Human Understanding®

Transforming healthcare experiences for patients, providers, care teams, consumers, and communities.

2023 ANNUAL REPORT | 2024 PROXY STATEMENT

NRC HEALTH

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.

Jenn Abrom
Emily Adamson Koemans
Alexis AguileraOrtiz
Anna Ahrens
Lindsey Akiyama
Drew Allen
Karen Althouse
Tracy Alward
Ellie Anderson
Mike Anderson
Kathy Anstine
Hannah Arington
Vaida Armanaviciute
Susan Armbruster
Jess Arter
Rachel Ayalon
Michelle Bachman
Suzanne Baidoo
Desarie Ball
Cindy Ballow
Emily Barker
Jackie Barnhart
Steve Barton
Anna Bates
Amanda Beardsley
Rachel Beavers
Nick Beiermann
Jocelyn Belden
Cindy Bell
Sara Bennett
India Bercey
Tim Betlach
Dan Biggs
Tracy Black
Stephanie Blodgett
Margaret Blueford
Ashley Bock
Kasy Bodfield
Jeff Bogner
Ava Bohlender
Ryan Bondegard
Ilsa Bowman
Kassandra Braaten
Lindsey Bradley
Nick Brandt
Nicki Bratten
Erin Brodhagen
Tyler Brothers
Sandrina Brown
Dustin Bruce
Dawn Brunke Helmstadter
Jenny Brunke
Katie Bruss
Haley Bucknell
Tyler Burbach
Julie Busekist
Kenzie Busekist
Chris Butler
Scott Call
Sarah Callicoat
Allison Camm
Nick Canino
Corry Caouette
Jenna Carlson
Taylor Carlson
Kathy Carroll
Mary Ann Castillo
Sam Castner
Joanna Castro
Erin Cerretta
Isak Chai
Claire Chavez
Samantha Cheek
Anna Chitepu
Bryan Christiancy
Jared Chulufas
Brianne Clark
Alayna Clouston
Sam Cole
Alyssa Conn
Kelsey Cook
Meagan Cook
Tim Cook
Heather Costa-Greger
Teresa Costello-Raddatz
Jennifer Cothran
Joshua Cowan
Chase Craddock
Karla Cram
Ainslee Curtis
Pat Dabney
Kathleen Damme
Jake Daniel
Rob Davis
Alex DeDea
Tyler Dempsay
Nichale Denby
Zoe Deoudes
Sam Desh
Lauri Dettmer
Jennifer Dietze
Cassy Dodd
Ryan Donohue
John Dorn
Kalim Dumas
Jay Duval
Austin Edstrom
TJ Ehlers
Sara Ehnes
Zane Ehnes
William England
Matt Engler
Joe Epperson
Rayna Erbst
Andy Essink
Maggie Essink
Hanna Estep
Jared Eubank
Kayla Evans
Heather Evans-McCullock
Will Eversoll
Cris Ewell
Jillian Fast
Ashley Felker
Beki Ferguson
Bobbie Ficken
Travis Ficken
Micaela Fikar
Lauren Fix
Coleman Fleming-Dumas
Aliya Flores
Travis Freeburg
Sarah Fryda
Jing Fu
Christina Fuentes
Michelle Garcia Rubio
Alex Gerch
Jeff Gill
Dave Gilsdorf
Matt Ginting
Andy Glenn
Candi Glover
Geeta Goenka
Rocky Golding
Eddie Gonzales
Lucas Goodding
Aislinn Goodrich
Toya Gorley
Jane Gray
Lydia Grossenbacher
Lupita Guerrero
Meghan Gull
Miguel Gutierrez Cornejo
Kellen Habegger
Candis Hager
Marty Hager
Jason Hahn
Ted Hailer
Dan Halverson
Rachel Hamilton
Tracy Hanger
Hailey Hanlin
Andria Hannula
Jon Hanseling
Dave Hansen
Courtney Harper
Ryan Harpham
Shannon Hasemann
Kylee Hasenauer
Ryan Hatt
Britt Hayes
Shannon Hayes
Mike Hays
Marypat Heineman
Bret Hermsen
Jimmy Hilaire
James Hill
Deb Hinds
Carmen Hinseth
Danny Hipskind
Kaitlyn Hopkins
Kim Houle
Helen Hrdy
Katie Hunke
Brandon Hurley
Elisabeth Hurst
Jessica Jahen
Todd Jarchow
Elizabeth Jardee
Eric Jewett
Jean Johnson
Katie Johnson
Mariah Johnson
Nygel Jones
Jamie Jorgenson
Kayce Kahl
Kathy Kalkwarf
Ryan Kalkwarf
Mel Kamm
Kevin Karas
Dana Kearse-Osundare
Whitney Keirns
Kevin Kelly
Maddy Kelly
Steve Kett
Triet Khuc
Kate Kimmons
Abby Kincanon
Alicia King
Shawnelle King
Sam Kingsley
Bill Kossack
Pete Kostelnick
Devin Kozicki
Glenn Kramer
Annie Krein
Justin Kubick
Billy Kuehn
Tessa Lackey
Heather Lannin
Lindsay Laug
Bridget Leake
Matt Lewis
Jia Li
Garth Lienemann
Richard Lierman
Sheri Life
Tom Lipari
Lu Liu
Anne Loethen
Scott Logan
Grant Longoria-Shinn
Michelle Lopez
Amanda Loseke
Christophe Louvion
Adrienne Lurvey
Manasa Madabhushi
Linda Magin
Greg Makoul
Nathan Marra
Jake Mastera
Corey Matejka
Bridget Matthiessen
Tracy McClarnon
Jennifer McCready
Jo Mcelwain
Jen McHargue
Dillon McKinney
Parker Merwick
Jason Messerli
Julia Messineo
Amber Meyer
Lindsay Meyer
Emilio Meza
Joe Michalski
Amanda Mickle
Missy Middleton
Erin Miles
Matthew Miller
Lisa Minchow
Cami Mitelman
Sheena Mommens
Andy Monnich
Alex Moore
Bil Moore
Ken Morton
Zeb Moseman
Laura Moulton
Archana Muduganti
Kathy Mummert
Pete Mundt
Ana Munoz
Simba Mupfayi
Chloe Murphy
Luanne Murphy
Molly Murphy
Kaitlyne Nash
Andrew Nelson
Ashley Nelson
Pam Nelson
Taylor Neuhalfen
Emma Newcomb
Lauryn Newton
Sara Newton
Jennifer Nguyen
Joan Niemann
Courtney Nore
Keshia Norris
Roxana Novoa
Oksana Nupreichyk
Bethann Oberlander
Tim O'Brien
Laura Olinger
Drew Oliver
Hunter Olson
Tim Ottersburg
Justin Palmer
Cate Parrish
Sheri Patterson
Shane Patterson
Connie Pautz
Jordan Pedersen
Kathryn Peisert
Michelle Peters
Dana Petersen
Kevin Pham
Elizabeth Phillips
Spencer Phillips
Sara Pickrel
June Plemons
Rachel Pollreis
Devika Pondicherry
Bailey Pons
Elliot Presnell
Lin Quach
Jona Raasch
Zac Rabe
Judy Radford
Cydnee Rand
Angie Rauner
Ashley Read
Ryan Real
Elizabeth Reid
Luisa Restrepo
Desiree Reutzel
Aulii Reyes
Melissa Riley
Dylan Ritchie
Samantha Roach
Andre Rodrigues Ferreira
T Rodriguez
Kegan Ronholt
John Rusch
Katie Rust
Tiffany Ryck
Judd Salem
Sarah Satre
Sean Scarfo
Kelsey Schneider
Wes Schoenfelder
Rana Schreiber
Justin Schuerman
Ashley Schultz
April Schulz
Hannah Schwanebeck
Tawna Schwarz
Cali Scott
Maggie Sexson
Abby Sharp
Mary Shaw
Evan Sheaff
Ben Shelton
Liz Shotkoski
Kenzy Showalter
Evan Shuey
Laura Simmons
Hannah Skiff
Ted Smidberg
Jay Smith
Lily Soucie
Drew Soukup
Linda Stacy
Zaidee Stansberry
Carla Steadman
Amber Steffen
Andy Steffen
Jenelle Stein
DeAnn Stephan
Jake Stephens
Jackie Stevens
Lisa Stolzenburg
Lindsay Stoner
Ryan Stoner
Courtney Storsteen
Trey Sturdy
Melissa Summers
Natalie Summers
Sean Swanson
Will Swiston
Jon Tanner
Megan Taruc
Blaine Taylor
Jake Tegler
Allison Thomas
Sean Thomas
James Tobey
Fernando Urena
Ashlee Uttecht-Lierman
Marci Vander Tuig
Ismael Vasquez
Mike Vaughn
Sabrina Vels
Gunter Voelker
Mary Volkmer
Vicki Vopalensky
Kayla Wagner
Caleb Walker-Parker
Jessica Walters
Maxia Webb
Josh Weidenfeller
Tiffany Weitzenkamp
Andie Westling
Connie White
Jenny Wieseler
Karen Wilken
Minon Wilkinson
Tanner Wilkinson
Brinn Williams
Melissa Williams
Rob Wirth
Kendall Witt
Jessie Wolfe
Kelli Woods
Josh Yeoman
Alisha York
Ian York
Natalia Yunge Ossenkop
Kirsten Zimmerman
JP Zuhur
Z Kapke
Ryan Burghard

Annual Meeting

The annual meeting of shareholders will be held on May 8, 2024, at 3:00 p.m. Central Time, live via the Internet at www.virtualshareholdermeeting.com/nrc2024.

Dear Fellow Owners,

Your Company's importance has never been greater, as healthcare systems fight to win the customer loyalty battle.

Faced with growing frustration around access and care delivery, consumers are circumventing traditional systems for alternative models of care delivered with greater convenience and better outcomes. Eroding loyalty also contributes to 50% of consumers being willing to switch providers to save money.

Against this backdrop, health system CEOs are focused on understanding customers and patients' unique frustrations, challenges, and unspoken desires as the foundation to deliver frictionless, high-value experiences. It is a straightforward consumer dynamic; other industries provide personalized experiences and consumers expect the same from healthcare. Financially, loyalty is now the driver of health systems viability given the lifetime value of each customer/patient equals $1.2 million.

This challenge is well within our wheelhouse. Your Company brought the Human Understanding® movement to healthcare—a belief that costs, clinical outcomes, and loyalty all improve the more we know about and treat everyone as a unique person. This is our mission, as it drives better outcomes for patients and a better bottom line for our customers.

Human Understanding drives Net Promoter Score (NPS), the most common consumer loyalty metric worldwide. Patients who report everyone treated them as unique are 12x more likely to be promoters than those who do not, delivering a collective NPS of 81. In contrast, those who do not experience that level of human-centered care deliver a collective NPS of 5—a dramatic and sobering testament to the expectation and power of Human Understanding in healthcare.

Just as critical is the need to create Human Understanding across the workforce experience.

Today, 76% of healthcare workers report burnout—driving turnover, workforce shortages, and death by suicide. It is little wonder many of the nation's top healthcare leaders suggest employee burnout is a nationwide crisis.

When Human Understanding is extended to the workforce, each employee is treated as unique. This approach enables healthcare organizations to demonstrate empathy, the number one behavior to prevent burnout.

Your Company is setting the standard for workforce experience by creating its solutions founded on the same Human Understanding approach proven to drive customer loyalty. Our employee experience and consumer experience, combined with the expanded patient experience and Market Insights product offerings, double your Company's total addressable market.

Given the above-stated market opportunities, in January 2024 we elevated our leadership team materially by adding new roles of Chief Revenue Officer, Chief Customer Officer, Chief Product Technology Officer, and Chief Corporate Development Officer, to ensure we capitalize upon these near-term revenue runways.

As you are aware, your Company has a long history of growth, strong free cash flow, and return of excess capital to shareholders; the latter metric equaled $55 million in 2023 alone. Our sales associate headcount is quickly expanding, sales pipeline is up, our NPS is 75, and our margins are healthy.

Once again, I extend my personal commitment to all owners—both new and long-standing—that as fellow owners, our interests are aligned.

Michael D. Hays
CEO and Fellow Owner

NATIONAL RESEARCH CORPORATION
D/B/A NRC Health

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held May 8, 2024

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 8, 2024, at 3:00 P.M., Central Time, via the Internet at www.virtualshareholdermeeting.com/NRC2024, for the following purposes:

1. To elect two directors to hold office until the 2027 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 2024.

3. To conduct a non-binding, 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 20, 2024, 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

/s/ Linda Stacy
Linda Stacy
Secretary

Lincoln, Nebraska
April 11, 2024

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting To Be Held on May 8, 2024. The National Research Corporation proxy statement for the 2024 Annual Meeting of Shareholders and the 2023 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.

YOU MAY ALSO VOTE ON THE INTERNET BY COMPLETING THE ELECTRONIC VOTING INSTRUCTION FORM FOUND AT WWW.PROXYVOTE.COM OR BY TELEPHONE USING A TOUCH-TONE TELEPHONE AND CALLING 1-800-690-6903. VOTE BY 11:59 P.M. ET ON MAY 7, 2024.

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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 8, 2024

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 11, 2024, in connection with a solicitation of proxies by the Board for use at the Annual Meeting of Shareholders to be held on Wednesday, May 8, 2024, at 3:00 P.M., Central Time, virtually via the Internet at www.virtualshareholdermeeting.com/NRC2024, 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. You may also vote on the internet by completing the electronic voting instruction form found at www.proxyvote.com or by telephone using a touch-tone telephone and calling 1-800-690-6903. Vote by 11:59 p.m. ET on May 7, 2024. Instructions on how to vote while participating in the Annual Meeting live via the Internet are posted at www.virtualshareholdermeeting.com/NRC2024.

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 2024;
- FOR the non-binding, 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 2024, and the non-binding, 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 20, 2024 (the "Record Date"), are entitled to vote at the Annual Meeting. On that date, we had outstanding and entitled to vote 23,871,543 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

We will be hosting the Annual Meeting live via the Internet. You will not be able to attend the Annual Meeting in person. Any shareholder can listen to and participate in the Annual Meeting live via the Internet at www.virtualshareholdermeeting.com/NRC2024. 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 shareholders 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/NRC2024. 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 2027 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 majority of the votes cast at the Annual Meeting (assuming a quorum is present) in an uncontested election. 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 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

Term expiring at the 2027 Annual Meeting

Michael D. Hays, 69, 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, 71, has served as a director of the Company since December 1997, and lead director since May 2012. 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.

THE BOARD UNANIMOUSLY 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

Terms expiring at the 2025 Annual Meeting

Donald M. Berwick, 77, 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 currently a Lecturer in the Department of Health Care Policy at Harvard Medical School, serves on the board and the audit committee of LumiraDx, Ltd (OTC: LMDXF), and on the board of Virta Health. 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, 65, 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, and West Pharmaceutical Services, Inc. (NYSE: WST), manufacturer of integrated containment and delivery systems for injectable drugs and healthcare products. 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 36 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.

Term expiring at the 2026 Annual Meeting

Parul Bhandari, 48, has served as a director of the Company since May 2022. Ms. Bhandari has more than 20 years of experience driving growth and innovation at the world's leading technology and business development companies. Since 2012, she has held various leadership roles at Microsoft Corporation (NASDAQ: MSFT). Currently, Ms. Bhandari is the Director, Partner Strategy, Worldwide Media and Communications at Microsoft, where she contributes to global partner recruiting, enablement and engagement. Previously, Ms. Bhandari was focused on leading Data and AI for Microsoft's Worldwide Public Sector. Prior to joining Microsoft, Ms. Bhandari served as Vice President of Business Development and Alliances for the management consulting firm Acelsior, teaming with large defense contractors. Ms. Bhandari has served as a director of Timberland Bancorp, Inc. (NASDAQ: TSBK) since 2021. Ms. Bhandari also served as a director of Cartica Acquisition Corp (NASDAQ: CITE), a blank check company, from January 2022 to May 2023. Ms. Bhandari's expertise as an accomplished technology leader, leveraging data and AI, as well as her experience driving industry solutions and engaging in digital transformation initiatives, led to the conclusion that she should serve as a director of the Company.

Penny A. Wheeler, 65, 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. In 2023 Dr. Wheeler was elected to the University of Minnesota Board of Regents, and she 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.

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 11, 2024				As of April 6, 2023			
Total Number of Directors	6				6			
	Female	Male	Non-Binary	Did Not Disclose Gender	Female	Male	Non-Binary	Did Not Disclose Gender
Part I: Gender Identity								
Directors	2	4	0	0	2	4	0	0
Part II: Demographic Background								
African American or Black	0	1	0	0	0	1	0	0
Alaskan Native or Native American	0	0	0	0	0	0	0	0
Asian	1	0	0	0	1	0	0	0
Hispanic or Latinx	0	0	0	0	0	0	0	0
Native Hawaiian or Pacific Islander	0	0	0	0	0	0	0	0
White	1	3	0	0	1	3	0	0
Two or More Races or Ethnicities	0	0	0	0	0	0	0	0
LGBTQ+	1				0			
Did Not Disclose Demographic Background	0				0			

CORPORATE GOVERNANCE

Independent Directors and Annual Meeting Attendance

Of the six directors currently serving on the Board, the Board has determined that Donald M. Berwick, Parul Bhandari, Stephen H. Lockhart, John N. Nunnelly, 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. However, only Mr. Nunnelly was able to attend our 2023 annual meeting of shareholders. For the 2024 Annual Meeting, such attendance will be through the Internet via live webcast.

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 ten meetings in 2023. All incumbent directors, except for Ms. Bhandari, attended at least 75% of the aggregate of the meetings of the Board and the committees on which they served (during the periods for which they served) during 2023. Ms. Bhandari attended over 74% of the aggregate of Board and committee meetings in 2023, including seven of the ten Board meetings.

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/investor-relations/corporate-governance/. The contents of our website are not incorporated 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; the audits of our financial statements; and oversight of the risks and exposures relating to data privacy, information security, and cybersecurity. The Audit Committee presently consists of John N. Nunnelly (Chairperson), Donald M. Berwick, Parul Bhandari, and Penny A. Wheeler, 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 2023.

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 Stephen H. Lockhart (Chairperson), Donald M. Berwick, Parul Bhandari, John N. Nunnelly, and Penny A. Wheeler, 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 four meetings in 2023. 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 against similarly sized companies, 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 2023 and does not use a peer group given the absence of any publicly traded peers.

The Nominating Committee presently consists of Donald M. Berwick (Chairperson), Parul Bhandari, Stephen H. Lockhart, John N. Nunnelly, and Penny A. Wheeler, 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 2023.

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, Parul Bhandari, Stephen H. Lockhart, and Penny A. Wheeler are the current members of the Strategic Planning Committee. The Strategic Planning Committee held 16 meetings in 2023.

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 Audit Committee also inquires of, and receives regular reports from, management, our independent accountants, and our internal auditor about significant risks and exposures, including risks and exposures relating to data privacy, information security, and cybersecurity, and assesses the steps management has taken to minimize such risks and 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 shareholders' 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 Nominating 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 shareholders' vote, the Board shall act on the Nominating Committee's recommendation and publicly disclose their decision and reasons therefor. In determining whether 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 shareholders 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 shareholders may aggregate their holdings together to reach the 3% ownership threshold. The number of director nominees nominated by an eligible shareholder or a group of eligible shareholders 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 shareholders, 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 shareholders 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 10th 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.

Diversity

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 selfevaluation, 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. The three most recent nominees put forth by the Nominating Committee have all been gender or ethnic minorities, representing 50% of our Board.

Compensation Committee Interlocks and Insider Participation

Dr. Berwick, Ms. Bhandari, Dr. Lockhart, Mr. Nunnelly, and Dr. Wheeler served on the Compensation and Talent Committee during 2023. None of such individuals were our officers or employees at any time during 2023 or as of the date of this Proxy Statement, nor was any such individual a former officer of the Company. In 2023, 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 2023, 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 2023, 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

The Company had no related person transactions during 2023, 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 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.

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 Linda Stacy, Secretary, 1245 Q Street, Lincoln, Nebraska 68508. Ms. Stacy 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*).

Helen L. Hrdy, 59, has served as our Chief Customer Officer since January 2024. Prior to that position, Ms. Hrdy served as our Chief Growth Officer from January 2020 to January 2024 and 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.

Jason Hahn, 52, has served as our Chief Revenue Officer since January 2024. Prior to joining the Company Mr. Hahn held leadership positions in multiple companies with a focus on patient, employee, and financial experience. Mr. Hahn previously served at Press Ganey from 2004 to 2013, including serving as Senior Vice President from 2006 to 2013, Kaufman Hall/Axiom as Executive Vice President and Head of Global Sales from 2014 to February 2019, Igloo Software as Chief Revenue Officer from March 2019 to January 2020, and Interim Chief Executive Officer from January 2020 to March 2021, and Perceptyx as Chief Revenue Officer from March 2021 to January 2024.

Christophe Louvion, 51, has served as our Chief Product Technology Officer since January 2024. Mr. Louvion has more than 20 years of experience scaling mid-market B2C and B2B technology companies in the healthcare, streaming, advertising, and e-commerce industries. His previous roles include Chief Product and Technology Officer at PatientPop from 2017 to 2021, where he enabled a 400% ARR growth in under four years, and Chief Product and Technology Officer at Episource from 2021 to January 2024. Mr. Louvion serves on the board of early-stage startups and advises on go-to-market strategy, product development, organization design for global teams, and fundraising.

Andy Monnich, 48, has served as our Chief Corporate Development Officer since January 2024. For over the past 20 years, Mr. Monnich has worked in product and corporate development roles across the healthcare, financial services, and education industries, including for the Company as Senior Vice President – Strategy and Corporate Development from 2011 to 2013, as Managing Director and Co-Founder of Connect from 2013 to 2016, when Connect was acquired by the Company, and as Chief Strategy Officer at Practicing Excellence from July 2018 to August 2020. Most recently Mr. Monnich has worked as a consultant; developing, defining, and implementing strategies that help businesses make lasting improvements to their innovation and performance.

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.

2023 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, 2023 to December 31, 2023, 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 2023 annual meeting of shareholders (May 11, 2023). The options were granted with an exercise price equal to the fair market value of our common stock on the date of grant, are scheduled to vest the day immediately preceding the Annual Meeting and expire on May 11, 2033.

The options granted to our directors during 2023 were granted in accordance with our Board’s standard practice of making annual options grants effective on the date of the annual meeting of shareholders. The timing of the grants was not tied to the timing of any release of material nonpublic information.

The following table sets forth information regarding the compensation received by each of our directors during 2023:

Director	Fees Earned or Paid in Cash	Option Awards[1]	All Other Compensation	Total
Donald M. Berwick	$ 50,000	$ 100,006	-	$ 150,006
Parul Bhandari	$ 50,000	$ 100,006	$ 31,150 [2]	$ 181,156
Stephen H. Lockhart	$ 50,000	$ 100,006	-	$ 150,006
John N. Nunnelly	$75,000	$ 100,006	-	$ 175,006
Penny A. Wheeler	$ 50,000	$ 100,006	-	$ 150,006

(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 year ended December 31, 2023, for a discussion of assumptions made in the valuation of share-based compensation. As of December 31, 2023, the outstanding option awards for each director were as follows: Dr. Berwick – 40,753 options; Ms. Bhandari – 31,542 options; Dr. Lockhart – 33,575 options; Mr. Nunnelly – 53,591 options; and Dr. Wheeler – 33,575 options.

(2) Represents reimbursement of fees for Ms. Bhandari to attend a continuing education course for directors at Harvard Business School.

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 2023 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, 2023, 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 the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

AUDIT COMMITTEE

John N. Nunnelly, Chairperson
Donald M. Berwick
Parul Bhandari
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 20, 2024) 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 23,871,543 shares of Common Stock outstanding.

	Shares Beneficially Owned	
Name of Beneficial Owner	**Shares**	**%** (1)
Directors and Named Executive Officers (2)		
Michael D. Hays	113,910(3)(4)	*
Kevin R. Karas	65,349(4)(6)	*
Helen L. Hrdy	81,565(4)	*
Jona S. Raasch	11,263	*
Donald M. Berwick	40,753(4)	*
Parul Bhandari	31,542(4)	*
Stephen H. Lockhart	33,575(4)	*
John N. Nunnelly	80,485(4)	*
Penny A. Wheeler	33,575(4)	*
All directors, nominees, and executive officers (as of the Record Date) as a group (eleven persons)	480,754(5)	2.0%
Other Holders		
Amandla MK Trust and Patrick E. Beans, as the Special Holdings Direction Advisor under this Trust (7)	4,755,317	19.9%
Common Property Trust, Common Property Trust LLC and Thomas Richardson, as Trustee of Common Property Trust and Manager of Common Property Trust LLC(8)	3,854,284	16.1%
Kayne Anderson Rudnick Investment Management LLC (9)	3,191,401	13.4%

* 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 20, 2024. Shares of common stock underlying stock options that are currently exercisable or will be exercisable within 60 days of March 20, 2024 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 76,095 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 20, 2024, as follows: Mr. Hays, 36,820 shares; Mr. Karas, 59,965 shares; Ms. Hrdy, 42,149 shares; Dr. Berwick, 40,753 shares; Ms. Bhandari, 31,542 shares; Dr. Lockhart, 33,575 shares; Mr. Nunnelly, 53,591 shares; and Dr. Wheeler, 33,575 shares.

(5) Includes 331,970 shares of Common Stock that may be purchased under stock options which are currently exercisable or exercisable within 60 days of March 20, 2024.

(6) Includes 5,384 shares of Common Stock pledged as security.

(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 8555 Pioneers Boulevard, Lincoln, Nebraska 68520. 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 February 29, 2024 as reported by Kayne Anderson Rudnick Investment Management LLC ("Kayne Anderson") in its amended Schedule 13G filed with the Securities and Exchange Commission on March 8, 2024. The address for Kayne Anderson is 2000 Avenue of the Stars, Suite 1110, Los Angeles, California 90067. Kayne Anderson reports sole voting power with respect to 681,129 of these shares; sole dispositive power with respect to 723,539 of these shares; and shared voting and dispositive power with respect to 2,467,862 of these shares. The amended Schedule 13G further provides that the shares noted as beneficially owned by Kayne Anderson include: (i) 2,467,862 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) 2,109,518 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.

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, 2024.

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, 2024 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 AUDIT COMMITTEE AND THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMEND 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

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 shareholder value creation
- ✓ Annual say-on-pay votes
- ✓ No tax gross-ups
- ✓ No excessive perquisites for executives
- ✓ 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
- ✓ Clawback Policy

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 and committed management team.
- <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 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.

Named Executive Officers

For the year ended December 31, 2023, our named executive officers (collectively, the "Named Executive Officers or NEOs") were as follows:

Name	Position
Michael D. Hays	Chief Executive Officer
Kevin R. Karas	Senior Vice President-Finance, Chief Financial Officer, Treasurer, and Secretary(1)
Helen L. Hrdy	Chief Customer Officer(2)
Jona S. Raasch	Former Chief Operating Officer(3)

(1) During 2023, Mr. Karas served as our Senior Vice President – Finance, Chief Financial Officer, Treasurer, and Secretary. Mr. Karas retired from the Company on March 31, 2024.

(2) During 2023, Ms. Hrdy served as our Chief Growth Officer. Ms. Hrdy was promoted to Chief Customer Officer on January 16, 2024.

(3) During 2023, Ms. Raasch served as our Chief Operating Officer. Effective December 31, 2023, Ms. Raasch stepped down as Chief Operating Officer, but remains a non-executive employee of the Company.

In 2023 we had no other executive officers, as defined in Rule 3b-7 of the Securities Exchange Act of 1934, as amended, whose total compensation exceeded $100,000 during 2023.

Role of the Compensation and Talent Committee

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

- Stephen H. Lockhart (Chairperson)
- Donald M. Berwick
- Parul Bhandari
- John N. Nunnelly
- Penny A Wheeler

The Compensation and Talent 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 Compensation and Talent Committee determines compensation programs for our executive officers or recommends such programs to the full Board for approval. The Compensation and Talent 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 Compensation and Talent 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 Compensation and Talent Committee has authority to carry out the foregoing responsibilities under its charter and may delegate such authority to subcommittees.

In determining compensation levels for our Named Executive Officers in 2023, the Compensation and Talent Committee did not engage any compensation consultant to provide advice concerning executive officer compensation.

One objective of the Compensation and Talent 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 Compensation and Talent 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 Compensation and Talent 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 Compensation and Talent Committee considers internal comparisons and other existing compensation awards or arrangements in making compensation decisions and recommendations. In its decision-making process, the Compensation and Talent 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 Compensation and Talent Committee considers relevant factors, including our performance and shareholder return and the awards given to the executive officer in past years. The Compensation and Talent 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 Compensation and Talent Committee took the following steps in determining 2023 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 Compensation and Talent Committee's consideration of the Company's and the individual officer's performance.

2023 Say on Pay Vote

In May 2023 (after the 2023 executive compensation actions described in this Compensation Discussion and Analysis had taken place), we held our annual non-binding, 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 98% 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.

Based on the outcome of the advisory vote on the frequency of advisory shareholder votes on executive compensation at our 2023 annual shareholders meeting, in which more than 97% of votes cast were in favor of holding an annual advisory vote on compensation of our Named Executive Officers, 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.

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 2023 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 Compensation and Talent 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 companies of similar size, he requested that his base salary and targeted overall compensation remain unchanged. The Compensation and Talent Committee has not proposed an increase in his salary or overall compensation since 2005.

Elements of Compensation

Base Salary

The objective of the Compensation and Talent 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.

The base salaries of Messrs. Hays and Karas have remained unchanged since 2005 and 2016, respectively. The base salary for Ms. Hrdy was increased in 2020 in connection with her appointment as our Chief Growth Officer and in 2024 in connection with her appointment as our Chief Customer Officer. The base salary of Ms. Raasch was reduced to $150,000 effective September 3, 2023, in connection with a change in her duties. 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	65%
Kevin R. Karas	65%
Helen L. Hrdy	65%
Jona S. Raasch	62%

For 2023, base salaries as a percentage of total compensation reflect the fact that no bonuses were earned under the 2023 incentive compensation program, as discussed below.

Annual Cash Incentive

During 2023, our executive officers were 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 intended for our 2023 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 2023 program:

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

For 2023, the Compensation and Talent Committee used our overall revenue and net income as performance measures under the incentive compensation program because the Compensation and Talent 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 Compensation and Talent Committee weighted the two performance measures equally in determining bonus payouts. The Compensation and Talent Committee structured the 2023 incentive compensation program so that our Named Executive Officers would receive a bonus based on the percentage of growth or decline in overall revenue and net income in 2023 over 2022. Consistent with past years, the Compensation and Talent Committee structured the 2023 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 Compensation and Talent 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 2023. The Compensation and Talent Committee determined that the bonuses under the 2023 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 (or decrease) in overall revenue plus the percentage year over year increase (or decrease) in overall net income (ii) multiplied by 2.5. If the foregoing calculation results in a negative amount, then no bonus would be paid under the 2023 incentive compensation plan.

In determining the potential bonus amounts for our Named Executive Officers described above, the Compensation and Talent 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 Compensation and Talent Committee determined that overall revenue declined by 2.0% in 2023 over 2022, while net income declined by 2.6%, therefore no bonuses were earned by or paid to our Named Executive Officers for 2023.

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.

In accordance with the 2006 Equity Incentive Plan, 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, options granted to our Named Executive Officers during 2023 do not become fully vested and exercisable until the fifth anniversary of the grant date.

In determining equity incentive awards for 2023, the Compensation and Talent 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. Effective January 4, 2023, the Compensation and Talent 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 Compensation and Talent 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 2023, no performance-based equity awards were granted to our Named Executive Officers. In 2024, the Compensation and Talent Committee granted performance-based options to Mr. Hays and Ms. Hrdy, as described below under the section entitled *Compensation Decisions with Respect to 2024*.

The Compensation and Talent Committee does not grant equity awards in anticipation of the release of material nonpublic information. Similarly, we do not time the release of material nonpublic information about the Company for the purpose of affecting the value of executive compensation.

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. In 2023, we also continued to provide an associate empowerment benefit ("AEB") giving associates the option of a $2,000 401k contribution, Health Savings account contribution or lifestyle spending (cash option), a benefit that was first provided in 2022.

Other Polices and Considerations

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.

Clawback Policy

In November 2023, the Compensation and Talent Committee adopted a Clawback Policy (the "Clawback Policy") in compliance with the requirements of the Dodd-Frank Act, final Securities and Exchange Commission rules, and applicable Nasdaq listing standards, which covers our current and former officers subject to Section 16 of the Securities Exchange Act of 1934, as amended, and any other senior executive otherwise designated by the Compensation and Talent Committee or the Board, including all of our Named Executive Officers (each a "Covered Executive"). Under the Clawback Policy, if there is a restatement of our financial results, certain incentive-based compensation paid or awarded to Covered Executives will be subject to repayment or return if the amount of such compensation was calculated based upon the achievement of financial results that were the subject of the restatement and the amount of such compensation that would have been received by the Covered Executives had the financial results been properly reported would have been lower than the amount actually awarded.

Additionally, the Clawback Policy permits the Compensation and Talent Committee to seek recovery of equity compensation, severance compensation, and cash incentive-based compensation previously paid to a Covered Executive if the Compensation and Talent Committee determines that the (i) the Company is required to undertake an accounting restatement due to the Company's material noncompliance, as a result of misconduct by a the Covered Executive, with any financial reporting requirement under the U.S. federal securities laws, (ii) a Covered Executive engages in misconduct, or (iii) a Covered Executive breaches in any material respect a restrictive covenant set forth in any agreement between the Covered Executive and the Company, including but not limited to, a breach in any material respect of a confidentiality provision.

Agreements with Officers

During 2023, we did not have employment, retention, severance, change of control, or similar agreements with any of our executive officers. For awards granted during 2023, the award agreements under our long-term equity award plans did not provide for acceleration of vesting or other benefits upon a change of control or termination. In 2024, Ms. Hrdy is eligible for certain severance payments in the event she is terminated without cause or resigns for good reason and the Compensation and Talent Committee granted performance-based options subject to certain acceleration provisions to Mr. Hays and Ms. Hrdy, as described below under the section entitled *Compensation Decisions with Respect to 2024*.

Compensation Decisions with Respect to 2024

On January 16, 2024, the Compensation and Talent Committee approved compensation packages for certain of the Company's executive officers (each a "Compensation Package"). The Compensation Packages were approved in connection with the adoption of a three-year strategic growth plan, the promotion of Ms. Hrdy to Chief Customer Officer, and the hiring of our Chief Revenue Officer, Chief Product Technology Officer, and Chief Corporate Development Officer.

The material terms of Mr. Hays' and Ms. Hrdy's Compensation Packages are as follows:

- Mr. Hays' annual base salary remained unchanged at $127,400, and Ms. Hrdy's annual base salary was increased to $400,000, effective January 1, 2024;

- On January 19, 2024, Mr. Hays and Ms. Hrdy were granted 4,883 options and 100,000 options, respectively, which will vest upon achievement of a minimum total recurring contract value ("TRCV") of $170 million measured as of December 31, 2026. The options were granted under the 2006 Equity Incentive Plan, have exercise prices equal to the closing price of the Common Stock on January 18, 2024, and are subject to termination, forfeiture, and acceleration provisions;

- Under a short-term cash incentive plan, Mr. Hays is eligible to earn a cash bonus of up to $63,700 and Ms. Hrdy is eligible to earn a cash bonus of up to $200,000 upon attainment of certain TRCV goals measured as of December 31, 2024. The amount of the bonus may be reduced by the Compensation and Talent Committee if a certain adjusted EBITDA margin goal is not met; and

- Under a long-term cash incentive plan, Ms. Hrdy is eligible to earn a cash bonus based on TRCV measured as of December 31, 2026, subject to reduction by the Compensation and Talent Committee if an adjusted EBITDA margin goal is not met. The plan payout is zero if TRCV is below $170 million, and $2.0 million plus approximately $.105 per dollar of TRCV in excess of $170 million, with a maximum payout of approximately $8.9 million at TRCV of $233 million. Mr. Hays does not participate in the long-term cash incentive plan.

The stock option grants and long-term cash incentives under the Compensation Packages are intended to cover the entire three-year period – no additional equity awards or long-term cash incentives are anticipated to be awarded to any individual who is party to a Compensation Package for periods prior to 2027.

As part of the Compensation Packages, if Ms. Hrdy is terminated without cause or resigns for good reason prior to December 31, 2026, she will receive (i) salary continuation payments for one-year and (ii) a lump sum payment equal to the actual annual cash bonus earned for the year in which the termination of employment occurred, prorated for the number of days during the year served prior to termination as a percentage of the entire calendar year. Receipt of such severance payments is conditioned upon execution of a release of claims and adherence to customary restrictive covenants, including a one-year non-compete and non-solicitation period. Mr. Hays' Compensation Package does not include a severance provision.

In connection with Mr. Karas' retirement from the Company on March 31, 2024, Mr. Karas and the Company entered into a Retirement Transition Agreement, which provides that he will receive one year of base salary continuation payments from April 1, 2024 through March 31, 2025.

2023 SUMMARY COMPENSATION TABLE

Set forth below is information regarding compensation earned by or paid or awarded to the Named Executive Officers. The identification of such Named Executive Officers is determined based on the individual's total compensation for 2023, 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 information concerning the total compensation of each of our Named Executive Officers with respect to 2023, 2022, and 2021.

Name and Principal Position	Year	Salary ($)	Option Awards ($)[2]	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)[3]	Total ($)
Michael D. Hays	2023	$ 127,400	$ 64,455	--	$ 3,711	$ 195,566
Chief Executive Officer	2022	$ 127,400	$ 49,527	--	$ 4,246	$ 181,173
President	2021	$ 127,400	$ 49,595	$ 35,672	$ 4,427	$ 217,094
Kevin R. Karas	2023	$ 285,000	$ 144,181	--	$ 7,417	$ 436,598
Former Senior Vice President-	2022	$ 285,000	$ 110,792	--	$ 7,814	$ 403,606
Finance, Chief Financial Officer, Treasurer, and Secretary[1]	2021	$ 285,000	$ 110,954	$ 79,800	$ 6,798	$ 482,552
Helen L. Hrdy	2023	$ 285,000	$ 144,181	--	$ 6,507	$ 435,688
Chief Customer	2022	$ 285,000	$ 110,792	--	$ 6,305	$ 402,097
Officer[1]	2021	$ 285,000	$ 110,954	$ 79,800	$ 6,943	$ 482,697
Jona S. Raasch	2023	$ 253,846	$ 151,770	--	$ 6,570	$ 412,186
Former Chief	2022	$ 300,000	$ 116,628	--	$ 8,008	$ 424,636
Operating Officer[1]	2021	$ 300,000	$ 116,803	$ 84,000	$ 5,351	$ 506,154

(1) During 2023, Mr. Karas served as our Senior Vice President– Finance, Chief Financial Officer, Treasurer and Secretary, Ms. Hrdy served as our Chief Growth Officer, and Ms. Raasch served as our Chief Operating Officer. Mr. Karas retired from the Company on March 31, 2024. Ms. Hrdy was promoted to Chief Customer Officer on January 16, 2024. Effective December 31, 2023, Ms. Raasch stepped down as Chief Operating Officer, but remains a non-executive employee of the Company.

(2) 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, 2023 for a discussion of assumptions made in the valuation of share-based compensation.

(3) Includes, for each of our Named Executive Officers, the amount of our 401(k) matching contributions and our health saving account matching contributions including AEB benefits, and a lifestyle spending AEB benefit for Ms. Raasch.

GRANTS OF PLAN-BASED AWARDS IN 2023

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 2023.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards[1]						
Name	Grant Date	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	1/4/2023				4,909	$ 38.93	$ 38.36	$ 64,455
		--	$ 63,700	$ 254,800				
Kevin R. Karas	1/4/2023				10,981	$ 38.93	$ 38.36	$ 144,181
		--	$ 142,500	$ 570,000				
Helen L. Hrdy	1/4/2023				10,981	$ 38.93	$ 38.36	$ 144,181
		--	$ 142,500	$ 570,000				
Jona S. Raasch	1/4/2023				11,559	$ 38.93	$ 38.36	$ 151,770
		--	$ 150,000	$ 600,000				

(1) These amounts represent only potential payments under the 2023 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 2023 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 3, 2023, the day immediately prior to the grant date.

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2023

The following table sets forth information on outstanding option awards held by the Named Executive Officers on December 31, 2023, 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	2,904 (1)(2)	-	$ 18.80	01/07/24
	10,014 (1)(3)	-	$ 13.17	01/06/25
	9,145 (1)(4)	-	$ 15.23	01/05/26
	7,478 (1)(5)	-	$ 18.80	01/04/27
	5,193 (1)(6)	-	$ 36.80	01/03/28
	-	4,990 (1)(7)	$ 38.30	01/03/29
	-	2,904 (1)(8)	$ 65.80	01/03/30
	-	4,452 (1)(9)	$ 42.92	01/05/31
	-	4,523 (1)(10)	$ 42.25	01/04/32
	-	4,909 (1)(11)	$ 38.93	01/04/33
Kevin R. Karas	20,458 (1)(4)	-	$ 15.23	01/05/26
	16,728 (1)(5)	-	$ 18.80	01/04/27
	11,617 (1)(6)	-	$ 36.80	01/03/28
	-	11,162 (1)(7)	$ 38.30	01/03/29
	-	6,497 (1)(8)	$ 65.80	01/03/30
	-	9,960 (1)(9)	$ 42.92	01/05/31
	-	10,118 (1)(10)	$ 42.25	01/04/32
	-	10,981 (1)(11)	$ 38.93	01/04/33
Helen L. Hrdy	12,346 (1)(4)	-	$ 15.23	01/05/26
	12,619 (1)(5)	-	$ 18.80	01/04/27
	8,764 (1)(6)	-	$ 36.80	01/03/28

	Option Awards			
Name	No. of Securities Underlying Unexercised Options (Exercisable) (#)	No. of Securities Underlying Unexercised Options (Unexercisable) (#)	Option Exercise Price ($)	Option Expiration Date
	-	8,420 [1][7]	$ 38.30	01/03/29
	-	5,699 [1][8]	$ 65.80	01/03/30
	-	9,960 [1][9]	$ 42.92	01/05/31
	-	10,118 [1][10]	$ 42.25	01/04/32
	-	10,981 [1][11]	$ 38.93	01/04/33
Jona S. Raasch	21,535 [1][4]	-	$ 15.23	01/05/26
	17,608 [1][5]	-	$ 18.80	01/04/27
	12,228 [1][6]	-	$ 36.80	01/03/28
	-	11,749 [1][7]	$ 38.30	01/03/29
	-	6,839 [1][8]	$ 65.80	01/03/30
	-	10,485 [1][9]	$ 42.92	01/05/31
	-	10,651 [1][10]	$ 42.25	01/04/32
	-	11,559 [1][11]	$ 38.93	01/04/33

(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, 2019.
(3) Options vest in full on the fifth anniversary of the grant date. These options vested on January 6, 2020.
(4) Options vest in full on the fifth anniversary of the grant date. These options vested on January 5, 2021.
(5) Options vest in full on the fifth anniversary of the grant date. These options vested on January 4, 2022.
(6) Options vest in full on the fifth anniversary of the grant date. These options vested on January 3, 2023.
(7) Options vest in full on the fifth anniversary of the grant date. These options vested on January 3, 2024.
(8) Options vest in full on the fifth anniversary of the grant date. These options will vest on January 3, 2025.
(9) Options vest in full on the fifth anniversary of the grant date. These options will vest on January 5, 2026.
(10) Options vest in full on the fifth anniversary of the grant date. These options will vest on January 4, 2027.
(11) Options vest in full on the fifth anniversary of the grant date. These options will vest on January 4, 2028.

OPTION EXERCISES AND STOCK VESTED IN 2023

	Option Awards	
Name	Number of Shares Acquired on Exercise (#)[1]	Value Realized on Exercise ($)[2]
Michael D. Hays	10,938	$ 249,386
Kevin R. Karas	-	-
Helen L. Hrdy	-	-
Jona S. Raasch	-	-

(1) Shares of common stock.

(2) Amounts represent the product of the number of shares acquired on exercise multiplied by the excess of market price at exercise over the exercise price per share.

PAY VERSUS PERFORMANCE

					Value of initial fixed $100 investment based on:			
Year	Summary Compensation Table Total for PEO	Compensation Actually Paid to PEO (1)	Average Summary Compensation Table Total for Non-PEO NEOs	Average Compensation Actually Paid to Non-PEO NEOs (2)	Total Shareholder Return	Peer group Total Shareholder Return(3)	Net Income	Revenue
							(in thousands)	
2023	$ 195,566	$ 202,165	$ 428,157	$ 443,660	64.34	128.14	$ 30,971	$ 148,580
2022	$ 181,173	$ 184,526	$ 410,113	$ 418,936	59.60	109.59	$ 31,800	$ 151,568
2021	$ 217,094	$ 207,809	$ 490,467	$ 469,883	64.98	137.74	$ 37,466	$ 147,954
2020	$ 254,504	$ (329,929)	$ 524,435	$ (1,183,288)	65.91	119.96	$ 37,260	$ 133,277

(1) Mr. Hays was the Principal Executive Officer ("PEO") for 2023, 2022, 2021, and 2020. The following amounts were deducted and added to determine the compensation actually paid to the PEO:

Year	Summary Compensation Table Total for PEO	Deduct Stock and Option Awards Reported in the Summary Compensation Table	Add Awards Granted During the Covered FY that are Outstanding and Unvested as of the End of the Covered FY	Add Change in Fair Value as of the End of the Covered FY for Awards Granted in a Prior FY that are Outstanding and Unvested as of the End of the Covered FY	Add Change in Fair Value as of the Vesting Date for Awards Granted in a Prior FY that Vested During the Covered FY	Compensation Actually Paid to PEO
2023	$ 195,566	$ (64,455)	$ 70,289	$ (4,749)	$ 5,514	$ 202,165
2022	$ 181,173	$ (49,527)	$ 54,018	$ (2,257)	$ 1,119	$ 184,526
2021	$ 217,094	$ (49,595)	$ 45,549	$ (7,756)	$ 2,517	$ 207,809
2020	$ 254,504	$ (60,258)	$ 18,190	$ (564,781)	$ 22,416	$ (329,929)

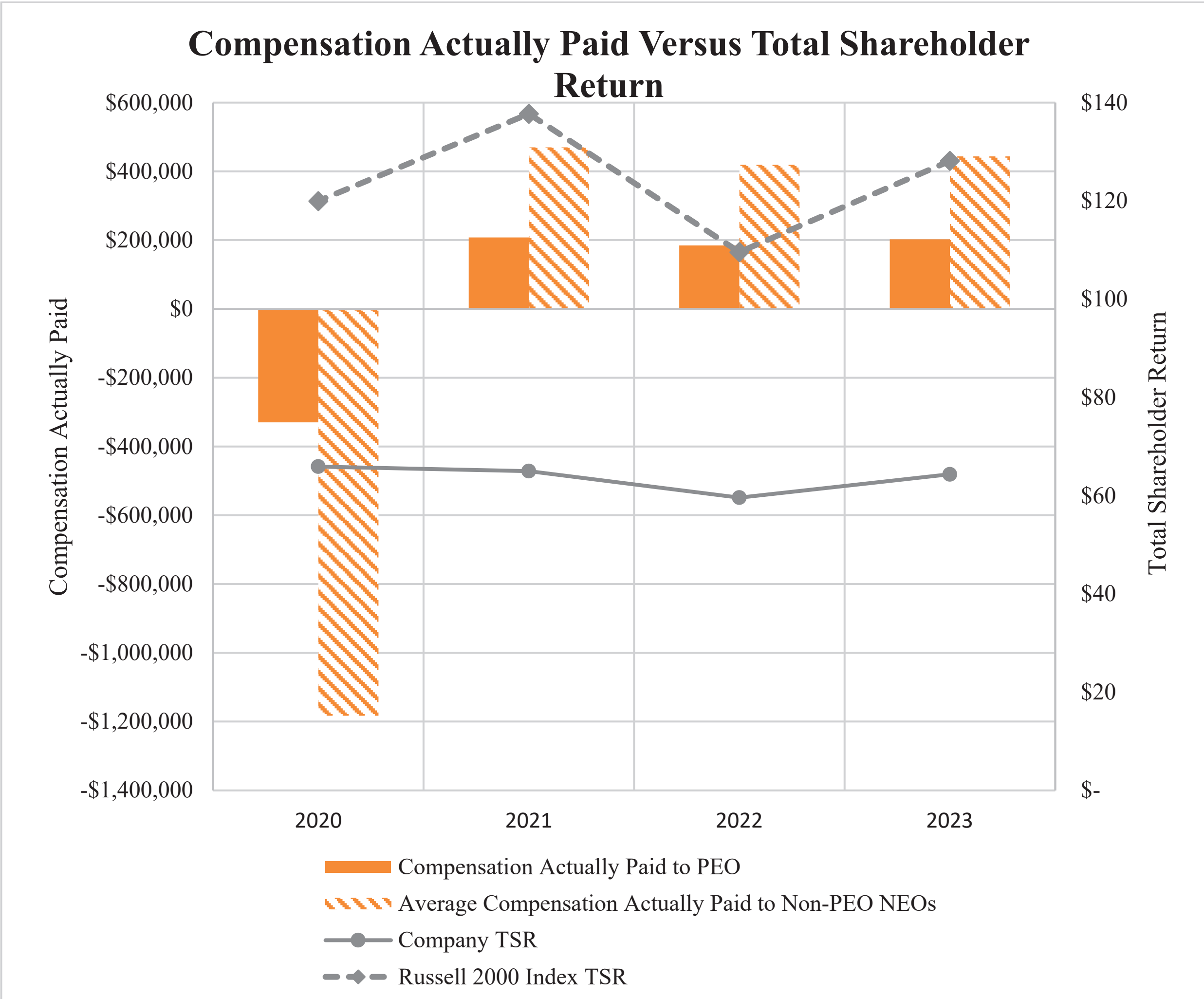
(2) Mr. Karas and Mses. Hrdy and Raasch were Non-PEO Named Executive Officers ("NEOs") during 2023, 2022, 2021, and 2020. Steven D. Jackson, our former President, was a non-PEO NEO during 2020. The following average amounts were deducted and added to determine the average compensation actually paid to the non-PEO NEOs:

Year	Average Summary Compensation Table Total for Non-PEO NEOs	Deduct Stock and Option Awards Reported in the Summary Compensation Table	Add Awards Granted During the Covered FY that are Outstanding and Unvested as of the End of the Covered FY	Add Change in Fair Value as of the End of the Covered FY for Awards Granted in a Prior FY that are Outstanding and Unvested as of the End of the Covered FY	Add Change in Fair Value as of the Vesting Date for Awards Granted in a Prior FY that Vested During the Covered FY	Subtract Awards Granted in a Prior FY that Failed to Meet the Applicable Vesting Conditions During the Covered FY	Add Dividends Paid on Awards in the Covered FY Prior to the Vesting Date that are Not Otherwise Included in Total Compensation for the Covered FY	Average Compensation Actually Paid to Non-PEO NEOs
2023	$ 428,157	$ (146,711)	$ 159,990	$ (9,317)	$ 11,541	-	-	$ 443,660
2022	$ 410,113	$ (112,737)	$ 122,960	$ (3,742)	$ 2,342	-	-	$ 418,936
2021	$ 490,467	$ (112,904)	$ 103,693	$ (16,358)	$ 4,985	-	-	$ 469,883
2020	$ 524,435	$ (134,221)	$ 29,808	$ (869,318)	$ (98,275)	$ (637,647) [4]	$ 1,930	$ (1,183,288)

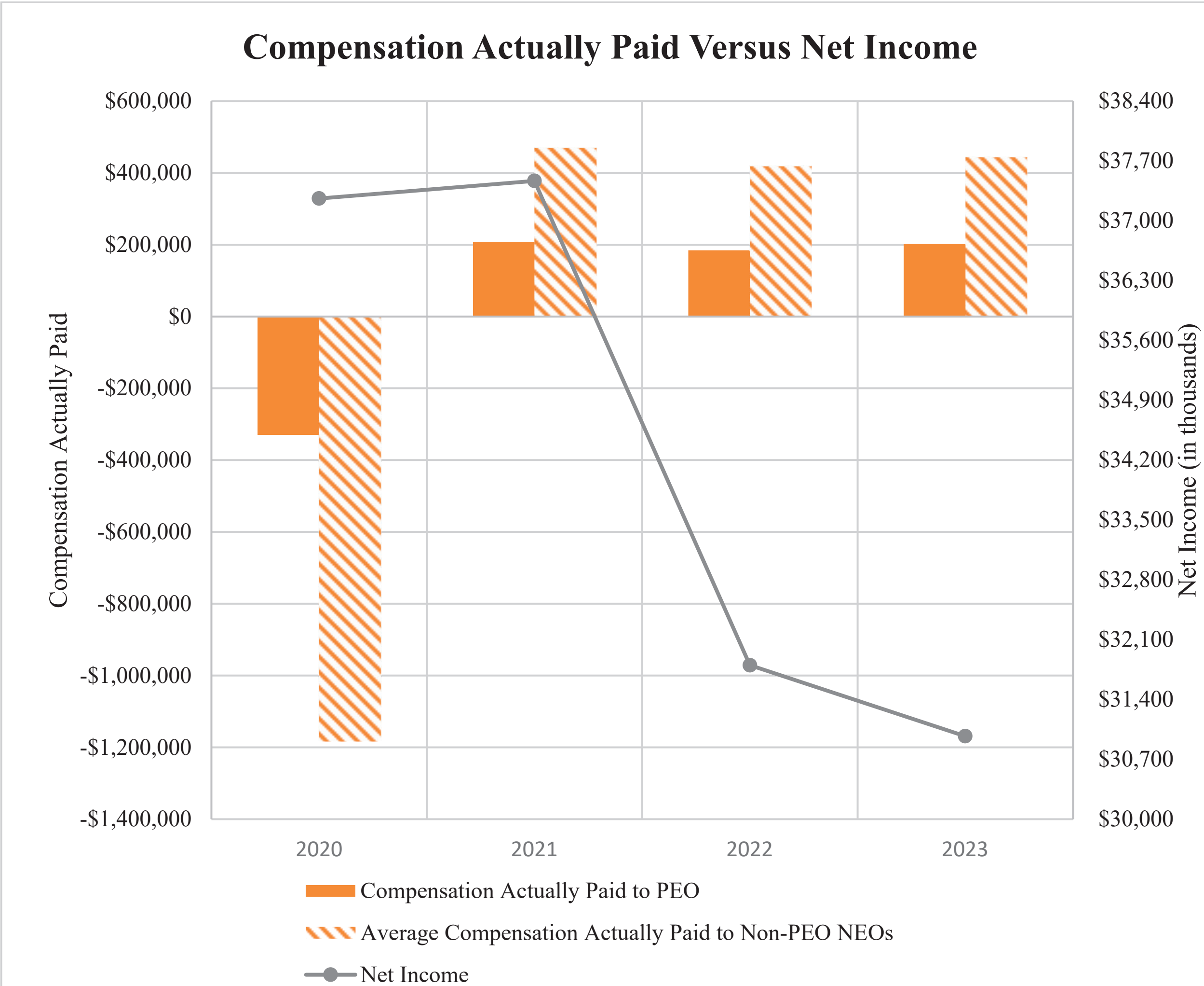
(3) Utilizes the Russell 2000 Index, which we also utilize in the stock performance graph required by Item 201(e) of Regulation S-K included in our Form 10-K for the year ended December 31, 2023. Because of the uniqueness of our markets and products and lack of publicly traded peers, we do not believe that a combination of peer issuers can be selected on an industry or line-of-business basis to provide a meaningful basis for comparing shareholder return. Accordingly, the Russell 2000 Index, which is comprised of issuers with generally similar market capitalizations to that of the Company, is included in the table as permitted by applicable regulations. The comparison assumes $100 was invested for the period starting December 31, 2019, through the end of the listed year in the Company and in the Russel 2000 Index, respectively. Historical stock performance is not necessarily indicative of future stock performance.

(4) Represents options held by Mr. Jackson that were forfeited upon his resignation in October 2020.

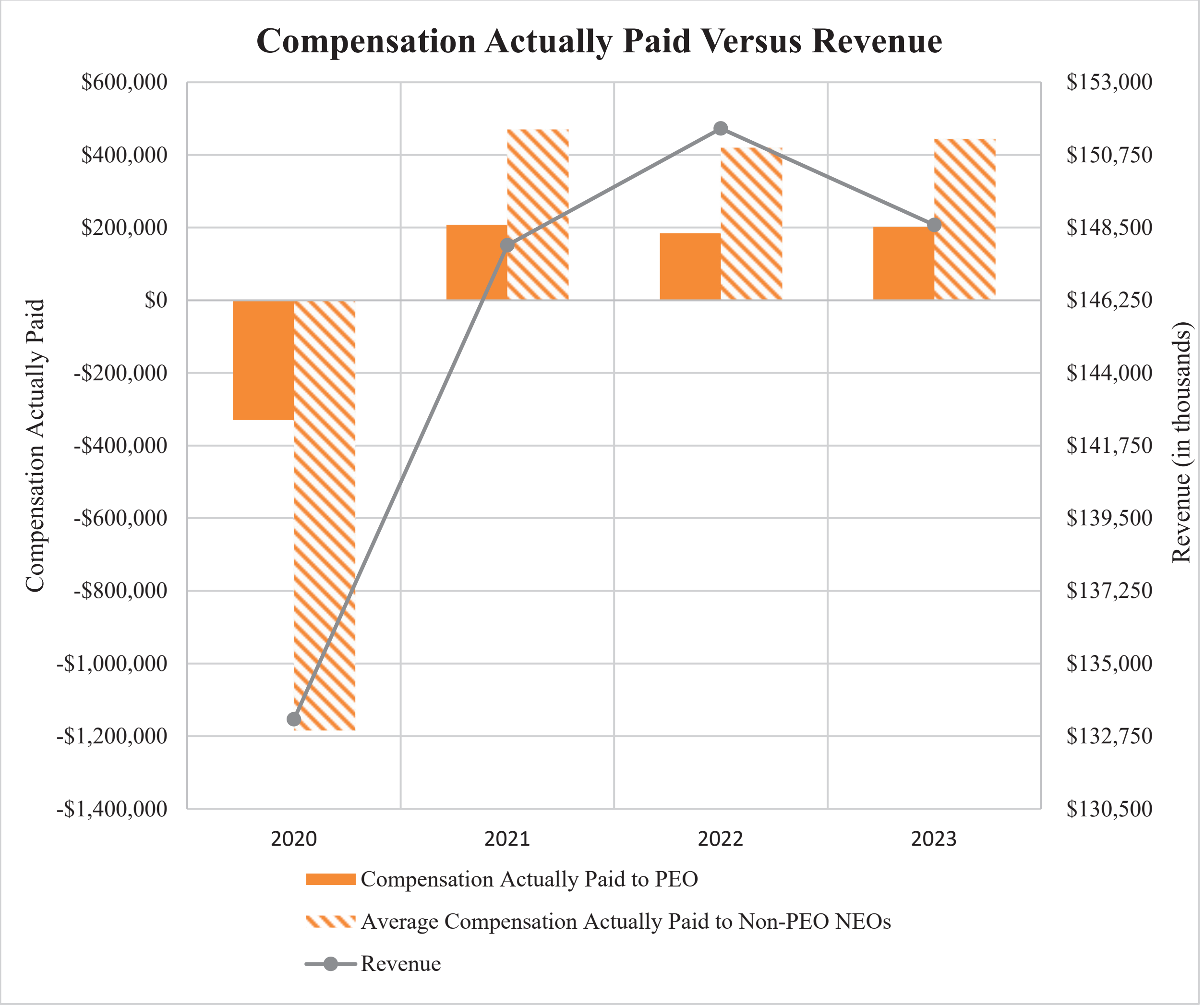
The relationship between the compensation actually paid to the PEO and the average compensation actually paid to the non-PEO NEOs and the cumulative total shareholder return of the Company and the Russell 2000 Index for 2023, 2022, 2021, and 2020 is represented by the graph below:



The relationship between the compensation actually paid to the PEO and the average compensation actually paid to the non-PEO NEOs and the Company's net income for 2023, 2022, 2021, and 2020 is represented by the graph below:



The relationship between the compensation actually paid to the PEO and the average compensation actually paid to the non-PEO NEOs and the Company's revenue for 2023, 2022, 2021, and 2020 is represented by the graph below:



The following tabular list includes the financial performance measures which in the Company's assessment represent the most important financial performance measures used by the Company to link compensation actually paid to the Company's NEO's for 2023 to Company performance.

<u>Important Financial Measures</u>

Net Income
Revenue
Company Stock Price

Risk Assessment of Compensation Policies and Practices

The Board relies on the Compensation and Talent 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 Compensation and Talent 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 Compensation and Talent 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 AND TALENT COMMITTEE REPORT

The Compensation and Talent 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.

Stephen H. Lockhart, Chairperson
Donald M. Berwick
Parul Bhandari
John N. Nunnelly
Penny A. Wheeler

PROPOSAL NO. 3 – NON-BINDING, 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 amended. As discussed in the Compensation Discussion and Analysis above, beginning on page 17, 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.

- 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 carefully review the Compensation Discussion and Analysis beginning on page 17 and the tabular and other disclosures on compensation beginning on page 25, and cast a non-binding, advisory vote either for or against the following resolution:

> "Resolved, that shareholders approve, on a non-binding, 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, advisory 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, advisory 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 non-binding, advisory vote on the frequency of shareholder votes on executive compensation at our 2023 annual shareholders meeting, the Company plans to continue to ask its shareholders to consider a non-binding, 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 2025 annual meeting of shareholders.

THE COMPENSATION AND TALENT COMMITTEE AND THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMEND 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, as amended, 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, 2023:

- the median of the annual total compensation of all associates of the Company was reasonably estimated to be $82,144; and
- the annual total compensation of Mr. Hays was $195,566.
- 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 2.38 to 1.

Our median associate was originally determined for 2021. For 2023, we used the same median associate, as there has been no change in our associate population or associate compensation arrangements that we believe would significantly impact the pay ratio disclosure.

To calculate the 2023 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 2023 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 2023 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 2023. 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, 2023 and 2022 were as follows:

	2023	2022
Audit Fees[1]	$509,500	$486,500
Audit-Related Fees[2]	126,000	146,000
Tax Fees[3]	122,548	103,031
All Other Fees	--	--
Total	$758,048	$735,531

(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, $89,859 and $88,697 related to tax return preparation services and $32,689 and $14,334 related to tax consulting services in 2023 and 2022, respectively.

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 2023, 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 Linda Stacy, Secretary, NRC Health, at (402) 475-2525 or 1245 Q Street, Lincoln, Nebraska 68508.

Shareholder Proposals

Matters for Inclusion in the Proxy Materials for the 2025 Annual Meeting of Shareholders

Matters for inclusion in the proxy materials for the 2025 Annual Meeting of Shareholders, other than nominations of directors, must be received by the Company by the close of business on December 12, 2024. All proposals must comply with Rule 14a-8 under the Securities Exchange Act of 1934, as amended.

Matters for Consideration at the 2025 Annual Meeting of Shareholders, but not for Inclusion in the Proxy Materials

Matters for consideration at the 2025 Annual Meeting of Shareholders, but not for inclusion in the proxy materials, must be received by the Company no earlier than January 9, 2025, and no later than February 8, 2025. In the event, however, that the date of the 2025 Annual Meeting of Shareholders, 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 no 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. The proposal must meet all the requirements set forth in our Bylaws.

Nominations of Individuals for Election as Directors at the 2025 Annual Meeting of Shareholders Using Proxy Access

Our Bylaws include a proxy access provision. Shareholders who meet the requirements set forth in our Bylaws may submit director nominations for inclusion in the proxy materials. Proxy access nominations for the

2025 Annual Meeting of Shareholders must be received by the Company no earlier than November 12, 2024 and no later than December 12, 2024. However, if the date of the 2025 Annual Meeting of Shareholders is more than thirty days before or after May 8, 2025, 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 2025 Annual Meeting of Shareholders or the tenth day following the date that such date of the 2025 Annual Meeting of Shareholders is first publicly announced or disclosed. Proxy access nominations must meet all the requirements set forth in our Bylaws and include the additional information required by Rule 14a-19(b) under the Securities Exchange Act of 1934, as amended.

Nominations of Individuals for Election as Directors at the 2025 Annual Meeting of Shareholders (other than through Proxy Access)

Under our Bylaws, notice by shareholders who intend to nominate directors at the 2025 Annual Meeting of Shareholders (other than through proxy access as described above) must be received by the Company no earlier than January 9, 2025, and no later than February 8, 2025. In the event, however, that the date of the 2025 Annual Meeting of Shareholders, 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 no 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. The notice of director nomination must meet all the requirements set forth in our Bylaws.

By Order of the Board of Directors
NATIONAL RESEARCH CORPORATION

/s/ Linda Stacy
Linda Stacy
Secretary

April 11, 2024

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, 2023

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 ☒

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

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

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

Aggregate market value of the common stock held by non-affiliates of the registrant at June 30, 2023: $531,062,262.

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 13, 2024: 23,854,428

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2024 Annual Meeting of Shareholders are incorporated by reference into Part III.

TABLE OF CONTENTS

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," "estimates," "plans," "intends," or the use of words such as "would," "will," "may," "could," "goal," "focus," or "should," or other words of similar import. Similarly, statements that describe our future plans, objectives or goals are also forward-looking statements. In this Annual Report on Form 10-K, statements regarding the value and utility of, and market demand for, our service offerings, future opportunities for growth with respect to new and existing clients, our future ability to compete and the types of firms with which we will compete, future consolidation in the healthcare industry, future adequacy of our liquidity sources, future revenue sources, future revenue growth, future revenue estimates used to calculate recurring contract value, the expected impact of economic factors, including interest rates and inflation, future capital expenditures including, without limitation, our headquarters renovation costs, and the timing, amount, and sources of cash to fund such capital expenditures, future stock repurchases and dividends, the expected impact of pending claims and contingencies, the future outcome of uncertain tax positions, our future use of owned and leased real property, and the expected impact of global conflicts, among others, are forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties which could cause actual results or outcomes to differ materially from those currently anticipated. Factors that could affect actual results or outcomes include, without limitation, the following factors:

- The possibility of non-renewal of our client service contracts, reductions in services purchased or prices, and failure to retain key clients;
- Our ability to compete in our markets, which are highly competitive with new market entrants, and the possibility of increased price pressure and expenses;
- The likelihood that a pandemic will adversely affect our operations, sales, earnings, financial condition and liquidity;
- The likelihood that global conflicts will adversely affect our operations, sales, earnings, financial condition and liquidity;
- The effects of an economic downturn;
- The impact of consolidation in the healthcare industry;
- The impact of federal healthcare reform legislation or other regulatory changes;
- Our ability to attract and retain key managers and other personnel;
- The possibility that our intellectual property and other proprietary information technology could be copied or independently developed by our competitors;
- Our ability to maintain effective internal controls;
- The possibility for failures or deficiencies in our information technology platform;
- The possibility that we or our third-party providers could be subject to cyber-attacks, security breaches or computer viruses; and
- The factors set forth under the caption "Risk Factors" in Part I, Item 1A of 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

For more than 40 years, NRC Health has led the charge to humanize healthcare and support organizations in their understanding of each unique individual. NRC Health's commitment to Human Understanding® helps leading healthcare systems get to know each person they serve not as point-in-time insights, but as an ongoing relationship. Guided by its uniquely empathic heritage, NRC Health's patient-focused approach, unmatched market research, and emphasis on consumer preferences are transforming the healthcare experience, creating strong outcomes for patients and entire healthcare systems.

Our end-to-end solutions enable our clients to understand what matters most to each person they serve – before, during, after, and beyond clinical encounters – to gain a longitudinal understanding of how life and health intersect, with the goal of developing lasting, trusting relationships. Our ability to measure what matters most and systematically capture, analyze, and deliver insights based on self-reported information from patients, families, and consumers is critical in today's healthcare market. We believe access to, and analysis of, our extensive consumer-driven information is increasingly valuable as healthcare providers need to better understand and engage the people they serve to create long-term relationships and build loyalty.

Our expertise includes the efficient capture, transmittal, analysis, and interpretation of critical data elements from millions of healthcare consumers. Using our solutions, our partners gain insights into what people think and how they feel about their organizations in real-time, allowing them to build on their strengths and implement service recovery 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, employee engagement, reputation management, and brand loyalty. We partner with clients across the continuum of healthcare services and believe this cross-continuum positioning is a unique and an increasingly important capability as evolving payment models drive healthcare providers and payers towards a more collaborative and integrated service model.

We have a broad and diversified client base that is distributed primarily across the United States. Our ten largest clients collectively accounted for 15%, 15%, and 14% of our total revenue in 2023, 2022 and 2021, 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

NRC Health recognizes that behind every person is a story. We help our partners get to know each person they serve - their behaviors, preferences, wants, and needs—not as point-in-time insights, but as an ongoing relationship.

With the complexity and demands associated with healthcare delivery today, seeing the whole picture is now more important than ever. The end-to-end Human Understanding solutions are designed to help capture and act on what matters most to patients and their families, frontline employees, and the broader community hospitals and health systems serve.

The Human Understanding solutions deliver the capabilities needed to turn strategic aspiration into action in critical focus areas. Each set of capabilities unlocks Human Understanding at the right time and place to improve care, enhance performance, and catalyze growth.

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 Marketing, Reputation, and Experience.

Marketing Solutions – Our Marketing 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. 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 Marketing 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 Consumer Assessment of Healthcare Providers and Systems ("CAHPS") compliant mail and telephone survey methods for regulatory compliance purposes and to monitor and measure improvement in CAHPS survey scores. 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 with the ability to receive and act on customer and employee feedback across all care settings in real-time. Experience solutions include patient experience, employee 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 can ensure each individual receives the care, respect, and experience they deserve. Developing a longitudinal profile of what healthcare customers want and need allows for organizational improvement and increased customer loyalty.

Our Experience solutions also include tools 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.

Reputation Solutions – Our Reputation 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 tools enable our partners 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 tool alerts our partners 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. Our growth team 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 solutions. 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 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 since 2001. 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 growth team 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 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 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 260 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. Our portfolio of subscription-based solutions provides actionable information and analysis to healthcare organizations across a range of mission-critical, constituent-related elements, including patient experience, service recovery, care transitions, employee engagement, reputation management, and brand loyalty. Our end-to-end solutions enable our clients to understand what matters most to each person they serve – before, during, after, and beyond clinical encounters – to gain a longitudinal understanding of each individual. We partner with clients across the continuum of healthcare services and believe this cross-continuum positioning is a unique and an increasingly important capability as evolving payment models drive healthcare providers and payers towards a more collaborative and integrated service model.

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). Helen Hrdy was appointed as our Chief Customer Officer in January 2024. Prior to this position Ms. Hrdy served as our Chief Growth Officer for three years and our Senior Vice President, Customer Success, for eight years. In January 2024, Jason Hahn, Christophe Louvion, and Andy Monnich joined our management team as Chief Revenue Officer, Chief Product Technology Officer and Chief Corporate Development Officer, respectively. They have track records of success in similar positions at leading healthcare information and technology companies such as Press Ganey, Perceptyx, Episource, PatientPop, and Practicing Excellence.

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 $4.5 trillion in 2022, or $13,493 per person. In total, health spending accounted for 17% of the nation's Gross Domestic Product in 2022. 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 opportunities. 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, 2023, we employed a total of 435 associates. None of our associates are represented by a collective bargaining unit. Most of our associates work remotely. 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 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. 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 15%, 15%, and 14% of our total revenue in 2023, 2022 and 2021, 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 analytics 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 other firms that provide survey-based healthcare market research and/or performance assessment. Our primary competitors include Press Ganey, which we believe has significantly higher annual revenue than us, and several other firms that provide similar services in the market we serve. 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. Furthermore, we do not have a publicly traded group of peers, which makes it difficult to compare and benchmark performance to other similar companies. 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 could be negatively impacted by outbreaks or pandemics.

In May 2023, the federal government lifted its Federal Public Health Emergency Declaration related to COVID-19. However, the continued spread of COVID-19, including its variants, together with any other outbreak of other contagious diseases or public heath environments could adversely affect our business, results of operations, financial condition, and stock price. While the risk of such similar outbreaks is unpredictable, and the extent of such risk is highly uncertain, the possibility of future outbreaks remains a risk that could have a material adverse effect on our business and 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 could be negatively impacted by the global conflicts or similar events.

The aforementioned areas of conflict, and any expansion of such conflicts, could adversely affect our business and operations. We outsource certain software development services to third parties in the Ukraine. Since the onset of the active Russian-Ukraine conflict, our contractors have been able to continue their work. However, those services could be more negatively impacted in the future.

Civil unrest, political instability or uncertainty, military activities, utility service breakdowns or broad-based sanctions, should they continue for the long term or escalate, could interrupt our contractors' ability to provide services and require our associates to perform the services or replace the contractors which could have an adverse effect on our operations and financial performance, including higher volatility in foreign currency exchange rates, increased use of less cost-efficient resources and negative impacts to our business resulting from deteriorating general economic conditions. Further, we cannot predict the impact of the military actions and any heightened military conflict or geopolitical instability that may follow, including additional sanctions or countersanctions, heightened inflation, cyber disruptions or attacks, higher energy costs, and supply chain disruptions.

General economic factors could adversely impact our profitability.

Negative changes in general economic conditions, in the geographic areas in which we operate may reduce our profitability. An economic downturn, a rise in interest rates, and inflationary pressures can reduce the demand for our services and result in terminations as well as slower client payments or client defaults on receivables. Additionally, in 2023, we experienced increased costs including salary and benefits costs in sales and client support, software costs, contracted services, costs associated with our building improvements and equipment purchases and we expect inflationary pressures to continue in 2024. Inflation may increase our costs without a corresponding increase in our contract revenue due to fixed contract arrangements, which could result in decreased margins and profitability.

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. If survey operations are disrupted and we are unable to process surveys in a timely manner, then our revenue and net income could be negatively impacted. 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 outreach and data collection 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.

If receptivity to our survey 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.

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 do not hold patents for 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, interruptions or deficiencies in our information technology and communications systems could negatively impact our business and operating results.

Our ability to provide timely and accurate performance measurement and improvement service to our clients is dependent, to a significant extent, upon the technology that we develop internally as well as the efficient and uninterrupted operation of our information technology and communication systems, and those of our external service providers. 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 and implement 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 and implement, we may not adapt quickly enough and may incur significant costs and delays that could harm our business. Additional costs will be incurred to further develop and improve our information technology platforms.

Our systems and those of our external service providers could be exposed to damage or interruption from fire, natural disasters, which may increase in frequency and severity due to climate change, 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 or our third-party service providers 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 or Artificial Intelligence ("AI") impacts our demand for, or providing of, services, 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 and our third-party service providers receive, process, store and transmit sensitive business information and, in certain circumstances, personal medical information of our clients' patients, electronically over the internet. We or our third-party service providers 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.

In addition, the risk of cyber-attacks has increased in connection with the military conflict between Russia and Ukraine and the resulting geopolitical conflict. In light of those and other geopolitical events, nation-state actors or their supporters may launch retaliatory cyber-attacks and may attempt to cause supply chain and other third-party service provider disruptions, or take other geopolitically motivated retaliatory actions that may disrupt our business operations, result in data compromise, or both. Nation-state actors have in the past carried out, and may in the future carry out, cyber-attacks to achieve their aims and goals, which may include espionage, information operations, monetary gain, ransomware, disruption, and destruction. In February 2022, the U.S. Cybersecurity and Infrastructure Security Agency issued a "Shields Up" alert for American organizations noting the potential for Russia's cyber-attacks on Ukrainian government and critical infrastructure organizations to impact organizations both within and beyond the United States, particularly in the wake of sanctions imposed by the United States and its allies, which is still in effect. These circumstances increase the likelihood of cyber-attacks and/or security breaches.

We were the target of a cyber-attack in 2020, which resulted in temporary suspension of our services to clients. One of our third-party service providers was the target of a cyber-attack in December 2022, which resulted in a temporary suspension of certain services to our clients. In both instances no protected data was compromised or exfiltrated. We, and our service providers, 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. Any system failure, inability to upgrade or update, or security breach (including cyber-attacks) related to our information technology systems may also impact third parties that we rely on in our business and could result in a hinderance to the services provided by the Company or such third parties, as the case may be, and may have a material adverse effect on our business.

We cannot ensure that we or our third-party service providers 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 that 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.

In addition, the adoption of AI and other emerging technologies may become significant to operational results in the future. While AI and other technologies may offer substantial benefits, they may also introduce additional risk. We use AI for certain limited processes and expect our AI usage to increase in the future. However, if we are unable to successfully implement and utilize such emerging technologies as effectively as competitors or our customers are able to use AI as a replacement to our services, the Company may be negatively affected in the larger marketplace.

Some of our employees work remotely, which may increase the cybersecurity risks to our business, including an increased demand for information technology resources, increased risk of phishing, and other cybersecurity risks.

We have, and will continue to have, a portion of our employee population that works from home full-time or under flexible work arrangements, and we have provided associates with expanded remote network access options which enable them to work outside of our corporate infrastructure and, in some cases, use their own personal devices, which exposes us to additional cybersecurity risks. Our employees working remotely may expose us to cybersecurity risks through: (i) unauthorized access to sensitive information as a result of increased remote access, including our employees' use of Company-owned and personal devices and videoconferencing functions and applications to remotely handle, access, discuss, or transmit confidential information, and (ii) increased exposure to phishing and other scams as cybercriminals may, among other things, install malicious software and access sensitive information. We believe that the increased number of employees working remotely has incrementally increased our cyber risk profile, but we are unable to predict the extent or impacts of those risks at this time. A significant disruption of our information technology systems, unauthorized access to or loss of confidential information, or legal claims resulting from our violation of privacy laws could each have a material adverse effect on our business.

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

Our ability to maintain a positive 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.

Ineffective internal controls could have a negative impact on our business, results of operations, and our reputation.

Our internal controls over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, failure or interruption of information technology systems, the circumvention or overriding of controls, or fraud. Even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If we fail to maintain the adequacy of our internal controls, including any failure to implement required new or improved controls, or if we experience difficulties in their implementation, including with the implementation of our internal controls in acquired companies, our business and operating results could be harmed and we could fail to meet our financial reporting obligations, which also could have a negative impact on our reputation**.**

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. In addition, volatility in the equity markets could impair our financial position in general terms and our ability to effectively capitalize on potential merger and acquisition opportunities.

<u>Risks Related to our Common Stock</u>

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 13, 2024, approximately 38.6% of our outstanding common stock was owned by the Trusts and approximately 46.2% of our outstanding common stock was held by the Trusts and other entities controlled by trustees or special power holders for the benefit of members of Mr. Hays' family. As a result, the Trusts and these other entities, through the trustees or special power holders, 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 shareholder 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 executive officers, 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.

In January 2024, we announced the appointment of four newly created executive officer positions: Helen Hrdy as Chief Customer Officer, Jason Hahn as Chief Revenue Officer, Christophe Louvion as Chief Product Technology Officer, and Andy Monnich as Chief Corporate Development Officer. These newly appointed executives reflect one of our investments to achieve our strategic initiatives, which include capturing expanded market opportunities through serving clients across increasingly interconnected patient, customer, and employee experience markets. We may not be successful in achieving our strategic initiatives within the timeframe we expect or at all, such executives may leave, or we may not realize the expected benefits and results from compensation structures we have put in place. Additionally, Kevin R. Karas, our Senior Vice President Finance, Treasurer, Secretary and Chief Financial Officer has announced his retirement, effective March 31, 2024. The retirement of Mr. Karas may result in a lack of continuity or operational issues.

Like many other companies, we experienced higher attrition rates in the last three years. 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.

Increases in income tax rates, changes in income tax laws or regulations, or unfavorable resolutions of tax matters could adversely impact our profitability.

We are subject to income tax in the United States. Our overall effective income tax rate is a function of the federal and local tax rates and the geographic mix of our income before taxes in the jurisdictions in which we operate. Changes in tax rates could negatively impact our net income. Tax laws and regulations, including rates of taxation, are subject to revisions by individual taxing jurisdictions. It is possible that these types of changes could materially impact our net income and cash flows. Significant judgment is required in determining our annual income tax expense and in evaluating our tax positions. Although we believe our tax estimates are reasonable, the final determination of tax audits could materially differ from our historical income tax provisions, estimates and accruals and could materially adversely impact our financial statements for the period or periods which the statute of limitations is open.

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 Act of 1933, 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 1C. **Cybersecurity**

We have a robust information security program to safeguard our information and systems as well as third parties that create, receive, or transmit our information or are critical to our operations. The controls within the program are constantly updated to adapt to technological advancements, regulatory changes, and operational needs, ensuring that we uphold our strict standards and unwavering commitment to maintaining confidentiality, integrity, and availability of our valuable information assets.

Risk management & strategy

Our information security program, including cybersecurity risk management is integrated into our overall Enterprise Risk Management Program ("ERMP") framework. Our ERMP assesses strategic, operational, and environmental factors to identify key and emerging risks across the organization including cybersecurity risks. A key risk matrix is maintained to evaluate the potential impact of key risks and monitor the effectiveness of mitigation and controls. We, our customers, suppliers, and subcontractors face cybersecurity risks such as phishing, ransomware, zero-day exploits, malware attacks, and social engineering attacks. A cybersecurity incident impacting us or our subcontractors could materially adversely affect our performance and results of operations. For more information on about the cybersecurity risks we face, see the factors set forth under the caption "Risk Factors" in Part I, Item 1A of this Annual Report on Form 10-K.

Our cybersecurity risk management procedures encompass comprehensive administrative, technical, and physical security measures. Our Security Team meets, subscribes to intelligence sources, and actively participates in professional organizations to stay informed and have reliable access to the latest information on emerging threats and vulnerabilities. We utilize both internal tools and third-party resources to perform risk and vulnerability assessments, as well as penetration testing. This includes a comprehensive managed security service that operates 24/7, dedicated to scanning and analyzing potential threats. Our Contractors and Third Parties Policy requires certain vendors to undergo annual reviews including security assessments and site visits. Additionally, our subcontractor agreements require that they report any security incidents. Risk assessment results and recommendations are documented in our risk register, reported, and closely monitored by our security team. Annually, we engage independent auditors to issue a System and Organization Control (SOC) 2 - Type II report based on their examination of our critical systems used to provide services to our clients for the suitability of design and operating effectiveness of controls.

Governance

The Board of Directors has the responsibility to oversee our enterprise risk management framework and associated policies and procedures. The Audit Committee of the Board has been assigned the responsibility to inquire of management, the independent accountants and the internal auditor about significant risks and exposures, including risks and exposures relating to data privacy, information security, and cybersecurity, and assess the steps management has taken to minimize such risks and exposures; and to make recommendations to the Board, as and when appropriate, as to the scope, direction, investment levels, and execution of the our data privacy, information security and cybersecurity initiatives.

Our Enterprise Risk Management Committee (ERMC), which includes certain associates with data privacy, information security, and cybersecurity experience, supports our Board of Directors in this oversight. The ERMC reports to the Audit Committee of the Board of Directors. The ERMC manages the ERMP and provides regular updates to the Audit Committee regarding our key risk tolerance scorecard results and ERMP developments. Our Chief Security and Privacy Officer ("CSPO") also reports to the Audit Committee on a regular basis, providing an Information Security Report, which includes information such as our information system risk profile, our top risk challenges, and security initiatives and strategies. Additionally, the ERMC communicates emerging risks and the mitigation of those risks to the Audit Committee, among other things. Significant cybersecurity matters, and strategic risk management decisions are elevated to the overall Board of Directors to enable oversight and guidance on critical cybersecurity issues.

Our CSPO, Dr. Cris V. Ewell is an ERMC member and has primary responsibility for our Information Security Program, including the maintenance and enforcement of our security policies. Dr. Ewell serves as an advisor to our leadership team, assisting them in optimizing security measures, mitigating risk, fortifying defenses, and minimizing vulnerabilities. Dr. Ewell develops written policies and procedures and conducts training to ensure our entire organization is well-protected. He is responsible for overseeing and executing the strategic plan for our data protection program, information security systems, compliance, computer networks and business continuance/disaster recovery. Additionally, Dr. Ewell actively participates in project management duties and manages information security integration efforts, working closely with internal teams, vendors, subcontractors, and clients. Dr. Ewell has over 25 years of experience in information security and spent over 20 years in CISO or equivalent roles. He previously held CISO positions at PEMCO Corporation, Seattle Children's Hospital and University of Washington Medicine before joining us as our Chief Security and Privacy Officer. He has worked as an Adjunct Professor specializing in risk management and operational controls courses throughout his career. Dr. Ewell is an Associate Professor currently teaching graduate information and technology security courses at City University of Seattle. He was named as one of the Top 100 CISOs by CISOs Connect in 2021 and Becker's Hospital Review CISO's to know in 2018-2020.

Item 2. <u>Properties</u>

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 be complete in 2025. In February 2021, we began leasing 19,300 square feet of space in Lincoln, Nebraska for our mail survey processing operations that were previously housed at our headquarters.

Item 3. <u>Legal Proceedings</u>

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. <u>Mine Safety Disclosures</u>

Not applicable.

PART II

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

We have one class of outstanding capital stock, which is our common stock, par value $.001 per share. Our common stock trades on the NASDAQ Global Select Market under the symbol "NRC".

Cash dividends in the aggregate amount of $36.3 million, $20.9 million, and $12.2 million were declared in 2023, 2022 and 2021 respectively. 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 13, 2024, there were approximately 10 shareholders of record and approximately 13,981 beneficial owners of our common stock.

In May 2022, our Board of Directors authorized the repurchase of 2,500,000 shares of common stock (the "2022 Program").

The table below summarizes repurchases of common stock during the three-month period ended December 31, 2023.

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, 2023	14,823	41.91	14,823	1,809,218
Nov 1 – Nov 30, 2023	180,633	41.83	180,633	1,628,585
Dec 1 – Dec 31, 2023	166,281	41.02	166,281	1,462,304
Total	361,737		361,737	

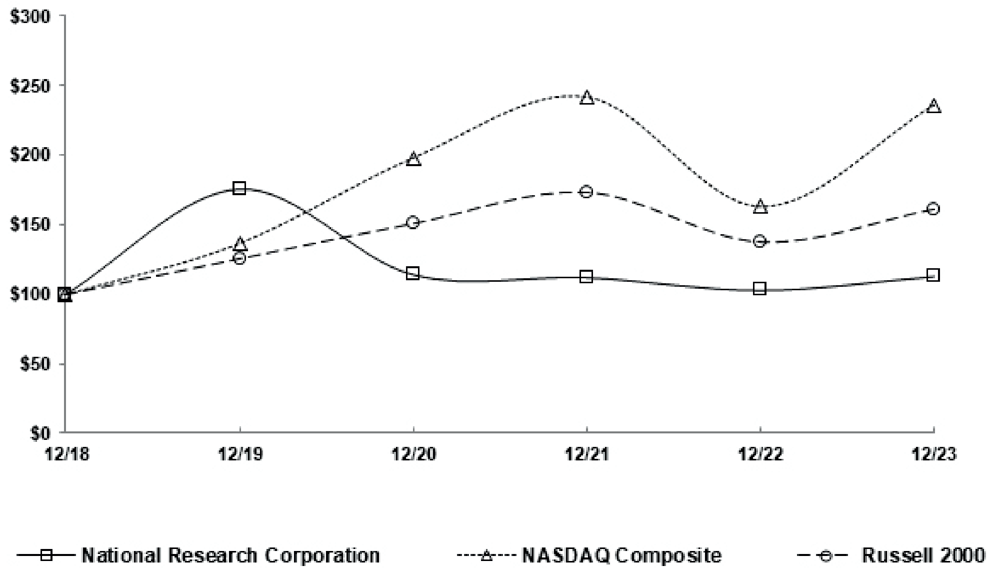
(1) Shares were repurchased pursuant to the 2022 program.

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. Because of the uniqueness of our markets and products and lack of publicly traded peers, we do not believe that a combination of peer issuers can be selected on an industry or line-of-business basis to provide a meaningful basis for comparing shareholder return. Accordingly, the Russell 2000 Index, which is comprised of issuers with generally similar market capitalizations to that of the Company, is included in the graph as permitted by applicable regulations. 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, 2018, and our relative performance is tracked through December 31, 2023.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among National Research Corporation, the NASDAQ Composite Index and the Russell 2000 Index



*$100 invested on 12/31/18 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

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

	12/18	12/19	12/20	12/21	12/22	12/23
National Research Corporation Common Stock	**100.00**	**175.47**	**114.29**	**112.20**	**102.99**	**112.89**
NASDAQ Composite	**100.00**	**136.69**	**198.10**	**242.03**	**163.28**	**236.17**
Russell 2000	**100.00**	**125.52**	**150.58**	**172.90**	**137.56**	**160.85**

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 2023 and 2022 items and year-to-year comparisons between 2023 and 2022. Discussions of 2021 items and year-to-year comparisons between 2022 and 2021 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, 2022.

Overview

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

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

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. At December 31, 2023, we assessed our current market capitalization compared to book value, forecasts and margins in our last quantitative impairment testing. We concluded that a triggering event had 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, 2023.

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.

	(In thousands, except percentages) Year Ended December 31,			Percentage Increase (Decrease)	
	2023	2022	2021	2023 over 2022	2022 over 2021
Revenue	$ 148,580	$ 151,568	$ 147,954	(2)	2
Direct expenses	56,015	57,049	52,350	(2)	9
Selling, general, and administrative	46,621	42,699	38,960	9	10
Depreciation, amortization and impairment	5,899	5,277	6,374	12	(17)
Operating income	40,045	46,543	50,270	(14)	(7)
Total other income (expense)	(83)	(3,728)	(1,649)	(98)	126
Provision for income taxes	8,991	11,015	11,155	(18)	(1)
Effective Tax Rate	22%	26%	23%	(4)	3
Operating Margin	27%	31%	34%	(4)	(3)
Recurring Contract Value	141,855	146,839	150,937	(3)	(3)
Cash provided by operating activities	38,113	36,265	46,344	5	(22)

Revenue. Revenue in 2023 decreased compared to 2022 with reductions in US revenue of $2.2 million and Canadian revenue of $793,000 due to the closure of our Canadian office. US recurring revenue in our existing client base decreased $819,000 which included $439,000 attributed to elimination of a non-core solution. US recurring revenue decreased from new customer sales by $1.4 million and from non-recurring revenues by $4,000. We do not expect Canadian revenues in the future due to the closure of the Canadian office.

Direct expenses. Variable expenses increased $906,000 in 2023 compared to 2022 primarily from higher data collection expenses. Variable expenses as a percentage of revenue were 15% and 14% in 2023 and 2022, respectively. Fixed expenses decreased $1.9 million primarily due to decreased salary and benefit costs from workforce reduction and automation partially offset by increased contracted services to support our Human Understanding solutions and higher travel costs.

Selling, general and administrative expenses. Selling, general and administrative expenses increased in 2023 compared to 2022 primarily due to growth in marketing initiative expenses of $2.8 million to expand brand recognition and support sales development, increased salary and benefit costs of $1.5 million in sales and client support, increased travel costs of $512,000, additional technology services of $736,000 partially offset by a reduction in innovation investments of $1.1 million and decreased building demolition costs of $384,000 related to the remodel of our headquarters. We expect salary and benefit costs to increase in 2024 due to our new executive officer positions and changes to our commission structure, although we hope to have meaningful offsets from ongoing efficiency and cost controls.

Depreciation, amortization and impairment. Depreciation, amortization and impairment expenses increased in 2023 compared to the 2022 period primarily due to additional depreciation expense from shortening the estimated useful lives of certain building assets and increased software investment amortization.

Operating income and margin. Operating income and margin decreased in 2023 compared to 2022 primarily due to a decline in revenue and growth in marketing and technology investments and higher data collection expenses.

Total other income (expense). Total other expense decreased in 2023 compared to 2022 primarily due to the reclassification of the cumulative foreign currency translation adjustment of $2.6 million to other expense as a result of the substantial liquidation of our Canadian subsidiary in December 2022. Interest income increased $652,000 from additional money market funds investments and interest expense decreased $347,000 from the declining balance on our term loan partially offset from interest expense due to drawing on the line of credit. In future periods we expect total other expense to increase due to an expected decrease in interest income resulting from reduced money market fund investments and increased interest expense due to borrowings on our line of credit and delayed draw term loan.

Provision for income taxes and effective tax rate. Provision for income taxes decreased in 2023 compared to 2022 primarily due to decreased taxable income. The effective tax rate decreased primarily due to lower state income taxes of approximately $864,000 which fluctuate based on various apportionment factors and rates for the states we operate in, the non-deductible reclassification of the cumulative foreign currency translation adjustment of $539,000 in 2022 and increased tax benefits of $250,000 from the share-based compensation awards. See Note 7, "Income Taxes," to our Consolidated Financial Statements contained in this report for additional information on the change in the effective tax rates.

Recurring Contact Value. Recurring contract value declined in 2023 compared to 2022 primarily from our strategy to focus on our core digital solutions and lower net sales, although the trend improved later in 2023. Our recurring contract value metric represents the total revenue projected under all renewable contracts for their respective next annual renewal periods, assuming no upsells, downsells, price increases, or cancellations, measured as of the most recent quarter end.

Liquidity and Capital Resources

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

As of December 31, 2023, our principal sources of liquidity included $6.7 million of cash and cash equivalents, up to $30 million of unused borrowings under our line of credit and an additional $56 million on our delayed draw term note. Of this cash, $155,000 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, amortization, and impairments, reclassification of cumulative foreign currency translation adjustment into earnings, 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 increased primarily due to working capital changes, mainly consisting of changes in deferred revenue and trade accounts receivable primarily due to timing of initial billings and collections for new and renewal contracts, changes in accrued expenses, wages and bonuses mainly due to decreased bonuses and reductions in accruals for paid time off due to a new unlimited plan, partially offset by changes in prepaid expenses and other current assets primarily due to the timing of our annual business insurance payment and growth in operating lease assets and liabilities due to changes in our leases and a reassessment. Cash provided by operating activities was also partially offset by decreased net income net of non-cash items.

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

We had a working capital deficit of $11.8 million and surplus of $10.3 million on December 31, 2023 and 2022, respectively. The change was primarily due to decreases in cash and cash equivalents and trade accounts receivable and an increase in the current portion of notes payable. These were partially offset by increases in prepaid expenses primarily due to the timing of our annual business insurance payment. Cash and cash equivalents decreased mainly due to the repurchase of shares of our common stock for treasury. We also borrowed on our delayed draw term loan to fund the share repurchases which increased the current portion of notes payable. Trade accounts receivable decreased due to timing of billing and collections, as well decreases in our overall recurring contract value. Our working capital is significantly impacted by our large deferred revenue balances which will vary based on the timing and frequency of billings on annual agreements. Notwithstanding our working capital deficit on December 31, 2023, we believe that our existing sources of liquidity, including cash and cash equivalents, borrowing availability, and operating cash flows will be sufficient to meet our projected capital and debt maturity needs for the foreseeable future.

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

Cash used in financing activities consisted of payments for borrowings under the term note, line of credit and finance lease obligations. We also used cash to repurchase shares of our common stock for treasury and to pay dividends on common stock. This was partially offset by cash provided from the proceeds from the exercise of share-based awards, borrowings on the line of credit and delayed draw term loan.

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

Dividends

Cash dividends in the aggregate amount of $36.3 million, $20.9 million and $12.2 million were declared in 2023, 2022 and 2021 respectively. Dividends were paid from cash on hand and borrowings on our line of credit. 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.

Capital Expenditures

We paid cash of $15.8 million for capital expenditures in the year ended December 31, 2023. These expenditures consisted mainly of computer software development for our Human Understanding solutions and building renovations to our headquarters. We estimate future costs related to our headquarters building renovations to be $11.6 million in 2024 and $1.4 million in 2025, which we expect to fund through operating cash flows and borrowings on the line of credit.

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 $23,412,383 term loan (the “Term Loan”) and (iii) a $75,000,000 delayed draw-down term facility (the “Delayed Draw Term Loan” and, together with the Line of Credit and the Term Loan, the “Credit Facilities”). We may use the Delayed Draw Term Loan to fund 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 outstanding balance on the Term Loan was $17.8 million at December 31, 2023 and is payable in monthly installments of $462,988 through May 2027. The Term Loan bears interest at a fixed rate per annum of 5%.

Borrowings under the Delayed Draw Term Loan and Line of Credit, if any, bear interest at a floating rate equal to the 30-day Secured Overnight Financing Rate (“SOFR”) plus 235 basis points (7.68% at December 31, 2023). Interest on the Line of Credit and Delayed Draw Term Loan accrues and is payable monthly.

Principal amounts outstanding under the Line of Credit are due and payable in full at maturity, in May 2025. The Line of Credit did not have a balance at December 31, 2023 and we had the availability to borrow $30,000,000. The weighted average borrowings on the Line of Credit for year ended December 31, 2023 was $1.7 million. The weighted average interest rate on borrowings on the Line of Credit during the year ended December 31, 2023 was 7.67%.

The outstanding balance on the Delayed Draw Term Loan was $19.0 million at December 31, 2023. Principal payments are due in monthly installments of $226,190 through April 2027 and a balloon payment for the remaining balance of $10.2 million is due in May 2027. We had the availability to borrow an additional $56.0 million on the Delayed Draw Term Loan at December 31, 2023.

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

The Credit Agreement contains customary representations, warranties, affirmative and negative covenants (including financial covenants) and events of default. The negative covenants include, among other things, restrictions regarding the incurrence of indebtedness and liens, repurchases of our common stock and acquisitions, subject in each case to certain exceptions. In June 2023, the Credit Agreement was amended to exclude our costs associated with our building renovation from or after January 1, 2023 from the fixed charge coverage ratio calculation. Pursuant to the Credit Agreement, we are required to maintain a minimum fixed charge coverage ratio of 1.10x for all testing periods throughout the term(s) of the Credit Facilities, which calculation excludes, unless our liquidity falls below a specified threshold, (i) any cash dividend in a fiscal quarter that, together with all other cash dividends paid or declared during such fiscal quarter, exceeds $5.5 million in total cash dividends paid or declared, (ii) the portion of the purchase price for any permitted share repurchase of our shares paid with cash on hand, (iii) the portion of any acquisition consideration for a permitted acquisition paid with cash on hand, and (iv) up to $25 million of costs associated with our building renovation from or after January 1, 2023 . We are also required to maintain a cash flow leverage ratio of 3.00x or less for all testing periods throughout the term(s) of the Credit Facilities. All obligations under the Credit Facilities are to be guaranteed by each of our direct and indirect wholly owned domestic subsidiaries, if any, and, to the extent required by the Credit Agreement, direct and indirect wholly owned foreign subsidiaries. As of December 31, 2023, 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, 2023, we had fixed lease payments of $678,000 and $23,000 for operating and finance leases, respectively payable within 12 months. A summary of our operating and finance lease obligations as of December 31, 2023 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 $2.0 million as of December 31, 2023. See Note 7, "Income Taxes", to the Consolidated Financial Statements contained in this report for income tax related information.

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

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

During 2023, we repurchased 462,140 shares of our common stock for an aggregate of $19.1 million under the 2022 Program. As of December 31, 2023, the remaining number of shares of common stock that could be purchased under the 2022 Program was 1,462,304 shares.

Recent Accounting Pronouncements

There are no recently issued accounting pronouncements we believe will have a material impact on our financial position, results of operations or cash flows.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

Our primary market risk exposure is interest rate risk. Our future income, cash flows and fair values of financial instruments are impacted by changes in market interest rates. We have not purchased or used any derivative instruments or entered any hedging transactions. We are exposed to interest rate risk with both our fixed-rate Term Loan and variable rate Delayed Draw Term Note and 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, 2023, our fixed-rate Term Loan totaled $17.8 million. Based on a sensitivity analysis, a hypothetical one percent per annum change in market interest rates as of December 31, 2023, would impact the estimated fair value of our fixed-rate Term Loan outstanding at December 31, 2023 by approximately $300,000.

Borrowings under our Delayed Draw Term Loan and Line of Credit, if any, bear interest at a floating rate equal to the 30-day SOFR plus 235 basis points. Interest rate changes for borrowings under our Delayed Draw Term Note and Line of Credit do not affect the fair value of the related debt but affect future earnings and cash flows. Borrowings under the Line of Credit and Delayed Draw Term Note may not exceed $30.0 million and $75.0 million, respectively. There were no borrowings outstanding under the Line of Credit at December 31, 2023. We had $19.0 million of borrowings outstanding under the Delayed Draw Term Note at December 31, 2023. The change in interest expense resulting from a hypothetical change of 100 basis points of the benchmark index rate applied to the maximum borrowings available under the Line of Credit and the balance outstanding under the Delayed Draw Term Loan at December 31, 2023 would increase or decrease future earnings and cash flows by approximately $370,000 annually.

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, 2023 and 2022, 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, 2023, 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, 2023, 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, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2023, 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, 2023 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, 2023 included $140.2 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.

Omaha, Nebraska
February 27, 2024

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

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	$ 6,653	$ 25,026
Trade accounts receivable, less allowance for doubtful accounts of $75 and $65, respectively	12,378	14,461
Prepaid expenses	4,228	2,386
Income taxes receivable	161	733
Other current assets	940	1,110
Total current assets	24,360	43,716
Net property and equipment	28,205	17,248
Intangible assets, net	1,471	1,611
Goodwill	61,614	61,614
Operating lease right-of-use assets	2,060	556
Deferred contract costs, net	1,453	2,441
Deferred income taxes	—	14
Other	3,274	3,261
Total assets	$ 122,437	$ 130,461
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of notes payable, net of unamortized debt issuance costs	$ 7,214	$ 4,491
Accounts payable	1,301	1,153
Accrued wages and bonuses	3,953	4,551
Accrued expenses	4,893	3,983
Dividends payable	2,906	2,956
Deferred revenue	14,834	15,198
Income Taxes Payable	222	—
Other current liabilities	880	1,085
Total current liabilities	36,203	33,417
Notes payable, net of current portion and unamortized debt issuance costs	29,470	17,690
Deferred income taxes	4,139	5,274
Other long-term liabilities	3,670	2,047
Total liabilities	73,482	58,428
Shareholders' equity:		
Preferred stock, $0.01 par value, authorized 2,000,000 shares, none issued	—	—
Common stock, $0.001 par value; authorized 110,000,000 shares, issued 31,002,919 in 2023 and 30,922,181 in 2022, outstanding 24,219,887 in 2023 and 24,628,173 in 2022	31	31
Additional paid-in capital	178,213	175,453
Retained earnings (accumulated deficit)	(30,530)	(25,184)
Accumulated other comprehensive loss, foreign currency translation adjustment	—	—
Treasury stock, at cost; 6,783,032 Common shares in 2023 and 6,294,008 Common shares in 2022	(98,759)	(78,267)
Total shareholders' equity	48,955	72,033
Total liabilities and shareholders' equity	$ 122,437	$ 130,461

See accompanying notes to consolidated financial statements.

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

	2023	2022	2021
Revenue	$ 148,580	$ 151,568	$ 147,954
Operating expenses:			
Direct	56,015	57,049	52,350
Selling, general and administrative	46,621	42,699	38,960
Depreciation, amortization and impairment	5,899	5,277	6,374
Total operating expenses	108,535	105,025	97,684
Operating income	40,045	46,543	50,270
Other income (expense):			
Interest income	820	168	14
Interest expense	(862)	(1,209)	(1,667)
Reclassification of cumulative foreign currency translation adjustment into earnings	—	(2,569)	—
Other, net	(41)	(118)	4
Total other income (expense)	(83)	(3,728)	(1,649)
Income before income taxes	39,962	42,815	48,621
Provision for income taxes	8,991	11,015	11,155
Net income	$ 30,971	$ 31,800	$ 37,466
Earnings per share of common stock:			
Basic earnings per share	$ 1.26	$ 1.28	$ 1.47
Diluted earnings per share	$ 1.25	$ 1.27	$ 1.46
Weighted average shares and share equivalents outstanding			
Basic	24,540	24,922	25,422
Diluted	24,673	25,052	25,640

See accompanying notes to consolidated financial statements.

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

	2023	2022	2021
Net income	$ 30,971	$ 31,800	$ 37,466
Other comprehensive income (loss):			
Cumulative foreign currency translation adjustment	$ —	$ (194)	$ 24
Reclassification of cumulative foreign currency translation into earnings	—	2,569	—
Other comprehensive income (loss)	$ —	$ 2,375	$ 24
Comprehensive income	$ 30,971	$ 34,175	$ 37,490

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, 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
Purchase of 756,817 shares treasury stock	—	—	—	—	(28,118)	(28,118)
Issuance of 23,581 common shares for the exercise of stock options	—	311	—	—	—	311
Non-cash stock compensation expense	—	1,200	—	—	—	1,200
Dividends declared of $0.84 per common share	—	—	(20,872)	—	—	(20,872)
Other comprehensive income, foreign currency translation adjustment	—	—	—	(194)	—	(194)
Reclassification of cumulative foreign currency translation adjustment into earnings	—	—	—	2,569	—	2,569
Net income	—	—	31,800	—	—	31,800
Balances at December 31, 2022	$ 31	$ 175,453	$ (25,184)	$ —	$ (78,267)	$ 72,033
Purchase of 489,024 shares treasury stock	—	—	—	—	(20,492)	(20,492)
Issuance of 87,378 common shares for the exercise of stock options	—	1,825	—	—	—	1,825
Non-cash stock compensation expense	—	935	—	—	—	935
Dividends declared of $1.48 per common share	—	—	(36,317)	—	—	(36,317)
Net income	—	—	30,971	—	—	30,971
Balances at December 31, 2023	$ 31	$ 178,213	$ (30,530)	$ —	$ (98,759)	$ 48,955

See accompanying notes to consolidated financial statements.

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

	2023	2022	2021
Cash flows from operating activities:			
Net income	$ 30,971	$ 31,800	$ 37,466
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and impairment	5,899	5,277	6,374
Reclassification of cumulative translation adjustment into earnings	—	2,569	—
Deferred income taxes	(1,121)	(1,729)	(277)
Reserve for uncertain tax positions	404	488	310
Loss on disposal of property and equipment	—	11	7
Non-cash share-based compensation expense	935	1,200	623
Change in assets and liabilities:			
Trade accounts receivable	2,084	(733)	343
Prepaid expenses and other current and long-term assets	(1,767)	1,634	(842)
Operating lease assets and liability, net	(127)	(39)	(34)
Deferred contract costs, net	988	1,331	783
Accounts payable	184	(589)	4
Accrued expenses, wages and bonuses	(768)	(2,947)	(285)
Income taxes receivable and payable	795	6	484
Deferred revenue	(364)	(2,014)	1,388
Net cash provided by operating activities	38,113	36,265	46,344
Cash flows from investing activities:			
Purchases of property and equipment	(15,779)	(9,835)	(5,514)
Acquisition consideration	—	—	(3,000)
Proceeds from the sale of property and equipment	1	—	—
Net cash used in investing activities	(15,778)	(9,835)	(8,514)
Cash flows from financing activities:			
Payments on notes payable	(4,528)	(4,305)	(4,093)
Payment of debt issuance costs	(8)	(92)	—
Borrowings on notes payable	19,000	—	—
Borrowings on line of credit	15,000	—	—
Payments on line of credit	(15,000)	—	—
Payments on finance lease obligations	(290)	(469)	(493)
Proceeds from the exercise of stock options	584	—	446
Payment of payroll tax withholdings on share-based awards exercised	—	(190)	(721)
Payment of deferred acquisition consideration	—	(1,950)	—
Repurchase of shares for treasury	(19,099)	(27,616)	(4,142)
Payment of dividends on common stock	(36,366)	(20,961)	(9,159)
Net cash used in financing activities	(40,707)	(55,583)	(18,162)
Effect of exchange rate changes on cash	(1)	(182)	3
Net increase (decrease) in cash and cash equivalents	(18,373)	(29,335)	19,671
Cash and cash equivalents at beginning of period	25,026	54,361	34,690
Cash and cash equivalents at end of period	$ 6,653	$ 25,026	$ 54,361
Supplemental disclosure of cash paid for:			
Interest expense, net of capitalized amounts	$ 803	$ 1,227	$ 1,684
Income taxes	$ 8,932	$ 12,233	$ 10,644
Supplemental disclosure of non-cash investing and financing activities:			
Finance lease obligations originated for property and equipment	$ —	$ —	$ 40
Purchase of property and equipment in accounts payable and accrued expenses	$ 2,066	$ 1,109	$ 979
Stock tendered to the Company for cashless exercise of stock options in connection with equity incentive plans	$ 1,241	$ 311	$ 1,088
Repurchase of shares for treasury in accounts payable and accrued expenses	$ 152	$ —	$ —
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. Our purpose is to humanize healthcare and support organizations in their understanding of each person they serve not as point-in-time insights, but as an ongoing relationship. We believe that understanding the story is the key to unlocking the highest-quality and truly personalized care. Our end-to-end solutions enable health care organizations to understand what matters most to each person they serve – before, during, after, and outside of clinical encounters – to gain a longitudinal understanding of how life and health intersect, with the goal of developing lasting, trusting relationships. Our portfolio of solutions represents a unique set of capabilities that individually and collectively provide value to our clients.

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

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. Our Canadian subsidiary uses Canadian dollars as its functional currency. We translate its assets and liabilities into U.S. dollars at the exchange rate in effect at the balance sheet date. We translate its revenue and expenses at the average exchange rate during the period. We included foreign currency translation gains and losses in accumulated other comprehensive income (loss), a component of shareholders' equity. During December 2022, we substantially liquidated our investment in Canada. As a result, we reclassified the cumulative foreign currency translation adjustment balance into earnings and recognized a net cumulative foreign currency translation loss of $2.6 million, which is included in Other income (expense), net in our Consolidated Statements of Income. Any future currency changes after 2022 are recognized in Other income (expense), net in our 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 either annually or quarterly in advance but may also be billed on a monthly basis.

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

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

Unit-price services – These arrangements typically require us to perform certain services on a periodic basis as requested by the customer for a per-unit amount which is typically billed in the 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 $395,000, $454,000 and $1.9 million in the years ended December 31, 2023, 2022 and 2021, respectively. Deferred contract costs, net of accumulated amortization was $1.5 million and $2.4 million at December 31, 2023 and 2022, respectively. Total amortization by expense classification for the years ended December 31, 2023, 2021 and 2021 was as follows:

	2023	2022	2021
		(In thousands)	
Direct expenses	$ 181	$ 146	$ 157
Selling, general and administrative expenses	$ 1,161	$ 1,625	$ 2,494
Total amortization	$ 1,342	$ 1,771	$ 2,651

Additional expense included in selling, general and administrative expenses for impairment of costs capitalized due to lost clients was $41,000, $14,000 and $31,000 for the years December 31, 2023, 2022 and 2021, 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, 2023, 2022 and 2021 (in thousands):

	Balance at Beginning of Period	Bad Debt Expense	Write-offs	Recoveries	Balance at End of Period
Year Ended December 31, 2021	$ 120	$ 38	$ 76	$ 12	$ 94
Year Ended December 31, 2022	$ 94	$ 19	$ 50	$ 2	$ 65
Year Ended December 31, 2023	$ 65	$ 99	$ 99	$ 10	$ 75

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 $4.3 million, $3.6 million and $2.8 million of costs incurred for the development of internal-use software for the years ended December 31, 2023, 2022 and 2021, 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.

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 two 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, 2023, 2022, or 2021.

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 determine 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 an indefinite-lived intangible is less than its carrying amount, we calculate the fair value using a market or income approach. If the carrying value of the indefinite-lived intangible asset exceeds its fair value, then the intangible asset is written-down to its fair value. We did not recognize any impairments related to indefinite-lived intangibles during 2023, 2022 or 2021.

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, 2023 and determined the fair value of our reporting unit likely exceeded the carrying value. At December 31, 2023, we 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, 2023. No impairments were recorded during the years ended December 31, 2023, 2022, or 2021.

In March 2021, we changed our operating segments from six to one to reflect a change in the way we operated and managed our business, including changes to our 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.

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, 2023, 2022, and 2021, we recorded income tax benefits relating to these tax credits of $2,000, $36,000, and $10,000, 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:

	2023	2022	2021
		(In thousands)	
Amounts charged against income, before income tax benefit	$ 935	$ 1,200	$ 623
Amount of related income tax benefit	(617)	(436)	(919)
Net (benefit) expense to net income	$ 318	$ 764	$ (296)

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 $6.5 million and $24.9 million as of December 31, 2023, and 2022, 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 2023 or 2022. 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, 2023 and 2022:

	Level 1	Level 2	Level 3	Total
		(In thousands)		
As of December 31, 2023				
Money Market Funds	$ 6,471	$ —	$ —	$ 6,471
Total Cash Equivalents	$ 6,471	$ —	$ —	$ 6,471
As of December 31, 2022				
Money Market Funds	$ 24,927	$ —	$ —	$ 24,927
Total Cash Equivalents	$ 24,927	$ —	$ —	$ 24,927

There were no transfers between levels during the years ended December 31, 2023 and 2022.

Our long-term debt described in Note 8 is recorded at historical cost. The fair value of fixed rate long-term debt is classified in Level 2 of the fair value hierarchy and was estimated based primarily on estimated current rates available for debt of the same remaining duration and adjusted for nonperformance and credit. The fair value of our variable rate long-term debt is believed to approximate the carrying value because we believe the current rate reasonably estimates the current market rate for our debt.

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

	December 31, 2023	December 31, 2022
	(In thousands)	
Total carrying amount of long-term debt	$ 36,787	$ 22,315
Estimated fair value of long-term debt	$ 36,403	$ 21,668

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 asset 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, 2023 and 2022, there was no indication of impairment related to these assets.

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, 2023 will have a material adverse effect on our consolidated financial position, results of operations or liquidity.

We are self-insured for group medical and dental insurance. 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 $5.4 million, $4.7 million and $3.2 million, in 2023, 2022 and 2021, 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, 2023 and 2022, our accrual related to self-insurance was $449,000 and $424,000, 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 263,909, 315,764 and 127,185 options of common stock for the years ended December 31, 2023, 2022 and 2021, respectively, which have been excluded from the diluted net income per share computation because their inclusion would be anti-dilutive.

	2023	2022	2021
	(In thousands, except per share data)		
Numerator for net income per share – basic:			
Net income	$ 30,971	$ 31,800	$ 37,466
Allocation of distributed and undistributed income to unvested restricted stock shareholders	(8)	(16)	(18)
Net income attributable to common shareholders	$ 30,963	$ 31,784	$ 37,448
Denominator for net income per share – basic:			
Weighted average common shares outstanding – basic	24,540	24,922	25,422
Net income per share – basic	$ 1.26	$ 1.28	$ 1.47
Numerator for net income per share – diluted:			
Net income attributable to common shareholders for basic computation	$ 30,963	$ 31,784	$ 37,448
Denominator for net income per share – diluted:			
Weighted average common shares outstanding – basic	24,540	24,922	25,422
Weighted average effect of dilutive securities – stock options	133	130	218
Denominator for diluted earnings per share – adjusted weighted average shares	24,673	25,052	25,640
Net income per share – diluted	$ 1.25	$ 1.27	$ 1.46

(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. 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, 2023, 2022 and 2021 based on timing of revenue recognition (in thousands):

	2023	2022	2021
Subscription services recognized ratably over time	$ 140,172	$ 141,981	$ 137,008
Services recognized at a point in time	4,071	4,231	3,216
Fixed, non-subscription recognized over time	3,503	3,134	3,065
Unit price services recognized over time	834	2,222	4,665
Total revenue	$ 148,580	$ 151,568	$ 147,954

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

	December 31, 2023	December 31, 2022
Accounts receivables	$ 12,378	$ 14,461
Contract assets included in other current assets	$ 84	$ 102
Deferred revenue	$ 14,834	$ 15,198

Significant changes in contract assets and contract liabilities during the years ended December 31, 2023 and 2022 are as follows (in thousands):

	2023		2022	
	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	$ -	$ (15,100)	$ -	$ (17,170)
Increases due to invoicing of client, net of amounts recognized as revenue	-	14,837	-	15,081
Decreases due to completion of services (or portion of services) and transferred to accounts receivable	(102)	-	(99)	-
Change due to cumulative catch-up adjustments arising from changes in expected contract consideration	-	(101)	-	74
Increases due to revenue recognized in the period with additional performance obligations before invoicing	84	-	102	-

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, 2023 approximated $14.5 million of which $5.9 million, $4.7 million, 4.0 million and $12,000 is expected to be recognized during 2024, 2025, 2026 and 2027, 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 16% of the issued and outstanding equity interests in PX.

(5) Property and Equipment

At December 31, 2023, and 2022, property and equipment consisted of the following:

	2023	2022
	(In thousands)	
Furniture and equipment	$ 3,886	$ 4,753
Computer equipment	2,498	2,639
Computer software	34,143	29,876
Building	22,434	12,561
Leaseholds	488	502
Land	425	425
Property and equipment at cost	63,874	50,756
Less accumulated depreciation and amortization	35,669	33,508
Net property and equipment	$ 28,205	$ 17,248

Work in progress included in computer equipment, computer software and building at December 31, 2023 was $322,000, $129,000 and $14.6 million, respectively. Work in progress included in computer equipment, computer software and building at December 31, 2022 was $77,000, $545,000 and $7.0 million, respectively. Depreciation and amortization expense related to property and equipment, including assets under capital lease, for the years ended December 31, 2023, 2022, and 2021 was $5.8 million, $5.1 million and $5.7 million, respectively. We capitalize interest expense on major construction and development projects while in progress. Interest capitalized for 2023 and 2022 was $566,000 and $216,000, respectively. We did not capitalize interest in 2021. There were no significant impairments in property and equipment during 2023, 2022, and 2021. 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, 2023:

	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	9,192	9,152	40
Technology	3 - 7	1,959	1,719	240
Trade names	10	1,572	1,572	—
Total amortizing intangible assets		12,723	12,443	280
Total intangible assets other than goodwill		$ 13,914	$ 12,443	$ 1,471

Goodwill and intangible assets consisted of the following at December 31, 2022:

	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	9,192	9,132	60
Technology	3 - 7	1,959	1,599	360
Trade names	10	1,572	1,572	—
Total amortizing intangible assets		12,723	12,303	420
Total intangible assets other than goodwill		$ 13,914	$ 12,303	$ 1,611

There were no changes in goodwill during the years ending December 2023, 2022 and 2021.

Aggregate amortization expense for customer related intangibles, trade names, and technology for the years ended December 31, 2023, 2022 and 2021 was $140,000, $180,000, and $320,000, respectively. Estimated future amortization expense for 2024 and 2025 is $140,000 and $140,000, respectively. No amortization expense is projected beyond 2025.

(7) Income Taxes

For the years ended December 31, 2023, 2022, and 2021, income before income taxes consists of the following:

	2023	2022	2021
		(In thousands)	
U.S. Operations	$ 40,031	$ 43,156	$ 48,145
Foreign Operations	(69)	(341)	476
Income before income taxes	$ 39,962	$ 42,815	$ 48,621

Income tax expense consisted of the following components:

	2023	2022	2021
		(In thousands)	
Federal:			
Current	$ 8,220	$ 9,988	$ 9,092
Deferred	(891)	(1,427)	(224)
Total	$ 7,329	$ 8,561	$ 8,868
Foreign:			
Current	$ (32)	$ (90)	$ 143
Deferred	14	—	(17)
Total	$ (18)	$ (90)	$ 126
State:			
Current	$ 1,924	$ 2,846	$ 2,197
Deferred	(244)	(302)	(36)
Total	$ 1,680	$ 2,544	$ 2,161
Total	$ 8,991	$ 11,015	$ 11,155

As a result of the Tax Cuts 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 of $1.4 million in 2022. Additionally, a withholding tax of 5% was paid for the dividend distribution. Due to the closure of the Canadian office, we also processed a return of capital from the Canadian subsidiary to the Company of $1.2 million in 2022.

We qualify for tax incentives through the Nebraska Advantage LB312 Act ("NAA"). The 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. For the year ended December 31, 2023, 2022 and 2021, the amortization of credits reduced operating expenses by approximately $200,000, $510,000 and $473,000, respectively. In addition, income tax credits of $2,000, $36,000 and $10,000 were recorded as a reduction to income tax expense for the years ended December 31, 2023, 2022 and 2021, respectively. Credits were lower in the 2023 year due to not meeting certain full time equivalent thresholds in Nebraska, causing certain credits to be recaptured and no additional credits to be earned. The NAA credit earning years are now complete. We have applied for the ImagiNE Act, the new economic development incentive program that replaces the NAA. When we meet certain investment criteria we will have the ability to earn similar credits as with the NAA.

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:

	2023	2022	2021
	(In thousands)		
Expected federal income taxes	$ 8,392	$ 8,991	$ 10,210
Foreign tax rate differential	(4)	(24)	26
State income taxes, net of federal benefit and state tax credits	1,323	2,100	1,531
Share-based compensation	(334)	(120)	(660)
Federal tax credits	(569)	(408)	(272)
Uncertain tax positions	73	22	254
Reclassification of cumulative translation adjustment into earnings	—	539	—
Withholding tax on repatriation of foreign earnings	—	(100)	8
Non-deductible expenses	92	30	—
Other	18	(15)	58
	$ 8,991	$ 11,015	$ 11,155

Deferred tax assets and liabilities at December 31, 2023 and 2022, were comprised of the following:

	2023	2022
	(In thousands)	
Deferred tax assets:		
Allowance for doubtful accounts	$ 18	$ 16
Accrued expenses	581	691
Share-based compensation	1,177	1,072
Accrued bonuses	12	96
Uncertain tax positions	326	256
Research & experimental expenditures	2,903	856
Other	—	78
Gross deferred tax assets	5,017	3,065
Less valuation allowance	—	—
Deferred tax assets	5,017	3,065
Deferred tax liabilities:		
Prepaid expenses	145	135
Deferred contract costs	354	601
Property and equipment	1,966	1,066
Intangible assets	6,636	6,523
Other	55	—
Deferred tax liabilities	9,156	8,325
Net deferred tax liabilities	$ (4,139)	$ (5,260)

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 paid 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.

On August 16, 2022, the Inflation Reduction Act of 2022 ("IRA") was signed into U.S. law. The IRA includes implementation of a new alternative minimum tax, an excise tax on stock buybacks, and significant tax incentives for energy and climate initiatives, among other provisions. We accrued excise taxes that increased the cost of treasury stock we acquired by $152,000 in 2023 due to the IRA. The excise tax will be paid in early 2024. We have no other financial impacts from the IRA.

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.

The Tax Act amended Section 174 rules for the federal tax treatment of research or experimental ("R&E") expenditures paid or incurred during the taxable year. The new Section 174 rules require taxpayers to capitalize and amortize specified R&E expenditures over a period of five years (attributable to domestic research) or 15 years (attributable to foreign research), beginning with the midpoint of the taxable year in which the expenses are paid or incurred. Software development costs are expressly included in the definition of specified R&E expenditures after 2021. Due to this change in legislation we capitalized costs of $7.8 million and $7.1 million for tax purposes in 2023 and 2022, respectively, resulting in deferred tax assets of $2.9 million and $856,000 at December 31, 2023 and 2022, respectively.

We had an unrecognized tax benefit at December 31, 2023 and 2022, of $1.9 million and $1.6 million, respectively, excluding interest of $43,000 and $25,000 at December 31, 2023 and 2022, respectively. Of these amounts, $1.6 million and $1.3 million at December 31, 2023 and 2022, 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 2023 and 2022 was as follows:

	(In thousands)
Balance of unrecognized tax benefits at December 31, 2021	$ 1,075
Reductions due to lapse of applicable statute of limitations	(76)
Reductions due to tax positions of prior years	—
Reductions due to settlement with taxing authorities	—
Additions based on tax positions related to the current year	558
Balance of unrecognized tax benefits at December 31, 2022	$ 1,557
Reductions due to lapse of applicable statute of limitations	(92)
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	478
Balance of unrecognized tax benefits at December 31, 2023	$ 1,943

We file income tax returns in the U.S. federal jurisdiction, various state jurisdictions, and Canada federal and provincial jurisdictions. Tax years 2020 and forward remain subject to U.S. federal examination. Tax years 2017 and forward remain subject to state examination. Tax years 2019 and forward remain subject to Canadian federal and provincial examination.

(8) Notes Payable

Our long-term debt consists of the following:

	2023	2022
	(In thousands)	
Term Loan	$ 17,787	$ 22,315
Delayed Draw Term Loan	19,000	-
Less: current portion	(7,214)	(4,491)
Less: unamortized debt issuance costs	(103)	(134)
Notes payable, net of current portion	$ 29,470	$ 17,690

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

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

Borrowings under the Delayed Draw Term Loan and Line of Credit, if any, bear interest at a floating rate equal to the 30-day Secured Overnight Financing Rate ("SOFR") plus 235 basis points (7.68% at December 31, 2023). Interest on the Line of Credit and Delayed Draw Term Loan accrues and is payable monthly.

Principal amounts outstanding under the Line of Credit are due and payable in full at maturity, in May 2025. The Line of Credit did not have a balance at December 31, 2023 and we had the availability to borrow $30,000,000. The weighted average borrowings on the Line of Credit for year ended December 31, 2023 was $1.7 million. There were no borrowings on the Line of Credit in the years ended December 31, 2022 or 2021. The weighted average interest rate on borrowings on the Line of Credit during the year ended December 31, 2023 was 7.67%.

The initial borrowing on the Delayed Draw Term Loan was in December 2023. Principal payments are due in monthly installments of $226,190 through April 2027 and a balloon payment for the remaining balance of $10.2 million is due in May 2027. We had the availability to borrow an additional $56.0 million on the Delayed Draw Term Loan at December 31, 2023.

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

The Credit Agreement contains customary representations, warranties, affirmative and negative covenants (including financial covenants) and events of default. The negative covenants include, among other things, restrictions regarding the incurrence of indebtedness and liens, repurchases of our common stock and acquisitions, subject in each case to certain exceptions. In June 2023, the Credit Agreement was amended to exclude our costs associated with our building renovation from or after January 1, 2023, from the fixed charge coverage ratio calculation. Pursuant to the Credit Agreement, we are required to maintain a minimum fixed charge coverage ratio of 1.10x for all testing periods throughout the term(s) of the Credit Facilities, which calculation excludes, unless our liquidity falls below a specified threshold, (i) any cash dividend in a fiscal quarter that, together with all other cash dividends paid or declared during such fiscal quarter, exceeds $5,500,000 in total cash dividends paid or declared, (ii) the portion of the purchase price for any permitted share repurchase of our shares paid with cash on hand, (iii) the portion of any acquisition consideration for a permitted acquisition paid with cash on hand, and (iv) up to $25 million of costs associated with our building renovation from or after January 1, 2023. We are also required to maintain a cash flow leverage ratio of 3.00x or less for all testing periods throughout the term(s) of the Credit Facilities. All obligations under the Credit Facilities are to be guaranteed by each of our direct and indirect wholly owned domestic subsidiaries, if any, and, to the extent required by the Credit Agreement, direct and indirect wholly owned foreign subsidiaries. As of December 31, 2023, 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).

Scheduled maturities of notes payable at December 31, 2023 are as follows (in thousands):

2024	7,250
2025	7,725
2026	7,986
2027	13,826

(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, 2023, there were 670,932 shares of common stock available for issuance pursuant to future grants under the 2004 Director Plan. We have accounted for grants of 2,329,068 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, 2023, there were 720,088 shares of common stock available for issuance pursuant to future grants under the 2006 Equity Incentive Plan. We have accounted for grants of 1,079,912 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 2023, 2022 and 2021, we granted options to purchase 96,359, 127,227, and 101,091 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:

	2023	2022	2021
Expected dividend yield at date of grant	2.13%	3.39%	2.15%
Expected stock price volatility	35.12%	35.52%	34.85%
Risk-free interest rate	3.61%	2.33%	0.91%
Expected life of options (in years)	6.85	6.29	7.01

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, 2023:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Terms (Years)	Aggregate Intrinsic Value (In thousands)
Common Stock				
Outstanding at December 31, 2022	581,286	$ 32.86		
Granted	96,359	$ 40.55		
Exercised	87,378	$ 20.89		
Forfeited	21,099	$ 40.52		
Outstanding at December 31, 2023	569,168	$ 35.72	5.75	$ 3,971
Exercisable at December 31, 2023	346,032	$ 30.73	4.55	$ 3,894

The following table summarizes information related to stock options for the years ended December 31, 2023, 2022 and 2021:

	2023	2022	2021
Weighted average grant date fair value of stock options granted	$ 9.16	$ 9.43	$ 12.55
Intrinsic value of stock options exercised (in thousands)	$ 2,037	$ 648	$ 3,535
Intrinsic value of stock options vested (in thousands)	$ 3,894	$ 4,369	$ 4,805

As of December 31, 2023, the total unrecognized compensation cost related to non-vested stock option awards was approximately $1.2 million which was expected to be recognized over a weighted average period of 2.76 years.

There was $584,000 and $446,000 in cash received from stock options exercised for the years ended December 31, 2023 and 2021, respectively. No cash was received for stock options exercised for the year ended December 31, 2022. We recognized $997,000, $1.1 million, and $607,000 of non-cash compensation for the years ended December 31, 2023, 2022, and 2021, 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 $498,000, $160,000, and $862,000 for the years ended December 31, 2023, 2022, and 2021, respectively.

During 2021 we granted 12,698 non-vested shares of common stock under the 2006 Equity Incentive Plan. No shares of non-vested common stock were granted during the years ended December 31, 2023 or 2022 and 6,640 shares were forfeited during the year ended December 31, 2023. As of December 31, 2023, we had 6,058 non-vested shares of common stock outstanding under the 2006 Equity Incentive Plan. These shares vest 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 a $62,000 benefit, $109,000 expense, and $17,000 expense of non-cash compensation for the years ended December 31, 2023, 2022, and 2021, respectively, related to this non-vested stock, which is included in direct and selling, general and administrative expenses. No restricted stock vested during the years end December 31, 2023, 2022 and 2021.

The following table summarizes information regarding non-vested stock granted to associates under the 2006 Equity Incentive Plans for the year ended December 31, 2023:

	Common Stock Outstanding	Common Stock Weighted Average Grant Date Fair Value Per Share
Outstanding at December 31, 2022	12,698	$ 42.92
Granted	—	$ —
Vested	—	$ —
Forfeited	6,640	$ 42.92
Outstanding at December 31, 2023	6,058	$ 42.92

As of December 31, 2023, the total unrecognized compensation cost related to non-vested stock awards was approximately $104,000 and is expected to be recognized over a weighted average period of 2.00 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, 2023 range from less than one year to 7.09 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, 2023, 2022 and 2021 included (in thousands):

	2023	2022	2021
Operating leases	$ 503	$ 527	$ 669
Finance leases:			
Asset amortization	310	462	489
Interest on lease liabilities	6	19	34
Variable lease cost	101	95	99
Short-term lease cost	25	87	59
Sublease income	(125)	(123)	(81)
Total net lease cost	$ 820	$ 1,067	$ 1,269

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

	December 31, 2023	December 31, 2022
Operating leases:		
Operating ROU assets	$ 2,060	$ 556
Current operating lease liabilities	581	522
Noncurrent operating lease liabilities	1,650	333
Total operating lease liabilities	$ 2,231	$ 855

	December 31, 2023	December 31, 2022
Finance leases:		
Furniture and equipment	$ 179	$ 1,042
Computer Equipment	593	659
Computer Software	207	207
Property and equipment under finance lease, gross	979	1,908
Less accumulated amortization	937	1,537
Property and equipment under finance lease, net	$ 42	$ 371
Current obligations of finance leases	$ 22	$ 311
Noncurrent obligations of finance leases	19	39
Total finance lease liabilities	$ 41	$ 350
Weighted average remaining lease term (in years):		
Operating leases	4.81	1.95
Finance leases	2.18	1.15
Weighted average discount rate:		
Operating leases	5.05%	3.97%
Finance leases	5.78%	3.54%

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

	2023	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	$ 684	$ 563	$ 680
Operating cash flows from finance leases	4	18	34
Financing cash flows from finance leases	290	469	493
ROU assets obtained in exchange for operating lease liabilities	1,971	83	560
ROU assets obtained in exchange for finance lease liabilities	—	—	40

Undiscounted payments under non-cancelable finance and operating leases at December 31, 2023 were as follows (in thousands):

	Finance Leases	Operating Leases
2024	$ 23	$ 678
2025	11	589
2026	10	471
2027	—	231
2028	—	184
Thereafter	—	383
Total minimum lease payments	44	2,536
Less: Amount representing interest	3	305
Present value of minimum lease payments	41	2,231
Less: Current portion	22	581
Lease obligations, net of current portion	$ 19	$ 1,650

Undiscounted cash receipts due under the sublease agreement at December 31, 2023 are as follows (in thousands):

	Operating Lease
2024	$ 127
2025	65
Total minimum lease receipts	$ 192

(11) Related Party

A director who began serving on our board in May 2021, also served until her retirement at the end of 2021 as chief executive officer of Allina Health, 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 the year ended December 31, 2021 approximated $1.7 million.

(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% of the first 6% of compensation contributed by each associate. The Employer contributions, which are discretionary, vest to participants at a rate of 20% per year. We contributed $561,000, $588,000, and $531,000, in 2023, 2022, and 2021, 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 the way we operated and managed our business, including changes to our corporate reporting structure to our Chief Executive Officer and chief operating decision maker.

We closed the Canada office in 2022. As a result, no Canadian revenue is expected to be generated after 2022. The table below presents entity-wide information regarding our revenue and assets by geographic area (in thousands):

	2023	2022	2021
Revenue:			
United States	$ 148,580	$ 150,775	$ 144,987
Canada	-	793	2,967
Total	$ 148,580	$ 151,568	$ 147,954
Long-lived assets:			
United States	$ 98,077	$ 86,718	$ 83,722
Canada	—	27	111
Total	$ 98,077	$ 86,745	$ 83,833
Total assets:			
United States	$ 122,232	$ 130,151	$ 153,879
Canada	205	310	3,661
Total	$ 122,437	$ 130,461	$ 157,540

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, 2023. 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, 2023.

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. Accordingly, even effective internal control over financial reporting can only provide reasonable assurance of achieving its control objectives.

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, 2023.

The effectiveness of our internal control over financial reporting as of December 31, 2023, 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.

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

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, 2023, 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

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.

The remaining information required by this Item will be included in our definitive proxy statement to be filed with the SEC within 120 days after December 31, 2023, in connection with the solicitation of proxies for the Company's 2024 Annual Meeting of Stockholders (the "2024 Proxy Statement"), and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by this Item will be included in our definitive 2024 Proxy Statement, and is incorporated herein by reference.

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

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, 2023.

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)	569,168	$ 35.72	1,391,020(2)
Equity compensation plans not approved by security holders	—	—	—
Total	569,168	$ 35.72	1,391,020

(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 331,821 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 720,088, shares of common stock as of December 31, 2023. The Director Plan provides for granting options for 3,000,000 shares of common stock. Option awards through December 31, 2023 totaled 2,329,068 shares of common stock.

The remaining information required by this Item will be included in our definitive 2024 Proxy Statement and is incorporated herein by reference.

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

The information required by this Item will be included in our definitive 2024 Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by this Item will be included in our definitive 2024 Proxy Statement and is incorporated herein 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. [Incorporated by reference to Exhibit 4.3 to National Research Corporation's Annual Report on Form 10-K for the year ended December 31, 2021 and filed on March 4, 2022 (File No. 001-35929)]
(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)	First Amendment to Amended and Restated Credit Agreement between National Research Corporation and First National Bank of Omaha dated September 30, 2022 [Incorporated by reference to Exhibit 10.1 to National Research Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 and filed on November 4, 2022 (File No. 001-35929)]
(10.3)	Second Amendment to Amended and Restated Credit Agreement between National Research Corporation and First National Bank of Omaha dated June 16, 2023 [Incorporated by reference to Exhibit 10.1 to National Research Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 and filed on August 4, 2023 (File No. 001-35929)]
(10.4)*	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)]
(10.5)*	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)]
(10.6)*	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)]

Exhibit Number	Exhibit Description
(10.7)*	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)]
(10.8)*	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
(97)**	Clawback Policy
(101)**	Financial statements from the Annual Report on Form 10-K of National Research Corporation for the year ended December 31, 2023, 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).

* A management contract or compensatory plan or arrangement.
** Filed herewith.
*** Furnished 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 27th day of February 2024.

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)	February 27, 2024
/s/ Kevin R. Karas Kevin R. Karas	Senior Vice President Finance, Chief Financial Officer, Treasurer and Secretary (Principal Financial and Accounting Officer)	February 27, 2024
/s/ Donald M. Berwick Donald M. Berwick	Director	February 27, 2024
/s/ John N. Nunnelly John N. Nunnelly	Director	February 27, 2024
/s/ Penny A. Wheeler Penny A. Wheeler	Director	February 27, 2024
/s/ Stephen H. Lockhart Stephen H. Lockhart	Director	February 27, 2024
/s/ Parul Bhandari Parul Bhandari	Director	February 27, 2024

Exhibit 21

Subsidiary of National Research Corp.

National Research Corporation’s subsidiary as of December 31, 2023 is listed below:

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

Exhibit 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements (Nos. 333-120530, 333-137763, 333-137769, 333-173097, 333-189139, 333-189140, 333-189141, 333-209934, 333-226715, and 333-226716) on Form S-8 and (Nos. 333-120529 and 333-232534) on Form S-3 of our report dated February 27, 2024, with respect to the consolidated financial statements of National Research Corporation and the effectiveness of internal control over financial reporting.

/s/ KPMG LLP

Omaha, Nebraska
February 27, 2024

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: February 27, 2024

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: February 27, 2024

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, 2023 (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: February 27, 2024

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

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 Strategic Planning (Chair), Audit (Chair), Nominating, and Compensation and Talent Committees

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

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

Stephen H. Lockhart, M.D., Ph.D.
Retired Senior Vice President and
Chief Medical Officer
Sutter Health Network
Member of the Strategic Planning, Audit, Nominating, and Compensation and Talent (Chair) Committees

Parul Bhandari
Director, Partner Strategy,
Worldwide Media and Communications
Microsoft
Member of the Strategic Planning, Audit, Nominating, and Compensation and Talent Committees

Executive Officers

Michael D. Hays
President and Chief Executive Officer

Jason Hahn
Chief Revenue Officer

Andy Monnich
Chief Corporate Development Officer

Helen L. Hrdy
Chief Customer Officer

Christophe Louvion
Chief Product Technology Officer

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
Equiniti 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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