumulative total returns of the NASDAQ Composite Index and the Russell 2000 Index. An investment of $100 (with reinvestment of all dividends) is assumed to have been made in our Common Stock and in each of the indexes on December 31, 2016, and our relative performance is tracked through December 31, 2021.



The stock price performance included in this graph is not necessarily indicative of future stock price performance.

	12/16	12/17	12/18	12/19	12/20	12/21
National Research Corporation Common Stock [(1)]	**100.00**	**199.11**	**209.79**	**368.11**	**239.77**	**235.38**
NASDAQ Composite	**100.00**	**129.64**	**125.96**	**172.17**	**249.51**	**304.85**
Russell 2000	**100.00**	**114.65**	**102.02**	**128.06**	**153.62**	**176.39**

[(1)] Prior to a recapitalization that took place in 2018, our Common Stock was referred to as Class A Common Stock.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis provides a summary of significant factors relevant to our financial performance and condition. It should be read in conjunction with the consolidated financial statements and accompanying notes included in Part II, Item 8 of this Form 10-K. This section of this Form 10-K generally discusses 2021 and 2020 items and year-to-year comparisons between 2021 and 2020. Discussions of 2019 items and year-to-year comparisons between 2020 and 2019 are not included in this Form 10-K, and can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Overview

Our purpose is to establish human understanding by enabling our clients to understand what matters most to each person they serve. We are a leading provider of analytics and insights that facilitate measurement and improvement of patient engagement and customer loyalty for healthcare organizations. Our heritage, proprietary methods, and holistic approach enable our partners to better understand the people they care for and design experiences that inspire loyalty and trust, while also facilitating regulatory compliance and the shift to population-based health management. 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 that access to and analysis of our extensive consumer-driven information is becoming more valuable as healthcare providers increasingly need to more deeply understand and engage the people they serve to build customer 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, health risk assessments, employee engagement, reputation management, and brand loyalty. We partner with clients across the continuum of healthcare services. We 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.

The outbreak of COVID-19, and the associated responses, have impacted our business in a variety of ways. Governments have implemented business and travel restrictions and recommended social distancing and other guidelines. Many businesses, including many of our clients, have de-emphasized external business opportunities and restricted in-person meetings while shifting their attention toward addressing COVID-19 planning, business disruptions, higher costs, and revenue shortfalls. At NRC, the vast majority of our associates are working remotely, and to date we have been capable of providing our services without significant disruption. We have made our facilities available for associates to return to work effective July 1, 2021 at their discretion. Historically, we have relied on national travel as part of our sales efforts, but as a result of the pandemic we had placed a temporary hold on all company related travel. We modified our travel policy and limited travel did resume in the third quarter of 2021. The duration and severity of the COVID-19 pandemic and associated impacts on our business, including the impact on our revenue, expenses, and cash flows, cannot be predicted at this time. Like many other companies, we experienced higher attrition rates in 2021. We may incur higher costs to attract, train and retain these associates. Attrition in our sales and service areas can also impact our ability to retain and attract new business. Based on the foregoing, we do not expect our recent revenue and earnings growth to be indicative of future expectations. We do, however, expect to have adequate sources of liquidity to meet our current and expected needs for the foreseeable future.

Critical Accounting Policies and Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect amounts reported therein. The following areas are considered critical accounting estimates because they involve significant judgments or assumptions, involve complex or uncertain matters or they are susceptible to change and the impact could be material to our financial condition or operating results:

- Revenue recognition; and
- Valuation of goodwill and identifiable intangible assets.

Revenue Recognition

We derive a majority of our revenue from annually renewable subscription-based service agreements with our customers. Such agreements are generally cancelable on short or no notice without penalty. We also derive revenue from fixed, non-subscription arrangements. Our revenue recognition policy requires management to estimate, among other factors, the future contract consideration we expect to receive under variable consideration subscription arrangements as well as future total estimated contract costs over the contract term with respect to fixed, non-subscription arrangements. If management made different judgments and estimates, then the amount and timing of revenue for any period could differ from the reported revenue. See Notes 1 and 3 to our consolidated financial statements for a description of our revenue recognition policies.

Valuation of Goodwill and Identifiable Intangible Assets

Intangible assets include customer relationships, trade names, technology, and goodwill. Intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values and reviewed for impairment with other long-lived assets in the related asset group whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. We review intangible assets with indefinite lives for impairment annually as of October 1 and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. This review requires management to assess qualitative factors to determine whether an impairment may have occurred, which inherently involves management's judgment. This assessment also requires a determination of the fair value of the asset, which often includes several significant estimates and assumptions, including future cash flow estimates, determination of appropriate discount rates, and other assumptions that management believed reasonable under the circumstances. Changes in these estimates and assumptions could materially affect the determination of fair value and/or impairment of goodwill or other intangible assets. See Notes 1 and 6 to our consolidated financial statements for a description of our goodwill and intangible asset valuation and impairment policies and associated impacts for the reported periods.

In March 2021, we changed our operating segments from six to one to reflect a change in corporate reporting structure to the Company's Chief Executive Officer and chief operating decision maker. In connection with the revision to our operating segments, we performed an interim qualitative analysis immediately before and after the reorganization and concluded that the fair value of our reporting units likely exceeded the carrying values and no impairments were recorded. Following the reorganization, we considered the current and expected future economic and market conditions, including the impact of the COVID-19 pandemic, on our reporting unit. We also assessed our current market capitalization compared to book value, forecasts and margins in our last quantitative impairment testing. We concluded that a triggering event has not occurred which would require an additional interim impairment test to be performed as it is not more likely than not that an impairment loss had been incurred at December 31, 2021.

Key Financial Metrics and Results of Operations

The following table sets forth, for the periods indicated, selected financial information derived from our 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 consolidated financial statements.

Due to changes in our corporate reporting structure in 2021, certain associates moved between departments. As a result, the related salaries and benefits and company incentive expenses are included in Selling, general and administrative expenses in the 2021 periods instead of Direct as in the 2020 periods. The total amount of the reclassified expenses approximates $1.9 million in 2021.

	(In thousands, except percentages) Year Ended December 31,			Percentage Increase (Decrease)	
	2021	2020	2019	2021 over 2020	2020 over 2019
Revenue	$ 147,954	$ 133,277	$ 127,982	11.0	4.1
Direct expenses	52,350	49,187	46,435	6.4	5.9
Selling, general, and administrative	38,960	34,441	32,973	13.1	4.5
Depreciation, amortization and impairment	6,374	7,505	5,539	(15.1)	35.5
Operating income	50,270	42,677	43,035	17.8	(0.8)
Total other income (expense)	(1,649)	(1,210)	(2,516)	36.3	(51.9)
Provision for income taxes	11,155	4,207	8,113	165.2	(48.1)
Effective Tax Rate	22.9%	10.1%	20.0%	12.8	(9.9)
Operating margin	34.0%	32.0%	33.6%	2.0	(1.6)
Recurring Contact Value	$ 150,937	$ 145,079	$ 136,763	4.0	6.1
Cash provided by operating activities	46,344	40,636	40,917	14.0	(0.7)

Revenue. Revenue in 2021 increased compared to 2020, primarily due to new customer sales, as well as increases in sales to the existing client base. During 2020, we also experienced revenue reductions from COVID-19 as some clients reduced or eliminated services they purchased from us as cost reducing measures, which increased our revenue growth in 2021. We expect our revenue growth in 2022 to align more closely in relation to our recurring contract value growth.

Direct expenses. Direct expenses increased in 2021 compared to 2020 due to growth in volume-based data collection costs to support the growth in revenue partially offset by decreased postage, printing, and paper costs primarily resulting from increased use of digital survey methodologies. Conference expenses also increased due to additional conferences being held in 2021 compared to 2020 and shift to allow live or virtual attendance at conferences. Variable expenses as a percentage of revenue have leveled with changes in survey methodologies at 14.4% and 14.2% in 2021 and 2020, respectively. Fixed expenses increased primarily as a result of increased salary and benefit costs to attract and retain associates, contracted services and software and platform hosting expenses.

Selling, general and administrative expenses. Selling, general and administrative expenses increased in 2021 compared to 2020 primarily due to increases in salary and benefit costs to attract and retain associates, public company and other legal and accounting costs, contracted services, software and platform hosting expenses and other taxes due to a favorable tax ruling in 2020 reversing sales tax expense.

Depreciation, amortization and impairment. Depreciation, amortization and impairment expenses decreased in 2021 compared to 2020 primarily due to additional depreciation and impairment expense in 2020 from shortening the estimated useful lives of certain building assets and a goodwill impairment adjustment for the Canadian reporting unit. This was partially offset by our transformation to a distributed workforce environment, which includes building renovation costs for our headquarters, as well as subleasing a remote office location at a discounted rate, which resulted in an ROU asset impairment in 2021.

Operating income and margin. Operating income and margin grew due to leveraging the revenue growth through the efficiencies inherent within our subscription model as well as the discipline in managing our cost structure.

Total other income (expense). Total other income (expense) increased in total net (expense) primarily due to revaluation on intercompany transactions due to changes in the Canadian to U.S. dollar foreign exchange rate partially offset by lower interest expense due to the declining balance on our term loan.

Provision for income taxes and effective tax rate. Provision for income taxes and effective tax rate grew in 2021 compared to 2020 primarily due to decreased tax benefits from the exercise and vesting of share-based compensation awards and higher state income taxes.

Recurring Contact Value. Recurring contract value grew as sales continued to exceed loss and downsells. Retention rates grew in 2021 compared to 2020, but sales declined due to the difficulties of selling to our clients during the COVID-19 pandemic as well as increased turnover within our sales force. Our recurring contract value growth declined in 2021 in comparison to 2020 due in part to our strategy to focus on growing our digital core solutions, and therefore, the decision was made to eliminate certain legacy offerings. 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.

Cash provided by operating activities. Cash provided by operating activities grew mainly due to growth in cash collections on trades accounts receivable, change in income taxes receivable and payable, and growth in deferred revenue primarily due to timing of initial billings on new and renewal contracts.

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. 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.

As of December 31, 2021, our principal sources of liquidity included $54.4 million of cash and cash equivalents, up to $30 million of unused borrowings under our line of credit and up to $15 million on our delayed draw term note. Of this cash, $6.5 million was held in Canada. The delayed draw term note can only be used to fund 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, loss on disposal of property and equipment and the effect of working capital changes. Cash provided by operating activities grew mainly due to strong cash collections on trades accounts receivable, change in income taxes receivable and payable, decreases in deferred contract costs due to the changes in the costs to acquire new sales and growth in deferred revenue primarily due to timing of initial billings on new and renewal contracts. This was partially offset by decreased depreciation, amortization and impairment and increased accrued expenses, wages, and bonuses.

We had a working capital surplus of $33.3 million and $22.4 million on December 31, 2021 and 2020, respectively. The change was primarily due to increases in cash and cash equivalents and prepaid expenses, partially offset by increases in dividends payable, accrued expenses and deferred revenue. Dividends payable increased due to timing of declaration and payments of dividends. Prepaid expenses and accrued expenses increased due to timing of payment for services and supplies. 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.

Cash used in investing activities consisted of acquisition consideration for our January 2021 acquisition of PatientWisdom and purchases of property and equipment including computer software and hardware, leasehold and building improvements and furniture and equipment.

Cash used in financing activities consisted of payments for borrowings under the term note and finance lease obligations. We also used cash to pay payroll tax withholdings related to share-based compensation, repurchase of shares for treasury, and to pay dividends on common stock. This was partially offset by the proceeds from the exercise of share-based awards.

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

Dividends

Cash dividends in the aggregate amount of $12.2 million were declared in 2021 with $9.2 million paid in 2021 and the remaining $3.0 million paid in January 2022.The dividends were paid from cash on hand. Our board of directors considers whether to declare a dividend and the amount of any dividends declared on a quarterly basis.

Acquisition Consideration

On January 4, 2021, we acquired substantially all assets and assumed certain liabilities of PatientWisdom, Inc., a company with a health engagement solution that will further our purpose of operationalizing human understanding through tangible and actionable insights. $3.0 million of the total $5.0 million all-cash consideration was paid at closing. We paid the remaining $2.0 million in January 2022. All payments were made with cash on hand.

Capital Expenditures

We paid cash of $5.5 million for capital expenditures in the year ended December 31, 2021. These expenditures consisted mainly of computer software development for our Human Understanding solutions and building renovations to our headquarters of $2.8 million and $1.8 million, respectively. Future costs related to our headquarters building renovations are estimated at $15 million and $7 million in 2022 and 2023, respectively.

Debt

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 $33,002,069 term loan (the “Term Loan”) and (iii) a $15,000,000 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 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 has an outstanding balance of $26.6 million and is payable in monthly installments of $462,988 through May 2025, with a balloon payment due at maturity in May 2025. The Term Loan bears interest at a fixed rate per annum of 5%.

Borrowings under the Line of Credit and the Delayed Draw Term Loan, if any, bear interest at a floating rate equal to the 30-day London Interbank Offered Rate plus 225 basis points (2.35% at December 31, 2021). Interest on the Line of Credit accrues and is payable monthly. Principal amounts outstanding under the Line of Credit are due and payable in full at maturity, in May 2023. As of December 31, 2021, and 2020, the Line of Credit did not have a balance. There were no borrowings on the Line of Credit during 2021. There have been no borrowings on the Delayed Draw Term Loan since origination.

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, respectively.

The Credit Agreement 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. 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, and (iii) the portion of any acquisition consideration for a permitted acquisition paid with cash on hand. 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 guaranteed by our subsidiary. As of December 31, 2021, 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).

Leases

We have lease arrangements for certain computer, office, printing and inserting equipment as well as office and data center space. As of December 31, 2021, we had fixed lease payments of $531,000 and $488,000 for operating and finance leases, respectively payable within 12 months. A summary of our operating and finance lease obligations as of December 31, 2021 can be found in Note 10, "Leases", to the Consolidated Financial Statements contained in this report.

Taxes

The liability for gross unrecognized tax benefits related to uncertain tax positions was $1.1 million as of December 31, 2021. See Note 7, "Income Taxes", to the Consolidated Financial Statements contained in this report for income tax related information.

As of December 31, 2021, the balance of the deemed repatriation tax payable imposed by the U.S. Tax Cuts and Jobs Act of 2017 (the Act") was $182,000, which we expect to pay by the end of 2022.

We generally do not make unconditional, non-cancelable purchase commitments. We enter into purchase orders in the normal course of business, but these purchase obligations do not exceed one year.

Stock Repurchase Program

Our Board of Directors authorized the repurchase of up to 2,250,000 shares of Common Stock in the open market or in privately negotiated transactions under a stock repurchase program. We repurchase shares of our common stock from time to time after considering market conditions and in accordance with repurchase limits authorized by our Board. During 2021, we repurchased 111,548 shares of our Common Stock under this authorization for an aggregate of $4.6 million. As of December 31, 2021, the remaining number of shares of Common Stock that could be purchased under this authorization was 168,943 shares, which we expect to repurchase during 2022.

Recent Accounting Pronouncements

See Note 1 to our consolidated financial statements for a description of recently issued accounting pronouncements.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

Our primary market risk exposures are changes in foreign currency exchange rates and interest rates.

Our Canadian subsidiary uses Canadian dollars as its functional currency. It translates its assets and liabilities into U.S. dollars at the exchange rate in effect at the balance sheet date. It translates its revenue and expenses at the average exchange rate during the period. We include translation gains and losses in accumulated other comprehensive income (loss), a component of shareholders' equity. Foreign currency translation gains (losses) were $24,000, ($190,000), and $707,000 in 2021, 2020, and 2019, respectively. Gains and losses related to transactions denominated in a currency other than the functional currency of the countries in which we operate and short-term intercompany accounts are included in other income (expense) in the consolidated statements of income and amounted to $10,000, ($333,000), and ($483,000) in 2021, 2020, and 2019, respectively. The change is primarily the result of exchange rate fluctuation applied to an intercompany loan from our Canadian subsidiary which was paid off in September 2020. A portion of our cash in our Canadian subsidiary is denominated in foreign currencies, where fluctuations in exchange rates will impact our cash balances in U.S. dollar terms. A sensitivity analysis assuming a hypothetical 10% change in the value of the U.S. dollar versus the Canadian dollar would impact our reported cash balance by approximately $648,000. We have not entered into any foreign currency hedging transactions. We do not purchase or hold any currency exchange related derivative financial instruments. We do not expect any foreign currency exposure after the anticpated closure of our Canadian office by the end of 2022.

We are exposed to interest rate risk with both our fixed-rate Term Loan and variable rate Line of Credit. Interest rate changes for borrowings under our fixed-rate Term Loan would impact the fair value of such debt, but do not impact earnings or cash flow. At December 31, 2021, our fixed-rate Term Loan totaled $26.6 million. Based on a sensitivity analysis, a one percent per annum change in market interest rates as of December 31, 2021, would impact the estimated fair value of our fixed-rate Term Loan outstanding at December 31, 2021 by approximately $647,000.

Borrowings under our Line of Credit and Delayed Draw Term Loan, if any, bear interest at a floating rate equal to the 30-day LIBOR plus 225 basis points. Borrowings under the Line of Credit and Delayed Draw Term Note may not exceed $30.0 million and $15.0 million, respectively. There were no borrowings outstanding under the Line of Credit at December 31, 2021, or at any time during 2021. There were no borrowings outstanding under the Delayed Draw Term Note at December 31, 2021, or at any time during 2021. A sensitivity analysis assuming a hypothetical 10% movement in interest rates applied to the average daily borrowings and the maximum borrowings available under the Line of Credit for 2021 indicated that such a movement would not have a material impact on our consolidated financial position, results of operations or cash flows. We have not entered into any interest rate swaps or hedging transactions.

LIBOR is currently expected to be phased out beginning in 2021 through 2023. The one-week and two-month LIBOR rates were retired on December 31, 2021. The overnight, one-month, three-month, six-month and 12-month LIBOR rates are expected to be published through June 2023. We are required to pay interest on borrowings under our Line of Credit and Delayed Draw Term Loan at floating rates based on the one-month LIBOR. Future debt that we may incur may also require that we pay interest based upon LIBOR. Under the terms of our Credit Agreement with FNB, if LIBOR becomes unavailable during the term of the agreement, FNB may, in its discretion and in a manner consistent with market practice, designate a substitute index. We currently expect that the determination of interest under our Credit Agreement would be revised as to provide for an interest rate that approximates the existing interest rate as calculated in accordance with LIBOR. Despite our current expectations, we cannot be sure that when LIBOR is phased out or transitioned, the changes to the determination of interest under our agreements would approximate the current calculation in accordance with LIBOR. We do not know what standard, if any, will replace LIBOR when it is phased out or transitioned.

Item 8. **Financial Statements and Supplementary Data**

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors
National Research Corporation:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of National Research Corporation and subsidiary (the Company) as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2021, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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.

Critical Audit Matter

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

Sufficiency of audit evidence over new and modified subscription-based service agreement terms

As discussed in Notes 1 and 3 to the consolidated financial statements, revenue consists of service arrangement contracts with customers that can include more than one separately identifiable performance obligation. The Company's revenue for the year ended December 31, 2021 included $137.0 million for subscription-based service agreements, a portion of which was revenue from new and modified subscription-based service agreements, that was recognized ratably over the subscription period and which agreements are renewable at the option of the customer. Subscription-based service agreements represent a single promise to stand ready to provide reporting, tools and services throughout the subscription period.

We identified the evaluation of the sufficiency of audit evidence over the key terms within new and modified subscription-based service agreements as a critical audit matter. Specifically, the nature and extent of procedures performed over the key terms within the new and modified subscription-based service agreements required subjective auditor judgment as recognition of revenue by the Company is dependent on the accuracy of the key terms within the related information technology (IT) application used to calculate revenue. The key terms within the new subscription-based service agreements included the description of service, transaction price, renewal price and contract term, and the key terms within the modified subscription-based service agreements were the transaction price and contract term.

The following are the primary procedures we performed to address this critical audit matter. We applied auditor judgment to determine the nature and extent of procedures to be performed over the accuracy of key terms within the IT application, including the identification of key terms. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's subscription-based service revenue process, including controls related to the key terms within the new and modified subscription-based service agreements. We also tested certain internal controls over the accurate input of the underlying key terms of the subscription-based service agreement into the related IT application. For a sample of revenue transactions, we compared the key terms used in the revenue calculation to the underlying contract with the customer. We evaluated the sufficiency of audit evidence obtained over the key terms within new and modified subscription-based service agreements by assessing the results of procedures performed, including the appropriateness of the nature and extent of audit effort.

/s/ KPMG LLP

We have served as the Company's auditor since 1997.

Lincoln, Nebraska
March 4, 2022

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

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	$ 54,361	$ 34,690
Trade accounts receivable, less allowance for doubtful accounts of $94 and $120, respectively	13,728	13,923
Prepaid expenses	3,884	2,645
Income taxes receivable	752	1,235
Other current assets	982	1,619
Total current assets	73,707	54,112
Net property and equipment	12,391	11,726
Intangible assets, net	1,790	1,410
Goodwill	61,614	57,255
Operating lease right-of-use assets	975	1,308
Deferred contract costs, net	3,772	4,555
Deferred income taxes	14	--
Other	3,277	3,057
Total assets	$ 157,540	$ 133,423
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of notes payable, net of unamortized debt issuance costs	$ 4,278	$ 4,061
Accounts payable	1,943	1,095
Accrued wages and bonuses	7,139	6,460
Accrued expenses	5,450	3,184
Dividends payable	3,044	--
Deferred revenue	17,213	15,585
Other current liabilities	1,321	1,296
Total current liabilities	40,388	31,681
Notes payable, net of current portion and unamortized debt issuance costs	22,269	26,547
Deferred income taxes	7,002	7,265
Other long-term liabilities	2,544	3,615
Total liabilities	72,203	69,108
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 in 2021 and 60,000,000 shares in 2020, issued 30,898,600 in 2021 and 30,775,154 in 2020, outstanding 25,361,409 in 2021 and 25,390,968 in 2020	31	31
Additional paid-in capital	173,942	171,785
Retained earnings (accumulated deficit)	(36,112)	(61,375)
Accumulated other comprehensive loss, foreign currency translation adjustment	(2,375)	(2,399)
Treasury stock, at cost; 5,537,191 Common shares in 2021 and 5,384,186 Common shares in 2020	(50,149)	(43,727)
Total shareholders' equity	85,337	64,315
Total liabilities and shareholders' equity	$ 157,540	$ 133,423

See accompanying notes to consolidated financial statements.

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

	2021	2020	2019
Revenue	$ 147,954	$ 133,277	$ 127,982
Insurance recoveries	--	533	--
Operating expenses:			
Direct	52,350	49,187	46,435
Selling, general and administrative	38,960	34,441	32,973
Depreciation, amortization and impairment	6,374	7,505	5,539
Total operating expenses	97,684	91,133	84,947
Operating income	50,270	42,677	43,035
Other income (expense):			
Interest income	14	18	37
Interest expense	(1,667)	(1,813)	(2,091)
Other, net	4	585	(462)
Total other income (expense)	(1,649)	(1,210)	(2,516)
Income before income taxes	48,621	41,467	40,519
Provision for income taxes	11,155	4,207	8,113
Net income	$ 37,466	$ 37,260	$ 32,406
Earnings per share of common stock:			
Basic earnings per share	$ 1.47	$ 1.48	$ 1.30
Diluted earnings per share	$ 1.46	$ 1.45	$ 1.26
Weighted average shares and share equivalents outstanding			
Basic	25,422	25,170	24,809
Diluted	25,640	25,696	25,653

See accompanying notes to consolidated financial statements.

NATIONAL RESEARCH CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	2021	2020	2019
Net income	$ 37,466	$ 37,260	$ 32,406
Other comprehensive income (loss):			
Cumulative translation adjustment	$ 24	$ (190)	$ 707
Other comprehensive income (loss)	$ 24	$ (190)	$ 707
Comprehensive income	$ 37,490	$ 37,070	$ 33,113

See accompanying notes to consolidated financial statements.

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

	Common Stock	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balances at December 31, 2018	$ 30	$ 157,312	$ (106,339)	$ (2,916)	$ (29,004)	$ 19,083
Purchase of 87,203 shares of treasury stock	--	--	--	--	(4,722)	(4,722)
Issuance of 227,902 common shares for the exercise of stock options	--	3,618	--	--	--	3,618
Issuance of 6,005 restricted common shares	--	--	--	--	--	--
Non-cash stock compensation expense	--	1,224	--	--	--	1,224
Dividends declared of $0.78 per common share	--	--	(19,424)	--	--	(19,424)
Other comprehensive income, foreign currency translation adjustment	--	--	--	707	--	707
Net income	--	--	32,406	--	--	32,406
Balances at December 31, 2019	$ 30	$ 162,154	$ (93,357)	$ (2,209)	$ (33,726)	$ 32,892
Purchase of 180,112 shares of treasury stock	--	--	--	--	(10,001)	(10,001)
Issuance of 630,373 common shares for the exercise of stock options	1	8,951	--	--	--	8,952
Forfeiture of 6,793 restricted common shares	--	--	--	--	--	--
Non-cash stock compensation expense	--	680	--	--	--	680
Dividends declared of $0.21 per common share	--	--	(5,278)	--	--	(5,278)
Other comprehensive loss, foreign currency translation adjustment	--	--	--	(190)	--	(190)
Net income	--	--	37,260	--	--	37,260
Balances at December 31, 2020	$ 31	$ 171,785	$ (61,375)	$ (2,399)	$ (43,727)	$ 64,315
Purchase of 153,005 shares treasury stock	--	--	--	--	(6,422)	(6,422)
Issuance of 116,753 common shares for the exercise of stock options	--	1,534	--	--	--	1,534
Non-cash stock compensation expense	--	623	--	--	--	623
Dividends declared of $0.48 per common share	--	--	(12,203)	--	--	(12,203)
Other comprehensive income, foreign currency translation adjustment	--	--	--	24	--	24
Net income	--	--	37,466	--	--	37,466
Balances at December 31, 2021	$ 31	$ 173,942	$ (36,112)	$ (2,375)	$ (50,149)	$ 85,337

See accompanying notes to consolidated financial statements.

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

	2021	2020	2019
Cash flows from operating activities:			
Net income	$ 37,466	$ 37,260	$ 32,406
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and impairment	6,374	7,505	5,539
Deferred income taxes	(277)	(134)	1,099
Reserve for uncertain tax positions	310	185	39
Gain on insurance recoveries for damaged property	--	(260)	--
Loss on disposal of property and equipment	7	12	(6)
Non-cash share-based compensation expense	623	680	1,224
Change in assets and liabilities:			
Trade accounts receivable	343	(2,271)	311
Prepaid expenses and other current and long-term assets	(842)	(827)	(529)
Operating lease assets and liability, net	(34)	16	(8)
Deferred contract costs, net	783	(351)	(719)
Accounts payable	4	(247)	647
Accrued expenses, wages and bonuses	(285)	1,370	806
Income taxes receivable and payable	484	(1,529)	11
Deferred revenue	1,388	(773)	97
Net cash provided by operating activities	46,344	40,636	40,917
Cash flows from investing activities:			
Purchases of property and equipment	(5,514)	(3,984)	(4,656)
Acquisition consideration	(3,000)	--	--
Insurance proceeds for damaged property	--	260	--
Net cash used in investing activities	(8,514)	(3,724)	(4,656)
Cash flows from financing activities:			
Borrowings on line of credit	--	--	21,000
Payments on line of credit	--	--	(21,000)
Payments on notes payable	(4,093)	(3,568)	(3,715)
Payment of debt issuance costs	--	(36)	--
Payments on finance lease obligations	(493)	(332)	(229)
Proceeds from the exercise of stock options	446	1,734	--
Payment of payroll tax withholdings on share-based awards exercised	(721)	(2,784)	(1,103)
Repurchase of shares for treasury	(4,142)	--	--
Payment of dividends on common stock	(9,159)	(10,517)	(31,299)
Net cash used in financing activities	(18,162)	(15,503)	(36,346)
Effect of exchange rate changes on cash	3	(236)	611
Net increase (decrease) in cash and cash equivalents	19,671	21,173	526
Cash and cash equivalents at beginning of period	34,690	13,517	12,991
Cash and cash equivalents at end of period	$ 54,361	$ 34,690	$ 13,517
Supplemental disclosure of cash paid for:			
Interest expense, net of capitalized amounts	$ 1,554	$ 1,735	$ 2,014
Income taxes	$ 10,644	$ 5,217	$ 6,946
Supplemental disclosure of non-cash investing and financing activities:			
Finance lease obligations originated for property and equipment	$ 40	$ 817	$ 192
Stock tendered to the Company for cashless exercise of stock options in connection with equity incentive plans	$ 1,088	$ 7,217	$ 3,618
Deferred acquisition consideration	$ 1,950	$ --	$ --

See accompanying notes to 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 and Canada. Our purpose is to enable human understanding. Our solutions enable health care organizations to understand what matters most to each person they serve. Our portfolio of solutions represents a unique set of capabilities that individually and collectively provide value to our clients.

Principles of Consolidation

The 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Translation of Foreign Currencies

Our Canadian subsidiary uses Canadian dollars as its functional currency. It translates its assets and liabilities into U.S. dollars at the exchange rate in effect at the balance sheet date. It translates its revenue and expenses at the average exchange rate during the period. We include translation gains and losses in accumulated other comprehensive income (loss), a component of shareholders' equity. Gains and losses related to transactions denominated in a currency other than the functional currency of the country in which we operate and short-term intercompany accounts are included in other income (expense) in the consolidated statements of income.

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 3 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 annually in advance but may also be billed on a quarterly and 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 month 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, 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 $1.9 million, $3.7 million and $3.6 million in the years ended December 31, 2021, 2020 and 2019, respectively. Deferred contract costs, net of accumulated amortization was $3.8 million and $4.6 million at December 31, 2021 and 2020, respectively. Total amortization by expense classification for the years ended December 31, 2021, 2020 and 2019 was as follows:

	2021	2020	2019
		(In thousands)	
Direct expenses	$ 157	$ 272	$ 34
Selling, general and administrative expenses	$ 2,494	$ 2,970	$ 2,874
Total amortization	$ 2,651	$ 3,242	$ 2,908

Additional expense included in selling, general and administrative expenses for impairment of costs capitalized due to lost clients was $31,000, $63,000 and $22,000 for the years December 31, 2021, 2020 and 2019, respectively.

Trade Accounts Receivable

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 years ended December 31, 2021, 2020 and 2019 (in thousands):

	Balance at Beginning of Year	Bad Debt Expense	Write-offs, net of Recoveries	Balance at End of Year
Year Ended December 31, 2019	$ 175	$ 75	$ 106	$ 144
Year Ended December 31, 2020	$ 144	$ 46	$ 70	$ 120
Year Ended December 31, 2021	$ 120	$ 38	$ 64	$ 94

Property and Equipment

Property and equipment is stated at cost. Major expenditures to purchase property or to substantially increase useful lives of property are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

We capitalize certain costs incurred in connection with obtaining or developing internal-use software, including payroll and payroll-related costs for employees who are directly associated with the internal-use software projects and external direct costs of materials and services. Capitalization of such costs ceases when the project is substantially complete and ready for its intended purpose. Costs incurred during the preliminary project and post-implementation stages, as well as software maintenance and training costs are expensed as incurred. We capitalized approximately $2.8 million and $2.7 million of costs incurred for the development of internal-use software for the years ended December 31, 2021 and 2020, respectively.

When a software license is included in a cloud computing arrangement and we have the legal right, ability and feasibility to download the software, it is accounted for as software, included in property and equipment, and amortized. If a software license is not included or we do not have the ability or feasibility to download software included in a cloud computing arrangement, it is accounted for as a service contract, which is expensed to direct expenses or selling, general and administrative expenses during the service period. Effective January 1, 2020, we prospectively adopted ASU 2018-15, Intangibles-Goodwill and Other-Internal Use Software (Subtopic 350-40). This ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The adoption did not significantly impact our results of operations and financial position.

We provide for depreciation and amortization of property and equipment using annual rates which are sufficient to amortize the cost of depreciable assets over their estimated useful lives. We use the straight-line method of depreciation and amortization over estimated useful lives of three to ten years for furniture and equipment, three to five years for computer equipment, one to five years for capitalized software, and seven to forty years for our office building and related improvements. Software licenses are amortized over the term of the license.

Impairment of Long-Lived Assets and Amortizing Intangible Assets

Long-lived assets, such as property and equipment and purchased intangible assets subject to depreciation or amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, we first compare undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. No significant impairments were recorded during the years ended December 31, 2021, 2020, or 2019.

Among others, management believes the following circumstances are important indicators of potential impairment of such assets and as a result may trigger an impairment review:

- Significant underperformance in comparison to historical or projected operating results;
- Significant changes in the manner or use of acquired assets or our overall strategy;
- Significant negative trends in our industry or the overall economy;
- A significant decline in the market price for our common stock for a sustained period; and
- Our market capitalization falling below the book value of our net assets.

Goodwill and Intangible Assets

Intangible assets include customer relationships, trade names, technology, and goodwill. Intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. We review intangible assets with indefinite lives for impairment annually as of October 1 and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable.

When performing the impairment assessment, we will first assess qualitative factors to determine whether it is necessary to recalculate the fair value of the intangible assets with indefinite lives. If we believe, as a result of the qualitative assessment, that it is more likely than not that the fair value of the indefinite-lived intangibles is less than their carrying amount, we calculate the fair value using a market or income approach. If the carrying value of intangible assets with indefinite lives exceeds their fair value, then the intangible assets are written-down to their fair values. We did not recognize any impairments related to indefinite-lived intangibles during 2021, 2020 or 2019.

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. All of our goodwill is allocated to our reporting unit, which is the same as our operating segment. Goodwill is reviewed for impairment at least annually, as of October 1, and whenever events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable.

We review goodwill for impairment by first assessing qualitative factors to determine whether any impairment may exist. If we believe, as a result of the qualitative assessment, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, a quantitative analysis will be performed, and the fair value of the reporting unit is compared with its carrying value (including goodwill). If the carrying value of the reporting unit exceeds the fair value, then goodwill is written down by this difference. We performed a qualitative analysis as of October 1, 2021 and determined the fair value of our reporting unit likely exceeded the carrying value. No impairments were recorded during the years ended December 31, 2021 or 2019. A substantial portion of the revenue earned by our Canadian subsidiary is concentrated with one customer. While the customer has exercised its option to extend its existing contract to September 2022, during December 2020 we chose not to enter into a new contract with this customer or otherwise extend the term of the contract beyond September 2022. We subsequently announced that we would close the Canada office at the end of the contract. As a result, we tested for impairment of the Canada reporting unit's goodwill at December 31, 2020. We recognized an impairment of $714,000 for the excess of the then Canada reporting unit's carrying value over the fair value, using discounted cash flows.

In March 2021, we changed our operating segments from six to one to reflect a change in corporate reporting structure to the Company's Chief Executive Officer and chief operating decision maker. In connection with this change, our previous reporting units were combined into one reporting unit. We performed an interim qualitative analysis immediately before and after the reorganization and concluded that the fair value of our reporting units likely exceeded the carrying values and no impairments were recorded. Following the reorganization, we considered the current and expected future economic and market conditions, including the impact of the COVID-19 pandemic, on our reporting unit. We also assessed our current market capitalization compared to book value, forecasts and margins in our last quantitative impairment testing. We concluded that a triggering event has not occurred which would require an additional interim impairment test to be performed as it is not more likely than not that an impairment loss had been incurred at December 31, 2021.

Insurance Recoveries

We record insurance recoveries when the realization of the claim is probable. In 2020 we received $3.3 million in insurance recoveries, and $447,000 was paid directly to certain vendors from the insurer related to a cyber-attack in February 2020 (the "February incident"). We recorded $533,000, representing reimbursement for lost revenues, as insurance recoveries, and the remainder as a reduction to operating expenses. Due to insurance recoveries, the February incident did not have a significant impact on our consolidated financial statements. In 2020, we also recorded a gain in other income of $260,000 from insurance recoveries for property damage due to a flooding.

Income Taxes

We use the asset and liability method of accounting for income taxes. Under that method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis using enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances, if any, are established when necessary to reduce deferred tax assets to the amount that is more likely than not to be realized. We use the deferral method of accounting for our investment tax credits related to state tax incentives. During the years ended December 31, 2021, 2020, and 2019, we recorded income tax benefits relating to these tax credits of $10,000, $45,000, and $24,000, respectively. Interest and penalties related to income taxes are included in income taxes in the Consolidated Statements of Income.

We recognize the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

In 2021, we adopted ASU 2019-12, Simplifying the Accounting for Income Taxes (Topic 740). Among other clarifications and simplifications related to income tax accounting, this ASU simplifies the accounting for income taxes by eliminating certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, hybrid taxes and the recognition of deferred tax liabilities for outside basis differences. The adoption of this standard had no material impact to our consolidated financial statements.

Share-Based Compensation

All of our existing stock option awards and non-vested stock awards have been determined to be equity-classified awards. The compensation expense on share-based payments is recognized based on the grant-date fair value of those awards. We recognize the excess tax benefits and tax deficiencies in the income statement when options are exercised. Amounts recognized in the financial statements with respect to these plans are as follows:

	2021	2020	2019
		(In thousands)	
Amounts charged against income, before income tax benefit	$ 623	$ 680	$ 1,224
Amount of related income tax benefit	(919)	(6,764)	(2,081)
Net (benefit) expense to net income	$ (296)	$ (6,084)	$ (857)

We refer to our restricted stock awards as “non-vested” stock in these consolidated financial statements.

Cash and Cash Equivalents

We consider all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents were $6.3 million and $5.0 million as of December 31, 2021, and 2020, respectively, consisting primarily of money market accounts. At certain times, cash equivalent balances may exceed federally insured limits.

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 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. We recorded an ROU asset impairment charge in 2021 of $324,000, which was the amount by which the carrying value of the Seattle office lease ROU asset exceeded the fair value. We estimated the fair value based on the discounted cash flows of estimated net rental income for the office space subleased. The ROU asset impairment charge is included in depreciation, amortization and impairment expenses. There were no ROU asset impairment charges in 2020 or 2019. Rent income from the sublessee are 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 December 31, 2021 and 2020:

	Level 1	Level 2	Level 3	Total
		(In thousands)		
As of December 31, 2021				
Money Market Funds	$ 6,306	$ --	$ --	$ 6,306
Total Cash Equivalents	$ 6,306	$ --	$ --	$ 6,306
As of December 31, 2020				
Money Market Funds	$ 5,015	$ --	$ --	$ 5,015
Total Cash Equivalents	$ 5,015	$ --	$ --	$ 5,015

There were no transfers between levels during the years ended December 31, 2021 and 2020.

Our long-term debt described in Note 8 is recorded at historical cost. The fair value of 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 following are the carrying amount and estimated fair values of long-term debt:

	December 31, 2021	December 31, 2020
	(In thousands)	
Total carrying amount of long-term debt	$ 26,620	$ 30,713
Estimated fair value of long-term debt	$ 27,708	$ 32,943

The carrying amounts of accounts receivable, 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). We estimated the fair value of the Seattle office ROU using discounted cash flows of the sublease based on management's most recent projections, which are considered level 3 inputs in the fair value hierarchy and recorded an ROU asset impairment charge of $324,000 during 2021. As of December 31, 2021 and 2020, there was no indication of impairment related to these assets, other than for the Canada reporting unit's goodwill in December 2020 as discussed above. We estimated the fair value of the Canada reporting unit using discounted cash flows based on management's most recent projections which are considered level 3 inputs in the fair value hierarchy.

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 December 31, 2021 will have a material adverse effect on our consolidated financial position, results of operations or liquidity.

We became self-insured for group medical and dental insurance on January 1, 2019. We carry excess loss coverage in the amount of $150,000 per covered person per year for group medical insurance. We do not self-insure for any other types of losses, and therefore do not carry any additional excess loss insurance. In addition, we had aggregate claims loss coverage with a minimum aggregate deductible of $3.2 million and $2.8 million, in 2021 and 2020, respectively. We record a reserve for our group medical and dental insurance for all unresolved claims and for an estimate of incurred but not reported ("IBNR") claims. On a quarterly basis, we adjust our accrual based on a review of our claims experience and a third-party actuarial IBNR analysis. As of December 31, 2021 and 2020, our accrual related to self-insurance was $406,000 and $418,000, respectively.

Earnings Per Share

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

Diluted net income per share was computed using the weighted-average number of common shares and, if dilutive, the potential common shares outstanding during the period. Potential common shares consist of the incremental common shares 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 127,185, 65,127 and 16,221 options of Common Stock for the years ended December 31, 2021, 2020 and 2019, respectively which have been excluded from the diluted net income per share computation because their inclusion would be anti-dilutive.

	2021	2020	2019
	(In thousands, except per share data)		
Numerator for net income per share - basic:			
Net income	$ 37,466	$ 37,260	$ 32,406
Allocation of distributed and undistributed income to unvested restricted stock shareholders	(18)	(57)	(109)
Net income attributable to common shareholders	$ 37,448	$ 37,203	$ 32,297
Denominator for net income per share - basic:			
Weighted average common shares outstanding – basic	25,422	25,170	24,809
Net income per share – basic	$ 1.47	$ 1.48	$ 1.30
Numerator for net income per share - diluted:			
Net income attributable to common shareholders for basic computation	$ 37,448	$ 37,203	$ 32,297
Denominator for net income per share – diluted:			
Weighted average common shares outstanding – basic	25,422	25,170	24,809
Weighted average effect of dilutive securities – stock options	218	526	844
Denominator for diluted earnings per share – adjusted weighted average shares	25,640	25,696	25,653
Net income per share – diluted	$ 1.46	$ 1.45	$ 1.26

Recent Accounting Pronouncements Not Yet Adopted

In March 2020, the Financial Accounting Standards Board (the "FASB") issued ASU No. 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting", which provides optional expedients and exceptions for applying generally accepted accounting principles (GAAP) to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The amendments are effective for all entities as of March 12, 2020 through December 31, 2022. We expect to apply the optional expedient for contract modification to account for the change in the reference rate on impacted credit facilities prospectively by adjusting the effective interest rate.

In October 2021, FASB issued ASU No. 2021-08, "Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers." The amendment requires an acquirer in a business combination apply Topic 606 to recognize and measure contract assets in revenue contracts acquired in a business combination rather than fair value. The amendment is effective for public business entities for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, with early adoption permitted. We are currently evaluating the timing and the impact of adopting this new guidance on our consolidated financial statements.

(2) ACQUISITION

On January 4, 2021, we acquired substantially all assets and assumed certain liabilities of PatientWisdom, Inc., a company with a health engagement solution that will further our purpose of operationalizing human understanding through tangible and actionable insights. $3.0 million of the total $5.0 million all-cash consideration was paid at closing. We paid the remaining $2.0 million in January 2022. All payments were made with cash on hand. The acquisition was accounted for as a business combination, using the acquisition method of accounting, which requires, among other things, certain assets acquired and liabilities assumed to be recognized at their fair values as of the acquisition date. The following table summarizes the fair value of assets acquired and liabilities assumed at the acquisition date.

Amount of Identified Assets Acquired and Liabilities Assumed

	($ in thousands)
Current Assets	$ 184
Property and equipment	10
Customer related	100
Technology	600
Goodwill	4,340
Total assets acquired	$ 5,234
Current liabilities	284
Net assets acquired	$ 4,950

The identifiable intangible assets are being amortized over their estimated useful lives of 5 years. The goodwill and identifiable intangible assets are deductible for tax purposes. Goodwill related to the acquisition was primarily attributable to anticipated synergies and other intangibles that do not qualify for separate recognition.

The financial results associated with the PatientWisdom assets we acquired and liabilities we assumed are included in our consolidated financial statements from the date of acquisition, although the amounts are insignificant for 2021. Pro-forma information has not been presented because the amounts for 2021 are insignificant. Acquisition-related costs of $119,000 are included in selling, general and administrative expenses for the year ended December 31, 2021.

(3) Contracts with Customers

The following table disaggregates revenue for the years ended December 31, 2021, 2020 and 2019 based on timing of revenue recognition (In thousands):

	2021	2020	2019
Subscription services recognized ratably over time	$ 137,008	$ 122,499	$ 114,216
Services recognized at a point in time	3,216	2,932	4,992
Fixed, non-subscription recognized over time	3,065	2,907	3,248
Unit price services recognized over time	4,665	4,939	5,526
Total revenue	$ 147,954	$ 133,277	$ 127,982

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

	December 31, 2021	December 31, 2020
Accounts receivables	$ 13,728	$ 13,923
Contract assets included in other current assets	$ 99	$ 311
Deferred revenue	$ (17,213)	$ (15,585)

Significant changes in contract assets and contract liabilities during the years ended December 31, 2021 and 2020 are as follows (in thousands):

	2021		2020	
	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	$ -	$ (15,631)	$ -	$ (16,083)
Increases due to invoicing of client, net of amounts recognized as revenue	-	16,694	-	15,338
Decreases due to completion of services (or portion of services) and transferred to accounts receivable	(311)	-	(103)	-
Change due to cumulative catch-up adjustments arising from changes in expected contract consideration	-	326	-	(24)
Increases due to revenue recognized in the period with additional performance obligations before invoicing	99	-	311	-

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 December 31, 2021 approximated $2.9 million of which $1.3 million, $1.1 million, and $587,000 is expected to be recognized during 2022, 2023, and 2024, respectively.

(4) Equity Investments

We make equity investments to promote business and strategic objectives. For investments that do not have a readily determinable fair value, we apply either cost or equity method of accounting depending on the nature of our investment and our ability to exercise significant influence. Investments are periodically analyzed to determine whether or not there are any indicators of impairment and written down to fair value if the investment has incurred an other than temporary impairment. Our investment of $1.3 million in convertible preferred stock of PracticingExcellence.com, Inc., a privately-held Delaware corporation (“PX”) is included in non-current assets. It is not practicable for us to estimate fair value at each reporting date due to the cost and complexity of the calculations for this non-public entity. Therefore, it is carried at cost less impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer, if any. We have a seat on PX's board of directors and our investment, which is not considered to be in-substance common stock, represents approximately 15.1% of the issued and outstanding equity interests in PX.

(5) Property and Equipment

At December 31, 2021, and 2020, property and equipment consisted of the following:

	2021	2020
	(In thousands)	
Furniture and equipment	$ 4,901	$ 4,808
Computer equipment	2,672	2,638
Computer software	27,828	27,087
Building	9,271	7,515
Leaseholds	502	232
Land	425	425
Property and equipment at cost	45,599	42,705
Less accumulated depreciation and amortization	33,208	30,979
Net property and equipment	$ 12,391	$ 11,726

Depreciation and amortization expense related to property and equipment, including assets under capital lease, for the years ended December 31, 2021, 2020, and 2019 was $5.7 million, $6.5 million, and $5.4 million, respectively. There were no significant impairments in property and equipment during 2021, 2020, and 2019. However, we did shorten the useful lives of certain assets to reflect our best estimate of when assets are expected to be disposed of or replaced.

(6) Goodwill and Intangible Assets

Goodwill and intangible assets consisted of the following at December 31, 2021:

	Gross	Accumulated Impairment	Net
		(In thousands)	
Goodwill	$ 62,328	$ (714)	$ 61,614

	Useful Life	Gross	Accumulated Amortization	Net
	(In years)		(In thousands)	
Non-amortizing intangible assets:				
Indefinite trade name		1,191		1,191
Amortizing intangible assets:				
Customer related	5 - 15	9,445	9,325	120
Technology	7	1,959	1,480	479
Trade names	5 - 10	1,572	1,572	--
Total amortizing intangible assets		12,976	12,377	599
Total intangible assets other than goodwill		$ 14,167	$ 12,377	$ 1,790

Goodwill and intangible assets consisted of the following at December 31, 2020:

	Gross	Accumulated Impairment	Net
		(In thousands)	
Goodwill	$ 57,969	$ (714)	$ 57,255

	Useful Life	Gross	Accumulated Amortization	Net
	(In years)		(In thousands)	
Non-amortizing intangible assets:				
Indefinite trade name		1,191		1,191
Amortizing intangible assets:				
Customer related	5 - 15	9,344	9,256	88
Technology	7	1,360	1,229	131
Trade names	5 - 10	1,572	1,572	--
Total amortizing intangible assets		12,276	12,057	219
Total intangible assets other than goodwill		$ 13,467	$ 12,057	$ 1,410

The following represents a summary of changes in the carrying amount of goodwill for the years ended December 31, 2021 and 2020 (in thousands):

Balance as of December 31, 2019	$ 57,935
Impairment	(714)
Foreign currency translation	34
Balance as of December 31, 2020	$ 57,255
Goodwill acquired	4,340
Foreign currency translation	19
Balance at December 31, 2021	$ 61,614

As discussed in Note 1, we recorded an impairment of $714,000 to the Canada reporting unit's goodwill in December 2020.

Aggregate amortization expense for customer related intangibles, trade names, and technology for the years ended December 31, 2021, 2020 and 2019 was $320,000, $318,000, and $374,000, respectively. Estimated future amortization expense for 2022, 2023, 2024 and 2025 is $180,000, $140,000, $140,000 and $139,000, respectively.

(7) Income Taxes

For the years ended December 31, 2021, 2020, and 2019, income before income taxes consists of the following:

	2021	2020	2019
		(In thousands)	
U.S. Operations	$ 48,145	$ 41,357	$ 40,045
Foreign Operations	476	110	474
Income before income taxes	$ 48,621	$ 41,467	$ 40,519

Income tax expense consisted of the following components:

	2021	2020	2019
		(In thousands)	
Federal:			
Current	$ 9,092	$ 3,546	$ 5,574
Deferred	(224)	(308)	718
Total	$ 8,868	$ 3,238	$ 6,292
Foreign:			
Current	$ 143	$ 225	$ 94
Deferred	(17)	(6)	33
Total	$ 126	$ 219	$ 127
State:			
Current	$ 2,197	$ 578	$ 1,322
Deferred	(36)	172	372
Total	$ 2,161	$ 750	$ 1,694
Total	$ 11,155	$ 4,207	$ 8,113

As a result of the Tax Cut and Jobs Act (the "Tax Act"), we determined that we would no longer indefinitely reinvest the earnings of our Canadian subsidiary. Our Canadian subsidiary declared a deemed dividend to the Company for $9.6 million in 2020. Additionally, a withholding tax of 5% was paid for the dividend distribution.

We received notice in December 2019, that we met qualification requirements for the Nebraska Advantage LB312 Act ("NAA") related to certain investment and full-time equivalent employee thresholds in the year ended 2017. NAA provides direct refunds of sales tax on qualified property, as well as investment credits and employment credits that can be claimed through credits of Nebraska income tax, employment tax, and sales tax on non-qualified property. We expect to receive direct refunds of Nebraska sales tax on qualified property incurred from 2014 to 2023. Investment credits started to accumulate in 2014 and can be earned through 2023. These credits can be claimed against Nebraska income taxes or through sales tax on non-qualified property through 2028. The employment credits are earned from 2017 through 2023, and they can be claimed against Nebraska payroll taxes through 2028. In 2019, we recorded cumulative adjustments for direct refunds and credits earned through the year ending December 31, 2019, which reduced operating expenses by approximately $1.9 million. For the year ended December 31, 2021 and 2020, adjustments for credits reduced operating expenses by approximately $473,000 and $435,000, respectively. In addition, income tax credits of $10,000, $45,000 and $24,000 were recorded as a reduction to income tax expense for the years ended December 31, 2021, 2020 and 2019, respectively.

The differences between income taxes expected at the U.S. federal statutory income tax rate of 21 percent and the reported income tax (benefit) expense are summarized as follows:

	2021	2020	2019
		(In thousands)	
Expected federal income taxes	$ 10,210	$ 8,708	$ 8,509
Foreign tax rate differential	26	6	26
State income taxes, net of federal benefit and state tax credits	1,531	607	1,344
Share-based compensation	(660)	(5,713)	(1,579)
Compensation limit for covered employees	--	463	--
Federal tax credits	(272)	(261)	(419)
Uncertain tax positions	254	157	34
Nondeductible expenses (income) related to recapitalization	--	--	(24)
Goodwill Impairment	--	184	--
Withholding tax on repatriation of foreign earnings	8	18	107
GILTI	--	10	13
Other	58	28	102
	$ 11,155	$ 4,207	$ 8,113

Deferred tax assets and liabilities at December 31, 2021 and 2020, were comprised of the following:

	2021	2020
	(In thousands)	
Deferred tax assets:		
Allowance for doubtful accounts	$ 24	$ 29
Accrued expenses	687	696
Share-based compensation	740	735
Accrued bonuses	267	145
Employer payroll tax deferral	200	323
Uncertain tax positions	161	104
Other	66	11
Gross deferred tax assets	2,145	2,043
Less valuation allowance	--	--
Deferred tax assets	2,145	2,043
Deferred tax liabilities:		
Prepaid expenses	89	93
Deferred contract costs	945	1,111
Property and equipment	1,579	1,725
Intangible assets	6,338	6,109
Repatriation withholding	182	174
Other	--	96
Deferred tax liabilities	9,133	9,308
Net deferred tax liabilities	$ (6,988)	$ (7,265)

In March 27, 2020, the U.S. federal government enacted the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The CARES Act is an emergency economic stimulus package in response to the coronavirus outbreak which, among other things, contains numerous income tax provisions. As a result of the CARES Act, we had deferred $1.3 million of employer social security tax payments as of December 31, 2020. In accordance with the CARES Act, we paid half of this liability in December 2021, and we expect to pay the remaining $656,000 in December 2022. We have had no other impacts to our consolidated financial statements or related disclosures from the CARES Act.

In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. We consider projected future taxable income, carry-back opportunities, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, we believe it is more likely than not that we will realize the benefits of these deductible differences excluding the foreign tax credit carryforward. In 2020, we wrote off the deferred tax asset for prior year foreign tax credit carryforwards of $535,000 and the related valuation allowance. We made the assessment that due to our Canadian subsidiary's decreased projected future income and the lower US tax rate compared to the Canadian tax rate, it was unlikely we would realize this asset.

We had an unrecognized tax benefit at December 31, 2021 and 2020, of $1.1 million and $768,000, respectively, excluding interest of $19,000 and $15,000 at December 31, 2021 and 2020, respectively. Of these amounts, $918,000 and $668,000 at December 31, 2021 and 2020, respectively, represents the net unrecognized tax benefits that, if recognized, would favorably impact the effective income tax rate. The change in the unrecognized tax benefits for 2021 and 2020 was as follows:

		(In thousands)
Balance of unrecognized tax benefits at December 31, 2019	$	592
Reductions due to lapse of applicable statute of limitations		(34)
Reductions due to tax positions of prior years		4
Reductions due to settlement with taxing authorities		--
Additions based on tax positions related to the current year		206
Balance of unrecognized tax benefits at December 31, 2020	$	768
Reductions due to lapse of applicable statute of limitations		(38)
Additions due to tax positions of prior years		--
Reductions due to settlement with taxing authorities		--
Additions based on tax positions related to the current year		345
Balance of unrecognized tax benefits at December 31, 2021	$	1,075

We file income tax returns in the U.S. federal jurisdiction, various state jurisdictions, and Canada federal and provincial jurisdictions. Tax years 2018 and forward remain subject to U.S. federal examination. Tax years 2015 and forward remain subject to state examination. Tax years 2017 and forward remain subject to Canadian federal and provincial examination.

(8) Notes Payable

Our long-term debt consists of the following:

		2021		2020
		(In thousands)		
Term Loans	$	26,620	$	30,713
Less: current portion		(4,278)		(4,061)
Less: unamortized debt issuance costs		(73)		(105)
Notes payable, net of current portion	$	22,269	$	26,547

Our credit agreement (the "Credit Agreement") with First National Bank of Omaha ("FNB") was amended and restated on May 28, 2020 and includes (i) a $30,000,000 revolving credit facility (the "Line of Credit"), (ii) a $33,002,069 term loan (the "Term Loan") and (iii) a $15,000,000 delayed draw-down term facility (the "Delayed Draw Term Loan" and, together with the Line of Credit and the Term Loan, the "Credit Facilities"). The Delayed Draw Term Loan may be used to fund any permitted future business acquisitions or repurchases of our Common Stock and the Line of Credit can be used to fund ongoing working capital needs and for other general corporate purposes. The May 2020 amendment increased the Line of Credit from $15,000,000 to $30,000,000.

The Term Loan is payable in monthly installments of $462,988 through May 2025, with a balloon payment due at maturity in May 2025. The Term Loan bears interest at a fixed rate per annum of 5%. Borrowings under the Line of Credit and the Delayed Draw Term Loan, if any, bear interest at a floating rate equal to the 30-day London Interbank Offered Rate plus 225 basis points (2.35% at December 31, 2021). Interest on the Line of Credit accrues and is payable monthly. Principal amounts outstanding under the Line of Credit are due and payable in full at maturity, in May 2023. As of December 31, 2021, and

December 31, 2020, the Line of Credit did not have a balance. We did not borrow on the Line of Credit during 2021. We have not borrowed on the Delayed Draw Term Loan since origination.

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, respectively.

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. 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, and (iii) the portion of any acquisition consideration for a permitted acquisition paid with cash on hand. 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. As of December 31, 2021, we were in compliance with our financial covenants.

Scheduled maturities of notes payable at December 31, 2021 are as follows:

2022	$	4,306
2023		4,529
2024		4,762
2025		13,023

(9) 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.

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 outside director's service. At December 31, 2021, there were 780,330 shares of Common Stock available for issuance pursuant to future grants under the 2004 Director Plan. We have accounted for grants of 2,219,670 shares of Common Stock under the 2004 Director Plan using the date of grant as the measurement date for financial accounting purposes.

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 Common Stock. Stock options granted may be either incentive stock options or nonqualified stock options. Vesting terms vary with each grant and option terms are generally five to ten years following the date of grant. At December 31, 2021, there were 806,537 shares of Common Stock available for issuance pursuant to future grants under the 2006 Equity Incentive Plan. We have accounted for grants of 993,463 shares of Common Stock and restricted stock under the 2006 Equity Incentive Plan using the date of grant as the measurement date for financial accounting purposes.

During 2021, 2020 and 2019, we granted options to purchase 101,091, 70,471, and 100,615 shares of Common Stock, respectively. 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 shares on the date of grant. The fair value of stock options granted was estimated using a Black-Scholes valuation model with the following weighted average assumptions:

	2021	2020	2019
Expected dividend yield at date of grant	2.15%	1.84%	2.60%
Expected stock price volatility	34.85%	33.62%	34.01%
Risk-free interest rate	0.91%	1.35%	2.38%
Expected life of options (in years)	7.01	7.39	7.46

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 stock option activity under 2006 Equity Incentive Plan and the 2004 Director Plan for the year ended December 31, 2021:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Terms (Years)	Aggregate Intrinsic Value (In thousands)
Common Stock				
Outstanding at December 31, 2020	600,571	$ 25.31		
Granted	101,091	$ 44.96		
Exercised	(116,753)	$ 13.14		$ 3,535
Expired	(22,837)	9.74		
Forfeited	(84,432)	$ 38.38		
Outstanding at December 31, 2021	477,640	$ 30.88	5.97	$ 6,337
Exercisable at December 31, 2021	249,488	$ 23.99	4.82	$ 4,805

The following table summarizes information related to stock options for the years ended December 31, 2021, 2020 and 2019:

	2021	2020	2019
Weighted average grant date fair value of stock options granted	$ 12.55	$ 18.67	$ 11.99
Intrinsic value of stock options exercised (in thousands)	$ 3,535	$ 25,912	$ 8,280
Intrinsic value of stock options vested (in thousands)	$ 4,805	$ 1,965	$ 1,891

As of December 31, 2021, the total unrecognized compensation cost related to non-vested stock option awards was approximately $1.1 million which was expected to be recognized over a weighted average period of 2.37 years.

There was $446,000 and $1.7 million in cash received from stock options exercised for the years ended December 31, 2021 and 2020, respectively and no cash received from options exercised in 2019. We recognized $607,000, $680,000, and $934,000 of non-cash compensation for the years ended December 31, 2021, 2020, and 2019, respectively, related to options, which is included in direct and selling, general and administrative expenses. The actual tax benefit realized for the tax deduction from stock options exercised was $862,000, $6.3 million, and $1.9 million for the years ended December 31, 2021, 2020, and 2019, respectively.

During 2021 and 2019 we granted 12,698 and 6,005 non-vested shares of Common Stock, respectively, under the 2006 Equity Incentive Plan. No shares of non-vested Common Stock were granted during the year ended December 31, 2020. As of December 31, 2021, we had 12,698 non-vested shares of Common Stock outstanding under the 2006 Equity Incentive Plan. These shares vest over five years following the date of grant and holders thereof are entitled to receive dividends from the date of grant, whether or not vested. The fair value of the awards is calculated as the fair market value of the shares on the date of grant. We recognized $17,000, $23,000, and $290,000 of non-cash compensation for the years ended December 31, 2021, 2020, and 2019, respectively, related to this non-vested stock, which is included in direct and selling, general and administrative expenses. The actual tax benefit realized for the tax deduction from vesting of restricted stock was $235,000 for the year ended December 31, 2020. No restricted stock vested during the year end December 31, 2021 and 2019.

The following table summarizes information regarding non-vested stock granted to associates under the 2006 Equity Incentive Plans for the year ended December 31, 2021:

	Common Stock Outstanding	Common Stock Weighted Average Grant Date Fair Value Per Share
Outstanding at December 31, 2020	6,005	$ 38.30
Granted	12,698	$ 42.92
Vested	--	$ --
Forfeited	(6,005)	$ 38.30
Outstanding at December 31, 2021	12,698	$ 42.92

As of December 31, 2021, the total unrecognized compensation cost related to non-vested stock awards was approximately $436,000 and is expected to be recognized over a weighted average period of 4.00 years.

(10) Leases

We lease printing, computer, other equipment and office space in the United States and Canada. The leases remaining terms as of December 31, 2021 range from less than one year to 4.93 years.

Certain equipment and office lease agreements include provisions for periodic adjustments to rates and charges. The rates and charges are adjusted based on actual usage or actual costs for internet, common area maintenance, taxes or insurance, as determined by the lessor and are considered variable lease costs.

The components of lease expense for the years ended December 31, 2021, 2020 and 2019 included (in thousands):

	2021	2020	2019
Operating leases	$ 669	$ 600	$ 781
Finance leases:			
Asset amortization	489	355	252
Interest on lease liabilities	34	37	39
Variable lease cost	99	62	86
Short-term lease cost	59	42	42
Sublease income	(81)	--	--
Total net lease cost	$ 1,269	$ 1,096	$ 1,200

In 2020, we adjusted the useful life of the operating right of use assts associated with our Atlanta, Georgia and Markham, Ontario office leases based on the expectation that we will vacate the office space before the end of the lease term.

Supplemental balance sheet information related to leases (in thousands):

	December 31, 2021	December 31, 2020
Operating leases:		
Operating ROU assets	$ 975	$ 1,308
Current operating lease liabilities	493	461
Noncurrent operating lease liabilities	820	896
Total operating lease liabilities	$ 1,313	$ 1,357

	December 31, 2021	December 31, 2020
Finance leases:		
Furniture and equipment	$ 1,042	$ 1,014
Computer Equipment	659	662
Computer Software	207	207
Property and equipment under finance lease, gross	1,908	1,883
Less accumulated amortization	(1,074)	(605)
Property and equipment under finance lease, net	$ 834	$ 1,278
Current obligations of finance leases	$ 470	$ 493
Noncurrent obligations of finance leases	348	778
Total finance lease liabilities	$ 818	$ 1,271
Weighted average remaining lease term (in years):		
Operating leases	2.80	3.68
Finance leases	1.93	2.69
Weighted average discount rate:		
Operating leases	3.85%	4.40%
Finance leases	3.42%	3.38%

Supplemental cash flow and other information related to leases were as follows (in thousands):

	2021	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	$ 680	$ 596	$ 789
Operating cash flows from finance leases	34	36	38
Financing cash flows from finance leases	493	332	229
ROU assets obtained in exchange for operating lease liabilities	560	276	16
ROU assets obtained in exchange for finance lease liabilities	40	817	192

Undiscounted payments under non-cancelable finance and operating leases at December 31, 2021 were as follows (in thousands):

	Finance Leases	Operating Leases
2022	$ 488	$ 531
2023	315	513
2024	23	227
2025	10	118
2026	10	--
Thereafter	--	--
Total minimum lease payments	846	1,389
Less: Amount representing interest	(28)	(76)
Present value of minimum lease payments	818	1,313
Current portion	(470)	(493)
Lease obligations, net of current portion	$ 348	$ 820

Undiscounted cash receipts due under the sublease agreement at December 31, 2021 are as follows (in thousands):

	Operating Lease
2022	$ 118
2023	122
2024	127
2025	65
Total minimum lease receipts	$ 432

(11) Related Party

A director who began serving on our board in May 2021, served as chief executive officer of Allina Health during 2021, a not-for-profit healthcare system. In connection with its routine business operations, Allina Health purchases certain of our products and services. Total revenue we earned from Allina Health in year ended December 31, 2021 approximated $1.7 million.

A director, who served on our board through October 2021, also served as an officer and director of Ameritas Life Insurance Corp. ("Ameritas") until January 2020 and continued to serve on the board of directors of Ameritas until October 2021. In connection with our regular assessment of our insurance-based associate benefits, which is conducted by an independent insurance broker, and the costs associated therewith, we purchase dental and vision insurance for certain of our associates from Ameritas. The total value of these purchases was $278,000, $248,000, and $242,000 in 2021, 2020, and 2019 respectively.

A director, who served on our board through May 2020, also served as a board member of IMA Financial Group. In connection with our regular assessment of our liability coverage, during 2020 we began purchasing directors and officers and employment practices liability insurance through IMA Financial Group. Total payments for these services totaled $1.1 million in 2020.

During 2017, we acquired a cost method investment in convertible preferred stock of Practicing Excellence.com, Inc., a privately-held Delaware Corporation ("PX"), which is included in other non-current assets and is carried at cost, adjusted for changes resulting from observable price changes in orderly transactions of the same investment in PX, if any. We also have an agreement with PX which commenced in 2016 under which we act as a reseller of PX services and PX receives a portion of the revenues. The total revenue earned from the PX reseller agreement in the years ended December 31, 2021, 2020, and 2019 was $35,000, $294,000, and $578,000, respectively. We no longer earn revenue under this agreement after June 30, 2021 due to termination of the reseller agreement.

(12) Associate Benefits

We sponsor a qualified 401(k) plan covering substantially all associates with no eligibility service requirement. Under the 401(k) plan, we match 25.0% of the first 6.0% of compensation contributed by each associate. Employer contributions, which are discretionary, vest to participants at a rate of 20% per year. We contributed $531,000, $521,000, and $447,000 in 2021, 2020, and 2019, respectively, as a matching percentage of associate 401(k) contributions.

(13) Segment Information

In March 2021, we changed our operating segments from six to one to reflect a change in corporate reporting structure to the Company's Chief Executive Officer and chief operating decision maker.

The table below presents entity-wide information regarding our revenue and assets by geographic area (in thousands):

	2021	2020	2019
Revenue:			
United States	$ 144,987	$ 130,305	$ 124,369
Canada	2,967	2,972	3,613
Total	$ 147,954	$ 133,277	$ 127,982
Long-lived assets:			
United States	$ 83,722	$ 77,448	$ 78,906
Canada	111	1,863	2,622
Total	$ 83,833	$ 79,311	$ 81,528
Total assets:			
United States	$ 153,879	$ 128,319	$ 95,668
Canada	3,661	5,104	15,017
Total	$ 157,540	$ 133,423	$ 110,685

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

In accordance with Rule 13a-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), our management evaluated, with the participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2021. Based upon their evaluation of these disclosure controls and procedures, the Chief Executive Officer and the Chief Financial Officer concluded that the disclosure controls and procedures were effective as of December 31, 2021.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act). Our internal control over financial reporting is designed 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. Because of its inherent limitations, however, 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 of procedures may deteriorate.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our internal control over financial reporting using the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on such evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2021.

The effectiveness of our internal control over financial reporting as of December 31, 2021, has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report, a copy of which is included in this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the quarter ended December 31, 2021, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

We have no other information to report pursuant to this item.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item with respect to directors, executive officers and Section 16 compliance is included under the captions "Election of Directors," "Corporate Governance – Committees", "Information About Our Executive Officers" and "Delinquent Section 16(a) Reports," respectively, in our definitive Proxy Statement for our 2022 Annual Meeting of Shareholders ("Proxy Statement") and is hereby incorporated herein by reference. The information required by this Item with respect to audit committees and audit committee financial experts is included under the caption "Corporate Governance" in the Proxy Statement and is incorporated herein by reference.

We have adopted a Code of Business Conduct and Ethics that applies to all of our associates, including our Chief Executive Officer and Chief Financial Officer and other persons performing similar functions. We have posted a copy of the Code of Business Conduct and Ethics on our website at www.nrchealth.com, and such Code of Business Conduct and Ethics is available, in print, without charge, to any shareholder who requests it from our Secretary. We intend to satisfy the disclosure requirements under Item 5.05 of Form 8-K regarding amendments to, or waivers from, the Code of Business Conduct and Ethics by posting such information on our website at www.nrchealth.com. We are not including the information contained on our website as part of, or incorporating it by reference into, this report.

Item 11. Executive Compensation

The information required by this Item is included under the captions "Compensation Discussion and Analysis," "2021 Summary Compensation Table," "Grants of Plan-Based Awards in 2021," "Outstanding Equity Awards at December 31, 2021," "2021 Director Compensation," "Compensation Committee Report," "Corporate Governance-Transactions with Related Persons," "Compensation Committee Interlocks and Insider Participation" and "CEO Pay Ratio" in the Proxy Statement and is hereby incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

The information required by this Item with respect to security ownership of certain beneficial owners and management is included under the caption "Principal Shareholders" in the Proxy Statement and is hereby incorporated by reference.

The following table sets forth information with respect to compensation plans under which equity securities of the Company are authorized for issuance as of December 31, 2021.

Plan Category Common Shares	Number of Securities to be issued upon the exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders[1]	477,640	$ 30.88	1,586,867 [2]
Equity compensation plans not approved by security holders	--	--	--
Total	477,640	$ 30.88	1,586,867

[1] Includes our 2006 Equity Incentive Plan and 2004 Director Plan.

[2] Under the 2006 Equity Incentive Plan, we had authority to award up to 325,181 additional shares of restricted Common Stock provided that the total of such shares awarded may not exceed the total number of shares remaining available for issuance under the 2006 Equity Incentive Plan, which totaled 806,537 shares of Common Stock as of December 31, 2021. The Director Plan provides for granting options for 3,000,000 shares of Common Stock. Option awards through December 31, 2021 totaled 2,196,833 shares of Common Stock.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is included under the caption “Corporate Governance” in the Proxy Statement and is hereby incorporated by reference.

Item 14. Principal Accountant Fees and Services

The information required by this Item is included under the caption “Miscellaneous — Independent Registered Public Accounting Firm” in the Proxy Statement and is hereby incorporated by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

1. Consolidated financial statements. The consolidated financial statements listed in the accompanying index to the consolidated financial statements are filed as part of this Annual Report on Form 10-K.

2. Financial statement schedules. All financial statement schedules have been omitted because they are not applicable or the required information is included in the consolidated financial statements and the related notes thereto.

3. Exhibits. The exhibits listed in the exhibit index below are filed as part of this Annual Report on Form 10-K.

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)]
(4.3)**	Description of the Securities of the Registrant.
(10.1)	Amended and Restated Credit Agreement dated May 28, 2020, between National Research Corporation and First National Bank of Omaha [Incorporated by reference to Exhibit 10.1 to National Research Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 and filed on August 7, 2020 (File No. 001-35929)]
(10.2)*	National Research Corporation 2004 Non-Employee Director Stock Plan, as amended [Incorporated by reference to Appendix A to National Research Corporation's Proxy Statement for the 2018 Annual Meeting of Shareholders filed on April 27, 2018 (File No. 001-35929)]
(10.3)*	Form of Nonqualified Stock Option Agreement used in connection with the National Research Corporation 2006 Equity Incentive Plan [Incorporated by reference to Exhibit 10.14 to National Research Corporation's Annual Report on Form 10-K for the year ended December 31, 2006 and filed on April 2, 2007 (File No. 000-29466)]
(10.4)*	Form of Restricted Stock Agreement used in connection with the National Research Corporation 2006 Equity Incentive Plan [Incorporated by reference to Exhibit 10.15 to National Research Corporation's Annual Report on Form 10-K for the year ended December 31, 2006 and filed on April 2, 2007 (File No. 000-29466)]
(10.5)*	National Research Corporation 2006 Equity Incentive Plan, [Incorporated by reference to Appendix A to National Research Corporation's Proxy Statement for the 2006 Annual Meeting of Shareholders filed on April 3, 2006 (File No. 000-29466)]

Exhibit Number	Exhibit Description
(10.6)*	Form of Grant used in connection with the National Research Corporation 2004 Non-Employee Director Stock Plan, as amended [Incorporated by reference to Exhibit 10.1 to National Research Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 and filed on November 5, 2021 (File No. 001-35929)]
(21)**	Subsidiary of National Research Corporation
(23)**	Consent of Independent Registered Public Accounting Firm
(31.1)**	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(31.2)**	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(32)**	Certification of Periodic Financial Report by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(101)**	Financial statements from the Annual Report on Form 10-K of National Research Corporation for the year ended December 31, 2021, formatted in Inline eXtensible Business Reporting Language (iXBRL): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Shareholders' Equity, (v) the Consolidated Statements of Cash Flows, (vi) the Notes to the Consolidated Financial Statements, and (vii) document and entity information.
(104)**	Cover Page Interactive Data File (formatted in the Inline XBRL and contained in Exhibit 101).

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* A management contract or compensatory plan or arrangement.

** Filed herewith.

Item 16. Form 10-K Summary

None.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

All other financial statement schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedules, or because the information required is included in the consolidated financial statements and notes thereto.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on this 4th day of March 2022.

NATIONAL RESEARCH CORPORATION

By:/s/ Michael D. Hays
Michael D. Hays
Chief Executive Officer and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Michael D. Hays Michael D. Hays	Chief Executive Officer, President and Director (Principal Executive Officer)	March 4, 2022
/s/ Kevin R. Karas Kevin R. Karas	Senior Vice President Finance, Chief Financial Officer, Treasurer and Secretary (Principal Financial and Accounting Officer)	March 4, 2022
/s/ Donald M. Berwick Donald M. Berwick	Director	March 4, 2022
/s/ John N. Nunnelly John N. Nunnelly	Director	March 4, 2022
/s/ Penny A. Wheeler Penny A. Wheeler	Director	March 4, 2022
/s/ Stephen H. Lockhart Stephen H. Lockhart	Director	March 4, 2022

Exhibit 4.3

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

As of December 31, 2021, National Research Corporation (the "Company," "we," "us" or "our") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), our common stock, par value $.001 ("Common Stock").

The summary of the general terms and provisions of the Common Stock set forth below does not purport to be complete and is subject to and qualified by reference to the Company's Certificate of Incorporation and Bylaws, each of which is incorporated by reference as exhibits to the Annual Report on Form 10-K. For additional information, please read the Certificate and Bylaws and the applicable provisions of the Delaware General Corporation Law ("DGCL").

Authorized Capital Stock

Our authorized capital stock consists of 112,000,000 shares, consisting of: (i) 110,000,000 shares of Common Stock, par value $0.001 per share, and (ii) 2,000,000 shares of Preferred Stock, par value $0.01 per share. As of February 25, 2022, 25,194,447 shares of Common Stock were issued and outstanding, and no shares of our preferred stock were issued and outstanding.

Common Stock

After all cumulative dividends have been paid or declared and set apart for payment on any shares of preferred stock that are outstanding, the Common Stock is entitled to such dividends as may be declared from time to time by our board of directors in accordance with applicable law.

Except as provided under the DGCL, and except as may be determined by our board of directors with respect to any series of preferred stock, only the holders of Common Stock shall be entitled to vote for the election of directors of the Company and on all other matters. Holders of Common Stock are entitled to one vote for each share of Common Stock held by them on all matters properly submitted to a vote of shareholders. Shareholders have no cumulative voting rights, which means that the holders of shares entitled to exercise more than 50% of the voting power are able to elect all of the directors to be elected.

All shares of Common Stock are entitled to participate equally in distributions in liquidation, subject to the prior rights of any preferred stock which may be outstanding. Holders of Common Stock have no preemptive rights to subscribe for or purchase shares of our capital stock. There are no conversion rights, sinking fund or redemption provisions applicable to Common Stock. The outstanding shares of our Common Stock are fully paid and nonassessable.

Our Common Stock is listed on the NASDAQ Global Select Market under the trading symbol "NRC." The transfer agent for our Common Stock is American Stock Transfer & Trust Company LLC.

Preferred Stock

Pursuant to our Certificate of Incorporation, the board of directors has the authority, without further action by the shareholders, to issue up to 2,000,000 shares of preferred stock in one or more series and to fix the designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions thereof, including, dividend rights, conversion rights, voting rights, terms of redemption, and liquidation preferences, any or all of which may be greater than the rights of our Common Stock. The board of directors, without shareholder approval, can issue preferred stock with voting, conversion, or other rights that could adversely affect the voting power and other rights of the holders of Common Stock. As a result, preferred stock could be issued quickly with terms calculated to delay or prevent a change of control of the company or make removal of management more difficult. Additionally, the issuance of preferred stock may have the effect of decreasing the market price of our Common Stock and may adversely affect the voting and other rights of the holders of Common Stock.

As of the date of the Annual Report on Form 10-K of which this Exhibit is a part, no shares of preferred stock are outstanding.

Anti-Takeover Effects of Various Provisions of Delaware Law and Our Certificate of Incorporation and Bylaws

Our Certificate of Incorporation and Bylaws contain certain provisions that could have the effect of delaying, deferring, or preventing another party from acquiring control of us. These provisions, summarized below, may make it more difficult for a potential acquirer to acquire us in a transaction that is not negotiated with our board of directors and could discourage coercive takeover practices and inadequate takeover bids.

Director Classes and Terms; Vacancies. Under our Certificate of Incorporation and Bylaws, our board of directors is divided into three classes, with staggered terms of three years each. Each year the term of one class expires. The Certificate of Incorporation provides that any vacancies on the board of directors shall be filled only by the affirmative vote of a majority of the directors in office, even if less than a quorum. However, if the vacant office was held by a director elected by a voting group of stockholders, only the remaining directors elected by that voting group shall fill the vacancy. Any director so elected will serve until the next election of the class for which such director is chosen and until his or her successor is duly elected and qualified.

Removal of Directors. Our Certificate of Incorporation provides that any directors may be removed from office, but only for cause by the affirmative vote of at least 66-2/3% of the voting power of the then outstanding shares of stock of the voting group of stockholders that elected the director to be removed. However, if at least two-thirds of the board of directors plus one director vote to remove a director, such director may be removed without cause by a majority of the voting power of our outstanding shares of capital stock entitled to vote thereon.

Special Meetings of Stockholders. In addition, our Bylaws establish a procedure that shareholders seeking to call a special meeting of shareholders must satisfy. This procedure involves notice to us, our receipt of written demands for a special meeting from holders of 10% or more of the issued and outstanding shares of Common Stock, a review of the validity of such demands by an independent inspector appointed by us, and the fixing of the record and meeting dates by the board of directors.

Postponement and Adjournment of Shareholder Meetings. Our Bylaws also provide the board of directors with discretion in postponing shareholder meetings, including, within some limits, special meetings of shareholders. Additionally, the chief executive officer or the board of directors, acting by resolution, may adjourn a shareholder meeting at any time prior to the transaction of business at such meeting. Our Bylaws also contain strict time deadlines, procedures, and other criteria applicable to bringing business before a meeting, such as shareholders seeking to nominate a person for election as a director, including with respect to our proxy access provisions (whereby a shareholder, or a group of up to 20 shareholders, that have held at least 3% of our outstanding Common Stock for at least three years, may submit director nominees for inclusion in our future proxy statements).

Amendment to Certificate of Incorporation or Bylaws. The approval of a 66 2/3% super-majority of the voting power of the then outstanding shares of our capital stock entitled to vote is required to amend certain provisions of our Certificate of Incorporation and certain provisions of our Bylaws, including provisions regarding the number, classification, tenure, and removal of directors.

Limitations on Liability and Indemnification of Directors and Officers. Our Certificate of Incorporation limits the liability of our directors to the fullest extent permitted by the DGCL. Our Certificate of Incorporation includes a provision that eliminates the personal liability of directors for monetary damages for any breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL (providing for liability of directors for unlawful payment of dividends or unlawful stock purchases or redemptions), or (iv) for any transaction from which the director derived an improper personal benefit. Our Certificate of Incorporation further provides, that if the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of the directors will be eliminated or limited to the fullest extent permitted by the DGCL, as so amended. Our Bylaws provide for the indemnification of our directors and officers and authorize us to carry directors' and officers' insurance for the benefit of our directors, officers, employees and agents. We believe that these indemnification provisions and insurance are useful to attract and retain qualified directors and executive officers.

Business Combinations with Interested Stockholders. Section 203 of the DGCL prohibits, in certain circumstances, a Delaware corporation that has either shares of voting stock listed on a national securities exchange or more than 2,000 record holders of voting stock, from engaging in a "business combination" with an "interested stockholder" for a period of three years following the date that such stockholder became an interested stockholder, unless (i) prior to the date of the transaction, the board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder, (ii) upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding certain shares, or (iii) at or subsequent to that time, the business combination is approved by the board of directors and by the affirmative vote of holders of at least 66 2/3% of the corporation's outstanding voting stock that is not owned by the interested stockholder. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an "interested stockholder" is a person who, together with that person's affiliates and associates, owns, or within the previous three years owned, 15% or more of the corporation's outstanding voting stock. Our Certificate of Incorporation includes a provision expressly electing not to be governed by Section 203 of the DGCL. However, since the Company's voting stock is listed on a national securities exchange, under the DGCL, such provision will not take effect until twelve months after the effective date of our Certificate of Incorporation. Following such twelve month period, the Company will not be subject to any restrictions imposed by DGCL Section 203.

These provisions of our Certificate of Incorporation and Bylaws and the DGCL could have the effect of delaying or preventing a change of control of the Company.

Exhibit 21

Subsidiary of National Research Corp.

National Research Corporation's subsidiary as of December 31, 2021 is listed below:

Subsidiary	**Jurisdiction of organization**
National Research Corporation Canada	Ontario

Exhibit 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors
National Research Corporation:

We consent to the incorporation by reference in the registration statements (File Nos. 333-120530, 333-137763, 333-137769, 333-173097, 333-189139, 333-189140, 333-189141, 333-209934, 333-226715, and 333-226716) on Forms S-8 and (File Nos. 333-120529, 333-211190, and 333-232534) on Form S-3 of our report dated March 4, 2022, with respect to the consolidated financial statements of National Research Corporation and the effectiveness of internal control over financial reporting.

/s/ KPMG LLP

Lincoln, Nebraska
March 4, 2022

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 Annual Report on Form 10-K 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 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 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: March 4, 2022

By: /s/ Michael D. Hays
Michael D. Hays
Chief Executive Officer and President

Exhibit 31.2

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

I, Kevin R. Karas, certify that:

1. I have reviewed this Annual Report on Form 10-K 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 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 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: March 4, 2022

By: /s/ Kevin R. Karas
Kevin R. Karas
Chief 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 Annual Report on Form 10-K of National Research Corporation (the "Company") for the year ended December 31, 2021 (the "Report"), I, Michael D. Hays, Chief Executive Officer and President of the Company, and I, Kevin R. Karas, Chief 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 and President

/s/ Kevin R. Karas
Kevin R. Karas
Chief Financial Officer

Date: March 4, 2022

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.

Directors and Officers

Board of Directors

Michael D. Hays
President and Chief Executive Officer
National Research Corporation

John N. Nunnelly, Lead Director
Retired Group President
McKesson Corporation
Member of the Strategy (Chair), Audit (Interim Chair), Nominating, and Compensation and Talent Committees

Penny A. Wheeler, M.D.
Retired Chief Executive Officer
Allina Health
Member of the Strategy, Audit and Nominating Committees

Donald M. Berwick, M.D.
President Emeritus and Senior Fellow
Institute for Healthcare Improvement
Member of the Strategy, Audit, Nominating (Chair), and Compensation and Talent (Co-chair) Committees

Stephen H. Lockhart, M.D., Ph.D.
Retired Senior Vice President and Chief Medical Officer, Sutter Health Network
Member of the Strategy, Nominating and Compensation and Talent (Co-chair) Committees

Executive Officers

Michael D. Hays
President and Chief Executive Officer

Helen L. Hrdy
Chief Growth Officer

Jona S. Raasch
Chief Operating Officer
Chief Executive Officer,
The Governance Institute

Kevin R. Karas
Chief Financial Officer,
Treasurer and Secretary

Corporate Data

Corporate Headquarters
National Research Corporation
1245 Q Street
Lincoln, Nebraska 68508
Phone: 402.475.2525
Fax: 402.475.9061
www.nrchealth.com

Common Stock
National Research Corporation's common stock is traded on the NASDAQ Stock Market under the symbol NRC.

Transfer Agent
American Stock Transfer & Trust Company LLC
200 S. Wacker Drive, Suite 3144
Chicago, Illinois 60606
Phone: 718.921.8588
Fax: 718.765.8717

Independent Registered Public Accounting Firm
KPMG LLP
Lincoln, Nebraska

Corporate Counsel
Scudder Law Firm, P.C., L.L.O.
Lincoln, Nebraska

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NRC HEALTH