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

FORM 10-K

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

FOR THE FISCAL YEAR ENDED December 31, 2021

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____.

Commission file number: 000-49796

COMPUTER PROGRAMS AND SYSTEMS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**74-3032373**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
54 St. Emanuel Street, Mobile, Alabama	**36602**
(Address of Principal Executive Offices)	**(Zip Code)**

(251) 639-8100
(Registrant's telephone number, including area code)

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

Title of each class	**Trading symbol**	**Name of each exchange on which registered**
Common Stock, par value $.001 per share	**CPSI**	**The NASDAQ Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act:
None

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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 of financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of common stock held by non-affiliates of the registrant at June 30, 2021 was $407,759,614.

As of March 14, 2022, the registrant had outstanding 14,621,905 shares of its common stock.

DOCUMENTS INCORPORATED BY REFERENCE IN THIS FORM 10-K:

Portions of the definitive Proxy Statement for the 2022 Annual Meeting of Stockholders are incorporated by reference into Part III of this report to the extent described herein.

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PART IV

* Portions of the definitive Proxy Statement for the 2022 Annual Meeting of Stockholders are incorporated by reference into Part III of this report to the extent described herein.

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified generally by the use of forward-looking terminology and words such as "expects," "anticipates," "estimates," "believes," "predicts," "intends," "plans," "potential," "may," "continue," "should," "will" and words of comparable meaning. Without limiting the generality of the preceding statement, all statements in this Annual Report relating to estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and future financial results are forward-looking statements. We caution investors that any such forward-looking statements are only predictions and are not guarantees of future performance. Certain risks, uncertainties and other factors may cause actual results to differ materially from those projected in the forward-looking statements. The following is a summary of the principal risks that could adversely affect our business, financial condition, results of operations and cash flows.

Risks Related to Our Industry

- the ongoing COVID-19 pandemic and related economic disruption;
- saturation of our target market and hospital consolidations;
- unfavorable economic or market conditions that may cause a decline in spending for information technology and services;
- significant legislative and regulatory uncertainty in the healthcare industry;
- exposure to liability for failure to comply with regulatory requirements;

Risks Related to Our Business

- competition with companies that have greater financial, technical and marketing resources than we have;
- potential future acquisitions that may be expensive, time consuming, and subject to other inherent risks;
- our ability to attract and retain qualified client service and support personnel;
- disruption from periodic restructuring of our sales force;
- our potential inability to manage our growth in the new markets we may enter;
- exposure to numerous and often conflicting laws, regulations, policies, standards or other requirements through our international business activities;
- potential litigation against us;
- our use of offshore third-party resources;

Risks Related to Our Products and Services

- potential failure to develop new products or enhance current products that keep pace with market demands;
- exposure to claims if our products fail to provide accurate and timely information for clinical decision-making;
- exposure to claims for breaches of security and viruses in our systems;
- undetected errors or problems in new products or enhancements;
- our potential inability to convince customers to migrate to current or future releases of our products;
- failure to maintain our margins and service rates;
- increase in the percentage of total revenues represented by service revenues, which have lower gross margins;
- exposure to liability in the event we provide inaccurate claims data to payors;
- exposure to liability claims arising out of the licensing of our software and provision of services;
- dependence on licenses of rights, products and services from third parties;
- a failure to protect our intellectual property rights;
- exposure to significant license fees or damages for intellectual property infringement;
- service interruptions resulting from loss of power and/or telecommunications capabilities;

Risks Related to Our Indebtedness

- our potential inability to secure additional financing on favorable terms to meet our future capital needs;
- substantial indebtedness that may adversely affect our business operations;
- our ability to incur substantially more debt;
- pressures on cash flow to service our outstanding debt;
- restrictive terms of our credit agreement on our current and future operations;

Risks Related to Our Common Stock and Other General Risks

- changes in and interpretations of financial accounting matters that govern the measurement of our performance;
- the potential for our goodwill or intangible assets to become impaired;
- quarterly fluctuations in our financial results due to various factors;

- volatility in our stock price;
- failure to maintain effective internal control over financial reporting;
- lack of employment or non-competition agreements with most of our key personnel;
- inherent limitations in our internal control over financial reporting;
- vulnerability to significant damage from natural disasters; and
- exposure to market risk related to interest rate changes.

For more information about the risks described above and other risks affecting us, see "Risk Factors" beginning on page 25 of this Annual Report. We also caution investors that the forward-looking information described herein represents our outlook only as of this date, and we undertake no obligation to update or revise any forward-looking statements to reflect events or developments after the date of this Annual Report.

PART I

ITEM 1. BUSINESS

Overview

CPSI is a leading provider of healthcare solutions and services for community hospitals and other healthcare systems and post-acute care facilities. Founded in 1979, CPSI offers its products and services through six companies - Evident, LLC ("Evident"), TruBridge, LLC ("TruBridge"), American HealthTech, Inc. ("AHT"), iNetXperts, Corp. d/b/a Get Real Health ("Get Real Health"), TruCode LLC ("TruCode") and Healthcare Resource Group, Inc. ("HRG"). These combined companies are focused on improving the health of the communities we serve, connecting communities for a better patient care experience, and improving the financial operations of our clients. The individual contributions of each of these companies towards this combined focus are as follows:

- Evident, which makes up our acute Care EHR reporting segment, provides comprehensive acute care electronic health record ("EHR") solutions, Thrive and Centriq, and related services for community hospitals and their physician clinics.
- AHT, which makes up our post-acute Care EHR reporting segment, provides a comprehensive post-acute care EHR solution and related services for skilled nursing and assisted living facilities.
- TruBridge, our third reporting segment, focuses on providing business management, consulting, and managed information technology ("IT") services along with its complete revenue cycle management ("RCM") solution for all care settings, regardless of their primary healthcare information solutions provider.
- Get Real Health, included within our TruBridge segment, delivers technology solutions to improve patient outcomes and engagement strategies with care providers.
- TruCode, included within our TruBridge segment, offers a cloud-based medical coding solution for hospitals of all sizes that improves productivity, accuracy and compliance, resulting in improved revenue cycle performance.
- HRG, which was acquired on March 1, 2022 and will be included within our TruBridge segment, provides specialized RCM solutions for facilities of all sizes.

Our companies currently support acute care facilities and post-acute care facilities with a geographically diverse customer mix primarily within the domestic community healthcare market. Our target market for our acute care solutions includes community hospitals with fewer than 200 acute care beds. Our primary focus within this defined target market is on hospitals with fewer than 100 beds, which comprise approximately 98% of our acute care hospital EHR customer base. Our target market for our TruBridge services includes community hospitals with fewer than 600 acute care beds. The target market for our post-acute care solutions consists of approximately 15,500 skilled nursing facilities that are either independently owned or part of a larger management group with multiple facilities. During 2021, we generated revenues of $280.6 million from the sale of our products and services.

Industry Dynamics

The healthcare industry is the largest industry in the United States economy, comprising approximately 19.7% of the U.S. gross domestic product in 2020 according to the Centers for Medicare and Medicaid Services ("CMS"). CMS estimates that national health spending is projected to grow at an average annual rate of 5.4% for 2019 through 2028 and will reach $6.2 trillion in 2028.

The COVID-19 pandemic has resulted in historic challenges for hospitals and health systems and the communities they serve. Hospitals and health systems are navigating financial and operational pressures that include: the high costs associated with preparing for a surge of COVID-19 patients and resource-intensive treatment, added expense due to supply chain and labor market disruptions, and loss of revenue due to lower patient volumes for nonemergent care.

Hospital expenditures grew by 6.4% to approximately $1.3 trillion in 2020, slightly faster than the 6.3% growth in 2019. According to the American Hospital Association's *AHA Hospital Statistics, 2021 Edition*, there are approximately 3,900 community hospitals in the United States that are in our target market of hospitals with fewer than 200 beds, with approximately 2,900 of those in our primary area of focus of fewer than 100 acute care beds. In addition, there is a market of small specialty hospitals that focus on discrete medical areas such as surgery, rehabilitation and long-term acute care.

Notwithstanding the size and importance of the healthcare industry within the United States economy, the industry is constantly challenged by changing economic dynamics, increased regulation and pressure to improve the quality of healthcare. These challenges are particularly significant for the hospitals in our target market due to their more limited financial and human resources and their dependency on Medicare and Medicaid populations for a substantial portion of their revenue. However, we believe healthcare providers can successfully address these issues with the help of advanced medical information systems and our suite of complementary services. Specific examples of the challenges and opportunities facing healthcare providers include the following:

Changing Economic Dynamics

The economy of the healthcare industry, although not immune to general macroeconomic conditions, is heavily impacted by legislative and regulatory initiatives of the federal and state governments. These legislative and regulatory initiatives have a particularly significant impact on our customer base, as community hospitals typically generate a significant portion of their revenues from beneficiaries of the Medicare and Medicaid programs. Consequently, even small changes in these federal and state programs have a disproportionately larger effect on community hospitals as compared to larger facilities where greater portions of their revenues are typically generated from beneficiaries of private insurance programs. Medicare and Medicaid funding and reimbursements fluctuate year to year and, with the growth in healthcare costs, will continue to be scrutinized as the federal and state governments attempt to control the costs and growth of the program. The Medicaid program, which is a federal/state program managed by the individual states and dependent in part on funding from the states, also continues to experience funding issues due to the increasing cost of healthcare and limited state revenues.

Mandatory cuts in federal spending resulting from the Budget Control Act of 2011 (the "Budget Control Act") became effective in March 2013. Although Medicaid is specifically exempted from the cuts mandated by the legislation, the Budget Control Act includes a reduction of up to 2% in federal Medicare spending, which has been achieved by reduced reimbursements to healthcare providers. Additionally, the Patient Protection and Affordable Care Act, more commonly referred to as the Affordable Care Act (the "ACA"), has put into effect a number of provisions designed to reduce Medicare and Medicaid program spending by significant amounts. As the federal government seeks in the future to further limit deficit spending due to fiscal restraints, it will likely continue to cut entitlement spending programs such as Medicare and Medicaid matching grants, which will place further cost pressures on hospitals and other healthcare providers. Furthermore, federal and state budget shortfalls, exacerbated by the novel coronavirus ("COVID-19") pandemic, as described below, could lead to potential reductions in funding for Medicare and Medicaid. Further reductions in reimbursements from Medicare and Medicaid could lead to hospitals postponing expenditures on information technology.

While legislative and regulatory initiatives are placing significant pressure on Medicare and Medicaid reimbursements, our customer base of community hospitals is also likely faced with increases in demand for Medicare and Medicaid services. We expect that the demand for Medicare and Medicaid services will increase for the foreseeable future due to the growing number of people born during the post-World War II baby boom that are becoming eligible for Medicare benefits at age 65, as well as states electing to expand Medicaid coverage under the provisions of the ACA. The challenges posed by this dual-threat of increased demand for Medicare and Medicaid services and downward pressure on reimbursements are further complicated by the shift away from volume-based reimbursement towards value-based reimbursement, linking reimbursement to quality measurements and outcomes.

Compounding the combined effects of a likely increase in demand for Medicare and Medicaid services and persistent pressure on related reimbursements, the increasing prevalence of high deductible health plans and value-based reimbursement models is transforming domestic healthcare delivery into a more patient-centric experience. This transformation brings about new and increased data needs, resulting in additional regulatory demands for data that patients find useful in decision-making. These new regulatory demands increase regulatory risks and compliance burdens for CPSI and our clients, but also pose opportunities for CPSI to provide additional value-added products and services to our target market.

One such regulatory demand, the price transparency mandate, became effective in January 2021 for all U.S. hospitals. This mandate requires that hospitals publicly post, online and in a searchable, consumer-friendly manner, standard charge information for at least 300 shopable services, which gives patients the ability to compare payer-specific negotiated charges across healthcare settings. In response to this mandate, we announced in July 2020 the availability of a pricing transparency solution that gives patients the ability to shop for healthcare services based on price, supporting a more patient-driven healthcare experience. In mid-2021, CMS published additional commentary around price transparency requirements. Based on that additional commentary, we have continued to make additional enhancements to our price transparency solutions, specifically around the areas of payor-specific rates and the generation of patient estimates within the web based portal.

To compete in the continually changing healthcare environment, providers are increasingly using technology in order to help maximize the efficiency of their business practices, to assist in enhancing patient care, and to maintain the privacy and security of patient information. Healthcare providers are placing increased demands on their information systems to accomplish these tasks. We believe that information systems must facilitate management of patient information across administrative, financial and clinical tasks. Information systems must also effectively interface with a variety of payor organizations within the increasingly complex reimbursement environment.

The American Recovery and Reinvestment Act of 2009

In 2009, the U.S. federal government enacted the American Recovery and Reinvestment Act (the "ARRA"), which included the Health Information Technology for Economic and Clinical Health Act ("HITECH"). HITECH authorized the EHR incentive program, which provided significant incentive funding to physicians and hospitals that can prove they have adopted and are appropriately using technology such as our EHR solutions. The level to which healthcare providers must prove they are effectively utilizing such solutions in order to qualify for these incentives is measured through an escalating criteria designated as "meaningful use."

Compliance with the meaningful use rules accelerated the purchases of incremental applications by our existing clients. Consequently, our penetration rates within our existing customer base for our current menu of applications have increased significantly under the ARRA, thereby significantly narrowing the market for add-on sales to existing clients in future years. As a result of the announcement from CMS on August 2, 2018 of a final rule changing the attestation period for 2019 and 2020 to any continuous 90-day period instead of the previously-required full year attestation period, hospitals had until October 1, 2019 to install compliant technology in order to meet the requirements of the program during 2019, compared to a deadline of January 1, 2019 under the previous rule. The stage three requirements of the meaningful use program (re-named "Promoting Interoperability" by such rule) provided a significant opportunity for add-on sales revenues during 2017 through 2019. The passing of the October 1, 2019 compliance deadline resulted in reduced MU3-related revenue opportunities throughout 2020 and 2021.

Continued Push for Improved Patient Care

With the increased pressure to improve the quality of healthcare and reduce costs, there is a general shift towards value-based reimbursement, which increases the demand for information technology solutions for clinical decision support. This migration toward clinical decision support solutions is further supported by the ARRA.

In the face of decreasing revenue and increasing pressure to improve patient care, healthcare providers are in need of management tools and related services that (1) increase efficiency in the delivery of healthcare services, (2) reduce medical errors, (3) effectively track the cost of delivering services so that those costs can be properly managed and (4) increase the speed and rate of reimbursement. A hospital’s failure to adequately invest in a modern medical information system could result in fewer patient referrals, cost inefficiencies, lower than expected reimbursement, increased malpractice risk and possible regulatory infractions. Additionally, we believe that the industry will continue to increase its utilization of third party services that contribute to the achievement of these and other objectives necessary for success in the current environment. We believe these dynamics should allow for future revenue growth for both our information technology solutions and our complementary suite of services.

COVID-19 Pandemic

The healthcare industry remains at the forefront of the COVID-19 pandemic, with heroic efforts by healthcare providers on the frontlines and advances in technology and science bringing vaccines to market in an unprecedented timeframe. Looking beyond 2021, we believe the pandemic could lead to an acceleration of macro trends already developing in the industry. For example, it is likely that the pandemic advances the role of the federal government as the top regulator and payor for healthcare and that financial distress resulting from the pandemic increases the pace of health system consolidations. Additionally, the quick pivot to virtual healthcare in response to the pandemic has increased consumer expectations, particularly around the convenience of telemedicine and digital health options.

This quick pivot to virtual healthcare accelerated the ongoing increasing demand for telemedicine solutions and services, with recent history suggesting an evolving reimbursement environment that is becoming more receptive to telemedicine with each passing year. In response to this trend and the necessity for virtual care imposed by the COVID-19 pandemic, we accelerated the product roadmap for Get Real Health’s Talk With Your Doc telehealth portal. The product was introduced for general release by April 2020 and was provided to customers free of charge for the remainder of 2020 and throughout 2021.

Strategy

Our objective is to increase the market share of our TruBridge services, aggressively pursue competitive and vulnerable EHR replacement opportunities, and differentiate our products and services on a client experience basis that enables us to sell a broader set of services into a loyal base of clients that are our advocates. After partnering with a premium consulting firm to review our business and growth opportunities, 2021 marked the beginning of implementing a strategy to grow our core business while investing in new technologies and improving profitability. We are focused on the execution of our transformation initiative that continues to guide our strategic efforts to achieve core growth, margin optimization, and tangible upside through digital innovation:

- Core Growth: Our core growth initiatives include cross-selling TruBridge into the existing EHR base, expanding TruBridge market share with sales to new community and larger health systems, and pursuing competitive EHR takeaway opportunities.
- Margin Optimization: These efforts support the core growth efforts as we routinely seek, find and execute on initiatives that modernize our business, increasing our efficiency and resulting in cost savings that we can then use to invest in additional growth.
- Digital Innovation: Running parallel to our core growth and margin optimization initiatives is the upside, future growth component of our plan representing new and larger adjacency opportunities. The market drivers that fuel the pursuit of new innovation include an increased appetite for patient engagement, industry insights, reporting and analytics technology.

The healthcare industry is in the midst of transitioning to value-based reimbursement, care coordination and interoperability. Our strategy is to position our services and solutions with community healthcare providers so that they are able to respond to these changes positively by enabling them to improve community health and connect providers and patients within the community and with other communities, while improving financial operations. We intend to leverage several strengths to accomplish this goal.

Market Share/Scale

Over the course of our more than 40 year history of providing valuable technology solutions and services to the acute care and post acute care environments, we have developed a significant customer base of community hospitals and skilled nursing facilities. This customer base is our most valuable asset, providing us with the critical mass necessary to scale our development, client support and service resources to meet the ever changing needs of our customers. In doing so, we solidify our position as a long-term partner with a proven track record in meeting the unique needs of community healthcare.

EHR Solutions Across the Care Continuum

Our EHR solutions address the entire continuum of care, with systems that address the three primary care settings: ambulatory care, inpatient acute care and post-acute care. This enables providers to coordinate patient care across the major settings where care is delivered. New payment models in both the government and private payer sectors are focused on payment for delivering quality outcomes and keeping patients well while still delivering financial efficiencies. These financial efficiencies are realized through the elimination of duplicate tests performed in different care settings, as well as providing timely access to clinical information from other care settings, when making diagnostic decisions. Having integrated solutions across the care continuum facilitates this process for providers and healthcare organizations.

Solutions and Services to Address Value-Based Reimbursement

With the continued emphasis on value-based reimbursement models, data analytics has become a critical tool for community healthcare providers to enable them to shift from reactive to proactive care delivery. We currently offer business intelligence as the first facet of a three-phase approach to analytics solutions, which we plan to expand to include predictive and prescriptive analytics. Because of the complexity inherent in data analytics, we will provide services to healthcare providers to assist them with certain aspects of data modeling and data analysis.

Interoperability

We currently provide integration across our ambulatory and inpatient EHR solutions. This integration was expanded to encompass our post-acute care EHR product in 2016. In addition, as a founding member of the CommonWell Health Alliance, we enable healthcare organizations to identify, confirm and link patient encounters across the CommonWell network. This translates into patient data that is not only shareable within communities but across communities as well.

Focus on the Financial Health of Community Healthcare Providers

Given the ongoing transition to value-based reimbursement models, community healthcare providers are under more financial pressure than ever before, and financial health and stability is essential to their longevity and survival. Our accounts receivable management services incorporate proven workflow and processes as well as industry leading revenue cycle management tools. A new aspect of many current payment models is an increasing shift of the financial burden to the patient. Community hospitals typically underperform in private pay collections because of the nature of community healthcare but cannot afford to forego the patient portion of contributions. Through our private pay services, providers can bring in much needed private pay receipts without alienating the local community.

Our operational expertise and technology tools provide proven results in improving claim acceptance rates, accelerating payments from third party payers and increasing private pay collections. We also differentiate our services by working to maintain employment in the community by hiring displaced employees into TruBridge to continue their functional role under TruBridge program management.

Strategic Uses of Capital

2020 marked the culmination of a years-long evolution in the capital allocation strategy of CPSI, a strategy designed to afford the flexibility necessary to be adaptive and opportunistic with future capital allocation decisions. Such flexibility is necessary if we are to continue to bring timely products and services to a rapidly changing healthcare landscape, serving the needs of multiple stakeholder groups as customers benefit from the related products and services and our stockholders benefit from the increasing diversity in revenue sources. Specific components of this years-long evolution include:

- Reducing our leverage profile, while increasing capital availability: From December 31, 2017 to December 31, 2021, our total bank debt decreased from $143.5 million to $100.4 million, while the amount available under our revolving credit facility has increased from $17.0 million to $79.0 million.

- Refinancing our debt: In June 2020, we refinanced our outstanding indebtedness with the primary objectives of increasing the maximum borrowing capacity under the revolving credit facility from $50.0 million to $110.0 million and removing absolute-dollar limits on acquisition activity.

- Announcing a share repurchase program, while simultaneously suspending all quarterly dividends: In September 2020, our Board of Directors approved a stock repurchase program under which the Company may repurchase up to $30.0 million of its outstanding shares of common stock over a two-year period. Concurrent with the approval of the stock repurchase program, the Board of Directors opted to indefinitely suspend all quarterly dividends. These joint actions allow CPSI to continue its commitment to returning capital to shareholders, while at the same time enhancing our flexibility to adapt to an ever-changing landscape of alternative uses of capital.

This evolution in CPSI's capital allocation strategy created the flexibility necessary to opportunistically pursue value-enhancing acquisitions, including the 2019 acquisition of Get Real Health, the May 2021 acquisition of TruCode, and the March 1, 2022 acquisition of HRG.

Explore Additional Revenue Streams that Complement Existing Markets, Solutions and Services

In the EHR space, we are selling our ambulatory EHR solutions on a standalone basis with a focus on communities that already have one of our EHR solutions installed in an acute care setting. Also, we are actively pursuing expansion of our inpatient EHR product into the Canadian market through our own direct efforts and collaboration with key Canadian technology providers. In the United States EHR market, we are targeting other types of providers who have lagged behind inpatient acute care in EHR adoption such as ambulatory surgery centers, behavioral health facilities and inpatient psychiatric hospitals. In the post-acute care market, we are now providing an EHR solution for assisted living facilities in conjunction with our own post-acute care EHR for skilled nursing operators. In the services business we will continue to look for opportunities to add or increase services resulting from changing market dynamics, availability of technology or operational expertise, or changes in regulatory requirements.

Our Products and Services

Evident and American HealthTech provide tailored IT solutions that effectively address the specific needs of small and midsize hospitals and their physician clinics, as well as skilled nursing facilities of all sizes across the U.S. Their broad offerings of software products and services collect, process, retain, and report data in the primary functional areas of these healthcare providers, from patient care to clinical processing to administration and accounting. Due to their smaller operating budgets, community hospitals have limited financial and human resources to operate manual or inefficient information systems. However, these hospitals are expected to achieve the same quality of care and regulatory compliance as larger hospitals, placing

them in a particularly difficult operating environment. These pressures on the operating environments of community hospitals were increased with the passage of the ARRA in 2009 which, in addition to providing incentives to healthcare providers to achieve meaningful use of EHR, has resulted in lowered Medicare payment levels for healthcare providers that have yet to achieve meaningful use of EHR.

We believe that our acute care IT solutions meet these challenges facing community hospitals by providing fully integrated, enterprise-wide and ARRA-certified medical information systems and services that are compliant with the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"). Further, through our wholly-owned subsidiaries, TruBridge, TruCode, Get Real Health and HRG, we offer business management, consulting and managed IT services, encoder and patient engagement solutions, along with full RCM solutions, that allow our acute and post-acute care clients to outsource all or just a portion of their business office function. Consulting and other services help clients avoid some of the fixed costs of a business office and leverage our expertise and resources in helping them identify their IT objectives, define the best way to meet those requirements and manage the resulting projects and associated technologies. As a result, we are capable of providing a single-source solution to healthcare organizations, making us a partner in their initiatives to improve operations and medical care.

As a key component to providing complete solutions, we maintain strong partnerships with our clients through a variety of two-way communication channels, including our support teams, role-based user groups, client councils, client work groups, our annual National Client Conference and other organized events and venues that foster insightful and meaningful communication. By listening to our clients and staying abreast of market trends, we strive to provide the right healthcare solutions at the right time to help meet the specific business needs of acute and post-acute care organizations. Our business has continued to grow because we have successfully provided fully integrated, enterprise-wide information systems that allow community hospitals, their physician clinics and skilled nursing facilities to improve operating effectiveness, reduce costs and improve the quality of patient care.

Acute Care Software Systems

Through our wholly-owned subsidiary, Evident, we offer healthcare IT solutions specifically designed to cater to the specific needs of community hospital organizations under the software solution platforms Thrive and Centriq.

Thrive

With the formation of Evident in 2015 came the introduction of our EHR solution under the name Thrive, previously sold under the CPSI name, through which we offer a full array of software applications designed to streamline the flow of information to the primary functional areas of community hospitals using one fully integrated system. We intend to continue to enhance our existing software applications and develop new applications as required by evolving industry standards and the changing needs of our clients. Pursuant to our client support agreements, we provide our clients with software enhancements and upgrades periodically on a when-and-if-available basis. See "Acute Care Support and Maintenance Services." These enhancements enable each client, regardless of its original installation date, to have the benefit of the most advanced Evident products available. Evident's software applications within Thrive:

- provide automated processes that improve clinical workflow and support clinical decision-making;
- allow healthcare providers to efficiently input and easily access the most current patient medical data in order to improve quality of care and patient safety;
- integrate clinical, financial and patient information to promote efficient use of time and resources, while eliminating dependence on paper medical records;
- provide tools that permit healthcare organizations to analyze past performance, model new plans for the future and measure and monitor the effectiveness of those plans;
- provide for rapid and cost-effective implementation, whether through the installation of an in-house system or through our Software as a Service ("SaaS") services; and
- increase the flow of information by replacing centralized data over which there is limited control with broad-based, secure access by clinical and administrative personnel to data relevant to their functional areas.

Our software applications within Thrive are grouped for support purposes according to the following general functional categories described below:

- Patient Management. Our patient management software enables a hospital to identify a patient at any point in the healthcare delivery system and to collect and maintain patient information throughout the entire process of patient care on an enterprise-wide basis. Thrive's single database structure permits authorized hospital personnel to simultaneously access appropriate portions of a patient's record from any point on the system. Our patient management software applications include: *Registration, Patient Accounting, Health Information Management, Patient Index, Enterprise Wide Scheduling, Contract Management,* and *Quality Improvement.*

- Financial Accounting. Our financial accounting software provides a variety of business office applications designed to efficiently track and coordinate information needed for managerial decision-making. Our financial accounting software applications include: *Executive Information System, General Ledger, Accounts Payable, Payroll/Personnel, Time and Attendance, Electronic Direct Deposits, Human Resources, Budgeting, Fixed Assets,* and *Materials Management.*

- Clinical. Our clinical software automates record keeping and reporting for many clinical functions including laboratory, radiology, physical therapy, respiratory care and pharmacy. These products eliminate tedious paperwork, calculations and written documentation while allowing for easy retrieval of patient data and statistics. Our clinical software applications include: *Laboratory Information Systems, Laboratory Instrument Interfaces, Radiology Information Systems, ImageLink Picture Archiving and Communication System (PACS), Physical Therapy and Respiratory Care,* and *Pharmacy.*

- Patient Care. Our patient care applications allow hospitals to create computerized "patient files" in place of the traditional paper file systems. This software enables physicians, nurses and other hospital staff to improve the quality of patient care through increased access to patient information, assistance with projected care requirements and feedback regarding patient needs. Our software also addresses current safety initiatives in the healthcare industry such as the transition from written prescriptions and physician orders to computerized physician order entry. Our patient care software applications include: *Order Entry/Results Reporting, Point-of-Care System, Patient Acuity, ChartLink®, Computerized Physician Order Entry (CPOE), Medication Verification, Resident Assessment Instruments, Thrive Provider EHR, Outreach Client Access, Electronic Forms, Physician Documentation,* and *Emergency Department System.*

- Enterprise Applications. We provide software applications that support the products described above and are useful to all areas of the hospital. These applications include: ad hoc reporting, automatic batch and real-time system backups, an integrated fax system, archival data repository, document scanning and Microsoft Office integration, and an Application Portal.

Centriq

During 2018, the products and services formerly offered under the Healthland logo, including Centriq, were brought into the Evident product family. The Centriq platform was brought to market in 2011 and is designed to be an intuitive user interface that is easy for clinicians to use and attractive to both patients and clinicians. Additionally, as a web-based platform, users are able to connect to the system from any device that is connected to the Internet. Ease of use combined with Centriq's ability to centralize data from various care areas provide the end user with a powerful tool to view past and present patient information with ease. Each system or application offers a broad set of features and functionalities that can help clinics reduce costs, increase revenue, and improve administrative and clinical staff efficiency, all while enhancing patient care and safety. Key Centriq capabilities include:

- Computerized Practitioner Order Entry ("CPOE"). The cornerstone of inpatient EHR systems, CPOE promotes user adoption by including medication interaction alerts, access to relevant laboratory results, duplicate order checking, customizable order sets and protocols, and order templates containing pre-populated screens.

- Clinical Documentation. This system securely enables a patient's caregivers to view the vital signs, intake-output values, progress notes, and nursing tasks that are entered into the patient's EHR.

- Emergency Department. This system expedites and simplifies registration, patient tracking, order management, assessments, and other activities in a fast-paced environment.

- Laboratory. This system automates routine tasks such as lab order processing and tracking, enabling the practitioner to focus on the results and ultimately better patient care.

- Radiology. This application delivers faster turnaround times and enhanced communications among caregivers by automatically processing radiology orders, managing and tracking images, and generating reports.

- Pharmacy. This application helps pharmacies manage all aspects of medication verification and dispensing, including order coordination, interaction checks, administration, and charging.

- Financial Accounting. A hospital financial accounting management solution that helps community hospitals gain better insight and perspective on their costs.

- Patient Management. An accounting system to better manage patient information and automate the hospital billing process.

- Ambulatory Software Solutions. Enables clinicians to focus on providing high-quality patient care by streamlining the management of patient data.

Post-acute Care Software Systems

CPSI entered into the post-acute care market with the acquisition of AHT in January 2016. AHT, a leading provider of integrated solutions to the post-acute care industry, offers software solutions that promote data-driven clinical and financial outcomes for the customers they serve. AHT's comprehensive, long-term care management solutions include:

- Care Management. This integrated offering helps manage the delivery of quality care, collect and report on resident information, and manage compliance risk. Core modules include: *Work Center, Clinical, Smart Charting Order Administration (Point of Care), Quality Assurance, Therapy Tracking, Supplies Tracking,* and *Disease State Management*.

- Financial and Enterprise Management. This comprehensive set of financial solutions enables customers to improve cash flow and better manage costs. Core modules include: *Accounts Payable, General Ledger, Payroll, Financial Management, Trust Funds,* and *Enterprise Management.*

Acute Care Support and Maintenance Services

After EHR installation, we provide software application support, hardware maintenance, continuing education and related services pursuant to a support agreement using our collaborative support model. The following describes services provided to customers using Thrive and Centriq:

- Total System Support. We believe the quality of continuing customer support is one of the most critical considerations in the selection of an information system provider. We provide hardware, technical and software support for all aspects of our system, which gives us the flexibility to take the necessary course of action to resolve any issue. Unlike our competitors who use third-party services for hardware and software support, we provide a single, convenient and efficient resource for all of our customers' system support needs. In order to minimize the impact of a system problem, we train our customer service personnel to be technically proficient, courteous and prompt. Because a properly functioning information system is crucial to a hospital's operations, our support teams are available 24 hours per day to assist customers with any problem that may arise. Customers can also use the Internet to directly access our support system.

- National Client Conference. All of our customers have the opportunity to attend our annual National Client Conference. CPSI hosts this conference to provide our customers educational sessions, product demonstrations, and one-on-one time with application experts. The conference also allows important time for networking among customers and CPSI staff across all business platforms. As a result of the COVID-19 pandemic, our National Client Conference was held virtually in 2020 and 2021. In May 2022, the conference returns to an in-person event.

- Continuing Education. Effective learning tools are a key factor in successful EHR adoption and allowing clients to get the most out of a software investment. Therefore, ongoing learning and training is a cornerstone to our "total solution" and a key competitive differentiator. Our ongoing learning and training offerings also address some of the unique needs of community hospitals - limited resources and staff with cross-department

responsibilities and budget and time constraints - all of which require a customized approach to learning and training. To meet these needs, Evident offers customers with online content that can be accessed at any time, scheduled online interactive classroom presentations, on-campus training at our facilities in Mobile, Alabama and Minneapolis, Minnesota, educational sessions during user group conferences, and scheduled regional training sessions.

• Software Releases. We are committed to providing our customers with software and technology solutions that will continue to meet their information system needs. To accomplish this purpose, we continually work to enhance and improve our application programs. As part of this effort, for each customer covered under our general support agreement, we provide software updates as they become available at no additional cost. We design these enhancements to be seamlessly integrated into each customer's existing system. The benefit of these enhancements is that each customer, regardless of its original installation date, uses the most advanced software available. Through this process, we can keep our customers up-to-date with the latest operational innovations in the healthcare industry as well as with changing governmental regulatory requirements. Another benefit of this "one system" concept is that our customer service teams can be more effective in responding to customer needs because they maintain a complete understanding of and familiarity with the one system that all customers use.

Purchasing a new information technology system requires the expenditure of a substantial amount of capital and other resources, and many customers are concerned that these systems will become obsolete as technology changes. Our periodic product updates eliminate our customers' concerns about system obsolescence. We believe providing this benefit is a strong incentive for potential customers to select our products over the products of our competitors.

• Hardware Replacement. As part of our general support agreements, we are also committed to promptly replacing malfunctioning system hardware in order to minimize the effect of operational interruptions. By offering replacements of all hardware used in our system, we believe we are better able to meet and address all of the information technology needs of our customers.

• Cloud Electronic Health Record (Cloud EHR). We offer Cloud EHR services to customers via remote access telecommunications. Cloud EHR is a "Software as a Service" (or "SaaS") configuration and is in essence a subscription to access and use application software maintained by CPSI in a cloud environment for a monthly fee. Under this configuration, a customer is able to obtain access to an advanced EHR without a significant initial capital outlay. We store and maintain all Cloud EHR customers' critical patient and administrative data using TruBridge Cloud Computing Services. These customers access this information remotely through direct telecommunications connections.

• Forms and Supplies. In addition to our support services, we offer our customers the standard and customized forms that they need for their patient and financial records, as well as the supplies necessary to support the operation of their server and peripheral equipment. Furnishing these forms and supplies helps us to achieve our objective of being a one-source solution for a hospital's complete healthcare information system requirements.

Post-acute Care Support and Maintenance Services

AHT's comprehensive and integrated solution set is backed by ongoing training and support by AHT to ensure that clients can maximize their software investment. This is demonstrated by:

- Experienced and Dedicated Support Representatives. Seasoned experts assigned to each client site that not only understand the challenges in the post-acute care industry, but know how to best address them. This includes proactive education on the key regulatory changes and requirements before they impact business operations.
- Client Portal and Training. Instant, on-line access to the most up-to-date industry information impacting long-term care, plus a vast array of product training opportunities.
- Client Enhancement Council. Access to a community of peers along with a robust set of resources and knowledge to help clients get the most out of their AHT investment.

- Annual Client Symposium. An opportunity for clients to share best practices, gain industry insight on key topics impacting post-acute care providers, network with peers, and learn more about current and future AHT product and service offerings.

TruBridge

We offer complementary services through TruBridge, our wholly-owned subsidiary, which can be grouped into the following categories:

- Revenue Cycle Management Products. TruBridge RCM solutions empower providers and caregivers in hospitals, healthcare systems and skilled nursing organizations to accelerate their revenue cycle through a suite of comprehensive, web-based solutions designed to improve financial operations and staff productivity and increase reimbursement. Our RCM products include the following offerings:
    - Patient Liability Estimates. Improve patient satisfaction, maximize point-of-service collections, and equip staff with the ability to provide transparent pricing with the Patient Liability Estimate ("PLE") module.
    - Eligibility Verification. Reduce claim denials and carrier rejections by performing on-demand eligibility look-ups, assuring the care provided is covered.
    - Claim Scrubbing and Submission. A powerful claim management solution for submitting, validating, and processing a healthcare facility's claims with ease and with a high quality of edits.
    - Remittance Management. Remittance advice can be effortlessly gathered and managed with the Electronic Remittance Advice ("ERA") Retrieval and Remittance Management modules, simplifying workflow and involvement.
    - Denial/Audit Management. Equips healthcare facilities with the tools necessary to combat denied and audited claims, assisting organizations in recovering lost revenue.
    - Contract Management. Allows healthcare facilities to take control over complex healthcare contracts by prospectively pricing every claim submitted to payers, retrospectively pricing every remittance to ensure proper payment was received, and modeling proposed contract terms during payer negotiations.
- Revenue Cycle Management Services. Our RCM services, including those of recently-acquired HRG, span a healthcare enterprise's revenue cycle and provide clients with a strong alternative to in-house operations. These services leverage our deep service and technology experience and are designed to allow clients to streamline their administrative staffing while improving operational efficiencies. Our RCM services include the following service offerings: Accounts Receivable Management, Private Pay Service, Medical Coding, Revenue Cycle Consulting, and other additional Insurance and Patient Billing Services.
- Consulting and Business Management Services. Our consulting and business management services are designed to help healthcare organizations by assessing their needs, setting goals, and creating an action plan to achieve those goals, and, if needed, implementing the action plan. Many of our professional consultants possess decades of experience and all are skilled in adopting new technologies, redesigning processes, educating staff, and providing interim or on-going management services. Our consulting and business management services include the following service offerings: Consulting, Business Intelligence, Staffing, and Administrative.
- Managed IT Services. Our managed IT services provide a range of services designed to meet the IT needs of community healthcare enterprises. The pace of technological change can be overwhelming. Our services allow clients to affordably maintain an advanced IT infrastructure, meet regulatory requirements, and reduce risk. Our managed IT services include the following service offerings: Cloud Services, Backup and Recovery, Collaboration and Connectivity, Security Services, Systems Management, and Help Desk.
- Patient Engagement. In May 2019, the Company closed its acquisition of Get Real Health. Get Real Health delivers patient engagement and empowerment technology solutions to improve patient outcomes and engagement strategies with care providers.

- Encoder Solutions. The Company entered the encoder market with the acquisition of TruCode in May 2021. TruCode develops, sells and supports encoder technology for the hospital, consulting and payer markets. TruCode is known for its knowledge-based coding methodology, which presents coding guidance and references at the point of coding, helping to improve coding accuracy and productivity.

For additional details on our products, service, and support offerings, visit www.evident.com (Evident), www.healthtech.net (AHT), www.trubridge.com (TruBridge) www.getrealhealth.com (Get Real Health), www.trucode.com (TruCode), and www.hrgpros.com (HRG).

For the results of operations by segment, refer to Note 18 of the consolidated financial statements included herein.

Software Development

The healthcare information technology industry is characterized by rapid technological change requiring us to continually make investments to update, enhance and improve our products and services. Software development costs are accounted for in accordance with ASC 350-40, *Internal-Use Software*. We capitalize incurred labor costs for software development from the time the preliminary project phase is completed until the software is available for general release. Research and development costs and other computer software maintenance costs related to software development are expensed as incurred. We estimate the useful life of our capitalized software and amortize its value on a straight-line basis over that estimated life, which is estimated to be five years. If the actual life of the asset is deemed to be impaired, a write-down of the value of the asset may be recorded as a charge to earnings. Amortization begins when the related features are placed in service.

We capitalized software development costs of approximately $9.4 million and $3.3 million during the years ended December 31, 2021 and 2020, respectively, with no such costs capitalized during 2019. In addition, these investments have resulted in total expenditures related to our Product Development Services division of approximately $30.4 million, $33.5 million, and $36.9 million during the years ended December 31, 2021, 2020 and 2019, respectively.

See Note 5 to the consolidated financial statements included herein for additional information on software development costs.

Product Management

Through working with our customers and our internal stakeholders, Product Management has successfully identified many meaningful opportunities during 2020 and 2021. These opportunities have been in alignment with our Single Solution product strategy. This strategy creates solutions that are focused on workflows and our users' experiences. We utilize our customer councils (Provider, Nursing, Chief Financial Officer and Client Advisory) to prioritize these workflows. Workflow centric solutions allow us to address the most pressing needs our customers are facing and deliver solutions in a way that minimizes disruption and amplifies adoption. Over the past few years, we have invested in product infrastructure through application programming interfaces ("API") development as well as data normalization efforts. These efforts have been instrumental in development of new products and have allowed us to make significant progress supporting our strategy. These are foundational instruments that accelerate the pace of innovation.

Over the past 18 months, several meaningful partnerships have been established. These partnerships include MediComp, Qliqsoft, MediSolv, Vienna Advantage, Galen Healthcare and NovaRAD. The continued investment in our technology platform is increasing the speed of delivery of new products and creating a marketplace of choice for our customers.

Accessibility, scalability and usability are critical product pillars. The investments in web based user experiences have addressed all three of these pillars. Single Solutions that have been identified and brought to market in 2021 include Communications Center, Thrive Web Client, Patient Connect, Notes, Patient Data Console, 3R and FMS, each of which supports a wide spectrum of user personas and industry specific workflows.

Product Management has introduced a significant initiative to proactively understand user behaviors and product adoption. We are actively implementing a User Analytics platform on all CPSI cloud software platforms to collect and interpret user data into actionable information without added development time in order to continually improve user experiences, influence product roadmaps and provide meaningful insights.

System Implementation and Training

Conversion Services. When a client purchases or leases one of our systems, we convert their existing data to the new system. Our knowledge of hospital data processing, in conjunction with extensive in-house technical expertise, allows us to accomplish this task in a cost effective manner. When we install a new system, the data conversion has already occurred so that the system

is immediately operational. Our goal is for each client to be productive day one in order to eliminate time and money wasted on the costly and inefficient task of maintaining the same data on parallel systems. Our services also relieve the hospital staff of the time-consuming burden of data conversion. The conversion process is the initial phase of our long-term partnership and overall client experience.

Training. In order to integrate the new system and to ensure its success, we spend approximately sixteen weeks providing individualized training remotely and on-site at the go-live. We provide hardware and software application training for all hospital users, including staff members and healthcare providers, during all hospital shifts. We employ nurses, medical technicians, and providers along with our technical training staff in order to help us communicate more effectively with our clients during the training process. This training phase is also part of the overall client experience that is provided to all of our clients.

Clients, Sales and Marketing

Target Markets

The target market for our acute care EHR systems consists of community hospitals with fewer than 200 acute care beds, with a primary focus on hospitals with fewer than 100 acute care beds. In the United States, there are approximately 3,900 community hospitals with fewer than 200 acute care beds, with approximately 2,900 of these having fewer than 100 acute care beds. In addition, we market our products to small specialty hospitals in the United States that focus on discrete medical areas such as behavioral health, surgery, rehabilitation and long-term acute care. Approximately 98% of our existing acute care clients are hospitals with fewer than 100 acute care beds, while approximately 99% of our existing acute care clients are hospitals with fewer than 200 acute care beds

The target market for our post-acute care EHR solution consists of approximately 15,500 long-term care and skilled nursing facilities in the United States. In addition, through a strategic relationship with Medtelligent, we are able to market an EHR for assisted living facilities creating add-on sales opportunities in our direct client base and new sales opportunities across the broader senior living market.

The expanded target market for our TruBridge services consists of small to mid-size hospitals in the United States. There are approximately 4,850 of these hospitals with fewer than 500 beds. In addition, we are now marketing our TruBridge services to post-acute care facilities, of which there are approximately 15,500 in the United States.

Our strategy to grow our TruBridge business is centered around leveraging our established sales relationships within our substantial acute and post-acute EHR base in order to cross sell TruBridge services. In addition, we target hospitals that use competitor EHRs, including upmarket larger hospitals and health systems that manage their RCM operations in-house under increasing financial pressure due to fluctuating patient volumes, increasing self-pay accounts and the impact of the COVID-19 pandemic.

A core initiative to our growth plan is to maintain a healthy retention rate across our EHR base and pursue conservative growth of new EHR clients, as they are critical to driving cross-sales with TruBridge. To obtain conservative growth of new EHR clients, we (1) target those hospitals under 100 beds in the United States that we believe are currently using a vendor that we have determined is vulnerable based on a variety of factors and (2) target English speaking countries outside the U.S. through active marketing efforts and establishing strategic business relationships. Our goal in the ambulatory market is to aggressively target physician practices in those communities where the local hospital is a current CPSI client.

Our goal in the post-acute care market is to continue to target both individual facilities as well as larger multi-facility corporate entities. In addition, we intend to extend our penetration into the post-acute care market by offering an assisted living facility EHR solution that we believe will broaden the appeal of our solutions to those operators who offer multiple care settings in their organizations.

The following table presents our revenues generated from clients located within the U.S. ("Domestic") and all foreign countries, in total ("International").

(In thousands)	Year ended December 31, 2021	2020	2019
Sales revenues:			
Domestic	$ 274,521	$ 257,883	$ 270,966
International[(1)]	6,108	6,605	3,668
	$ 280,629	$ 264,488	$ 274,634

[(1)] International sales revenues are related to the Caribbean nation of St. Maarten, the islands of Turks and Caicos, Canada, England, Australia, the United Arab Emirates and the Netherlands.

Sales Staff

We have dedicated sales organizations in all three business lines: acute care EHR, post-acute care EHR and business management, consulting and managed IT services. Many of our sales personnel are hired from within the Company and have previous experience in client support roles. We believe this experience positions them to more effectively sell our products and services within our target markets. Our sales organizations are generally divided into four areas: sales management, new client sales, existing client sales and sales support staff. New client sales staff are typically organized based on geographic territories, though we also have sales personnel that focus on national accounts in our post-acute care EHR business due to the number of national chain operators in that market. Our sales representatives who sell to existing clients have assigned clients within their territory, which is also geographically based. Some sales representatives in our services areas are assigned specifically to cross-sell services into our acute care EHR and post-acute care EHR client bases. A significant portion of the compensation for all sales personnel except for administrative support staff is commission based.

Marketing Strategy

Our corporate marketing strategy positions CPSI as a healthcare solutions company serving community healthcare organizations through our family of healthcare information technology companies.

Our EHR software and services address providers across the care continuum, with a primary focus on the community healthcare market. We believe our ability to serve ambulatory, acute and post-acute care settings with our products will be especially appealing as new reimbursement models force the coordination of care by healthcare providers. Our ability to connect patients to care providers within their community and across communities through our own products and interoperability development, including our membership in the CommonWell Health Alliance, sets us apart from other competitors in our market. Our goal is to position ourselves as partners to community healthcare providers as they move to a more proactive care model based on the use of data analytics and patient engagement tools.

With regard to business management, consulting and managed IT services, we will continue to leverage our proven track record of success in accounts receivable management and private pay collections for community healthcare providers. With the increasing complexity of reimbursement requirements and a global shift in healthcare towards an increase in patient financial responsibility, the ability of our services business to bring expertise and best practice operational efficiencies to bear is a significant competitive advantage. In consulting services, the added complexity brought about by the transition to the ICD-10 code set, a standard transaction code set for diagnostic purposes under HIPAA, has created a significant demand for our coding services. Our strategy is to leverage any services engagement, whether business, IT or consulting, into opportunities to cross-sell other services to the client.

Backlog

Backlog consists of revenues we reasonably expect to recognize over the next twelve months under existing contracts. The revenues to be recognized may relate to a combination of one-time fees for system sales and recurring fees for support and maintenance and TruBridge services. As of December 31, 2021, we had a twelve-month backlog of approximately $5 million in connection with non-recurring system purchases and approximately $281 million in connection with recurring payments under support and maintenance and TruBridge services. As of December 31, 2020, we had a twelve-month backlog of approximately $10 million in connection with non-recurring system purchases and approximately $242 million in connection with recurring payments under support and maintenance and TruBridge services.

Competition

The market for our products and services is competitive, and we expect additional competition from established and emerging companies in the future. Our market is characterized by rapidly changing technology, global shifts in the healthcare system, evolving user needs and impactful regulatory and reimbursement changes. We believe the principal competitive factors that hospitals, clinics and post-acute care providers consider when choosing between us and our competitors are:

- product features, functionality and performance;
- range of services offered;
- level of client service and satisfaction;
- ease of integration and speed of implementation;
- product price;
- cost of services offered;
- results of services engagements;
- knowledge of the healthcare industry;
- training provided;
- sales and marketing efforts; and
- company reputation.

We believe that we compete favorably with our competitors on these factors. Our principal competitors in the acute care EHR market are Cerner Corporation, Medical Information Technology, Inc. ("Meditech"), and MEDHOST, Inc. These companies compete with us directly in our target market of small and midsize hospitals. They offer products and systems that are comparable to our system and address the needs of hospitals in the markets we serve.

Our secondary competitors in the acute care EHR market include Allscripts Healthcare Solutions, Inc. and Epic Systems Corporation. These companies are significantly larger than we are, and they typically sell their products and services to larger hospitals outside of our target market. However, they will sometimes compete with us directly or, more commonly, when a larger health system who uses a system from one of these companies will offer it to a smaller hospital as part of a merger or alliance.

We also face competition from providers of practice management systems, general decision support and database systems and other segment-specific applications. Any of these companies as well as other technology or healthcare companies could decide at any time to specifically target hospitals within our target market.

Our principal competitors in the post-acute care EHR market are PointClickCare Corporation and MatrixCare, Inc. These companies compete with us directly in our target market of long-term post-acute care facilities. They offer products and systems that are comparable to our system and address the needs of long-term care providers.

Our principal competitors in the business management, consulting and managed IT services (which includes the services of recently-acquired HRG) market are Resolution Health, Inc., The Outsource Group Inc., Patient Focus, Inc., Xtend Healthcare Inc., Ensemble Health Partners, and nThrive, Inc. All of these companies provide one or more of the services we offer, with their primary focus being on business management services. The services they offer are comparable in scope to the competing services we offer. These companies all focus on providing services to the healthcare market. Secondary competitors include ARx LLC, Citadel Outsource Group LLC, Patient Matters, LLC, KIWI-TEK, LLC, and Aviacode Inc. Our principle competitors for RCM solutions include RelayHealth Corp, SSI Group, LLC, Quadax Inc., Change Healthcare Holdings, Inc., Availity, LLC, and Navicure, Inc. Get Real Health's primary competitors include Relay Health, Get Well Network/Healthloop, Apollo Care Connect, Bridge Patient Portal, eClinicalWorks Patient Portal, Influence Health, and InteliChart. TruCode's primary competitors include 3M, Nuance and Optum.

Actual or perceived security breaches of our systems could harm the market perception of our products and services which could impact our retention of existing clients and ability to acquire prospective clients.

Health Information Security and Privacy Practices

The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") is a federal law governing the use, disclosure, transmission and storage of certain individually identifiable health information, referred to as "protected health information," and that was enacted for the purpose of, among other things, protecting the privacy and security of protected health information. As directed by HIPAA, the Department of Health and Human Services (the "DHHS") has promulgated standards and rules for certain electronic health transactions, code sets, data security, unique identification numbers and privacy of protected health information. HIPAA and the standards promulgated by DHHS apply to certain health plans, healthcare clearinghouses and healthcare providers (referred to as "covered entities"), which includes our hospital and post-acute care clients. The Health Information Technology for Economic and Clinical Health Act and its implementing regulations published in January 2013 (the "HITECH Act") significantly expand HIPAA by extending privacy and security standards to "business associates" of healthcare providers that are covered entities. Under the HITECH Act, business associates are required to establish administrative, physical and technical safeguards and are subject to direct penalties for violations. Certain of our services frequently entail us acting as a healthcare clearinghouse and/or in the capacity of a business associate to the hospitals and post-acute care clients that we serve. As a result, we are covered by the patient privacy and security standards of HIPAA and subject to oversight by DHHS. We believe that we have taken all necessary steps to comply with HIPAA, as it applies to us as a business associate, but it is important to note that DHHS could, at any time in the future, adopt new rules or modify existing rules in a manner that could require us to change our systems or operations.

Protecting individually identifiable health information and other sensitive data is a critical and essential function of CPSI's operations and its software solutions. A variety of industry-standard approaches that meet or exceed regulatory requirements such as HIPAA and HITECH are employed. In order to avoid unauthorized access for the life span of this data, diverse methods of identification, authentication, authorization and encryption are utilized at various points throughout the operating system, application software and hardware. These methods and processes are shared amongst servers and other end-user devices and are complemented by change management processes and tools, which allow the software change control cycle to be a formal, defined process.

The collection, use, storage, disclosure, transfer, or other processing of any personal data regarding individuals in the European Union, including personal health data, is subject to the European Union's General Data Protection Directive ("GDPR"), which became effective on May 25, 2018. The GDPR is wide-ranging in scope and imposes numerous requirements on companies that process personal data, including requirements relating to processing health and other sensitive data, obtaining consent of the individuals to whom the personal data relates, providing information to individuals regarding data processing activities, implementing safeguards to protect the security and confidentiality of personal data, providing notification of data breaches, and taking certain measures when engaging third-party processors. The GDPR also imposes strict rules on the transfer of personal data to countries outside the European Union, including the United States, and permits data protection authorities to impose large penalties for violations of the GDPR, including potential fines of up to €20 million or 4% of annual global revenues, whichever is greater. The GDPR also confers a private right of action on data subjects and consumer associations to lodge complaints with supervisory authorities, seek judicial remedies, and obtain compensation for damages resulting from violations of the GDPR.

Managing Cybersecurity Risks

Our business operations, including the provision of the products and services described above, involve the compilation and transmission of confidential information, including patient health information. We have included security features in our systems that are intended to protect the privacy and integrity of this information, but our systems may be vulnerable to security breaches, viruses, programming errors and other similar disruptive problems.

The Board of Directors is responsible for exercising oversight of management's identification of, and planning for, the material risks facing the Company, and we believe our policies and procedures are adequate to ensure that relevant information about cybersecurity risks and incidents is appropriately reported and disclosed. During 2020, the Board authorized the formation of an Innovation and Technology Committee comprised of members of the Board. This Committee's responsibilities include, but are not limited to, more closely monitoring and collaborating with the Company's Governance, Risk & Compliance ("GRC") Committee. The purpose of the GRC is to assist the Board in fulfilling its oversight responsibility with respect to the Company's risk management, ethics programs, and information security/privacy programs. The oversight responsibility of the GRC includes, but is not limited to, planning and conducting audits, conducting investigations, assuring compliance with relevant laws, and ensuring compliance with the Company's Code of Conduct and Business Ethics and related policies. The GRC consists of a cross functional leadership team including the Chief Technology Officer, Corporate Information Security Officer, Chief Innovation Officer, Senior Vice President of TruBridge, Corporate Compliance Officer, Corporate General Counsel, and Chief Financial Officer.

Additionally, we appointed a Security Operations Center ("SOC") Director to oversee a number of initiatives designed to improve our cybersecurity protection, readiness and response. The Company partnered with a third party to provide Security as a Service ("SECaaS") to assist our internal SOC in reducing the likelihood and impact of a cybersecurity attack. The SOC oversees penetration testing, vulnerability scanning, intrusion prevention, endpoint and insider threat detection, log management and other cybersecurity-related projects. The Company consulted with third parties in 2017 and 2018 to conduct an evaluation of our cybersecurity risks. The Company also consulted with third parties to achieve ISO 27001 certification related to information security management, which was achieved during 2020. Finally, all users employed by or contracted to the Company are required to complete annual cybersecurity education and training, which includes identifying suspicious emails, internet threats, telecommunication threats and ransomware.

Although a portion of our workforce has returned to in-office environments following guidelines established by the Centers for Disease Control and Prevention, the successful expansion of work-from-home arrangements during the COVID-19 pandemic, in terms of employee productivity and satisfaction, has resulted in many of these arrangements becoming permanent. As such, we anticipate that our go-forward workforce will be more heavily distributed to remote work environments, and we will continue to focus on not introducing vulnerabilities into our technology systems..

Intellectual Property

We regard some aspects of our internal operations, software and documentation as proprietary, and rely primarily on a combination of contract and trade secret laws to protect our proprietary information. We believe, because of the rapid pace of technological change in the computer software industry, trade secret and copyright protection is less significant than factors such as the knowledge, ability and experience of our employees, frequent software product enhancements and the timeliness and quality of our support services. The source code for our proprietary software is protected as a trade secret. We enter into confidentiality or license agreements with our vendors, consultants and clients, and control access to and distribution of our software, documentation and other proprietary information. We cannot guarantee that these protections will be adequate or that our competitors will not independently develop technologies that are substantially equivalent or superior to our technology.

We do not believe our software products or other CPSI proprietary rights infringe on the property rights of third parties. However, we cannot guarantee that third parties will not assert infringement claims against us with respect to current or future software products or that any such assertion may not require us to enter into royalty arrangements or result in costly litigation.

Material Government Regulations

Our business operations are subject to various federal, state and international laws, and our products and services are governed by a number of rules and regulations. For example, we are affected by the following regulations:

- As discussed above, the HIPAA security and privacy standards affect our claims transmission services, since those services must be structured and provided in a way that supports our clients' HIPAA compliance obligations, and GDPR is applicable to certain of our activities conducted from an establishment in the EU and our operations that are targeting clients and activities within the EU.

- The United States Food and Drug Administration (the "FDA") has determined that certain of our solutions, such as our ImageLink® product, are medical devices that are actively regulated under the Federal Food, Drug and Cosmetic Act, as amended.

- The use of our solutions by physicians for electronic prescribing and electronic routing of prescriptions via the Surescripts network to pharmacies is governed by federal and state laws. States have differing regulations that govern the electronic transmission of certain prescriptions and prescription requirements.

Although there is no assurance that existing or future government laws, rules and other regulations applicable to our operations, products or services will not have a material adverse effect on our capital expenditures, results of operations and competitive position, we do not currently anticipate materially increased expenditures in response to government regulations or future material impacts to our results or competitiveness. These regulations and related risks are described in more detail below under "Risk Factors" beginning on page 25 of this Annual Report.

Human Capital

As of December 31, 2021, we had approximately 2,000 employees, the substantial majority of which are located at our offices in Alabama, Mississippi, Pennsylvania, and Minnesota. None of our employees are covered by a collective bargaining agreement or are represented by a labor union with respect to his or her employment with us. We have not experienced any work stoppages and we consider our relations with our employees to be good.

We seek to be an employer of choice to attract and retain top talent in order to deliver a one-of-a-kind service and to fully leverage the strengths of our workforce to exceed customer expectations and meet our growth objectives. By improving employee satisfaction, retention, and engagement, we also improve our ability to support our customers and protect the long-term interests of our stockholders. To that end, we strive to foster an engaged, diverse, inclusive, safe, purpose-driven culture where employees have equitable opportunities for success.

COVID-19 Response

As the impact of COVID-19 continues to evolve, so have our processes. In true CPSI spirit, our talented leaders and employees focused their attention on keeping each other, our families, and our clients safe; supporting our clients' vital missions; and protecting our business.

CPSI has continued to monitor correspondence from the Centers for Disease Control and Prevention ("CDC") and other federal and state agencies for developments and updated guidance on COVID-19. While we continue to follow the guidance of public health agencies, CPSI launched an internal employee taskforce to monitor COVID-19 developments. Their focus is to build internal strategies designed to protect our employees and our customers, and to highlight areas of critical importance to support the execution of business outcomes. The taskforce is comprised of cross-functional business leaders that evaluate changing risks and respond appropriately through employee communication design and policy updates.

Out of sincere commitment to and concern for our employees, their families and communities, CPSI took several actions to outwardly display our corporate responsibility for a safe and healthy workforce and to mitigate disruptions to business operations, such as: hosted on-site vaccine clinics for employees and their families, offered paid-time off to receive the COVID-19 vaccinations, held an employee vaccine incentive drawing, and other virtual employee engagement communications.

We are continuing to monitor and address COVID-19's ongoing effects on our employees and their families, our clients, and the healthcare communities which we support.

Diversity, Equity and Inclusion

We are committed to creating a welcoming and inclusive environment, where everyone is inspired to be the best they can be and feels empowered to openly express opinions and ideas that help drive innovation, progress, and excellence. We eagerly promote our relentless commitment to creating an inclusive and respectful culture across our family of companies. We are steadfast in our responsibility to embrace the diversity of all people and demonstrate our values – collaborative, dependable, proactive, empathetic and agile - with an unwavering focus on those essential to the Company achieving sustainable and meaningful growth. We have a long-standing commitment to equal employment opportunity ("EEO"), as evidenced by the Company's EEO policy.

As part of our commitment the Company launched our Inclusion, Diversity, Equity Alliance ("Team IDEA") in 2020, an employee-led council with executive sponsorship that is focused on strengthening company-wide engagement on diversity, equity and inclusion, providing learning opportunities for our employees, and helping to identify areas for improvement and monitor progress against these initiatives. In 2021, Team IDEA executed on three initiatives: engaged employees through a series of monthly Diversity, Equity and Inclusion ("DEI") awareness topics with unique activities to promote a comprehensive employee learning experience, launched a DEI Employee Survey, and deployed policy updates that provide a greater sense of inclusiveness.

Now, more than ever, we are committed to listening with open hearts and leading with empathy — toward each other, toward our customers and toward our healthcare communities. We continue to invite our people leaders, board, clients, and community leaders, along with our chief people officer, to advise us along this journey.

Compensation and Benefits

We compensate employees with competitive wages and benefit programs designed to meet employee needs. Our compensation program is designed to recognize our employees' contributions to service excellence and business results. We use a combination

of fixed and variable pay including base salary, bonus, commissions and merit increases which vary across the Company. In addition, as part of our incentive plan for executives and certain employees, we provide share based compensation to attract, retain and motivate our key leaders. For further information concerning our equity incentive plans, see Note 9, *Stock-based Compensation and Equity.*

As the success of our employees is fundamentally connected to the well being of our people, our healthcare and benefit programs focus on three key pillars: physical, emotional, and financial well-being. We offer a wide array of benefits including comprehensive health and welfare insurances, a 401(K) plan with employer-match, generous time-off, paid maternity leave, identity theft insurance, and financial support. We provide emotional well-being services through our medical carrier and associated Employee Assistance Program. In addition, our financial education tools offer employees resources to reach their personal financial goals.

We continue to partner with our employees to understand how we can better support their health and wellness while allowing them to be their true and authentic selves at work every day.

Development

Our goal is to create opportunities for employee growth, development, education and training, including opportunities to cultivate talent and identify candidates for new roles from within the Company. We strive to ensure that we have the right leaders in place to drive our strategic initiatives not only today but also into the future. We are committed to a safe workplace and an ethical environment in which employees are respected in a culture of belonging and dignity and in which they can continually develop their skills and expertise to advance their careers.

We also believe that ongoing performance feedback encourages greater engagement in our business and improved individual performance. Each year, our employees participate in our Performance Development Program that summarizes key accomplishments for the preceding year, establishes new goals, and identifies critical capabilities for development. We encourage managers to solicit and share supportive 360-degree feedback, further strengthening the focus on teamwork and team success.

Employee Recruitment

Our key talent philosophy is to develop talent from within and supplement with external hires. This approach has yielded a deep understanding among our employee base of our business, vision, products, services and clients, while adding new employees and ideas in support of our continuous improvement mindset. As a direct result of the operational COVID-19 pandemic adjustments made to the organization during 2020, the opportunity became available to offer more work from home positions, whereas before, they would have been conducted from within an office space. Leveraging work collaboration tools and other technologies, the ability to hire remote employees has supported our efforts to grow our internal talent and welcome employees from diverse backgrounds and geographies, creating deeper team collaboration and a more engaging client experience. Our recruitment team uses internal and external resources to recruit diverse, highly skilled and talented workers, and we encourage employee referrals for open positions.

Communication and Engagement

Given the geographic diversity of our workforce, we use multiple modalities in our communication efforts. Our email and the employee hotline have been bolstered by the inclusion of all-employee texting and weekly all-employee communications. Other efforts include live teleconference all-employee meetings hosted by a variety of our leaders. Additionally, leaders participate in monthly business updates that facilitate awareness of business initiatives, progress and results. These meetings encourage cross-functional collaboration and help ensure that teams are not working in silos. These efforts have led to our ability to deliver a more consistent message across all of our constituencies and thereby improve engagement.

Executive Officers

The executive officers of CPSI serve at the pleasure of the Board of Directors. Set forth below is a list of the current executive officers of CPSI and a brief explanation of each individual's principal employment during the last five years.

J. Boyd Douglas – President and Chief Executive Officer. J. Boyd Douglas, age 55, has served as our President and Chief Executive Officer since May 2006. He was first elected as a director in March 2002. Mr. Douglas began his career with us in August 1988 as a Financial Software Support Representative. From May 1990 until November 1994, Mr. Douglas served as Manager of Electronic Billing, and from December 1994 until July 1999, he held the position of Director of Programming Services. From July 1999 until May 2006, Mr. Douglas served as our Executive Vice President and Chief Operating Officer.

David A. Dye – Chief Growth Officer. David A. Dye, age 52, was appointed as our Chief Growth Officer in November 2015, having previously served as our Chief Financial Officer, Secretary and Treasurer from June 2010 until November 2015. Mr. Dye served as our President and Chief Executive Officer from July 1999 to May 2006. He was first elected as a director in March 2002 and served as our Chairman of the Board from May 2006 until April 2019. Mr. Dye began his career with CPSI in May 1990 as a Financial Software Support Representative and served in various capacities until July 1999. Mr. Dye served as a director of Bulow Biotech Prosthetics, LLC, a company headquartered in Nashville, Tennessee that operates prosthetic clinics in the Southeastern United States, from July 2006 until October 2018.

Christopher L. Fowler – Chief Operating Officer and President (TruBridge). Christopher L. Fowler, age 46, was appointed as our Chief Operating Officer in November 2015 and has served as the President of TruBridge since its formation in January 2013. Prior to the formation of TruBridge, Mr. Fowler served as CPSI's Vice President - Business Management Services, beginning in March 2008. Mr. Fowler began his career with CPSI in May 2000 as a Software Support Representative and later as a manager of Financial Software Services. From August 2004 until March 2008, Mr. Fowler served as Assistant Director and Director of Business Management Services.

Matt J. Chambless – Chief Financial Officer, Secretary and Treasurer. Matt J. Chambless, age 41, was appointed as our Chief Financial Officer, Secretary and Treasurer in November 2015, having previously served as our Director of Financial Reporting from March 2012 until November 2015. Prior to joining CPSI, Mr. Chambless served as the Accounting Manager for Northside Hospital System from May 2011 until March 2012 and as an audit professional, including an Audit Manager, for Grant Thornton, LLP from August 2004 to May 2011.

Robert D. Hinckle – Senior Vice President–Client Services. Robert D. Hinckle, age 52, served as our Vice President - Software Services from October 2004 until January 2013 and has served as our Senior Vice President - Client Services since January 2013. Since beginning his career with CPSI in 1995 as a Financial Software Support Representative, Mr. Hinckle has worked in various positions in our Software Services Division, including Team Manager, Assistant Director and Director of that division.

Amaris A. McComas - Chief People Officer. Amaris A. McComas, age 39, was appointed as our Chief People Officer in May 2021. Prior to joining CPSI, Ms. McComas served as the Head of HR Transformation and Strategy for Equitable from January 2020 until April 2021. She also held various HR leadership roles at Teachers Insurance and Annuity Association of America ("TIAA") from August 2016 until January 2020, including Senior Director of Talent Acquisition, Head of Talent and Learning for TIAA Bank, and Senior HR Business Partner for the Office of the CFO.

Dawn M. Severance - Senior Vice President of Sales (TruBridge). Dawn M. Severance, age 52, was appointed as our Senior Vice President of Sales for TruBridge in January 2021. Ms. Severance joined CPSI as part of the Healthland acquisition in 2016 where she served as Vice President of Sales. From 2002 until 2016, she served in various roles within Healthland, including Implementation and Application Specialist before moving into Account Management and Sales.

J. Patrick Murphy - Senior Vice President (TruBridge). J. Patrick Murphy, FHFMA, MBA, age 49, was appointed as our Senior Vice President (TruBridge) in January 2021. Mr. Murphy began his career with CPSI in 2011 as a Director of Consulting Services and served as a Senior Director of Consulting Services from October 2017 until March 2018 followed by Vice President - Business Services from March 2018 until January 2021.

Claire H. Stephens - Senior Vice President (AHT). Claire H. Stephens, age 45, was appointed as our Senior Vice President (AHT) in October 2020. Ms. Stephens served as Vice President of Client Services for AHT from March 2014 until October 2020. Since beginning her career with AHT in February 2000 as a software implementation representative, Ms. Stephens served in various positions in Client Services, including Senior Services Representative and Staff Training Manager, and served as the Director of Client Services from 2005 until March 2014.

Company Web Site

The Company maintains a web site at http://www.cpsi.com. The Company makes available on its web site, free of charge, its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports, as soon as it is reasonably practicable after such material is electronically filed with the Securities and Exchange Commission. The Company is not including the information contained on or available through its web site as a part of, or incorporating such information into, this Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

These are not the only risks and uncertainties that we face. Our business, financial condition, operating results, and stock price can be materially and adversely affected by a number of factors, whether currently known or unknown, including, but not limited to, those described below. Any one or more of such factors could directly or indirectly cause our actual financial condition and operating results to vary materially from our past or anticipated future financial condition or operating results.

RISKS RELATED TO OUR INDUSTRY

The impact of the ongoing COVID-19 pandemic and related economic disruptions have materially affected our revenue and could materially affect our gross margin and income, as well as our financial position and/or liquidity.

Beginning in March 2020, the global pandemic related to the novel coronavirus COVID-19 began to impact the global economy and our results of operations. Because of the size and breadth of this pandemic, all of the direct and indirect consequences of COVID-19 are not yet known and may not emerge for some time. Risks presented by the ongoing effects of COVID-19 include the following:

- *Revenues, Gross Margin, and Income.* The impact of COVID-19 on our community hospital client base, and the related decrease in patient volumes, have negatively impacted, and will continue to negatively impact, our variable revenues, gross margins and income driven by collection volume. Additionally, new EHR system installations have been, and will continue to be, negatively impacted by restrictive travel and social distancing protocols. The Company began to experience these impacts in March 2020, which increased in significance in the second quarter of 2020 before gradually improving over the remainder of 2020 and 2021. However, uncertainty remains with respect to the pace of economic recovery, as well as the potential for resurgences in transmission of COVID-19 and related business closures due to the emergence of virus variants and vaccine hesitancy and refusal among various populations. In addition, although we have experienced no notable disruption to our operating cash flows through the date of this report, we currently expect that the aforementioned limitations on travel and decreased client patient volumes will ultimately result in decreased cash collections from our customers as long as these conditions persist. For further discussion, see "*Failure to maintain our margins and services rates for implementation services could have a material adverse effect on our operating performance and financial conditions"*.

- *Adverse Legislative and/or Regulatory Action.* Federal, state and local government actions to address and contain the impact of COVID-19 have adversely affected and may continue to adversely affect us. For further discussion, see "*There is significant uncertainty in the healthcare industry, both as a result of recently enacted legislation and changing government regulation, which may have a material adverse impact on the businesses of our hospital clients and ultimately on our business, financial condition and results of operations*".

- *Operational Disruptions and Heightened Cybersecurity Risks.* Our operations could be disrupted if key members of our senior management or a significant percentage of our workforce or the workforce of our client community hospitals are unable to work because of illness, government directives or otherwise. Having shifted to remote working arrangements, we also face a heightened risk of cybersecurity attacks or data security incidents and are more dependent on the internet and telecommunications access and capabilities. For further discussion, see "*Breaches of security and viruses in our systems could result in client claims against us and harm to our reputation causing us to incur expenses and/or lose clients*".

The extent to which the COVID-19 pandemic will impact our financial condition and results of operations will depend on future developments, which are highly uncertain and difficult to predict, including, but not limited to, the duration and spread of the pandemic, its severity, the actions to contain the virus or treat its impact, the speed at which vaccines are deployed and their effectiveness against COVID-19 variants and how quickly and to what extent normal economic and operating conditions can resume. Even after the COVID-19 pandemic has subsided, we may experience material adverse impacts to our business as a result of the global or U.S. economic impact and any recession that has occurred or may occur in the future.

Additionally, concerns over the economic impact of the COVID-19 pandemic have caused extreme volatility in financial and other capital markets which has and may continue to adversely impact our stock price and may adversely impact our ability to access capital, at all or on reasonable terms. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described herein.

There are a limited number of hospitals in our target market. Saturation or consolidation in the healthcare industry could result in the loss of existing clients, a reduction in our potential client base and downward pressure on the prices of our products and services.

The limited number of hospitals with fewer than 200 acute care beds in our general target market for our acute care product and service offerings has resulted in an ever narrowing market for new system installations and add-on sales which could materially and adversely impact our business, financial condition and operating results.

Our primary objectives are to increase the market share of our TruBridge services, aggressively pursue competitive and vulnerable EHR replacement opportunities, and differentiate our products and services on a client experience basis that enables us to sell a broader set of services into a loyal base of clients that are our advocates. Although we have formulated strategic responses for capitalizing on each of the identified opportunities, there is no guarantee that such responses will ultimately prove successful. Additionally, to the extent that these opportunities fail to develop or develop more slowly than expected, our business, financial condition and operating results could be materially and adversely impacted.

Furthermore, many healthcare providers have consolidated to create larger healthcare delivery enterprises with greater market power. If this consolidation continues, we could lose existing clients and could experience a decrease in the number of potential purchasers of our products and services. The loss of existing and potential clients due to industry consolidation could cause our revenue growth rate to decline.

Economic, market and other factors may cause a decline in spending for information technology and services by our current and prospective clients which may result in less demand for our products, lower prices and, consequently, lower revenues and a lower revenue growth rate.

The purchase of our information system involves a significant financial commitment by our clients. At the same time, the healthcare industry faces significant financial pressures that could adversely affect overall spending on healthcare information technology and services. For example, the COVID-induced recession, combined with actual and potential further reductions in federal and state funding for Medicare and Medicaid, has caused hospitals to reduce, eliminate or postpone information technology related and other spending. To the extent spending for healthcare information technology and services declines or increases slower than we anticipate, demand for our products and services, as well as the prices we charge, could be adversely affected. Accordingly, we cannot assure you that we will be able to increase or maintain our revenues or our revenue growth rate.

There is significant uncertainty in the healthcare industry, both as a result of recently enacted legislation and changing government regulation, which may have a material adverse impact on the businesses of our hospital clients and ultimately on our business, financial condition and results of operations.

The healthcare industry is subject to changing political, economic and regulatory influences that may affect the procurement processes and operation of healthcare facilities, including our hospital clients. During the past decade, the healthcare industry has been subject to increased legislation and regulation of, among other things, reimbursement rates, payment programs, information technology programs and certain capital expenditures (collectively, the "Health Reform Laws").

The Health Reform Laws contain various provisions which impact us and our clients. Some of these provisions have a positive impact, by expanding the use of electronic health records in certain federal programs, for example, while others, such as reductions in reimbursement for certain types of providers, have a negative impact due to fewer available resources. The continued increase in fraud and abuse penalties is expected to adversely affect participants in the healthcare sector, including us.

Among other things, the Health Reform Laws provide for the expansion of Medicaid eligibility, mandate material changes to the delivery of healthcare services and reduce the reimbursement paid for such services in order to generate savings in the Medicare program. The Health Reform Laws also modify certain payment systems to encourage more cost-effective, quality-based care and a reduction of inefficiencies and waste, including through various tools to address fraud and abuse.

The Health Reform Laws will continue to affect hospitals differently depending upon the populations they serve and their payor mix. Our target market of community hospitals typically serve higher uninsured populations than larger urban hospitals and rely more heavily on Medicare and Medicaid for reimbursement. It remains to be seen whether the increase in the insured population for community hospitals will be sufficient to offset actual and proposed additional cuts in Medicare and Medicaid reimbursements contained in the Health Reform Laws.

The Health Reform Laws are leading to significant changes in the healthcare system, but the full impact of the legislation and of further statutory and regulatory actions to reform healthcare on our business is unknown. As a result, there can be no assurances

that the legislation will not adversely impact either our operational results or the manner in which we operate our business. We believe some healthcare industry participants have reduced their investments or postponed investment decisions, including investments in our solutions and services.

Cost-containment measures instituted by healthcare providers as a result of regulatory reform or otherwise could result in a reduced allocation of capital funds. Such a reduction could have an adverse effect on our ability to sell our systems and related services. Although the Biden administration promises to prioritize public health by fortifying and expanding implementation of such laws and legislation, we cannot predict what effect, if any, such additional proposals or healthcare reforms might have on our business, financial condition and results of operations.

As existing regulations mature and become better defined, we anticipate that these regulations will continue to directly affect certain of our products and services, but we cannot fully predict the effect at this time. We have taken steps to modify our products, services and internal practices as necessary to facilitate our compliance with the regulations, but there can be no assurance that we will be able to do so in a timely or complete manner. Achieving compliance with these regulations could be costly and distract management's attention and divert other company resources, and any noncompliance by us could result in civil and criminal penalties.

The healthcare industry is heavily regulated at the local, state and federal levels. Our failure to comply with regulatory requirements could create liability for us, result in adverse publicity and negatively affect our business.

The healthcare industry is heavily regulated and is constantly evolving due to the changing political, legislative and regulatory landscapes. In some instances, the impact of these regulations on our business is direct to the extent that we are subject to these laws and regulations ourselves. However, these regulations also impact our business indirectly as, in a number of circumstances, our solutions, devices and services must be capable of being used by our clients in a way that complies with those laws and regulations, even though we may not be directly regulated by the specific healthcare laws and regulations. There is a significant number of wide-ranging regulations, including regulations in the areas of healthcare fraud, e-prescribing, claims processing and transmission, medical devices, the security and privacy of patient data, the ARRA meaningful use program, patient access rights and interoperability standards, that may be directly or indirectly applicable to our operations and relationships or the business practices of our clients. Specific areas that are subject to increased regulation include, but are not limited to, the following:

Healthcare Fraud. Federal and state governments continue to enhance regulation of and increase their scrutiny over practices potentially involving healthcare fraud, waste and abuse by healthcare providers whose services are reimbursed by Medicare, Medicaid and other government healthcare programs. Our healthcare provider clients are subject to laws and regulations regarding fraud and abuse that, among other things, prohibit the direct or indirect payment or receipt of any remuneration for patient referrals, or arranging for or recommending referrals or other business paid for in whole or in part by these federal or state healthcare programs. Federal enforcement personnel have substantial funding, powers and remedies to pursue suspected or perceived fraud and abuse. The effect of this government regulation on our clients is difficult to predict. Many of the regulations applicable to our clients and that may be applicable to us, including those relating to marketing incentives offered in connection with medical device sales may be interpreted or applied by a prosecutorial, regulatory or judicial authority in a manner that could broaden their applicability to us or require our clients to make changes in their operations or the way in which they deal with us. If such laws and regulations are determined to be applicable to us and if we fail to comply with any applicable laws and regulations, we could be subject to civil and criminal penalties, sanctions or other liabilities, including exclusion from government healthcare programs, which could have a material adverse effect on our business, results of operations and financial condition. Even an unsuccessful challenge by a regulatory or prosecutorial authority of our activities could result in adverse publicity, could require a costly response from us and could adversely affect our business, results of operations and financial condition.

E-Prescribing. The use of our solutions by physicians for electronic prescribing and electronic routing of prescriptions via the Surescripts network to pharmacies is governed by federal and state laws. States have differing regulations that govern the electronic transmission of certain prescriptions and prescription requirements. Standards adopted by the National Council for Prescription Drug Programs and regulations adopted by the Centers for Medicare and Medicaid Services ("CMS") related to "EPrescribing and the Prescription Drug Program" set forth implementation standards for the transmission of electronic prescriptions. These standards are detailed and broad, and cover not only routing transactions between prescribers and pharmacies, but also electronic eligibility, formulary and benefits inquiries. In general, regulations in this area can be burdensome and evolve regularly, meaning that any potential benefits to our clients from utilizing such solutions and services may be superseded by a newly-promulgated regulation that adversely affects our business model. Our efforts to provide solutions that enable our clients to comply with these regulations could be time consuming and expensive.

Claims Processing and Transmission. Our system electronically transmits medical claims by physicians to patients' payors for immediate approval and reimbursement. In addition, we offer business management services that include the manual and electronic processing and submission of medical claims by healthcare providers to patients' payors for approval and reimbursement. Federal and state laws provide that it is a violation for any person to submit, or cause to be submitted, a claim to any payor, including, without limitation, Medicare, Medicaid and all private health plans and managed care plans, seeking payment for any service or product that overbills or bills for items that have not been provided to the patient. We have in place policies and procedures that we believe assure that all claims that are transmitted by our system and through our services are accurate and complete, provided that the information given to us by our clients is also accurate and complete. If, however, we do not follow those procedures and policies, or they are not sufficient to prevent inaccurate claims from being submitted, we could be subject to substantial liability including, but not limited to, civil and criminal liability. Additionally, any such failure of our billing and collection services to comply with these laws and regulations could adversely affect demand for our services and could force us to expend significant capital, research and development, and other resources to address the failure.

Where we are permitted to do so, we calculate charges for our billing and collection services based on a percentage of the collections that our clients receive as a result of our services. To the extent that violations or liability for violations of these laws and regulations require intent, it may be alleged that this percentage calculation provides us or our employees with incentive to commit or overlook fraud or abuse in connection with submission and payment of reimbursement claims. CMS has stated that it is concerned that percentage-based billing services may encourage billing companies to commit or to overlook fraudulent or abusive practices.

A portion of our business involves billing Medicare claims on behalf of our clients. In an effort to combat fraudulent Medicare claims, the federal government offers rewards for reporting of Medicare fraud which could encourage others to subject us to a charge of fraudulent claims, including charges that are ultimately proved to be without merit.

As discussed below, the HIPAA security and privacy standards also affect our claims transmission services, since those services must be structured and provided in a way that supports our clients' HIPAA compliance obligations.

Regulation of Medical Devices. The United States Food and Drug Administration (the "FDA") has determined that certain of our solutions, such as our ImageLink® product, are medical devices that are actively regulated under the Federal Food, Drug and Cosmetic Act, as amended. If other of our solutions are deemed to be actively regulated medical devices by the FDA, we could be subject to extensive requirements governing pre- and post-marketing activities including registration of the applicable manufacturing facility and software and hardware products, application of detailed record-keeping and manufacturing standards, application of the medical device excise tax, and FDA approval or clearance prior to marketing. Complying with these medical device regulations is time consuming and expensive, and our marketing and other sales activities could be subject to unanticipated and significant delays. Further, it is possible that the FDA may become more active in regulating software and medical devices that are used in the healthcare industry. If we are unable to obtain the required regulatory approvals for any such software or medical devices, our short- to long-term business plans for these solutions or medical devices could be delayed or canceled and we could face FDA refusal to grant pre-market clearance or approval of products; withdrawal of existing clearances and approvals; fines, injunctions or civil penalties; recalls or product corrections; production suspensions; and criminal prosecution. FDA regulation of our products could increase our operating costs, delay or prevent the marketing of new or existing products, and adversely affect our revenue growth.

Security and Privacy of Patient Information. Federal, state and local laws regulate the privacy and security of patient records and the circumstances under which those records may be released. These regulations govern both the disclosure and use of confidential patient medical record information and require the users of such information to implement specified security and privacy measures. United States regulations currently in place governing electronic health data transmissions continue to evolve and are often unclear and difficult to apply.

In the United States, HIPAA regulations require national standards for some types of electronic health information transactions and the data elements used in those transactions, security standards to ensure the integrity and confidentiality of health information, and standards to protect the privacy of individually identifiable health information. Covered entities under HIPAA, which include healthcare organizations such as our clients, and our claims processing, transmission and submission services, are required to comply with the privacy standards, transaction regulations and security regulations. Moreover, HITECH and associated regulatory requirements extend many of the HIPAA obligations, formerly imposed only upon covered entities, to business associates as well. As a business associate of our clients who are covered entities, we are in most instances already contractually required to ensure compliance with the HIPAA regulations as they pertain to the handling of covered client data. However, the extension of these HIPAA obligations to business associates by law has created a direct liability risk related to the privacy and security of individually identifiable health information.

Evolving HIPAA and HITECH-related laws or regulations could restrict the ability of our clients to obtain, use or disseminate patient information. This could adversely affect demand for our solutions and devices if they are not re-designed in a timely manner in order to meet the requirements of any new interpretations or regulations that seek to protect the privacy and security of patient data or enable our clients to execute new or modified healthcare transactions. We may need to expend additional capital and software development and other resources to modify our solutions to address these evolving data security and privacy issues. Furthermore, our failure to maintain the confidentiality of sensitive personal information in accordance with the applicable regulatory requirements could damage our reputation and expose us to claims, fines and penalties.

Federal and state statutes and regulations have granted broad enforcement powers to regulatory agencies to investigate and enforce compliance with these privacy and security laws and regulations. Federal and state enforcement personnel have substantial funding, powers and remedies to pursue suspected or perceived violations. If we fail to comply with any applicable laws or regulations, we could be subject to civil penalties, sanctions or other liability. Enforcement investigations, even if meritless, could have a negative impact on our reputation, cause us to lose existing clients or limit our ability to attract new clients.

ARRA Meaningful Use Program. The ARRA initially required "meaningful use of certified electronic health record technology" by healthcare providers by 2015 in order to receive limited incentive payments and to avoid related reduced reimbursement rates for Medicare claims. Related standards and specifications are subject to interpretation by the entities designated to certify such technology. While a combination of our solutions has been certified as meeting stage one, stage two, and stage three standards for certified electronic health record technology, the regulatory standards to achieve certification will continue to evolve over time. We may incur increased development costs and delays in delivering solutions if we need to upgrade our software or healthcare devices to be in compliance with these varying and evolving standards. In addition, further delays in interpreting these standards may result in postponement or cancellation of our clients' decisions to purchase our software solutions. If our software solutions are not compliant with these evolving standards, our market position and sales could be impaired and we may have to invest significantly in changes to our software solutions.

Interoperability Standards. Our clients are concerned with and often require that our software and systems be interoperable with other third party healthcare information technology systems. Market forces or governmental or regulatory authorities could create software interoperability standards that would apply to our software and systems, and if our software and systems are not consistent with those standards, we could be forced to incur substantial additional development costs. For example, the HITECH Act contains interoperability standards that healthcare providers are required to adhere to in order to receive stimulus funds from the federal government under the ARRA. Compliance with these and related standards is becoming a competitive requirement and, although a combination of our solutions has been certified as meeting all such required interoperability standards to date, maintaining such compliance with these varying and evolving rules may result in increased development costs and delays in upgrading our client software and systems. To the extent these rules are narrowly construed, subsequently changed or supplemented, or that we are delayed in achieving certification under these evolving rules for applicable products, our clients may postpone or cancel their decisions to purchase or implement our software and systems.

As it relates specifically to interoperability, we are a member of CommonWell Health Alliance ("CommonWell"), a not-for-profit trade association comprised of healthcare information technology vendors devoted to the notion that patient data should be safely, securely and immediately available to patients and healthcare providers to support better care delivery, regardless of where that care occurs. CommonWell is committed to fostering standards that make this possible, and to having healthcare information technology companies embed these capabilities natively and cost effectively into their EHR systems. Despite our membership in CommonWell, there is no guarantee that we will successfully manage the interoperability of our software and systems with third-party health IT providers.

Patient Access Rights. In March 2020, the Office of National Coordinator for Health Information Technology ("ONC") of the U.S. Department of Health and Human Services ("HHS") released the "21st Century Cures Act: Interoperablity, Information Blocking, and the ONC Health IT Certification Program, Final Rule." The rule implements several of the key interoperability provisions included in the 21st Century Cures Act. Specifically, it calls on developers of certified EHRs and health IT products to adopt standardized APIs, which will help allow individuals to securely and easily access structured and unstructured EHI formats using smartphones and other mobile devices. This provision and others included in the final rule create a potentially lengthy list of certification and maintenance of certification requirements that developers of EHRs and other health IT products have to meet in order to maintain approved federal government certification status. Meeting and maintaining this certification status could require additional development costs.

The ONC rule also implements the information blocking provisions of the 21st Century Cures Act, including identifying reasonable and necessary activities that do not constitute information blocking. Under the 21st Century Cures Act, the HHS has the regulatory authority to investigate and assess civil monetary penalties of up to $1,000,000 against health IT developers and/

or providers found to be guilty of "information blocking." This new oversight and authority to investigate claims of information blocking creates significant risks for us and our clients and could potentially create substantial new compliance costs.

Standards for Submission of Healthcare Claims. Effective October 2015, CMS mandated the use of new patient codes for reporting medical diagnosis and inpatient procedures, referred to as the ICD-10 codes. CMS requires all providers, payors, clearinghouses and billing services to utilize these ICD-10 codes when submitting claims for payment. ICD-10 codes affect medical diagnosis and inpatient procedure coding for everyone covered by HIPAA, not just those who submit Medicare or Medicaid claims. Claims for services must use ICD-10 codes for medical diagnosis and inpatient procedures or they will not be paid. While we have successfully implemented the use of ICD-10 codes within our products and services, the possibility exists for similar future mandates by CMS. If our products and services do not accommodate CMS mandates at any future date, clients may cease to use those products and services that are not compliant and may choose alternative vendors and products that are compliant. This could adversely impact future revenues.

RISKS RELATED TO OUR BUSINESS

Competition with companies that have greater financial, technical and marketing resources than we have could result in a loss of clients and/or a lowering of prices for our products, causing a decrease in our revenues and/or market share.

Our principal competitors in the acute EHR market are Cerner Corporation, Medical Information Technology, Inc. ("Meditech"), and MEDHOST, Inc. These companies compete with us directly in our target market of small and midsize hospitals. They offer products and systems that are comparable to our solutions and address the needs of hospitals in the markets we serve.

Our secondary competitors in the acute care EHR market include Allscripts Healthcare Solutions, Inc. and Epic Systems Corporation. These companies are significantly larger than we are, and they typically sell their products and services to larger hospitals outside of our target market. However, they will sometimes compete with us directly or, more commonly, a larger health system who uses a system provided by one of these competitors will offer it to a smaller hospital as part of a merger or alliance.

We also face competition from providers of practice management systems, general decision support and database systems, and other segment-specific applications. Any of these companies, as well as other technology or healthcare companies could decide at any time to specifically target hospitals within our target market.

Our principal competitors in the post-acute care EHR market are PointClickCare Corporation and MatrixCare, Inc. These companies compete with us directly in our target market of long-term post-acute care facilities. They offer products and systems that are comparable to our system and address the needs of long-term care providers.

Our principal competitors in the business management, consulting and managed IT services (which includes the services of recently-acquired HRG) market are Resolution Health, Inc., The Outsource Group Inc., Patient Focus, Inc., Xtend Healthcare Inc., Ensemble Health Partners, and nThrive, Inc. All of these companies provide one or more of the services we offer, with their primary focus being on business management services. The services they offer are comparable in scope to the competing services we offer. These companies all focus on providing services to the healthcare market. Secondary competitors include ARx LLC, Citadel Outsource Group LLC, Patient Matters, LLC, KIWI-TEK, LLC, and Aviacode Inc. Our principle competitors for RCM solutions include RelayHealth Corp, SSI Group, LLC, Quadax Inc., Change Healthcare Holdings, Inc., Availity, LLC, and Navicure, Inc. Get Real Health's primary competitors include Relay Health, Get Well Network/Healthloop, Apollo Care Connect, Bridge Patient Portal, eClinicalWorks Patient Portal, Influence Health, and InteliChart. TruCode's primary competitors include 3M, Nuance and Optum.

A number of existing and potential competitors are more established than we are and have greater name recognition and financial, technical and marketing resources. Products of our competitors may have better performance, lower prices and broader market acceptance than our products. We expect increased competition that could cause us to lose clients, lower our prices to remain competitive and, consequently, experience lower revenues, revenue growth and profit margins.

We recently completed the acquisitions of TruCode and HRG, and we may engage in future acquisitions. Such strategic acquisitions may be expensive, time consuming, and subject to other inherent risks which may jeopardize our ability to realize anticipated benefits.

We may acquire additional businesses, technologies and products if we determine that these additional businesses, technologies and products are likely to serve our strategic goals. Acquisitions have inherent risks, which may have a material adverse effect on our business, financial condition, operating results or prospects, including, but not limited to the following:

- significant acquisition and integration costs;
- failure to achieve projected synergies and performance targets;
- potentially dilutive issuances of our securities, the incurrence of debt and contingent liabilities and amortization expenses related to intangible assets with indefinite useful lives, which could adversely affect our results of operations and financial condition;
- using cash as acquisition currency may adversely affect interest or investment income, which may in turn adversely affect our earnings and/or earnings per share;
- difficulty in fully or effectively integrating the acquired technologies, software products, services, business practices or personnel, which would prevent us from realizing the intended benefits of the acquisition;
- failure to maintain uniform standard controls, policies and procedures across acquired businesses;
- difficulty in predicting and responding to issues related to product transition such as development, distribution and client support;
- the possible adverse effect of such acquisitions on existing relationships with third party partners and suppliers of technologies and services;
- the possibility that staff or clients of the acquired companies might not accept new ownership and may transition to different technologies or attempt to renegotiate contract terms or relationships, including maintenance or support agreements;
- the assumption of known and unknown liabilities;
- the possibility that the due diligence process in any such acquisition may not completely identify material issues associated with product quality, product architecture, product development, intellectual property issues, key personnel issues or legal and financial contingencies, including any deficiencies in internal controls and procedures and the costs associated with remedying such deficiencies;
- difficulty in entering geographic and/or business markets in which we have no or limited prior experience;
- diversion of management's attention from other business concerns; and
- the possibility that acquired assets become impaired, requiring us to take a charge to earnings which could be significant.

A failure to successfully integrate acquired businesses or technology in a timely manner could, for any of these reasons, have an adverse effect on our financial condition and results of operations. As a result, we may not be able to realize the expected benefits that we seek to achieve from the acquisitions, which could also affect our ability to service our debt obligations. In addition, we may be required to spend additional time or money on integration that otherwise would be spent on the development and expansion of our business.

If we are unable to attract and retain qualified client service and support personnel, our business and operating results will suffer.

Our client service and support is a key component of our business. Most of our hospital clients have small information technology staffs, and they depend on us to service and support their systems. Future difficulty in attracting, training and retaining capable client service and support personnel could cause a decrease in the overall quality of our client service and support. That decrease would have a negative effect on client satisfaction which could cause us to lose existing clients and could have an adverse effect on our new client sales. The loss of clients due to inadequate client service and support would negatively impact our ability to continue to grow our business.

We periodically have restructured our sales force, which can be disruptive.

We continue to rely heavily on our direct sales force. Periodically, we have restructured or made other adjustments to our sales force in response to factors such as product changes, geographical coverage and other internal considerations. Change in the structures of the sales force and sales force management can result in temporary lack of focus and reduced productivity that may affect revenues in one or more quarters. Future restructuring of our sales force could occur, and if so we may again

experience the adverse transition issues associated with such restructuring.

If we are unable to manage our growth in the new markets we may enter, our business and financial results could suffer.

Our future financial results will depend in part on our ability to profitably manage our business in new markets that we may enter. We are engaging in the strategic identification of, and competition for, growth and expansion opportunities in new markets or offerings. In order to successfully execute on these future initiatives, we will need to, among other things, manage changing business conditions and develop expertise in areas outside of our business's traditional core competencies. Difficulties in managing future growth in new markets could have a significant negative impact on our business, financial condition and results of operations.

Our international business activities and processes expose us to numerous and often conflicting laws, regulations, policies, standards or other requirements, and to risks that could harm our business, financial condition and results of operations.

Our subsidiary, Get Real Health, sells patient engagement technology to hospital systems and government agencies in Canada, Australia, England, the United Arab Emirates and the Netherlands, directly and through resellers, and Evident has had limited sales of EHR software to government agencies in Canada and the Caribbean. Our business in these countries is subject to numerous risks inherent in international business operations. Among others, these risks include:

- data protection and privacy regulations regarding access by government authorities to customer, partner, or employee data;
- data residency requirements (the requirement to store certain data only in and, in some cases, also to access such data only from within a certain jurisdiction);
- conflict and overlap among tax regimes;
- possible tax constraints impeding business operations in certain countries;
- expenses associated with the localization of our products and compliance with local regulatory requirements;
- discriminatory or conflicting fiscal policies;
- operational difficulties in countries with a high corruption perception index;
- difficulties enforcing intellectual property and contractual rights in certain jurisdictions;
- country-specific software certification requirements;
- compliance with various industry standards; and
- market volatilities or workforce restrictions due to changing laws and regulations resulting from political decisions (e.g. Brexit, government elections).

As we expand into new countries and markets, these risks could intensify. The application of the respective local laws and regulations to our business is sometimes unclear, subject to change over time, and often conflicting among jurisdictions. Additionally, these laws and government approaches to enforcement are continuing to change and evolve, just as our products and services continually evolve. Compliance with these varying laws and regulations could involve significant costs or require changes in products or business practices. Non-compliance could result in the imposition of penalties or cessation of orders due to alleged non-compliant activity. We do not believe we have engaged in any activities sanctionable under these laws and regulations, but governmental authorities could use considerable discretion in applying these statutes and any imposition of sanctions against us could be material. One or more of these factors could have an adverse effect on our operations globally or in one or more countries or regions, which could have an adverse effect on our business, financial condition and results of operations.

We face the risks and uncertainties that are associated with litigation against us, which may adversely impact our marketing, distract management and have a negative impact upon our business, results of operations and financial condition.

We face the risks associated with litigation concerning the operation of our business. For example, companies in our industry, including many of our competitors, have been subject to litigation based on allegations of patent infringement or other violations of intellectual property rights. In particular, patent holding companies often engage in litigation to seek to monetize patents that they have obtained. As the number of competitors, patents and patent holding companies in our industry increases, the functionality of our products and services expands, and we enter into new geographies and markets, the number of intellectual property rights-related actions against us is likely to continue to increase. The uncertainty associated with substantial unresolved litigation may have an adverse effect on our business. In particular, such litigation could impair our relationships with existing clients and our ability to obtain new clients. Defending such litigation may result in a diversion of management's time and attention away from business operations, which could have an adverse effect on our business, results of operations and financial condition. Such litigation may also have the effect of discouraging potential acquirers from bidding for us or reducing the consideration such acquirers would otherwise be willing to pay in connection with an acquisition.

There can be no assurance that such litigation will not result in liability in excess of our insurance coverage, that our insurance will cover such claims or that appropriate insurance will continue to be available to us in the future at commercially reasonable rates.

We use offshore third-party partners in India, Panama, the Philippines and Kenya that expose us to risks that could have a material adverse effect on our operating costs.

Our reliance on an international workforce exposes us to business disruptions caused by the political and economic environment in those regions. Terrorist attacks and acts of violence or war may directly affect our workforce or contribute to general instability. Our global business services operations require us to comply with local laws and regulatory requirements, which are complex and of which we may not always be aware, and expose us to foreign currency exchange rate risk. Our global business services operations may also subject us to trade restrictions, reduced or inadequate protection for intellectual property rights, security breaches, and public health events, including the COVID-19 pandemic and other factors which may adversely affect our business. Negative developments in any of these areas could increase our operating costs or otherwise harm our business. In addition, local laws and customs in countries in which we contract with third-party partners may differ from those in the U.S. For example, it may be a local custom for businesses to engage in practices that are prohibited by our internal policies and procedures or U.S. laws and regulations applicable to us, such as the Foreign Corrupt Practices Act ("FCPA"). The FCPA generally prohibits U.S. companies from giving or offering money, gifts, or anything of value to a foreign official to obtain or retain business and requires businesses to make and keep accurate books and records and a system of internal accounting controls. We cannot guarantee that our employees, contractors, and agents will comply with all of our FCPA compliance policies and procedures. If we or our employees, contractors, or agents fail to comply with the requirements of the FCPA or similar legislation, government authorities in the U.S. and elsewhere could seek to impose civil or criminal fines and penalties which could have a material adverse effect on our business, operating results, and financial condition.

RISKS RELATED TO OUR PRODUCTS AND SERVICES

Our failure to develop new products or enhance current products in response to market demands could adversely impact our competitive position and require substantial capital resources to correct.

The needs of hospitals in our target market are subject to rapid change due to government regulation, trends in clinical care practices and technological advancements. As a result of these changes, our products may quickly become obsolete or less competitive. New product introductions and enhancements by our competitors that more effectively or timely respond to changing industry needs may weaken our competitive position.

We continually redesign and enhance our products to incorporate new technologies and adapt our products to ever-changing hardware and software platforms. Often we face difficult choices regarding which new technologies to adopt. If we fail to anticipate or respond adequately to technological advancements, or experience significant delays in product development or introduction, our competitive position could be negatively affected. Moreover, our failure to offer products acceptable to our target market could require us to make significant capital investments and incur higher operating costs to redesign our products, which could negatively affect our financial condition and operating results.

Our products assist clinical decision-making and related care by capturing, maintaining and reporting relevant patient data. If our products fail to provide accurate and timely information, our clients could assert claims against us that could result in substantial cost to us, harm our reputation in the industry and cause demand for our products to decline.

We provide products that assist clinical decision-making and related care by capturing, maintaining and reporting relevant patient data. Our products could fail or produce inaccurate results due to a variety of reasons, including mechanical error, product flaws, faulty installation and/or human error during the initial data conversion. If our products fail to provide accurate and timely information, clients and/or patients could sue us to hold us responsible for losses they incur from these errors. These lawsuits, regardless of merit or outcome, could result in substantial cost to us, divert management's attention from operations and decrease market acceptance of our products. We attempt to limit by contract our liability for damages arising from negligence, errors or mistakes. Despite this precaution, such contract provisions may not be enforceable or may not otherwise protect us from liability for damages. We maintain general liability insurance coverage, including coverage for errors or omissions. However, this coverage may not be sufficient to cover one or more large claims against us or otherwise continue to be available on terms acceptable to us. In addition, the insurer could disclaim coverage as to any future claim.

Breaches of security and viruses in our systems could result in client claims against us and harm to our reputation causing us to incur expenses and/or lose clients.

In the course of our business operations, we compile and transmit confidential information, including patient health information. We have included security features in our systems that are intended to protect the privacy and integrity of this information. Despite the existence of these security features, our system may experience break-ins and similar disruptive problems that could jeopardize the security of information stored in and transmitted through the information technology networks of our clients. In addition, the other systems with which we may interface, such as the Internet and related systems, may be vulnerable to security breaches, viruses, programming errors or similar disruptive problems. Based on the size of our company, the industry in which we operate, and the overall percentage of impacted companies in the same or similar industry, it is probable there will be attempts to breach our security. Healthcare information has become a prime target for attackers based on the value of the information and, therefore, has the potential to increase the risk of us experiencing a cyber attack.

Our systems have experienced various immaterial breaches in the past, including ransomware, denial-of-service, malware, and phishing. Also, our business partners have experienced security breaches, which is disruptive for our customers. While these events have not had an adverse impact on our business or financial condition, security breaches such as these could have a material adverse effect on our financial condition, as, (a) clients could sue us for breaches of security involving our system due to the sensitivity of the medical information we compile and transmit; (b) actual or perceived security breaches in our system could harm the market perception of our products which could cause us to lose existing and prospective clients; and (c) the effect of security breaches and related issues could disrupt our ability to perform certain key business functions and could potentially reduce demand for our products and services. Accordingly, we have expended significant resources toward establishing and enhancing the security of our related infrastructures and we have enhanced our cybersecurity risk management program and disclosure controls and procedures, as discussed under "Business - Our Products and Services." However, no assurance can be given that these efforts will be sufficient to protect against a breach or other cybersecurity incident. Also, maintaining and enhancing our infrastructure security may require us to expend significant capital in the future.

Our networks have been, and likely will continue to be, subject to Distributed Denial of Service ("DDoS") attacks. Recent industry experience has demonstrated that DDoS attacks continue to grow in size and sophistication and have the ability to widely disrupt services. In recent years, the size of DDoS attacks has grown rapidly. While we have adopted mitigation techniques, procedures and strategies to defend against DDoS attacks, there can be no assurance that we will be able to defend against every attack, especially as the attacks increase in size and sophistication. Any attack, even if only partially successful, could disrupt our networks, increase response time, negatively impact our ability to meet our service level obligations, and generally impede our ability to provide reliable service to our customers and the broader internet community.

New products that we introduce or enhancements to our existing products may contain undetected errors or problems that could affect client satisfaction and cause a decrease in revenues.

Highly complex software products such as ours sometimes contain undetected errors or failures when first introduced or when updates and new versions are released. Tests of our products may not detect bugs or errors because it is difficult to simulate our clients' wide variety of computing environments. Despite extensive testing, from time to time we have discovered defects or errors in our products. Defects or errors discovered in our products could cause delays in product introductions and shipments, result in increased costs and diversion of development resources, require design modifications, decrease market acceptance or client satisfaction with our products, cause a loss of revenue, result in legal actions by our clients and cause increased insurance costs.

We may not be successful in convincing customers to migrate to current or future releases of our products, which may lead to reduced services and maintenance revenues and less future business from existing customers.

Our customers may not be willing to incur the costs or invest the resources necessary to complete upgrades to current or future releases of our products. This may lead to our loss of services and maintenance revenues and future business from customers that continue to operate prior versions of our products or choose to no longer use our products.

Failure to maintain our margins and service rates for implementation services could have a material adverse effect on our operating performance and financial condition.

A significant portion of our revenues is derived from implementation services. If we fail to scope our implementation projects correctly, our services margins may suffer. We bill for implementation services predominately on an hourly or daily basis (time and materials) and sometimes under fixed price contracts, and we generally recognize revenue from those services as we perform the work. If we are not able to maintain the current service rates for our time and materials implementation services, without corresponding cost reductions, or if the percentage of fixed price contracts increases and we underestimate the costs of our fixed price contracts, our operating performance may suffer. The rates we charge for our implementation services depend on a number of factors, including the following:

- perceptions of our ability to add value through our implementation services;
- complexity of services performed;
- competition;
- pricing policies of our competitors and of systems integrators;
- the use of globally sourced, lower-cost service delivery capabilities within our industry; and
- economic, political and market conditions.

Services revenues carry lower gross margins than license revenues and an overall increase in services revenues as a percentage of total revenues could have an adverse impact on our business.

Because our service revenues have lower gross margins than do our license revenues, an increase in the percentage of total revenues represented by service revenues could have a detrimental impact on our overall gross margins and could adversely affect operating results.

We may be subject to liability in the event we provide inaccurate claims data to payors.

We offer electronic claims submission services as part of our business management services. While we have implemented certain product features designed to maximize the accuracy and completeness of claims submissions, these features may not be sufficient to prevent inaccurate claims data from being submitted to payors. Should inaccurate claims data be submitted to payors, we may be subject to liability claims.

We may experience liability claims arising out of the licensing of our software and provision of services.

Our agreements normally contain provisions designed to limit our exposure to potential liability claims and generally exclude consequential and other forms of extraordinary damages. However, these provisions could be rendered ineffective, invalid or unenforceable by unfavorable judicial decisions or by federal, state, local or foreign laws or ordinances. For example, we may not be able to avoid or limit liability for disputes relating to product performance or the provision of services. If a claim against us were to be successful, we may be required to incur significant expense and pay substantial damages, including consequential or punitive damages, which could have a material adverse effect on our business, operating results and financial condition. Even if we prevail in contesting such a claim, the accompanying publicity could adversely affect the demand for our products and services.

We also rely on certain technology that we license from third parties, including software that is integrated with our internally developed software. Although these third parties generally indemnify us against claims that their technology infringes on the proprietary rights of others, such indemnification is not always available for all types of intellectual property. Often such third-party indemnifiers are not well capitalized and may not be able to indemnify us in the event that their technology infringes on the proprietary rights of others. As a result, we may face substantial exposure if technology we license from a third party

infringes on another party's proprietary rights. Defending such infringement claims, regardless of their validity, could result in significant cost and diversion of resources.

We are dependent on our licenses of rights, products and services from third parties, disruptions of which may cause us to discontinue, delay or reduce product shipments.

We are increasingly dependent upon licenses for some of the technology used in our products as well as other products and services from third-party vendors, and the costs of these licenses have increased in recent years. Most of these arrangements can be continued/renewed only by mutual consent and may be terminated for any number of reasons. We may not be able to continue using the technology, products or services made available to us under these arrangements on commercially reasonable terms or at all. As a result, we may have to discontinue, delay or reduce product shipments or services provided until we can obtain equivalent technology or services. Most of our third-party licenses are non-exclusive. Our competitors may obtain the right to use any of the business elements covered by these arrangements and use these elements to compete directly with us. In addition, if our vendors choose to discontinue providing their technology, products or services in the future or are unsuccessful in their continued research and development efforts, we may not be able to modify or adapt our own products. The operation of our products would be impaired if errors occur in third party technology or content that we incorporate, and we may incur additional costs to repair or replace the defective technology or content. It may be difficult for us to correct any errors in third party products because the products are not within our control.

Because we believe that proprietary rights are material to our success, misappropriation of these rights could limit our ability to compete effectively and adversely affect our financial condition.

We are heavily dependent on the maintenance and protection of our intellectual property and we rely largely on a combination of confidentiality provisions in our client agreements, employee nondisclosure agreements, trademark and trade secret laws and other measures to protect our intellectual property. Additionally, our software is not patented or copyrighted. Although we attempt to control access to our intellectual property, unauthorized persons may attempt to copy or otherwise use our intellectual property. There can be no assurance that the legal protections and precautions we take will be adequate to prevent misappropriation of our technology or that competitors will not independently develop technologies equivalent or superior to ours. Monitoring unauthorized use of our intellectual property is difficult, and the steps we have taken may not prevent unauthorized use. If our competitors gain access to our intellectual property, our competitive position in the industry could be damaged. An inability to compete effectively could cause us to lose existing and potential clients and experience lower revenues, revenue growth and profit margins. Third parties could obtain patents that may require us to negotiate licenses to conduct our business, and the required licenses may not be available on reasonable terms or at all. We also rely on nondisclosure agreements with certain employees, and we cannot be certain that these agreements will not be breached or that we will have adequate remedies for any breach.

If we are deemed to infringe on the intellectual property rights of third parties, we could incur unanticipated expense and be prevented from providing our products and services if we cannot obtain licenses to these rights on commercially acceptable terms.

We do not believe that our operations or products infringe on the intellectual property rights of others. However, there can be no assurance that others will not assert infringement or trade secret claims against us with respect to our current or future products. Many participants in the technology industry have an increasing number of patents and patent applications and have frequently demonstrated a readiness to take legal action based on allegations of patent and other intellectual property infringement. Further, as the number and functionality of our products increase, we believe we may become increasingly subject to the risk of infringement claims. If infringement claims are brought against us, these assertions could distract management. We may have to spend a significant amount of money and time to defend or settle those claims. In addition, claims against third parties from which we purchase software could adversely affect our ability to access third-party software for our systems.

If we were found to infringe on the intellectual property rights of others, we could be forced to pay significant license fees or damages for infringement. If we were unable to obtain licenses to these rights on commercially acceptable terms, we would be required to discontinue the sale of our products that contain the infringing technology. Our clients would also be required to discontinue the use of those products. We are unable to insure against this risk on an economically feasible basis. Even if we were to prevail in an infringement lawsuit, the accompanying publicity could adversely impact the demand for our products. Under some circumstances, we agree to indemnify our clients for some types of infringement claims that may arise from the use of our products.

Interruptions in our power supply and/or telecommunications capabilities could disrupt our operations, cause us to lose revenues and/or increase our expenses.

We currently have backup generators to be used as alternative sources of power in the event of a loss of power to our facilities. If these generators were to fail during any power outage, we would be temporarily unable to continue operations at our facilities. This would have adverse consequences for our clients who depend on us for system support, business management, and managed IT and professional services. Any such interruption in operations at our facilities could damage our reputation, harm our ability to retain existing clients and obtain new clients, and result in lost revenue and increased insurance and other operating costs.

We also have clients for whom we store and maintain computer servers containing critical patient and administrative data. Those clients access this data remotely through telecommunications lines. If our power generators fail during any power outage or if our telecommunications lines are severed or impaired for any reason, those clients would be unable to access their mission critical data causing an interruption in their operations. In such event our remote access clients and/or their patients could seek to hold us responsible for any losses. We would also potentially lose those clients, and our reputation could be harmed.

RISKS RELATED TO OUR INDEBTEDNESS

Volatility in and disruption to the global capital and credit markets and tightened lending standards may adversely affect our ability to access credit in the future, the cost of any credit obtained in the future, and the financial soundness of our clients and our business.

Domestic and international events have frequently resulted in volatility and disruption to the global capital and credit markets, often adversely affecting the availability, terms and cost of credit. Although we believe that our operating cash flow and financial assets will give us the ability to meet our financing needs for the foreseeable future, there can be no assurance that the volatility and disruption in the global capital and credit markets will not impair our liquidity or increase the costs of any future borrowing.

Our business could also be negatively impacted to the extent that our hospital clients continue to face tight capital and credit markets and other disruptions resulting from the COVID-related economic recession or cuts in Medicare and Medicaid funding. Hospitals may modify, delay or cancel plans to purchase our software systems or services. Additionally, if hospitals' operating and financial performance deteriorates, or if they are unable to make scheduled payments or obtain credit, they may not be able to pay, or may delay payment of, accounts receivable owed to us. Any inability of clients to pay us for our products and services may adversely affect our earnings and cash flow.

Tightened lending standards and the absence of third-party credit has resulted in many of our hospital clients seeking financing arrangements from us to purchase our software systems and services. These financing arrangements impact our short-term operating cash flow and cash available. Should the requests for these financing arrangements continue or increase, our business could be negatively impacted by our inability to finance these arrangements. In addition, the absence of credit could negatively impact our existing financing receivables should our clients with financing arrangements be unable to meet their obligations.

Our substantial indebtedness may adversely affect our available cash flow and our ability to operate our business, remain in compliance with debt covenants and make payments on our indebtedness.

As of December 31, 2021, we had approximately $100.4 million of indebtedness, which includes $69.4 million under our term loan facility and $31.0 million borrowed under our revolving credit facility. We also had $79.0 million of unused commitments under our revolving credit facility as of December 31, 2021. Our acquisition of HRG on March 1, 2022, was funded by an additional $48 million borrowing under our revolving credit facility. As a result, our total indebtedness increased to approximately $148.4 million, with total amounts borrowed under our revolving credit facility increasing to $79 million and related unused commitments decreasing to $31 million.

Our substantial indebtedness increases the possibility that we may be unable to generate cash sufficient to pay, when due, the principal of, interest on or other amounts due in respect of our indebtedness. Our substantial indebtedness, combined with our other financial obligations and contractual commitments, could have important consequences. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness, and any failure to comply with the obligations under any of our debt instruments, including restrictive covenants, could result in an event of default under such instruments;

- make us more vulnerable to adverse changes in general economic, industry and competitive conditions and adverse changes in government regulation;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that are less highly leveraged and therefore able to take advantage of opportunities that our indebtedness prevents us from exploiting; and
- limit our ability to borrow additional amounts for working capital, capital expenditures, acquisitions, debt service requirements, execution of our business strategy or other purposes.

Any of the above listed factors could have a material adverse effect on our business, prospects, results of operations and financial condition. Furthermore, our interest expense could increase if interest rates increase because our debt bears interest at floating rates, which could adversely affect our cash flows. If we do not have sufficient earnings to service our debt, we may be required to refinance all or part of our existing debt, sell assets, borrow more money or sell securities, none of which we can guarantee we will be able to do.

In addition, the credit agreement governing our term loan facility and revolving credit facility contains restrictive covenants that limit our ability to engage in activities that may be in our long-term best interests. See "The terms of the credit agreement governing our term loan facility and revolving credit facility may restrict our current and future operations, particularly our ability to respond to changes in our business or to take certain actions."

Despite our current indebtedness levels, we and our subsidiaries may still be able to incur substantially more debt, which could exacerbate the risks associated with our substantial leverage.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future, including secured indebtedness. Although the credit agreement governing our term loan facility and revolving credit facility contains restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial. If new debt is added to our or our subsidiaries' current debt levels, the related risks that we face would be increased.

To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control, and any failure to meet our debt service obligations could have a material adverse effect on our business, prospects, results of operations and financial condition.

Our ability to pay interest on and principal of our debt obligations principally depends upon our operating performance. As a result, prevailing economic conditions and financial, business and other factors, many of which are beyond our control, will affect our ability to make these payments.

If we do not generate sufficient cash flow from operations to satisfy our debt service obligations, we may have to undertake alternative financing plans, such as refinancing or restructuring our indebtedness, selling assets, reducing or delaying capital investments or capital expenditures or seeking to raise additional capital. Our ability to restructure or refinance our debt, if at all, will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. In addition, the terms of existing or future debt instruments may restrict us from adopting some of these alternatives. Our inability to generate sufficient cash flow to satisfy our debt service obligations, or to refinance our obligations at all or on commercially reasonable terms, could affect our ability to satisfy our debt obligations and have a material adverse effect on our business, prospects, results of operations and financial condition.

The terms of the credit agreement governing our term loan facility and revolving credit facility may restrict our current and future operations, particularly our ability to respond to changes in our business or to take certain actions.

Our term loan facility and revolving credit facility contain, and any future indebtedness of ours would likely contain, a number of restrictive covenants that impose significant operating restrictions, including restrictions on our ability to engage in acts that may be in our best long-term interests.

The credit agreement governing our term loan facility and revolving credit facility includes covenants restricting, among other things, our ability to:

- incur additional debt;
- incur liens and encumbrances;
- pay dividends on our equity securities or payments to redeem, repurchase or retire our equity securities;
- enter into restrictive agreements;
- make investments, loans and acquisitions;
- merge or consolidate with any other person;
- dispose of assets;
- enter into sale and leaseback transactions;
- engage in transactions with our affiliates; and
- materially alter the business we conduct.

The operating restrictions and covenants in these debt agreements and any future financing agreements may adversely affect our ability to finance future operations or capital needs or to engage in other business activities. The credit agreement requires compliance with a consolidated net leverage ratio test. In addition, the credit agreement requires prepayment of the outstanding indebtedness thereunder if we have certain excess cash flow, as described therein. The credit agreement requires us to mandatorily prepay the term loan facility and amounts borrowed under the revolving credit facility with net cash proceeds from certain financing and other transactions. Additionally, the credit agreement requires repayment of the facilities with 50% of excess cash flow (minus certain specified other payments), subject to elimination if our consolidated net leverage ratio is less than or equal to 2.50 to 1.00. Our ability to comply with these covenants may be affected by events beyond our control, and any material deviations from our forecasts could require us to seek waivers or amendments of covenants, alternative sources of financing or reductions in expenditures. In addition, the outstanding indebtedness under our term loan facility and revolving credit facility is, subject to certain exceptions, secured by security interests in substantially all of our and the subsidiary guarantors' tangible and intangible assets (subject to certain exceptions). A breach of any of the restrictive covenants in the credit agreement governing our term loan facility and revolving credit facility would result in a default, and our lenders may elect to declare all outstanding borrowings, together with accrued interest and other fees, to be immediately due and payable, or enforce and foreclose on their security interest and liquidate some or all of such pledged assets. The lenders under our term loan facility and revolving credit facility also have the right in these circumstances to terminate any commitments they have to provide further borrowings.

RISKS RELATED TO OUR COMMON STOCK AND OTHER GENERAL RISKS

We are subject to changes in and interpretations of financial accounting matters that govern the measurement of our performance, one or more of which could adversely affect our business, financial condition, cash flows, revenue and results of operations.

Based on our reading and interpretations of relevant guidance, principles or concepts issued by, among other authorities, the American Institute of Certified Public Accountants, the Financial Accounting Standards Board and the Securities and Exchange Commission, we believe revenue received pursuant to our current sales and licensing contract terms and business arrangements have been properly recognized. However, there continue to be issued interpretations and guidance for applying the relevant standards to a wide range of sales and licensing contract terms and business arrangements that are prevalent in the software industry. Future interpretations or changes by the regulators of existing accounting standards, including Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers,* or changes in our business practices could result in changes in our revenue recognition and/or other accounting policies and practices that could adversely affect our business, financial condition, cash flows, revenue and results of operations.

We may be required to record a significant charge to earnings if our goodwill or intangible assets become impaired.

We are required under U.S. generally accepted accounting principles ("U.S. GAAP") to test our goodwill for impairment annually or more frequently if indicators for potential impairment exist. Indicators that are considered include significant

changes in performance relative to expected operating results, significant changes in the use of the assets, significant negative industry, or economic trends, or a significant decline in the Company's stock price and/or market capitalization for a sustained period of time. In addition, we periodically review our intangible assets for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that may be considered a change in circumstances indicating that the carrying value of our intangible assets may not be recoverable include slower growth rates, the loss of significant clients, or divestiture of a business or asset for less than its carrying value. We may be required to record a significant charge to earnings in our consolidated financial statements during the period in which any impairment of our goodwill or intangible assets is determined. For example, we recorded a goodwill impairment charge of $28.0 million in the fourth quarter of 2017 relating to our Post-acute Care EHR reporting unit, which consists soley of American HealthTech, which we acquired in January 2016 as part of our acquisition of HHI. This impairment charge had a significant negative effect on our consolidated net income for the year ended December 31, 2017.

Any future impairment charges could have a material adverse impact on our results of operations. There are inherent uncertainties in management's estimates, judgments and assumptions used in assessing recoverability of goodwill and intangible assets. Any changes in key assumptions, including failure to meet business plans, a deterioration in the market, or other unanticipated events and circumstances, may affect the accuracy or validity of such estimates and could potentially result in an impairment charge.

The unpredictability of our quarterly operating results may cause us to fail to meet revenues or earnings expectations which could cause the price of our common stock to fluctuate or decline.

There is no assurance that consistent quarterly growth in our business will occur. Our quarterly revenues may fluctuate and may be difficult to forecast for a variety of reasons. For example, prospective clients often take significant time evaluating our system and related services before making a purchase decision. Moreover, a prospective client who has placed an order for our system could decide to cancel that order or postpone installation of the ordered system. If a prospective client delays or cancels a scheduled system installation during any quarter, we may not be able to schedule a substitute system installation during that quarter. The amount of revenues that would have been generated from that installation will be postponed or lost. The possibility of delays or cancellations of scheduled system installations could cause our quarterly revenues to fluctuate.

The following factors may also affect demand for our products and services and cause our quarterly revenues to fluctuate:

- changes in client budgets and purchasing priorities;
- the ability of our clients to obtain financing for the purchase of our products;
- the financial stability of our clients;
- the specific mix of software, hardware and services in orders from clients;
- the timing of new product announcements and product introductions by us and our competitors;
- market acceptance of new products, product enhancements and services from us and our competitors;
- product and price competition;
- our success in expanding our sales and marketing programs;
- the availability and cost of system components;
- delay of revenue recognition to future quarters due to an increase in the sales of our remote access SaaS services;
- the length of sales cycles and installation processes;
- changes in revenue recognition or other accounting guidelines employed by us and/or established by the Financial Accounting Standards Board or other rulemaking bodies;
- accounting policies concerning the timing of recognition of revenue;
- personnel changes; and
- general market and economic factors.

Variations in our quarterly revenues may adversely affect our operating results. In each fiscal quarter, our expense levels, operating costs and hiring plans are based on projections of future revenues and are relatively fixed. Because a significant percentage of our expenses are relatively fixed, a variation in the timing of systems sales, implementations and installations can cause significant variations in operating results from quarter to quarter. As a result, we believe that interim period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as indications of future performance. Further, our historical operating results are not necessarily indicative of future performance for any particular period.

Due to all of the foregoing factors, it is possible that our operating results may be below the expectations of securities analysts and investors. In such event, the price of our common stock would likely be adversely affected.

Our common stock price has periodically experienced significant volatility, which could result in substantial losses for investors purchasing shares of our common stock and in litigation against us.

Volatility may be caused by a number of factors including but not limited to:

- actual or anticipated quarterly variations in operating results;
- rumors about our performance, software solutions, or merger and acquisition activity;
- changes in expectations of future financial performance or changes in estimates of securities analysts;
- governmental regulatory action;
- healthcare reform measures;
- client relationship developments;
- purchases or sales of Company stock;
- changes occurring in the markets in general;
- macroeconomic conditions, both nationally and internationally; and
- other factors, many of which are beyond our control.

Furthermore, the stock market in general, and the market for software, healthcare and high technology companies in particular, has experienced significant volatility in recent years that often has been unrelated to the operating performance of particular companies. These broad market and industry fluctuations may adversely affect the trading price of our common stock, regardless of actual operating performance.

Moreover, in the past, securities class action litigation has often been brought against a company following periods of volatility in the market price of its securities. We may in the future be the target of similar litigation. Securities litigation could result in substantial costs and divert management's attention and resources.

If we fail to maintain effective internal control over financial reporting, this may adversely affect investor confidence in our company and, as a result, the value of our common stock.

We are required under Section 404 of the Sarbanes-Oxley Act to furnish a report by management on the effectiveness of our internal control over financial reporting and to include a report by our independent auditors attesting to such effectiveness. Any failure by us to maintain effective internal control over financial reporting could adversely affect our ability to report accurately our financial condition or results of operations.

If we are unable to maintain effective internal control over financial reporting, or if our independent auditors determine that we have a material weakness in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of our common stock could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, also could restrict our future access to the capital markets.

We do not have employment or non-competition agreements with most of our key personnel, and their departure could harm our future success.

Our future success depends to a significant extent on the leadership and performance of our chief executive officer and other executive officers. We do not have employment or non-competition agreements with any of our executive officers. Therefore, they may terminate their employment with us at any time and may compete against us. The loss of the services of any of our executive officers could have a material adverse effect on our business, financial condition and results of operations.

As a result of the inherent limitations in our internal control over financial reporting, misstatements due to error or fraud may occur and not be detected.

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in reports we file with or submit to the SEC under the Securities Exchange Act of 1934 ("Exchange Act") is accumulated and communicated to management and recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms. We believe that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. In addition, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by an unauthorized override of the controls.

Most of our facilities are located in an area vulnerable to hurricanes and tropical storms, and the occurrence of a severe hurricane, similar storm or other natural disaster could cause damage to our facilities and equipment, which could require us to cease or limit our operations.

A significant portion of our facilities and employees are located within 30 miles of the coast of the Gulf of Mexico. Our facilities are vulnerable to significant damage or destruction from hurricanes and tropical storms. Such disasters may become more frequent and/or severe as the result of climate change. We are also vulnerable to damage from other types of disasters, including tornadoes, fires, floods and similar events. If any disaster were to occur, our ability to conduct business at our facilities could be seriously impaired or completely destroyed. This would have adverse consequences for our clients who depend on us for system support or business management, consulting and managed IT services. Also, the servers of clients who use our remote access services could be damaged or destroyed in any such disaster. This would have potentially devastating consequences to those clients. Although we have an emergency recovery plan, including back-up systems in remote locations, there can be no assurance that this plan will effectively prevent the interruption of our business due to a natural disaster. Furthermore, the insurance we maintain may not be adequate to cover our losses resulting from any natural disaster or other business interruption. Moreover, we could be affected by climate change and other environmental issues to the extent such issues adversely affect the general economy, adversely impact our supply chain or increase the costs of supplies needed for our operations, or otherwise result in disruptions impacting the communities in which our facilities are located.

We are exposed to market risk related to interest rate changes.

We are exposed to market risk related to changes in interest rates as a result of the floating interest rates applicable to the outstanding debt under our term loan facility and revolving credit facility. The interest rate for the outstanding debt under our term loan facility and revolving credit facility as of December 31, 2021 was 2.75%. Borrowings under our term loan facility and revolving credit facility bear interest at a base rate, a LIBOR rate, or a combination of the two, as elected by us, plus an applicable margin. The base rate is determined by reference to the greatest of (a) the prime lending rate of Regions Bank, (b) the federal funds rate for the relevant interest period plus one half of one percent per annum and (c) the one month LIBOR rate plus one percent per annum. The LIBOR rate is determined by reference to the interest rate for dollar deposits in the London interbank market for the interest period relevant to such borrowings, adjusted as set forth in the credit agreement. There is no cap on the maximum interest rate for borrowings under our term loan facility and revolving credit facility. A one hundred basis point change in interest rate on our borrowings outstanding as of December 31, 2021 would result in a change in interest expense of approximately $1.0 million annually.

The Intercontinental Exchange Benchmark Administration has announced its intention to cease publication of all United States Dollar LIBOR rates after June 30, 2023. No consensus currently exists as to what benchmark rate or rates may become accepted alternatives to LIBOR. We cannot currently predict the effect of the discontinuation of, or other changes to, LIBOR or any establishment of alternative reference rates. The uncertainty regarding the future of LIBOR, as well as the transition from LIBOR to any alternative reference rate or rates, could have adverse impacts on floating rate obligations and other financial instruments that currently use LIBOR as a benchmark rate, including our credit facilities with Regions Bank. There is no guarantee that a shift from LIBOR to a new reference rate will not result in increases to our borrowing costs.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

On April 5, 2021, the Company relocated its principal executive office pursuant to a sublease for 20,093 square feet of office space in downtown Mobile, Alabama. Our corporate campus is located on approximately 16.5 acres in Mobile, Alabama and includes approximately 135,500 square feet of office space. Our main campus building consists of approximately 66,000 square feet of office and warehouse space. We also have eleven additional smaller campus buildings consisting of approximately 6,000 square feet of office space each and an additional campus building consisting of approximately 3,500 square feet. The Company also owns 11.3 acres of undeveloped real property adjacent to our corporate campus.

We lease the remainder of our facilities in various locations in the United States, including: Mobile, Alabama; Pottsville, Pennsylvania; Glenwood, Minnesota; Marshall, Minnesota; Plymouth, Minnesota; Ridgeland, Mississippi; Spokane, Washington and Rockville, Maryland. The terms of these leases generally range in length from one to twelve years, and all of the leases contain options to incrementally extend the lease period. During 2021, we had one lease which expired and the Company did not renew: Monroe, Louisiana. Additionally, on July 28, 2021, the Company terminated its lease agreement for approximately 45,000 square feet of office space in Fairhope, Alabama. In 2022, we have two leases that are set to expire: Pottsville, Pennsylvania and Marshall, Minnesota. The Company intends to renew the lease for Pottsville, Pennsylvania and let the Marshall, Minnesota lease expire in the normal course.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are involved in routine litigation that arises in the ordinary course of business. We are not currently involved in any claims outside the ordinary course of business that are material to our financial condition or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market for CPSI Common Stock

As of March 14, 2022, there were approximately 88 registered holders of our common stock, as provided to us by our transfer agent. This number does not include the number of beneficial owners whose shares are held in "street" names by broker-dealers and other institutions who hold shares on behalf of their clients. As of March 14, 2022, there were 14,621,905 shares of common stock outstanding.

CPSI's common stock is listed on the NASDAQ Global Select Market under the symbol "CPSI."

Dividends

On November 2, 2017, the Company announced that our Board of Directors adopted a fixed dividend policy for the payment of quarterly dividends, and on September 4, 2020, our Board of Directors opted to indefinitely suspend all quarterly dividends. The indefinite suspension of quarterly dividends was concurrent with the authorization of a stock repurchase program, aligning with the Company's capital allocation strategy that prioritizes flexibility to allow for more opportunistic uses of capital. Our Board of Directors will take into account such matters as general business conditions, capital needs, our financial results, available liquidity and such other factors as our Board of Directors may deem relevant in future dividend declarations. Additionally, the terms of our Credit Agreement restrict our ability to pay dividends. See Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, "Liquidity and Capital Resources-Credit Agreement" included herein.

Purchases of Equity Securities

The following table summarizes our repurchase of equity securities during the three months ended December 31, 2021:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (a)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (a)
October 1, 2021 - October 31, 2021	—	$ —	—	$ 28,184,550
November 1, 2021 - November 30, 2021	3,134	$ 29.68	3,134	$ 28,091,544
December 1, 2021 - December 31, 2021	—	$ —	—	$ 28,091,544
Total	3,134	$ 29.68	3,134	

(a) On September 4, 2020, our Board of Directors approved a stock repurchase program under which we may repurchase up to $30.0 million of our common stock through September 3, 2022. Any future stock repurchase transactions may be made through open market purchases, privately-negotiated transactions, or otherwise in compliance with Rule 10b-18 under the securities Exchange Act of 1934, as amended.

ITEM 6. [Reserved]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations in conjunction with the "Selected Financial Data" and our financial statements and the related notes included elsewhere in this Annual Report. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to those set forth under "Risk Factors" and elsewhere in this Annual Report.

Background

CPSI is a leading provider of healthcare solutions and services for community hospitals and other healthcare systems and post-acute care facilities. Founded in 1979, CPSI offers its products and services through six companies - Evident, LLC ("Evident"), American HealthTech, Inc. ("AHT"), TruBridge, LLC ("TruBridge"), iNetXperts, Corp. d/b/a Get Real Health ("Get Real Health"), TruCode LLC ("TruCode") and Healthcare Resource Group, Inc. ("HRG"). These combined companies are focused on improving the health of the communities we serve, connecting communities for a better patient care experience, and improving the financial operations of our clients. The individual contributions of each of these companies towards this combined focus are as follows:

- Evident, which makes up our Acute Care EHR reporting segment, provides comprehensive acute care electronic health record ("EHR") solutions, Thrive and Centriq, and related services for community hospitals and their physician clinics.
- AHT, which makes up our Post-acute Care EHR reporting segment, provides a comprehensive post-acute care EHR solution and related services for skilled nursing and assisted living facilities.
- TruBridge, our third reporting segment, focuses on providing business management, consulting, and managed IT services along with its complete revenue cycle management ("RCM") solution for all care settings, regardless of their primary healthcare information solutions provider.
- Get Real Health, included within our TruBridge segment, delivers technology solutions to improve patient outcomes and engagement strategies with care providers.
- TruCode, included within our TruBridge segment, provides configurable, knowledge-based software that gives coders, clinical documentation integrity specialists and auditors the flexibility to code according to their knowledge, preferences and experience.
- HRG, which was acquired on March 1, 2022 and will be included within our TruBridge segment, provides specialized RCM solutions for facilities of all sizes.

Our companies currently support acute care facilities and post-acute care facilities with a geographically diverse customer mix within the domestic community healthcare market. Our target market for our acute care solutions includes community hospitals with fewer than 200 acute care beds. Our primary focus within this defined target market is on hospitals with fewer than 100 beds, which comprise approximately 98% of our acute care hospital EHR client base. The target market for our post-acute care solutions consists of approximately 15,500 skilled nursing facilities that are either independently owned or part of a larger management group with multiple facilities. Our target market for our TruBridge services includes community hospitals with fewer than 600 acute care beds.

See Note 18 to the consolidated financial statements included herein for additional information on our three reportable segments.

Management Overview

Strategy

Our core strategy is to achieve meaningful long-term revenue growth by cross-selling TruBridge services into our existing EHR customer base, expanding TruBridge market share with sales to new community hospitals and larger health systems, and pursuing competitive EHR takeaway opportunities in the acute and post-acute markets. During 2020, we engaged a top-tier international consulting firm to assess our core growth strategy, with the outcome of this eight-week engagement being the

confirmation of our current core strategy and the identification of other innovative potential growth opportunities. We may also seek to grow through acquisitions of businesses, technologies or products if we determine that such acquisitions are likely to help us meet our strategic goals.

The opportunity to cross-sell TruBridge services is greatest within our Acute Care EHR customer base. As such, retention of existing Acute Care EHR customers is a key component of our long-term growth strategy by protecting this base of potential TruBridge customers, while at the same time serving as a leading indicator of our market position and stability of revenues and cash flows.

We determine retention rates by reference to the amount of beginning-of-period Acute Care EHR recurring revenues that have not been lost due to customer attrition from our production environment customer base. Production environment customers are those that are using our applications to document live patient encounters, as opposed to legacy environment customers that have view-only access to historical patient records. Historically, these retention rates had consistently remained in the mid-to-high 90th percentile ranges. However, fiscal years 2017 through 2019 saw retention rates decrease to the low 90th percentile ranges due to, among other factors, (i) post-acquisition customer concerns regarding our long-term commitment to the Centriq platform, acquired in January 2016, (ii) an intensified competitive market, primarily due to aggressive pricing and marketing by a highly disruptive new entrant into the Acute Care EHR marketplace, and (iii) the announced sunset of the Classic platform, also acquired in January 2016. During 2020 and 2021, retention rates returned to the mid-to-high 90th percentile ranges, as (i) the lingering effects of the Centriq acquisition continue to abate, (ii) the competitive environment continues to normalize as the aforementioned disruptive new entrant into this market has since departed the market altogether, and (iii) the Classic platform was sunset in the fourth quarter of 2019, with all related customers having either changed EHR vendors or migrated to one of our remaining EHR solutions.

As we pursue meaningful long-term revenue growth by leveraging TruBridge as a growth agent, we are placing ever-increasing value in further developing our already significant recurring revenue base to further stabilize our revenues and cash flows. As such, maintaining and growing recurring revenues are key components of our long-term growth strategy, aided by the aforementioned focus on customer retention. This includes a renewed focus on driving demand for subscriptions for our existing technology solutions and expanding the footprint for TruBridge services beyond our EHR customer base.

While the combination of revenue growth and operating leverage results in increased margin realization, we also look to increase margins through specific cost containment measures where appropriate as we continue to leverage opportunities for greater operating efficiencies. However, in the immediate future, we anticipate incremental margin pressure from the continued client transition from perpetual license arrangements to “Software as a Service” arrangements as described below.

Industry Dynamics

Turbulence in the U.S. and worldwide economies and financial markets impacts almost all industries. While the healthcare industry is not immune to economic cycles, we believe it is more significantly affected by U.S. regulatory and national health initiatives. In recent years, there have been significant changes to provider reimbursement by the U.S. federal government, followed by commercial payers and state governments. There is increasing pressure on healthcare organizations to reduce costs and increase quality while replacing the fee-for-service reimbursement model in part by enrolling in an advanced payment model that incentivizes high-quality, cost effective-care via value-based reimbursement. This pressure could further encourage adoption of healthcare IT and increase demand for business management, consulting, and managed IT services, as the future success of these healthcare providers is greatly dependent upon their ability to engage patient populations and to coordinate patient care across a multitude of settings, while optimizing operating efficiency along the way.

Additionally, healthcare organizations with a large dependency on Medicare and Medicaid populations, such as community hospitals, have been affected by the challenging financial condition of the federal government and many state governments and government programs. Accordingly, we recognize that prospective hospital clients often do not have the necessary capital to make investments in information technology while those with the necessary capital have become more selective in their investments. Despite these challenges, we believe healthcare IT will be an area of continued investment due to its unique potential to improve safety and efficiency and reduce costs while meeting current and future regulatory, compliance and government reimbursement requirements.

License Model Preferences

Much of the variability in our periodic revenues and profitability has been and will continue to be due to changing demand for different license models for our technology solutions, with variability in operating cash flows further impacted by the financing decisions within those license models. Our technology solutions are generally deployed in one of two license models: (1) perpetual licenses, for which the related revenue is recognized effectively upon installation, and (2) “Software as a Service” or

“SaaS” arrangements, including our Cloud Electronic Health Record (“Cloud EHR”) offering, which generally result in revenue being recognized monthly as the services are provided over the term of the arrangement.

Although the overwhelming majority of our historical installations have been under a perpetual license model, the dramatic shift in customer preferences to a SaaS license model began during 2019, with 43% of the year's new acute care EHR installations being performed in a SaaS model, compared to only 12% in 2018. This shift in customer preference toward the SaaS license model has since continued, with SaaS installations representing approximately 68% of new acute care EHR installations during 2020 and 63% during 2021. These SaaS offerings are becoming increasingly attractive to our clients because this configuration allows them to obtain access to advanced software products without a significant initial capital outlay. We expect this trend to continue for the foreseeable future, with the resulting impact on the Company’s financial statements being reduced system sales revenues in the period of installation in exchange for increased recurring periodic revenues (reflected in system sales and support revenues) over the term of the SaaS arrangement. This naturally places downward pressure on short-term revenue growth and profitability metrics, but benefits long-term revenue growth and profitability which, in our view, is consistent with our goal of delivering long-term shareholder value.

For customers electing to purchase our technology solutions under a perpetual license, we have historically made financing arrangements available on a case-by-case basis, depending on the various aspects of the proposed contract and customer attributes. These financing arrangements continue to comprise the majority of our perpetual license installations, and include short-term payment plans and longer-term lease financing through us or third-party financing companies. During 2018, total financing receivables increased dramatically and had a significant impact on operating cash flows. This increase in financing arrangements was primarily due to two reasons. First, meaningful use stage 3 (“MU3”) installations are primarily financed through short-term payment plans and demand for such installations increased significantly in late 2017. Second, competitor financing options, primarily through accounts receivable management collections and Cloud EHR arrangements, have applied pressure to reduce initial customer capital investment requirements for new EHR installations, leading to the offering of long-term lease options. In 2019, we experienced a modest reduction in total financing receivables due to the natural exhaustion of the MU3 opportunity and the aforementioned dramatic shift in license preferences towards SaaS arrangements, the former of which also resulted in a positive impact to operating cash flows. A more substantial reduction in total financing receivables occurred in 2020, with an even greater reduction during 2021.

For those perpetual license clients not seeking a financing arrangement, the payment schedule of the typical contract is structured to provide for a scheduling deposit due at contract signing, with the remainder of the contracted fees due at various stages of the installation process (delivery of hardware, installation of software and commencement of training, and satisfactory completion of a monthly accounting cycle or end-of-month operation by each respective application, as applicable).

Margin Optimization Efforts

The aforementioned engagement during 2020 with a top-tier international consulting firm to assess our core growth strategy included an element geared towards margin optimization by identifying opportunities to further improve our cost structure. The end result was a margin optimization plan centered around execution against initiatives related to organizational realignment, expanded use of offshore partnerships and the use of automation to increase the efficiency and value of our associates' efforts.

Regarding the organizational realignment, on February 1, 2021, we committed to a reduction in force that resulted in the termination of approximately 1.0% of our workforce (21 employees). The reduction in force is a component of a broader strategic review of the Company's operations that is intended to more effectively align our resources with business priorities. Substantially all of the employees impacted by the reduction in force exited the Company in the first quarter of 2021, with the last of the impacted employees exiting in the third quarter. The Company incurred expenses of approximately $2.7 million related to the reduction in force. These expenses consisted of one-time termination benefits to the affected employees, including but not limited to severance payments, healthcare benefits, and payments for accrued vacation time. As a result of the reduction in force, the Company expects to realize approximately $3.9 million in annual savings compared to prior expense levels.

The remaining margin optimization initiatives of enhanced leveraging of offshore partnerships and automation have commenced and, to date, have provided meaningful efficiencies to our operations, particularly within TruBridge. As a service organization, TruBridge's cost structure is heavily dependent upon human capital, subjecting TruBridge to the complexities and risks associated with this resource. Chief among these complexities and risks is the ever-present pressure of wage inflation, which has recently become a reality as national and international economies recover from the economic downturn caused by the COVID-19 pandemic. We believe that our efforts towards margin optimization are well-timed, enabling a rapid response to actual or expected wage inflation in order to preserve TruBridge gross margins, but we cannot guarantee that these efforts will fully eliminate any related margin deterioration.

Labor Capitalization

During the second quarter of 2021, our ongoing monitoring activities associated with the capitalization of software development costs and the related correlation between capitalization rates and operational metrics designed to reflect the distribution of work revealed that our then-current labor capitalization methodology did not fully reflect all of the critical activities necessary to develop software assets. Consequently, during the second quarter of 2021, we elected to change our method of estimating the labor costs incurred in developing software assets requiring capitalization under ASC 350-40, *Internal Use of Software*. Prior to this change, we estimated the associated labor costs using an estimated time-equivalent for workload metrics commonly utilized within agile software development environments. With this change, we now estimate these labor costs using the distribution of these agile workload metrics between capitalizable and non-capitalizable units of work. We believe this change is preferable as the new methodology better estimates capitalizable labor costs and is consistent with industry best practices. We have determined that this change in accounting for software development costs is a change in accounting estimate effected by a change in accounting principle and, as such, has been accounted for on a prospective basis. In connection with this change, we capitalized $8.8 million of software development costs during 2021. We estimate that the effect of this change was to increase capitalized amounts by approximately $4.6 million during 2021 with a corresponding decrease to product development costs.

COVID-19

The continuing impacts of COVID-19 and related economic conditions on the Company's results are highly uncertain and outside the Company's control. The scope, duration and magnitude of the direct and indirect effects of COVID-19 continue to evolve in ways that are difficult or impossible to anticipate.

At the outset of the COVID-19 pandemic, community hospital patient volumes in the United States and other countries around the world rapidly deteriorated, negatively impacting the revenues, gross margins, and income of our TruBridge service offerings. Although these patient volumes have since largely recovered, the persistence of the pandemic and the unprecedented nature of the resulting challenges it has imposed on national and global healthcare and economic systems make the path to complete recovery uncertain for community hospitals and may negatively impact the future financial performance of our TruBridge services. Additionally, new EHR system installations have been, and may continue to be, negatively impacted by restrictive travel and social distancing protocols. The Company began to experience these impacts in March 2020, which increased in significance during the second quarter of 2020 before gradually improving over the remainder of 2020 and 2021. However, uncertainty remains with respect to the pace of economic recovery, as well as the potential for resurgence in transmission of COVID-19 and related business closures due to the emergence of virus variants and vaccine hesitancy and refusal among various populations.

The Company expects the negative impacts of the pandemic to continue for the foreseeable future, but the degree of the impact will depend on the ability of our community hospital clients to return to normal operations and patient volume. We believe that COVID-19 has impacted, and will continue to impact, our business results in the following additional areas:

- Bookings – A decline in new business and add-on bookings as certain client purchasing decisions and projects are delayed to focus on treating patients, procuring necessary medical supplies, and managing their organization through this crisis. This decline in bookings eventually results in reduced backlog and lower subsequent revenue.
- TruBridge revenues - Decreased levels of patient volume within our community hospital client base negatively impact our revenues for our TruBridge service offerings as the overwhelming majority of TruBridge revenues are directly or indirectly correlated with client patient volumes. This decline in revenues has a negative impact on gross margins and income. Although TruBridge revenues have improved significantly from their pandemic-caused lows, we cannot predict the potential negative impacts any COVID-19 resurgence will have on patient volumes and the resulting revenues.
- Associate productivity – A decline in associate productivity, primarily for our implementation personnel, as a large amount of work is typically done at client sites, which is being impacted by travel restrictions and our clients' focus on the pandemic. Our clients' focus on the pandemic has also led to pauses on existing projects and postponed start dates for others, which translates into lower implementation revenues, gross margin and income. We are mitigating this by doing more work remotely than we have in the past, but we cannot fully offset the negative impact.
- Travel – Associate travel restrictions reduce client-related travel, which reduces reimbursed travel revenues and lowers our costs of sales as a percent of revenues. Such restrictions also reduce non-reimbursable travel, which lowers operating expenses. While travel has begun to rebound with the easing of certain COVID-19 travel restrictions, any COVID-19 resurgence may result in the re-imposition of travel restrictions.

- Cash collections – A delay in client cash collections due to COVID-19's impact on national reimbursement processes, and client focus on managing their own organizations' liquidity during this time, impact our cash collections. The federal government has allocated unprecedented resources specifically designed to assist healthcare providers with their operating and capital needs during the pandemic, allocating a total of $175 billion through the Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Fund. While these funds certainly helped mitigate the financial pressures our clients faced, the clinical and operational challenges remain immense and are likely to cause certain of our customers to continue to aggressively manage cash resources in order to preserve liquidity, resulting in uncharacteristic aging of our trade accounts receivable. Additionally, the aforementioned decrease in community hospital patient volumes has had, and will continue to have, a negative impact on TruBridge billings for services and resulting revenues. These factors translate to lower cash flows from operating activities, which may impact how we execute under our capital allocation strategy and may adversely affect our financial condition.

2021 Financial Overview

We generated revenues of $280.6 million from the sale of our products and services during 2021, compared to $264.5 million during 2020, an increase of 6% that is primarily attributed to the aforementioned improvement in hospital patient volumes from the early days of the COVID-19 pandemic and the corresponding positive impact on TruBridge revenues. This increase in revenues is the primary driver behind the corresponding increase in net income, which increased by $4.2 million to $18.4 million during 2021, compared to $14.2 million during 2020. Despite this increased profitability, net cash provided by operating activities decreased by $1.4 million, from $49.1 million provided by operations during 2020 to $47.7 million provided by operations for 2021 as the aforementioned revenue increase coupled with delayed client cash collections resulted in a significant expansion of accounts receivable.

Results of Operations

The following table sets forth certain items included in our results of operations for each of the three years in the period ended December 31, 2021, expressed as a percentage of our total revenues for these periods:

	Year ended December 31,					
	2021		2020		2019	
(In thousands)	Amount	% Sales	Amount	% Sales	Amount	% Sales
INCOME DATA:						
Sales revenues:						
System sales and support:						
Acute Care EHR	$ 125,379	44.7 %	$ 134,770	51.0 %	$ 144,074	52.5 %
Post-acute Care EHR	17,730	6.3 %	18,184	6.9 %	21,278	7.7 %
Total system sales and support	143,109	51.0 %	152,954	57.8 %	165,352	60.2 %
TruBridge	137,520	49.0 %	111,534	42.2 %	109,282	39.8 %
Total sales revenues	280,629	100.0 %	264,488	100.0 %	274,634	100.0 %
Costs of sales:						
System sales and support:						
Acute Care EHR	65,776	23.4 %	64,540	24.4 %	68,569	25.0 %
Post-acute Care EHR	4,888	1.7 %	4,821	1.8 %	5,303	1.9 %
Total system sales and support	70,664	25.2 %	69,361	26.2 %	73,872	26.9 %
TruBridge	69,083	24.6 %	58,881	22.3 %	56,617	20.6 %
Total costs of sales	139,747	49.8 %	128,242	48.5 %	130,489	47.5 %
Gross profit	140,882	50.2 %	136,246	51.5 %	144,145	52.5 %
Operating expenses:						
Product development	30,389	10.8 %	33,457	12.6 %	36,861	13.4 %
Sales and marketing	21,978	7.8 %	22,835	8.6 %	26,495	9.6 %
General and administrative	50,022	17.8 %	47,479	18.0 %	45,200	16.5 %
Amortization of acquisition-related intangibles	13,786	4.9 %	11,421	4.3 %	11,006	4.0 %
Total operating expenses	116,175	41.4 %	115,192	43.6 %	119,562	43.5 %
Operating income	24,707	8.8 %	21,054	8.0 %	24,583	9.0 %
Other income (expense):						
Other income	1,529	0.5 %	1,494	0.6 %	807	0.3 %
Gain on contingent consideration	—	— %	—	— %	5,000	1.8 %
Loss on extinguishment of debt	—	— %	(202)	(0.1)%	—	— %
Interest expense	(3,160)	(1.1)%	(3,562)	(1.3)%	(6,694)	(2.4)%
Total other income (expense)	(1,631)	(0.6)%	(2,270)	(0.9)%	(887)	(0.3)%
Income before taxes	23,076	8.2 %	18,784	7.1 %	23,696	8.6 %
Provision for income taxes	4,646	1.7 %	4,538	1.7 %	3,228	1.2 %
Net income	$ 18,430	6.6 %	$ 14,246	5.4 %	$ 20,468	7.5 %

2021 Compared to 2020

Revenues

Total revenues for the year ended December 31, 2021 increased by $16.1 million, or 6%, compared to the year ended December 31, 2020.

System sales and support revenues, consisting of the Acute Care EHR and Post-acute Care EHR segments, decreased by $9.8 million, or 6%, from the year ended December 31, 2020. System sales and support revenues were comprised of the following for the years ended December 31, 2021 and 2020:

	Year ended December 31,	
(In thousands)	2021	2020
Recurring system sales and support revenues [1]		
Acute Care EHR	$ 108,440	$ 105,597
Post-acute Care EHR	16,472	16,272
Total recurring system sales and support revenues	124,912	121,869
Non-recurring system sales and support revenues [2]		
Acute Care EHR	16,939	29,173
Post-acute Care EHR	1,258	1,912
Total non-recurring system sales and support revenues	18,197	31,085
Total system sales and support revenue	$ 143,109	$ 152,954

[1] Mostly comprised of support and maintenance, third-party subscriptions, and SaaS revenues.

[2] Mostly comprised of installation revenues from the sale of our acute and post-acute care EHR solutions and related applications under a perpetual (non-subscription) licensing model.

Recurring system sales and support revenues increased by $3.0 million, or 2%, during 2021. Acute Care EHR recurring revenues increased by $2.8 million, or 3%, as attrition from the Thrive and Centriq customer base has normalized to more historical levels and our SaaS customer base has continued to grow, strengthening recurring revenues. Post-acute Care EHR recurring revenues increased by $0.2 million, or 1%, as attrition has stabilized as we continue to make technological improvements to the AHT product line.

Non-recurring system sales and support revenues decreased by $12.9 million, or 41%, mostly driven by a $12.2 million, or 42%, decrease in Acute Care EHR non-recurring revenues. We installed our Acute Care EHR solutions at sixteen new hospital clients during 2021 (ten of which were under a SaaS arrangement, resulting in revenue being recognized ratably over the contract term; comparatively, revenues related to perpetual license arrangements are recognized when the related installation is complete) compared to twenty-five new hospital clients during 2020 (seventeen of which were under a SaaS arrangement). In addition to the decrease in the number of non-SaaS new customer implementations, the related non-recurring revenues decreased as 2020 benefited from a high volume of late-installing applications for non-SaaS implementations that went live in prior periods. Comparatively, the continued shift in customer preferences towards SaaS arrangements and the continuing impacts of COVID-19 on client purchasing and implementation plans have decreased the opportunities for such follow-on revenue activities for recent implementations and decreased demand for add-on applications within our existing Acute Care EHR customer base.

TruBridge revenues increased by $26.0 million, or 23%, compared to 2021. Our hospital clients operate in an environment typified by rising costs and increased complexity and are increasingly seeking to alleviate themselves of the ever-increasing administrative burden of operating their own business office functions. This increasing demand for services, coupled with the aforementioned impact of improving hospital patient volumes on TruBridge revenues, resulted in revenue increases of $8.6 million, or 21%, for our accounts receivable management services; $5.7 million, or 18%, for our insurance services division; and $1.4 million, or 16%, for our medical coding services. Additionally, increased demand for patient engagement solutions resulted in a revenue increase of $2.2 million, or 53%, related to GRH's solutions and services. Lastly, the acquisition of TruCode in May 2021 resulted in an additional $7.4 million of revenue during 2021.

Costs of Sales

Total costs of sales increased by $11.5 million compared to 2020. As a percentage of total revenues, costs of sales increased to 50% of revenues during 2021 from 48% during 2020.

Costs of Acute Care EHR system sales and support increased by $1.2 million, or 2%, compared to 2020, as our increased usage of vendor partnerships to fulfill customer needs increased the related costs of third-party software by $3.6 million, which was partially offset by a $2.1 million decrease in hardware costs associated with the decrease in non-recurring revenues. The gross margin on Acute Care EHR system sales and support decreased to 48% in 2021 from 52% in 2020, as the increase in costs of sales worked in tandem with decreased non-recurring revenues to decrease margins.

Costs of Post-acute Care EHR system sales and support increased slightly to $4.9 million in 2021 from $4.8 million in 2020. This slight increase in costs of sales coupled with the aforementioned decrease in non-recurring revenues resulted a slight decrease in the related gross margins to 72% in 2021 compared to 73% in 2020.

Our costs associated with TruBridge sales and support increased by $10.2 million, or 17%, in 2021, primarily driven by resource expansion necessitated by the growing customer base and improved patient volumes. The acquisition of TruCode in May 2021 resulted in an additional $1.7 million of costs of sales during 2021. The gross margin on these services increased to 50% in 2021, compared to 47% during 2020, as the growing recurring revenue base worked in tandem with operational efficiencies to increase margins.

Product Development

Product development expenses consist primarily of compensation and other employee-related costs (including stock-based compensation) and infrastructure costs incurred, but not capitalized, for new product development and product enhancements. Product development costs decreased by $3.1 million, or 9%, compared to 2020, with the primary driver being a $5.5 million, or 165%, increase in product development labor capitalization pursuant to the aforementioned change in our method of estimating the labor costs incurred in developing software assets requiring capitalization under ASC 350-40, *Internal Use Software*. This increased capitalization rate was partially offset by increased amortization of the related assets and increased payroll costs associated with expanding resources. The acquisition of TruCode in May 2021 resulted in $0.8 million of additional product development expenses during 2021.

Sales and Marketing

Sales and marketing costs decreased by $0.9 million, or 4%, compared to 2020. The aforementioned reduction-in-force combined with reduced non-recurring revenues resulted in decreased payroll and commission expenses. The acquisition of TruCode in May 2021 resulted in $0.4 million of additional sales and marketing expenses during 2021.

General and Administrative

General and administrative expenses increased by $2.5 million, or 5%, compared to 2020, mostly due to $2.5 million in severance costs associated with our 2021 reduction-in-force, an increase of $0.8 million in employee health claims, and the acquisition of TruCode in May 2021, which resulted in $1.1 million of additional general and administrative expenses during 2021 (exclusive of non-recurring transaction-related costs). Partially offsetting this aggregate $4.4 million increase in severance, employee health claims, and TruCode-related costs was a $1.8 million decrease in bad debt expense due to generally improved collections experience and the lack of any severe collectability determinations for customers with large receivables balances.

Amortization of Acquisition-Related Intangibles

Amortization expense associated with acquisition-related intangible assets increased by $2.4 million, or 21%, due to changes in estimates regarding the remaining useful lives of certain of our acquired intangible assets combined with the amortization of intangibles acquired in the TruCode acquisition.

Total Operating Expenses

As a percentage of total revenues, total operating expenses decreased to 41% in 2021 compared to 44% in 2020.

Total Other Income (Expense)

Total other income (expense) improved to expense of $1.6 million during 2021 compared to expense of $2.3 during 2020. This improvement was mostly attributable to a decreasing interest rate environment and lowered average amounts outstanding under our long-term debt facilities, resulting in a $0.4 million decrease in related interest expense.

Income Before Taxes

As a result of the foregoing factors, income before taxes increased to $23.1 million in 2021, compared to $18.8 million in 2020.

Provision for Income Taxes

Our effective income tax rates for 2021 and 2020 were 20% and 24%, respectively. Lowered provision-to-return adjustments resulted in an incremental 2.6% decrease in our effective tax rate for 2021 compared to 2020, while decreased tax shortfalls related to stock-based compensation arrangements resulted in an incremental 1.9% decrease in our effective tax rate for 2021 compared to 2020.

Net Income

Net income for 2021 increased by $4.2 million to $18.4 million, or $1.26 per basic and diluted share, compared with $14.2 million, or $0.98 per basic and diluted share, for 2020.

2020 Compared to 2019

To review the results of operations comparison of the year ended December 31, 2020 compared with the year ended December 31, 2019, please refer to our Annual Report on Form 10-K filed on March 12, 2021 with the Securities and Exchange Commission or follow the link below.

https://www.sec.gov/ix?doc=/Archives/edgar/data/1169445/000162828021004641/cpsi-20201231.htm

Liquidity and Capital Resources

Sources of Liquidity

As of December 31, 2021, our principal sources of liquidity consisted of cash and cash equivalents of $11.4 million and our remaining borrowing capacity under the revolving credit facility of $79.0 million, compared to $12.7 million of cash and cash equivalents and $105.0 million of remaining borrowing capacity under the revolving credit facility as of December 31, 2020. In conjunction with our acquisition of HHI in January 2016, we entered into a syndicated credit agreement which provided for a $125 million term loan facility and a $50 million revolving credit facility. On June 16, 2020, we entered into an Amended and Restated Credit Agreement that increased the aggregate principal amount of our credit facilities to $185 million, which includes a $75 million term loan facility and a $110 million revolving credit facility.

As of December 31, 2021, we had $100.4 million in principal amount of indebtedness outstanding under the credit facilities. We believe that our cash and cash equivalents of $11.4 million as of December 31, 2021, the future operating cash flows of the combined entity, and our remaining borrowing capacity under the revolving credit facility of $79.0 million as of December 31, 2021, taken together, provide adequate resources to fund ongoing cash requirements for the next twelve months and beyond. We cannot provide assurance that our actual cash requirements will not be greater than we expect as of the date of filing of this Annual Report on Form 10-K. If sources of liquidity are not available or if we cannot generate sufficient cash flow from operations during the next twelve months, we may be required to obtain additional sources of funds through additional operational improvements, capital market transactions, asset sales or financing from third parties, a combination thereof or otherwise. We cannot provide assurance that these additional sources of funds will be available or, if available, would have reasonable terms. Aside from normal operating cash requirements, obligations under our Credit Agreement (as discussed below) and operating leases (see Note 15 - Operating Leases for further information), and opportunistic uses of capital in share repurchases and business acquisition transactions, we do not have any material cash commitments or planned cash commitments. Although the Company currently has no obligations related to planned acquisitions, the Company's strategy includes the potential for future acquisitions, which may be funded thorough draws on the credit facilities or the use of the other sources of liquidity described above. On March 1, 2022, we made a draw of $48.0 million on the revolving credit facility in connection with the closing of the HRG acquisition, leaving a remaining $31.0 million of available borrowing capacity under the revolving credit facility as of that date. A portion of the proceeds from the draw, together with available cash on hand, was used by CPSI to make the various required payments at the closing of the acquisition

Operating Cash Flow Activities

Net cash provided by operating activities decreased by $1.4 million, from $49.1 million for 2020 to $47.7 million for 2021, despite a $4.2 million increase in net income from 2020 to 2021. The decrease in cash flows provided by operating activities was primarily due to less cash-advantageous changes in working capital, most notably as it relates to accounts receivable. During 2020, accounts receivable contracted by $6.4 million, or 16%, driven by a 4% reduction in annual revenues coupled with a significant decrease in days sales outstanding ("DSO") from 52 days to 45 days. During 2021, accounts receivable expanded by $2.0 million, or 6%, driven by a corresponding 6% increase in annual revenues with DSO remaining unchanged at

45 days. The resulting impact to operating cash flows was a $3.7 million increase during 2020 compared to a $3.2 million decrease during 2021.

Investing Cash Flow Activities

Net cash used in investing activities increased from $6.7 million in 2020 to $69.9 million during 2021. Most notably, we used $59.6 million of cash during 2021 to fund our acquisition of TruCode, with no such acquisitions occurring during 2020. Cash outflows for purchases of property and equipment decreased from $3.3 million in 2020 to $0.9 million during 2021. This decrease in cash outflows is mostly due to the addition of a West Coast data center to enhance our remote hosting capabilities in 2020 without similar capital expenditures during 2021. Lastly, cash outflows related to capitalized internal software development efforts increased by $6.0 million due to the aforementioned change in methodology for estimating labor costs eligible for capitalization.

Financing Cash Flow Activities

During 2021, our financing activities were a net source of cash in the amount of $20.9 million, as $61.0 million in borrowings from our revolving line of credit were offset by long-term debt principal payments of $38.8 million and $1.3 million used to repurchase shares of our common stock, which are treated as treasury stock. Financing activities used $37.0 million during 2020, primarily due to $31.6 million net paid in long-term debt principal, $4.3 million cash paid in dividends and $1.3 million used to repurchase shares of our common stock.

On September 4, 2020, our Board of Directors approved a stock repurchase program to repurchase up to $30.0 million in aggregate amount of the Company's outstanding shares of common stock through open market purchases, privately-negotiated transactions, or otherwise in compliance with Rule 10b-18 under the Securities Exchange Act of 1934, as amended. These shares may be purchased from time to time over a two-year period depending upon market conditions. Our ability to repurchase shares is subject to compliance with the terms of our Amended and Restated Credit Agreement. Concurrent with the authorization of this stock repurchase program, the Board of Directors opted to indefinitely suspend all quarterly dividends.

Credit Agreement

As of December 31, 2021, we had $69.4 million in principal amount outstanding under the term loan facility and $31.0 million in principal amount outstanding under the revolving credit facility. Each of our credit facilities continues to bear interest at a rate per annum equal to an applicable margin plus, at our option, either (1) the Adjusted LIBOR rate for the relevant interest period, subject to a floor of 0.50%, (2) an alternate base rate determined by reference to the greater of (a) the prime lending rate of Regions, (b) the federal funds rate for the relevant interest period plus one half of one percent per annum and (c) the one month LIBOR rate, subject to the aforementioned floor, plus one percent per annum, or (3) a combination of (1) and (2). The applicable margin range for LIBOR loans and the letter of credit fee ranges from 1.8% to 3.0%. The applicable margin range for base rate loans ranges from 0.8% to 2.0%, in each case based on the Company's consolidated net leverage ratio.

Principal payments with respect to the term loan facility are due on the last day of each fiscal quarter beginning September 30, 2020, with quarterly principal payments of approximately $0.9 million through June 30, 2022, approximately $1.4 million through June 30, 2024 and approximately $1.9 million through March 31, 2025, with maturity on June 16, 2025 or such earlier date as the obligations under the Amended and Restated Credit Agreement become due and payable pursuant to the terms of such agreement. Any principal outstanding under the revolving credit facility is due and payable on the maturity date.

Our credit facilities are secured pursuant to an Amended and Restated Pledge and Security Agreement, dated June 16, 2020, among the parties identified as obligors therein and Regions, as collateral agent, on a first priority basis by a security interest in substantially all of the tangible and intangible assets (subject to certain exceptions) of the Company and certain subsidiaries of the Company, as guarantors (collectively, the “Subsidiary Guarantors”), including certain registered intellectual property and the capital stock of certain of the Company’s direct and indirect subsidiaries. Our obligations under the Amended and Restated Credit Agreement are also guaranteed by the Subsidiary Guarantors.

The Amended and Restated Credit Agreement provides incremental facility capacity of $50 million, subject to certain conditions. The Amended and Restated Credit Agreement includes a number of restrictive covenants that, among other things and in each case subject to certain exceptions and baskets, impose operating and financial restrictions on the Company and the Subsidiary Guarantors, including the ability to incur additional debt; incur liens and encumbrances; make certain restricted payments, including paying dividends on the Company's equity securities or payments to redeem, repurchase or retire the Company's equity securities (which are subject to our compliance, on a pro forma basis to give effect to the restricted payment, with the fixed charge coverage ratio and consolidated net leverage ratio described below); enter into certain restrictive agreements; make investments, loans and acquisitions; merge or consolidate with any other person; dispose of assets; enter into

sale and leaseback transactions; engage in transactions with affiliates; and materially alter the business we conduct. The Amended and Restated Credit Agreement requires the Company to maintain a minimum fixed charge coverage ratio of 1.25:1.00 throughout the duration of such agreement. Under the Amended and Restated Credit Agreement, the Company is required to comply with a maximum consolidated net leverage ratio of 3.50:1.00. The Amended and Restated Credit Agreement also contains customary representations and warranties, affirmative covenants and events of default. We believe that we were in compliance with the covenants contained in such agreement as of December 31, 2021.

The Amended and Restated Credit Agreement requires the Company to mandatorily prepay the credit facilities with 50% of excess cash flow (minus certain specified other payments). This mandatory prepayment requirement is applicable only if the Company's consolidated net leverage ratio exceeds 2.50:1.00. The Company is permitted to voluntarily prepay our credit facilities at any time without penalty, subject to customary “breakage” costs with respect to prepayments of LIBOR rate loans made on a day other than the last day of any applicable interest period. The excess cash flow mandatory prepayment requirement under the credit agreement did not result in a prepayment in 2021 or 2020.

Bookings

Bookings is a key operational metric used by management to assess the relative success of our sales generation efforts, and were as follows for the years ended December 31, 2021 and 2020, respectively:

(In thousands)	2021	2020
System sales and support [1]		
Acute Care EHR	$ 37,633	$ 42,449
Post-acute Care EHR	3,240	6,341
Total system sales and support	40,873	48,790
TruBridge [2]	29,340	33,238
Total bookings	$ 70,213	$ 82,028

[1] Generally calculated as the total contract price (for system sales) including annualized contract value (for support) for perpetual license system sales and total contract price for SaaS sales.

[2] Generally calculated as the total contract price (for non-recurring, project-related amounts) and annualized contract value (for recurring amounts).

Sales activities during the first half of 2021 suffered from a number of incremental headwinds, chief among them being (a) COVID-19 related distractions, including increased infection rates for certain geographies and widespread focus on eventual vaccine rollouts, (b) reorganization transitions related to our February 2021 reduction-in-force, and (c) lower-value regulatory purchases required by the Centers for Medicare and Medicaid Services' Hospital Price Transparency mandate requiring hospitals to provide clear, accessible pricing information online. These topics disproportionately dominated sales discussions and resources. Such headwinds began dissipating during the third quarter of 2021, resulting in overall bookings growth of $2.2 million, or 5%, for the second half of 2021 compared to the second half of 2020. However, the significant impact of these headwinds placed severe pressure on bookings for the first half of the year, resulting in bookings for 2021 that were $11.8 million, or 14%, below 2020 levels.

Acute Care EHR bookings in 2021 decreased by $4.8 million, or 11%, compared to 2020, as the impact of the aforementioned headwinds on bookings experienced during the first half of 2021 outweighed the increased strength in demand for new EHR installations during the second half of 2021.

Bookings for our Post-acute EHR segment decreased by $3.1 million, or 49%. Bookings volumes during the second and third quarters of 2020 were unusually high, representing the highest bookings periods for this business segment since 2016. By comparison, bookings for 2021 were significantly impacted by the aforementioned headwinds.

TruBridge bookings decreased by $3.9 million, or 12%, despite large international client wins propelling a record year for GRH bookings, which increased to $9.0 million in 2021 compared to $2.4 million during 2020. Exclusive of GRH, TruBridge bookings from existing EHR customers decreased by $7.4 million, or 36%, from 2020 levels while bookings from outside our EHR client base decreased by $3.1 million, or 29%, due to the aforementioned headwinds.

Bookings represent our sales activity during the periods reported above. The amount and volume of pending contracts at the end of the period is described under “Business – Backlog.” Some of the contracts in our backlog are subject to modification or cancellation at the convenience of the customer, or for default in the event that we are unable to perform under the contract.

There can be no assurance that our bookings or backlog will result in actual revenue in any particular period, or at all, or that any contract included in backlog will be profitable.

Critical Accounting Policies and Estimates

General

Our discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. We are required to make some estimates and judgments that affect the preparation of these financial statements. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, but actual results may differ from these estimates under different assumptions or conditions.

Revenue Recognition

Revenue is recognized upon transfer of control of promised products or services to clients in an amount that reflects the consideration we expect to receive in exchange for those products and services. We enter into contracts that can include various combinations of products and services, which are generally distinct and accounted for as separate performance obligations. The Company employs the 5-step revenue recognition model under ASC 606, *Revenue from Contracts with Customers,* to: (1) identify the contract with the client, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue is recognized net of shipping charges and any taxes collected from clients, which are subsequently remitted to governmental authorities.

System Sales and Support

The Company enters into contractual obligations to sell perpetual software licenses, installation, conversion and related training services, software application support, hardware, and hardware maintenance services to acute care community hospitals and post-acute care providers.

- Non-recurring Revenues
  - Perpetual software licenses and installation, conversion, and related training services are not considered separate and distinct performance obligations due to the proprietary nature of our software and are, therefore, accounted for as a single performance obligation on a module-by-module basis. Revenue is recognized as each module's implementation is completed based on the module's stand-alone selling price ("SSP"), net of discounts. We determine each module's SSP using the residual method. Fees for licenses and installation, conversion, and related training services are typically due in three installments: (1) at placement of order, (2) upon installation of software and commencement of training, and (3) upon satisfactory completion of monthly accounting cycle or end-of-month operation by application and as applicable for each application. Often, short-term and/or long-term financing arrangements are provided for software implementations; refer to Note 11 - Financing Receivables for further information. Electronic health records ("EHR") implementations include a system warranty that terminates thirty days from the software go-live date, the date which the client begins using the system in a live environment.
  - Hardware revenue is recognized on a gross basis separately from software licenses at the point in time it is delivered to the client. The SSP of hardware is cost plus a reasonable margin. Payment is generally due upon delivery of the hardware to the client. Standard manufacturer warranties apply to hardware.
- Recurring Revenues
  - Software application support and hardware maintenance services sold with software licenses and hardware are separate and distinct performance obligations. Revenue for support and maintenance services is recognized based on SSP, which is the renewal price, ratably over the life of the contract, which is generally three to five years. Payment is due monthly for support services provided.
  - Subscriptions to third party content revenue is recognized on a gross basis as a separate performance obligation ratably over the subscription term based on SSP, which is cost plus a reasonable margin. Payment is due monthly for subscriptions to third party content.

- Software as a Service ("SaaS") arrangements for EHR software and related conversion and training services are considered a single performance obligation. Revenue is recognized on a monthly basis as the SaaS service is provided to the client over the contract term. Payment is due monthly for SaaS services provided.

TruBridge

TruBridge provides an array of business processing services ("BPS") consisting of accounts receivable management, private pay services, insurance services, medical coding, electronic billing, statement processing, payroll processing, and contract management. Fees are recognized over the period of the client contractual relationship as the services are performed based on the SSP, net of discounts. SSP for TruBridge BPS services is determined based on observable stand-alone selling prices. Fees for many of these services are invoiced, and revenue recognized accordingly, based on the volume of transactions or a percentage of client accounts receivable collections. Payment is due monthly for BPS with certain amounts varying based on utilization and/or volumes.

TruBridge also provides professional IT services. Revenue from professional IT services is recognized as the services are performed based on SSP, which is determined by observable stand-alone selling prices. Payment is due monthly as services are performed.

Lastly, TruBridge also provides certain software solutions and related support under SaaS arrangements and time-based software licenses. Revenue from SaaS arrangements is recognized in a manner consistent with SaaS arrangements for EHR software, as discussed above. Revenue from time-based software licenses is recognized upon delivery to the client (“point in time”) and revenue from non-license components (i.e., support) is recognized ratably over the respective contract term (“over time”). SSP for time-based licenses is determined using the residual approach, while the non-license component is based on cost plus reasonable margin.

Our contracts with clients often include promises to transfer multiple products and services. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment.

Judgment is required to determine SSP for each distinct performance obligation. We use observable SSP for items that are sold on a stand-alone basis to similarly situated clients at unit prices within a sufficiently narrow range. For performance obligations that are sold to different clients for a broad range of amounts, or for performance obligations that are never sold on a stand-alone basis, the residual method in determining SSP is applied and requires significant judgment.

Allocating the transaction price, including estimating SSP of promised goods and services for contracts with discounts or variable consideration, may require significant judgment. Due to the short time frame of the implementation cycle, discount allocation is immaterial as revenue is recognized net of discounts within the same reporting period. In scenarios where the Company enters into a contract that includes both a software license and BPS or other services that are charged based on volume of services rendered, the Company allocates variable amounts entirely to a distinct good or service. The terms of the variable payment relate specifically to the entity’s efforts to satisfy that performance obligation.

Although we believe that our approach to estimates and judgments regarding revenue recognition is reasonable, actual results could differ and we may be exposed to increases or decreases in revenue that could be material.

Allowance for Credit Losses

Trade accounts receivable are stated at the amount the Company expects to collect and do not bear interest. The collectability of trade receivable balances is regularly evaluated based on a combination of factors such as customer credit-worthiness, past transaction history with the customer, current economic industry trends and changes in customer payment patterns, resulting in the establishment of general reserves. Additionally, if it is determined that a customer will be unable to fully meet its financial obligation, such as in the case of a bankruptcy filing or other material event impacting its business, a specific allowance for credit losses may be recorded to reduce the related receivable to the amount expected to be recovered. Refer to Note 11 of the consolidated financial statements included herein for a detailed discussion about our credit loss accounting policy related to trade accounts receivable.

The Company has sold information and patient care systems to certain healthcare providers under short-term payment plans and sales-type leases. The Company establishes an allowance for credit losses for these financing receivables based on the historical level of customer defaults under such financing arrangements. Additionally, if it is determined that a customer will be unable to meet its financial obligation, such as in the case of a bankruptcy filing or other material event impacting its business, a specific allowances may be recorded to reduce the related receivable to the amount expected to be recovered.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326),* which requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. We adopted the new standard as of January 1, 2020. Adoption of this standard did not have a material impact on our consolidated financial statements. Although we believe that that our approach to estimates and judgments regarding our allowance for credit losses is reasonable, actual results could differ and we may be exposed to increases or decreases in required allowances that could be material.

Estimates

The Company uses estimates to record certain transactions and liabilities. These estimates are generally based on management's best judgment, past experience, and utilization of third party services such as actuarial and other expert services. Because these estimates are subjective and variable, actual results could differ significantly from these estimates. Significant estimates included in our financial statements include those for self-insurance reserves under our health insurance plan, reserves for uncertain tax positions, bad debt and credit allowances, legal liability exposure or lack thereof, and accrued expenses.

Business Combinations, including Purchased Intangible Assets

The Company accounts for business combinations at fair value. Acquisition costs are expensed as incurred and recorded in general and administrative expenses. Measurement period adjustments relate to adjustments to the fair value of assets acquired and liabilities assumed based on information that we should have known at the time of acquisition. All changes to purchase accounting that do not qualify as measurement period adjustments are included in current period earnings.

The fair value amount assigned to an intangible asset is based on an exit price from a market participant's viewpoint, and utilizes data such as discounted cash flow analysis and replacement cost models. We review acquired intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the identifiable net tangible and intangible assets acquired. Goodwill is not amortized but is evaluated for impairment annually or more frequently if indicators of impairment are present or changes in circumstances suggest that impairment may exist. We test annually for impairment as of October 1.

As part of our annual goodwill impairment test, we first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we conclude that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we conduct a quantitative goodwill impairment assessment which compares the fair value of the reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, an impairment charge is recognized for the amount by which the carrying amount exceeds that reporting unit's fair value. If the fair value of the reporting unit exceeds its carrying amount, the goodwill of the reporting unit is not considered to be impaired.

Critical estimates in valuing certain intangible assets and the fair value of the reporting unit during goodwill impairment tests include, but are not limited to, identifying reporting units, historical and projected customer retention rates, anticipated growth in revenue from the acquired customers, and expected future cash outflows.

Significant judgments in testing goodwill for impairment also include assigning assets and liabilities to the reporting unit and determining the fair value of each reporting unit based on management's best estimates and assumptions, as well as other information compiled by management, including valuations that utilize customary valuation procedures and techniques.

Management's best estimates and assumptions are employed in determining the appropriateness of these assumptions as of the acquisition date and for each subsequent period.

Future business and economic conditions, as well as differences actually related to any of the assumptions, could materially affect the financial statements through impairment of goodwill or intangible assets, and acceleration of the amortization period of the purchased intangible assets, which are finite-lived assets.

As of October 1, 2021, the date of our most recent impairment test, our Post-acute Care EHR and TruBridge reporting units had fair values that were substantially in excess of their respective carrying values, at 50% and 240%, respectively. The calculated fair value of our Acute Care EHR reporting unit exceeded the reporting unit's carrying value by 23% and, as such, poses a heightened risk of impairment if the reporting unit's operating results were to decline in future periods. During the three months

ended December 31, 2021, there were no identified indicators of impairment that required the Company to complete an interim quantitative assessment related to any of the Company's reporting units or indefinitely-lived intangible assets.

Software Development Costs

Software development costs are accounted for in accordance with ASC 350-40, *Internal-Use Software*. We capitalize incurred labor costs for software development from the time the preliminary project phase is completed until the software is available for general release. Research and development costs and other computer software maintenance costs related to software development are expensed as incurred. We estimate the useful life of our capitalized software and amortize its value on a straight-line basis over that estimated life, which is estimated to be five years. If the actual life of the asset is deemed to be impaired, a write-down of the value of the asset may be recorded as a charge to earnings. Amortization begins when the related features are placed in service.

Quantitative and Qualitative Disclosures about Market and Interest Rate Risk

Our exposure to market risk relates primarily to the potential change in the British Bankers Association London Interbank Offered Rate ("LIBOR"). We had $100.4 million of outstanding borrowings under our credit facilities with Regions Bank at December 31, 2021. The term loan facility and revolving credit facility bear interest at a rate per annum equal to an applicable margin plus (1) the Adjusted LIBOR rate for the relevant interest period, subject to a floor of 0.5%, (2) an alternate base rate determined by reference to the greatest of (a) the prime lending rate of Regions, (b) the federal funds rate for the relevant interest period plus one half of one percent per annum and (c) the one month LIBOR rate plus one percent per annum,subject to the aforementioned floor, or (3) a combination of (1) and (2). Accordingly, we are exposed to fluctuations in interest rates on borrowings under our credit facilities. A one hundred basis point change in interest rate on our borrowings outstanding as of December 31, 2021 would result in a change in interest expense of approximately $1.0 million annually. Certain tenors of LIBOR began being phased out in late 2021, with full discontinuation planned for mid-2023. We believe the rate selected as the preferred alternative to LIBOR will be an acceptable replacement rate when LIBOR is fully discontinued. However, we plan to continue using the available LIBOR tenors until 2023 and as such cannot reasonably estimate the expected impact of the planned discontinuation of LIBOR at this time.

We did not have investments as of December 31, 2021. We do not utilize derivative financial instruments to manage our interest rate risks.

Recent Accounting Pronouncements

There were no new accounting standards required to be adopted in 2021 that had a material impact on our consolidated financial statements, and we do not believe that any recently issued but not yet effective accounting standards, if adopted, would have a material impact on our consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this Item is contained in Item 7 herein under the heading "Quantitative and Qualitative Disclosures about Market and Interest Rate Risk."

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Financial Statements

Index to Financial Statement Schedules

All other schedules to the financial statements required by Article 9 of Regulation S-X are not applicable and therefore have been omitted.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Computer Programs and Systems, Inc.'s ("CPSI") 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. CPSI's internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of CPSI;

(ii) 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 CPSI are being made only in accordance with authorizations of management and directors of CPSI; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of CPSI'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.

Management assessed the effectiveness of CPSI's internal control over financial reporting as of December 31, 2021. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework (2013)*.

Based on our assessment and those criteria, management believes that CPSI maintained effective control over financial reporting as of December 31, 2021.

We excluded TruCode, LLC ("TruCode"), which was included in our consolidated financial statements, from our assessment of internal control over financial reporting as of December 31, 2021 because it was acquired by the Company in a purchase business combination on May 12, 2021. The acquired business of TruCode excluded from our assessment represented approximately 1% of the Company's total assets as of December 31, 2021 and approximately 3% of the Company's consolidated total revenues for the year ended December 31, 2021.

The independent registered public accounting firm, Grant Thornton LLP, has audited the consolidated financial statements of the Company as of and for the year ended December 31, 2021, and has also issued its report on the effectiveness of the Company's internal control over financial reporting included in this report on page 62.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Board of Directors and Stockholders
Computer Programs and Systems, Inc.:

Opinion on internal control over financial reporting
We have audited the internal control over financial reporting of Computer Programs and Systems, Inc. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2021, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company as of and for the year ended December 31, 2021, and our report dated March 15, 2022 expressed an unqualified opinion on those financial statements.

Basis for opinion
The Company's management is responsible 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 ("Management's Report"). Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Our audit of, and opinion on, the Company's internal control over financial reporting does not include the internal control over financial reporting of TruCode, LLC ("TruCode"), a wholly-owned subsidiary, whose financial statements reflect total assets and revenues constituting 1% and 3%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2021. As indicated in Management's Report, TruCode was acquired during 2021. Management's assertion on the effectiveness of the Company's internal control over financial reporting excluded internal control over financial reporting of TruCode.

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.

/s/ GRANT THORNTON LLP

Atlanta, Georgia
March 15, 2022

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON CONSOLIDATED FINANCIAL STATEMENTS

Board of Directors and Stockholders
Computer Programs and Systems, Inc.:

Opinion on the financial statements
We have audited the accompanying consolidated balance sheets of Computer Programs and Systems, Inc. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2021, and the related notes and financial statement schedule included under item 15(a) (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated March 15, 2022 expressed an unqualified opinion.

Basis for opinion
These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the 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 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

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

Goodwill Impairment Assessment

As described further in Notes 2 and 12 to the consolidated financial statements, management evaluates goodwill for impairment on an annual basis as of October 1, or more frequently if impairment indicators exist, at the reporting unit level. Management estimated the fair values of its reporting units using a combination of the income and market approaches. The determination of the fair value of the reporting units requires management to make significant estimates and assumptions related to forecasts of future revenues and operating expenses and discount rates. We identified the goodwill impairment assessment of the acute reporting unit as a critical audit matter.

The principal considerations for our determination that the goodwill impairment assessment of the acute reporting unit is a critical audit matter is that changes in the assumptions related to forecasts of future revenues, operating expenses and discount rates could materially affect the determination of the fair value of the reporting unit, the amount of any goodwill impairment charge, or both. Management utilized significant judgment when estimating the fair value and carrying value of the reporting unit. In turn, auditing management's judgments regarding forecasts of future revenues, operating expenses and the discount rates applied, involved a high degree of subjectivity due to the estimation uncertainty of management's significant judgments.

Our audit procedures related to the goodwill impairment assessment of the acute reporting unit included the following, among others:

- We evaluated the design and tested the operating effectiveness of controls relating to the goodwill impairment assessment of the acute reporting unit, including the determination of the fair value of the reporting unit.
- We tested management's process for determining the fair value and carrying value of the acute reporting unit. This included evaluating the appropriateness of the valuation methods, testing the completeness, accuracy, and relevance of data used by management, and evaluating the reasonableness of management's significant assumptions, which included forecasted revenues and operating expenses. We tested whether these forecasts were reasonable and consistent with historical performance, third-party market data, and other evidence obtained in other areas of the audit.
- We tested the Company's discounted cash flow models for the acute reporting unit with the assistance of valuation specialists, including the reasonableness of the utilized discount rate.
- We tested the Company's use of the market approach with the assistance of valuation specialists, including the reasonableness of selected multiples.

/s/ GRANT THORNTON LLP

We have served as the Company’s auditor since 2004.

Atlanta, Georgia
March 15, 2022

COMPUTER PROGRAMS AND SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	December 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 11,431	$ 12,671
Accounts receivable, net of allowance for credit losses of $1,826 and $1,701, respectively	34,431	32,414
Financing receivables, current portion, net	6,488	10,821
Inventories	855	1,084
Prepaid income taxes	4,599	1,789
Prepaid expenses and other	11,194	8,365
Total current assets	68,998	67,144
Property and equipment, net	11,590	13,139
Software development costs, net	11,644	3,210
Operating lease assets	7,097	6,610
Financing receivables, net of current portion	7,231	11,477
Other assets, net of current portion	3,874	2,787
Intangible assets, net	95,203	71,689
Goodwill	177,713	150,216
Total assets	$ 383,350	$ 326,272
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 8,079	$ 7,716
Current portion of long-term debt	4,394	3,457
Deferred revenue	11,529	8,130
Accrued vacation	5,262	5,353
Other accrued liabilities	17,163	12,786
Total current liabilities	46,427	37,442
Long-term debt, net of current portion	94,966	73,360
Operating lease liabilities	5,505	5,092
Deferred tax liabilities	13,880	10,378
Total liabilities	160,778	126,272
Stockholders' equity:		
Common stock, $0.001 par value per share; 30,000 shares authorized; 14,734 shares issued at December 31, 2021 and 14,511 shares issued at December 31, 2020	15	15
Additional paid-in capital	187,079	181,622
Retained earnings	38,054	19,624
Treasury stock, 89 shares at December 31, 2021 and 47 shares at December 31, 2020	(2,576)	(1,261)
Total stockholders' equity	222,572	200,000
Total liabilities and stockholders' equity	$ 383,350	$ 326,272

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

COMPUTER PROGRAMS AND SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Year ended December 31,		
	2021	**2020**	**2019**
Sales revenues:			
System sales and support	$ 143,109	$ 152,954	$ 165,352
TruBridge	137,520	111,534	109,282
Total sales revenues	280,629	264,488	274,634
Costs of sales (exclusive of amortization shown separately below):			
System sales and support	70,664	69,361	73,872
TruBridge	69,083	58,881	56,617
Total costs of sales	139,747	128,242	130,489
Gross profit	140,882	136,246	144,145
Operating expenses:			
Product development	30,389	33,457	36,861
Sales and marketing	21,978	22,835	26,495
General and administrative	50,022	47,479	45,200
Amortization of acquisition-related intangibles	13,786	11,421	11,006
Total operating expenses	116,175	115,192	119,562
Operating income	24,707	21,054	24,583
Other income (expense):			
Other income	1,529	1,494	807
Gain on contingent consideration	—	—	5,000
Loss on extinguishment of debt	—	(202)	—
Interest expense	(3,160)	(3,562)	(6,694)
Total other income (expense)	(1,631)	(2,270)	(887)
Income before taxes	23,076	18,784	23,696
Provision for income taxes	4,646	4,538	3,228
Net income	$ 18,430	$ 14,246	$ 20,468
Net income per share - basic	$ 1.26	$ .98	$ 1.43
Net income per share - diluted	$ 1.26	$ .98	$ 1.43
Weighted average shares outstanding used in per common share computations:			
Basic	14,290	14,038	13,778
Diluted	14,318	14,038	13,778

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

COMPUTER PROGRAMS AND SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Common Shares	Common Stock	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Treasury Stock	Total Stockholders' Equity
Balance at December 31, 2018	14,083	$ 14	$ 164,793	$ (5,024)	$ —	$ 159,783
Net income	—	—	—	20,468	—	20,468
Common stock issued upon exercise of stock options	1	—	3	—	—	3
Issuance of restricted stock	272	—	—	—	—	—
Stock-based compensation	—	—	9,822	—	—	9,822
Dividends	—	—	—	(5,729)	—	(5,729)
Balance at December 31, 2019	14,356	$ 14	$ 174,618	$ 9,715	—	$ 184,347
Net income	—	—	—	$ 14,246	—	14,246
Issuance of restricted stock	156	1	(1)	—	—	—
Forfeiture of restricted stock	(1)	—	—	—	—	—
Stock-based compensation	—	—	7,005	—	—	7,005
Treasury stock purchases	—	—	—	—	(1,261)	(1,261)
Dividends	—	—	—	(4,337)	—	(4,337)
Balance at December 31, 2020	14,511	$ 15	$ 181,622	$ 19,624	$ (1,261)	$ 200,000
Net income	—	—	—	18,430	—	18,430
Issuance of restricted stock	229	—	—	—	—	—
Forfeiture of restricted stock	(6)	—	—	—	—	—
Stock-based compensation	—	—	5,457	—	—	5,457
Treasury stock purchases	—	—	—	—	(1,315)	(1,315)
Balance at December 31, 2021	14,734	$ 15	$ 187,079	$ 38,054	$ (2,576)	$ 222,572

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

COMPUTER PROGRAMS AND SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year ended December 31,		
	2021	**2020**	**2019**
Operating Activities			
Net income	$ 18,430	$ 14,246	$ 20,468
Adjustments to net income:			
Provision for bad debt	2,592	4,370	2,348
Deferred taxes	3,502	2,755	1,011
Stock based compensation	5,457	7,005	9,822
Depreciation	2,156	1,790	1,407
Amortization of acquisition-related intangibles	13,786	11,421	11,006
Amortization of software development costs	931	118	—
Amortization of deferred finance costs	293	317	345
Gain on contingent consideration	—	—	(5,000)
Loss on extinguishment of debt	—	202	—
Loss on disposal of property and equipment	313	—	—
Changes in operating assets and liabilities (net of acquired assets and liabilities):			
Accounts receivable	(3,204)	3,667	641
Financing receivables	8,098	6,369	3,053
Inventories	229	342	72
Prepaid expenses and other	(3,914)	(3,519)	(1,474)
Accounts payable	(615)	(1,088)	2,542
Deferred revenue	2,099	(498)	(2,003)
Other liabilities	401	2,097	(1,418)
Prepaid income taxes/income taxes payable	(2,810)	(452)	782
Net cash provided by operating activities	47,744	49,142	43,602
Investing Activities			
Purchases of property and equipment	(920)	(3,336)	(1,760)
Purchase of business, net of cash received	(59,634)	—	(10,733)
Investment in software development	(9,365)	(3,328)	—
Net cash used in investing activities	(69,919)	(6,664)	(12,493)
Financing Activities			
Dividends paid	—	(4,337)	(5,729)
Proceeds from long-term debt	—	64	—
Payments of long-term debt principal	(3,750)	(4,069)	(13,609)
Proceeds from revolving line of credit	61,000	—	11,000
Payments of revolving line of credit	(35,000)	(27,561)	(20,693)
Payments on capital lease	—	—	(250)
Payments of contingent consideration	—	—	(206)
Proceeds from exercise of stock options	—	—	3
Treasury stock purchases	(1,315)	(1,261)	—
Net cash provided by (used in) financing activities	20,935	(37,164)	(29,484)
Increase (decrease) in cash and cash equivalents	(1,240)	5,314	1,625
Cash and cash equivalents at beginning of year	12,671	7,357	5,732
Cash and cash equivalents at end of year	$ 11,431	$ 12,671	$ 7,357

Continued on following page.

COMPUTER PROGRAMS AND SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS - (Continued)
(In thousands)

	Year ended December 31,		
	2021	**2020**	**2019**
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 2,817	$ 3,245	$ 6,342
Cash paid for income taxes, net of refund	$ 3,503	$ 2,235	$ 3,193
Supplemental disclosure of non-cash flow information:			
Write-off of fully depreciated assets	$ —	$ 1,618	$ —

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

1. NATURE OF OPERATIONS

Computer Programs and Systems, Inc. ("CPSI" or the "Company") is a healthcare information technology solutions provider which was formed and commenced operations in 1979. The Company provides, on an integrated basis, enterprise-wide clinical management, access management, patient financial management, health information management, strategic decision support, resource planning management and enterprise application integration solutions to healthcare organizations throughout the United States. Additionally, CPSI provides other information technology solutions, including business management services, remote hosting, networking technologies and other related services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements of CPSI include the accounts of TruBridge, LLC ("TruBridge"), Evident, LLC ("Evident"), iNetXperts, Corp. d/b/a Get Real Health ("Get Real Health"), Healthland Holding Inc. ("HHI"), and TruCode, LLC ("TruCode"), all of which are wholly-owned subsidiaries of CPSI. The accounts of HHI include those of its wholly-owned subsidiaries, Healthland Inc. ("Healthland"), Rycan Technologies, Inc. ("Rycan"), and American HealthTech, Inc. ("AHT"). All significant intercompany balances and transactions have been eliminated.

Cash and Cash Equivalents

Cash and cash equivalents can include time deposits and certificates of deposit with original maturities of three months or less that are highly liquid and readily convertible to a known amount of cash. These assets are stated at cost, which approximates market value, due to their short duration or liquid nature.

Change in Useful Lives of Intangible Assets

In accordance with its policy, the Company reviews the estimated useful lives of its intangible assets on an ongoing basis. This review indicated that the actual lives of certain developed technology were shorter than the estimated useful lives used for amortization purposes in the Company's financial statements. As a result, effective January 1, 2021, the Company changed its estimates of the useful lives of certain developed technology to better reflect the estimated periods during which these assets will remain in service. The remaining useful life of certain developed technology that was 3.25 years at January 1, 2021 was reduced to 2 years, while the remaining useful life of certain developed technology that was 4.25 years was reduced to 3 years. The effect of this change was to increase 2021 amortization expense by approximately $1.0 million and decrease 2021 net income and basic and diluted earnings per share by $0.8 million and $0.06, respectively.

Presentation

Effective January 1, 2021, costs associated with our internal legal, compliance, and contract administration activities, which were formerly included within the caption “Sales and marketing” on our consolidated statements of operations, have been recorded as a component of “General and administrative” expenses. Amounts presented for the years ended December 31, 2020 and 2019, have been reclassified to conform to the current presentation. The following table provides the amount reclassified for the year ended December 31, 2020:

(in thousands)	**As previously reported**	**Re-classifications**	**As reclassified**
Operating expenses			
Sales and marketing	$ 24,185	$ (1,350)	$ 22,835
General and administrative	$ 46,129	$ 1,350	$ 47,479

The following table provides the amount reclassified for the year ended December 31, 2019:

(in thousands)	As previously reported	Re-classifications	As reclassified
Operating expenses			
Sales and marketing	$ 27,774	$ (1,279)	$ 26,495
General and administrative	$ 43,921	$ 1,279	$ 45,200

Accounts Receivable and Allowance for Credit Losses

Trade accounts receivable are stated at the amount the Company expects to collect and do not bear interest. The Company establishes a general allowance for credit losses based on collections history. In the case of a bankruptcy filing or other similar event indicating the collectability of specific customer accounts is no longer probable, a specific allowance for credit losses may be recorded to reduce the related receivable to the amount expected to be recovered.

Financing Receivables

Financing receivables are comprised of short-term payment plans and sales-type leases. Short-term payment plans are stated at the amount the Company expects to collect and do not bear interest. Sales-type leases are initially recorded at the present value of the related minimum lease payments.

An allowance for credit losses has been established for our financing receivables based on the historical level of customer defaults under such arrangements. In the case of a bankruptcy filing or other similar event indicating the collectability of specific customer accounts is no longer probable, a specific reserve may be recorded to reduce the related receivable to the amount expected to be recovered. Customer payments are considered past due if a scheduled payment is not received within contractually agreed upon terms, with amounts reclassified to accounts receivable when they become due. As a result, we evaluate the credit quality of our financing receivables on an ongoing basis utilizing an aging of receivables and write-offs, customer collection experience, the customer's financial condition and known risk characteristics impacting the respective customer base, as well as existing economic conditions, to determine if any further allowance is necessary. Amounts are specifically charged off once all available means of collection have been exhausted.

Inventories

Inventories are stated at lower of cost or net realizable value using the average cost method. The Company's inventories are comprised of computer equipment, forms and supplies.

Property and Equipment

Property and equipment is recorded at cost, less accumulated depreciation. Additions and improvements to property and equipment that materially increase productive capacity or extend the life of an asset are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. Upon retirement or other disposition of such assets, the related costs and accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Depreciation expense is computed using the straight-line method over the asset's useful life, which is generally 5 years for computer equipment, furniture, and fixtures and 30 years for buildings. Leasehold improvements are depreciated over the shorter of the asset's useful life or the remaining lease term. The Company reviews for the possible impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Depreciation expense is reported in the consolidated statements of operations as a component of costs of sales and operating expenses.

Business Combinations

We apply business combination accounting when we acquire a business. Business combinations are accounted for at fair value. The associated acquisition costs are expensed as incurred and recorded in general and administrative expenses; restructuring costs associated with a business combination are expenses; contingent consideration is measured at fair value at the acquisition date, with changes in fair value after the acquisition date affecting earnings; changes in deferred tax asset valuation allowances and income tax uncertainties after the measurement period affect income tax expense; and goodwill is determined as the excess of the fair value of the consideration conveyed in the acquisition over the fair value of the net

assets acquired. The accounting for business combinations requires estimates and judgments as to expectations for future cash flows of the acquired business, and the allocation of those cash flows to identifiable intangible assets, in determining the estimated fair value for assets and liabilities acquired. The fair values assigned to tangible and intangible assets acquired and liabilities assumed, are based on management's estimates and assumptions, including valuations that utilize customary valuation procedures and techniques. If the actual results differ from the estimates and judgments used in these estimates, the amounts recorded in the financial statements could result in a possible impairment of the intangible assets and goodwill, or require acceleration of the amortization expense of finite-lived intangible assets. The results of the acquired businesses' operations are included in the Consolidated Statements of Operations of the combined entity beginning on the date of the acquisition. We have applied this acquisition method to the transactions described in Note 3 - Business Combination.

Goodwill

Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the identifiable net tangible and intangible assets acquired. Goodwill is not amortized but is evaluated for impairment annually or more frequently if indicators of impairment are present or changes in circumstances suggest that impairment may exist. We test annually for impairment as of October 1.

As part of our annual goodwill impairment test, we first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we conclude that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we conduct a quantitative goodwill impairment assessment, which compares the fair value of the reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, an impairment charge is recognized for the amount by which the carrying amount exceeds the total amount of goodwill allocated to that reporting unit. If the fair value of the reporting unit exceeds its carrying amount, the goodwill of the reporting unit is not considered to be impaired. We determined there was no impairment to goodwill for the years ended December 31, 2021, 2020 and 2019.

Purchased Intangible Assets

Purchased intangible assets are acquired in connection with a business acquisition, and are amortized over their estimated useful lives based on the pattern of economic benefit expected from each asset. We concluded for certain purchased intangible assets that the pattern of economic benefit approximated the straight-line method, and therefore, the use of the straight-line method was appropriate, as the majority of the cash flows will be recognized ratably over the estimated useful lives and there is no degradation of the cash flows over time.

We assess the recoverability of intangible assets whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The carrying amount is not recoverable if it exceeds the undiscounted sum of cash flows expected to result from the use and eventual disposition of the asset. If the asset is not recoverable, the impairment loss is measured by the excess of the asset's carrying amount over its fair value. We determined there was no impairment to purchased intangible assets as of December 31, 2021, 2020 or 2019.

Revenue Recognition

Revenue is recognized upon transfer of control of promised products or services to clients in an amount that reflects the consideration we expect to receive in exchange for those products and services. We enter into contracts that can include various combinations of products and services, which are generally distinct and accounted for as separate performance obligations. The Company employs the 5-step revenue recognition model under ASC 606, *Revenue from Contracts with Customers,* to: (1) identify the contract with the client, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue is recognized net of shipping charges and any taxes collected from clients, which are subsequently remitted to governmental authorities.

- ***System Sales and Support***

  The Company enters into contractual obligations to sell perpetual software licenses, installation, conversion, and related training services, software application support, hardware, and hardware maintenance services to acute care community hospitals and post-acute providers.

- **Non-recurring Revenues**

  - Perpetual software licenses and installation, conversion, and related training services are not considered separate and distinct performance obligations due to the proprietary nature of our software and are, therefore, accounted for as a single performance obligation on a module-by-module basis. Revenue is recognized as each module's implementation is completed based on the module's stand-alone selling price ("SSP"), net of discounts. We determine each module's SSP using the residual method. Fees for licenses and installation, conversion, and related training services are typically due in three installments: (1) at placement of order, (2) upon installation of software and commencement of training, and (3) upon satisfactory completion of monthly accounting cycle or end-of-month operation by application and as applicable for each application. Often, short-term and/or long-term financing arrangements are provided for software implementations; refer to Note 11 - Financing Receivables for further information. Electronic health records ("EHR") implementations include a system warranty that terminates thirty days from the software go-live date, the date which the client begins using the system in a live environment.

  - Hardware revenue is recognized separately from software licenses at the point in time it is delivered to the client. The SSP of hardware is cost plus a reasonable margin and revenue is recognized on a gross basis. Payment is generally due upon delivery of the hardware to the client. Standard manufacturer warranties apply to hardware.

- **Recurring Revenues**

  - Software application support and hardware maintenance services sold with software licenses and hardware are separate and distinct performance obligations. Revenue for support and maintenance services is recognized based on SSP, which is the renewal price, ratably over the life of the contract, which is generally three to five years. Payment is due monthly for support and maintenance services provided.

  - Subscriptions to third-party content revenue is recognized as a separate performance obligation ratably over the subscription term based on SSP, which is cost plus a reasonable margin, and revenue is recognized on a gross basis. Payment is due monthly for subscriptions to third party content.

  - Software as a Service ("SaaS") arrangements for EHR software and related conversion and training services are considered a single performance obligation. Revenue is recognized on a monthly basis as the SaaS service is provided to the client over the contract term. Payment is due monthly for SaaS services provided.

    Refer to Note 18 - Segment Reporting for further information, including revenue by client base (acute care or post-acute care) bifurcated by recurring and non-recurring revenue.

- ***TruBridge***

  TruBridge provides an array of business processing services ("BPS") consisting of accounts receivable management, private pay services, insurance services, medical coding, electronic billing, statement processing, payroll processing, and contract management. Fees are recognized over the period of the client contractual relationship as the services are performed based on the SSP, net of discounts. SSP for TruBridge BPS services is determined based on observable stand-alone selling prices. Fees for many of these services are invoiced, and revenue recognized accordingly, based on the volume of transactions or a percentage of client accounts receivable collections. Payment is due monthly for BPS with certain amounts varying based on utilization and/or volumes.

  TruBridge also provides professional IT services. Revenue from professional IT services is recognized as the services are performed based on SSP, which is determined by observable stand-alone selling prices. Payment is due monthly as services are performed.

  Lastly, TruBridge also provides certain software solutions and related support under SaaS arrangements and time-based software licenses. Revenue from SaaS arrangements is recognized in a manner consistent with SaaS arrangements for EHR software, as discussed above. Revenue from time-based software licenses is recognized upon delivery to the client (“point in time”) and revenue from non-license components (i.e., support) is

recognized ratably over the respective contract term (“over time”). SSP for time-based licenses is determined using the residual approach, while the non-license component is based on cost plus reasonable margin.

- ***Deferred Revenue***

Deferred revenue represents amounts invoiced to clients for which the services under contract have not been completed and revenue has not been recognized, including annual renewals of certain software subscriptions and customer deposits for implementations to be performed at a later date. Revenue is recognized ratably over the life of the software subscriptions as services are provided and at the point-in-time when implementations have been completed.

The following table details deferred revenue for the years ended December 31, 2021 and 2020, included in the consolidated balance sheets:

	For years ended December 31,	
(In thousands)	2021	2020
Beginning balance	$ 8,130	$ 8,628
Deferred revenue recorded	23,393	18,507
Deferred revenue acquired	1,300	—
Less deferred revenue recognized as revenue	(21,294)	(19,005)
Ending balance	$ 11,529	$ 8,130

The deferred revenue recorded for years ended December 31, 2021 and 2020 is comprised primarily of the annual renewals of certain software subscriptions billed during the first quarter of each year and deposits collected for future EHR installations. The deferred revenue acquired resulted from the May 2021 acquisition of TruCode. The deferred revenue recognized as revenue during the years ended December 31, 2021 and 2020 is comprised primarily of the periodic recognition of annual renewals that were deferred until earned and deposits for future EHR installations that were deferred until earned.

- ***Costs to Obtain and Fulfill a Contract with a Customer***

Costs to obtain a contract include the commission costs related to SaaS arrangements, which are capitalized and amortized ratably over the expected life of the customer. As a practical expedient, we generally recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset would have been one year or less, with the exception of commissions generated from TruBridge sales. TruBridge commissions, which are paid up to twelve months in advance, are capitalized and amortized over the prepayment period. Costs to obtain a contract are expensed within sales and marketing expenses in the accompanying consolidated statements of operations.

Contract fulfillment costs related to the implementation of SaaS arrangements are capitalized and amortized ratably over the expected life of the customer. Costs to fulfill contracts consist of the payroll costs for the implementation of SaaS arrangements, including time for training, conversion, and installation that is necessary for the software to be utilized. Contract fulfillment costs are expensed within the caption "System sales and support - Cost of sales" in the accompanying consolidated statements of operations.

Costs to obtain and fulfill contracts related to SaaS arrangements are included within the "Prepaid expenses and other" and "Other assets, net of current portion" line items on our consolidated balance sheets.

The following table details costs to obtain and fulfill contracts with customers for the years ended December 31, 2021 and 2020, included in the consolidated balance sheets:

	For years ended December 31,	
(In thousands)	2021	2020
Beginning balance	$ 5,992	$ 4,439
Costs to obtain and fulfill contracts capitalized	7,256	6,974
Less costs to obtain and fulfill contracts recognized as expense	(5,936)	(5,421)
Ending balance	$ 7,312	$ 5,992

- ***Significant Judgments***

  Our contracts with clients often include promises to transfer multiple products and services. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment.

  Judgment is required to determine SSP for each distinct performance obligation. We use observable SSP for items that are sold on a stand-alone basis to similarly situated clients at unit prices within a sufficiently narrow range. For performance obligations that are sold to different clients for a broad range of amounts, or for performance obligations that are never sold on a stand-alone basis, the residual method in determining SSP is applied and requires significant judgment.

  Allocating the transaction price, including estimating SSP of promised goods and services for contracts with discounts or variable consideration, may require significant judgment. Due to the short time frame of the implementation cycle, discount allocation is immaterial as revenue is recognized net of discounts within the same reporting period. In scenarios where the Company enters into a contract that includes both a software license and BPS or other services that are charged based on volume of services rendered, the Company allocates variable amounts entirely to a distinct good or service. The terms of the variable payment relate specifically to the entity's efforts to satisfy that performance obligation.

  Significant judgment is required in determining the expected life of a customer, which is the amortization period for costs to obtain and fulfill a contract that have been capitalized. The Company determined that the expected life of the customer is not materially different from the initial contract term based on the characteristics of the SaaS offering.

- ***Remaining Performance Obligations***

  Disclosures regarding remaining performance obligations are not considered material as the overwhelming majority of the Company's remaining performance obligations either (a) are related to contracts with an expected duration of one year or less, or (b) exhibit revenue recognition in the amount to which the Company has the right to invoice.

Stock-Based Compensation

The Company accounts for stock-based compensation according to the provisions of ASC 718, *Compensation – Stock Compensation*, which establishes accounting for stock-based awards exchanged for employee services. Accordingly, stock-based compensation cost is measured at the grant date based on the fair value of the award, and is recognized as an expense over the employee's or non-employee director's requisite service period.

Software Development Costs

Our software solutions are offered to our clients through both traditional perpetual licenses as well as SaaS delivery models. Development costs associated with the certain solutions offered exclusively through a SaaS model are accounted for in accordance with ASC 350-40, *Internal Use Software*. All other client solution development costs are accounted for in accordance with ASC 985-20, *Costs of Software to be Sold, Leased, or Marketed*.

Under ASC 985-20, software development costs incurred in creating computer software solutions are expensed until technological feasibility has been established upon completion of a detailed program design or, in the absence of a detailed program design, upon completion of a product design and working model of the software product. Thereafter, all software development costs incurred through the software's general release date are capitalized and subsequently recorded at the lower of amortized cost or net realizable value. Capitalized costs are amortized based on the current and expected future revenue for each software solution with minimum annual amortization equal to the straight-line amortization over the estimated economic life of the solution, which is estimated to be five years.

Under ASC 350-40, software development costs related to preliminary project activities and post-implementation and maintenance activities are expensed as incurred. We capitalize direct costs related to application development activities that are probable to result in additional functionality. Capitalized costs are amortized on a straight-line basis over five years. We test for impairment whenever events or changes in circumstances that could impact recoverability occur.

See Note 5 - Software Development for further information relating to our software development costs.

Income Taxes

We account for income taxes in accordance with ASC 740, *Accounting for Income Taxes*. Under this topic, deferred income taxes are determined utilizing the asset and liability approach. This method gives consideration to the future tax consequences associated with differences between financial accounting and tax bases of assets and liabilities. The effect on the deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. We recognize interest and penalties accrued related to unrecognized tax benefits in the consolidated statements of operations as a component of the provision for income taxes.

We also make a provision for uncertain income tax positions in accordance with the ASC 740, *Accounting for Income Taxes*. These provisions require that a tax position taken in a tax return be recognized in the financial statements when it is more likely than not (i.e., a likelihood of more than fifty percent) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement. The topic also requires that changes in judgment that result in subsequent recognition, derecognition, or change in a measurement date of a tax position taken in a prior annual period (including any related interest and penalties) be recognized as a discrete item in the interim period in which the change occurs.

Valuation allowances are recorded when, in the opinion of management, it is more likely than not that all or a portion of the deferred tax assets will not be realized. These valuation allowances can be impacted by changes in tax laws, changes to statutory tax rates, and future taxable income, and are based on our judgment, estimates, and assumptions.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Segment Reporting

Operating segments are identified as components of an enterprise about which separate discrete financial information is evaluated by the chief operating decision maker, which we refer to as the CODM, or decision-making group in assessing performance and making decisions regarding resource allocation. The Company has prepared operating segment information based on the manner in which management disaggregates the Company's operations for making internal operating decisions. For more information, see Note 18 - Segment Reporting.

New Accounting Standards Adopted in 2021

There were no new accounting standards required to be adopted in 2021 that would have a material impact on our consolidated financial statements.

New Accounting Standards Yet to be Adopted

We do not believe that any recently issued but not yet effective accounting standards, if adopted, would have a material impact on our consolidated financial statements.

3. BUSINESS COMBINATION

Acquisition of TruCode

On May 12, 2021, we acquired all of the assets and liabilities of TruCode LLC, a Virginia limited liability company ("TruCode"), pursuant to a Stock Purchase Agreement dated May 12, 2021. Based in Alpharetta, Georgia, TruCode provides configurable, knowledge-based software that gives coders, clinical documentation improvement specialists and auditors the flexibility to code according to their knowledge, preferences and experience. The cloud-based medical coding solution is bundled with the TruBridge solutions and services to enhance revenue cycle performance for healthcare organizations of all sizes.

Consideration for the acquisition included cash (net of cash of the acquired entity) of $59.6 million (inclusive of seller's transaction expenses), plus a contingent earnout payment of up to $15.0 million tied to TruCode's earnings before interest, tax, depreciation, and amortization ("EBITDA") (subject to certain pro-forma adjustments) for the twelve- month period concluding on the anniversary date of the acquisition. During 2021, we incurred approximately $0.9 million of pre-tax

acquisition costs in connection with the acquisition of TruCode. Acquisition costs are included in general and administrative expenses in our consolidated statements of operations.

Our acquisition of TruCode was treated as a purchase in accordance with ASC 805, *Business Combinations*, which requires allocation of the purchase price to the estimated fair values of assets and liabilities acquired in the transaction. Our allocation of the purchase price was based on management's judgment after evaluating several factors, including a preliminary valuation assessment. Final settlement is pending related to acquired working capital and certain amounts due to third parties which remain in ongoing negotiations.

The allocation of the purchase price paid for TruCode was as follows:

(In thousands)	Purchase Price Allocation
Acquired cash	$ 4,249
Accounts receivable	924
Prepaid expenses	2
Intangible assets	37,300
Goodwill	27,497
Accounts payable and accrued liabilities	(2,289)
Contingent consideration	(2,500)
Deferred revenue	(1,300)
Net assets acquired	$ 63,883

The intangible assets in the table above are being amortized on a straight-line basis over their estimated useful lives. The amortization is included in amortization of acquisition-related intangibles in our consolidated statements of operations.

The fair value measurements of tangible and intangible assets and liabilities were based on significant inputs not observable in the market and thus represent Level 3 measurements within the fair value measurement hierarchy (see Note 17 - Fair Value). Level 3 inputs included, among others, discount rates that we estimated would be used by a market participant in valuing these assets and liabilities, projections of revenues and cash flows, client attrition rates and market comparables.

Our consolidated statement of operations for the year ended December 31, 2021 includes revenues of approximately $7.1 million, and pre-tax income of approximately $3.2 million, attributed to the acquired business since the May 12, 2021 acquisition date.

The following unaudited pro forma revenue, net income and earnings per share amounts for the years ended December 31, 2021 and 2020 give effect to the TruCode acquisition as if it had been completed on January 1, 2020. The pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of what the operating results actually would have been during the periods presented had the TruCode acquisition been completed during the periods presented. In addition, the unaudited pro forma financial information does not purport to project future operating results. The pro forma information does not fully reflect: (1) any anticipated synergies (or costs to achieve synergies) or (2) the impact of non-recurring items directly related to the TruCode acquisition.

	Year Ended December 31,	
(In thousands, except per share data, unaudited)	2021	2020
Pro forma revenues	$ 286,651	$ 275,641
Pro forma net income	$ 20,635	$ 14,651
Pro forma diluted earnings per share	$ 1.41	$ 1.01

Pro forma net income was calculated by adjusting the results for the applicable period to reflect (i) the additional amortization that would have been charged assuming the fair value adjustments to intangible assets had been applied on

January 1, 2020 and (ii) adjustments to amortized revenue during fiscal 2021 and 2020 as a result of the acquisition date valuation of assumed deferred revenue. The pro forma results for each period also reflect the pro forma adjustment to interest expense as a result of utilizing revolver debt to finance the acquisition.

Acquisition of Get Real Health

On May 3, 2019, we acquired all of the assets and liabilities of iNetXperts, Corp., a Maryland corporation doing business as Get Real Health ("Get Real Health"), pursuant to a Stock Purchase Agreement dated April 23, 2019, as amended on May 2, 2019. Based in Rockville, Maryland, Get Real Health delivers technology solutions to improve patient outcomes and engagement strategies with care providers.

Consideration for the acquisition included cash (net of cash of the acquired entity) of $10.8 million (inclusive of seller's transaction expenses), plus a contingent earnout payment of up to $14.0 million tied to Get Real Health's earnings before interest, tax, depreciation, and amortization ("EBITDA") (subject to certain pro-forma adjustments) for 2019. As of December 31, 2019, the $5.0 million contingent consideration estimated in determining the acquisition purchase price was fully reversed as Get Real Health's earnings did not achieve the required level for earnout payment. During 2019, we incurred approximately $0.6 million of pre-tax acquisition costs in connection with the acquisition of Get Real Health. Acquisition costs are included in general and administrative expenses in our consolidated statements of operations.

Our acquisition of Get Real Health was treated as a purchase in accordance with ASC 805, *Business Combinations*, which requires allocation of the purchase price to the estimated fair values of assets and liabilities acquired in the transaction. Our allocation of the purchase price was based on management's judgment after evaluating several factors, including a valuation assessment.

The allocation of the purchase price paid for Get Real Health was as follows:

(In thousands)	Purchase Price Allocation
Acquired cash	$ 159
Accounts receivable	364
Prepaid expenses	107
Property and equipment	365
Operating lease asset	1,285
Intangible assets	7,890
Goodwill	9,767
Accounts payable and accrued liabilities	(594)
Deferred taxes, net	(1,736)
Operating lease liability	(1,285)
Contingent consideration	(5,000)
Deferred revenue	(430)
Net assets acquired	$ 10,892

The intangible assets in the table above are being amortized on a straight-line basis over their estimated useful lives. The amortization is included in amortization of acquisition-related intangibles in our consolidated statements of operations.

The fair value measurements of tangible and intangible assets and liabilities were based on significant inputs not observable in the market and thus represent Level 3 measurements within the fair value measurement hierarchy (see Note 17 - Fair Value). Level 3 inputs included, among others, discount rates that we estimated would be used by a market participant in valuing these assets and liabilities, projections of revenues and cash flows, client attrition rates and market comparables.

4. PROPERTY AND EQUIPMENT

Property and equipment were comprised of the following at December 31, 2021 and 2020:

(In thousands)	2021	2020
Land	$ 2,848	$ 2,848
Buildings and improvements	8,269	8,242
Computer equipment	7,868	7,144
Leasehold improvements	783	1,283
Office furniture and fixtures	682	829
Automobiles	18	18
	20,468	20,364
Less: accumulated depreciation	(8,878)	(7,225)
Property and equipment, net	$ 11,590	$ 13,139

5. SOFTWARE DEVELOPMENT

Software development costs are accounted for in accordance with ASC 350-40, *Internal-Use Software*. We capitalize incurred labor costs for software development from the time the preliminary project phase is completed until the software is available for general release. Research and development costs and other computer software maintenance costs related to software development are expensed as incurred. We estimate the useful life of our capitalized software and amortize its value on a straight-line basis over that estimated life, which is estimated to be five years. If the actual life of the asset is deemed to be impaired, a write-down of the value of the asset may be recorded as a charge to earnings. Amortization begins when the related features are placed in service.

During the second quarter of 2021, our ongoing monitoring activities associated with the capitalization of software development costs and the related correlation between capitalization rates and operational metrics designed to reflect the distribution of work revealed that our then-current labor capitalization methodology did not fully reflect all of the critical activities necessary to develop software assets. Consequently, during the second quarter of 2021, we elected to change our method of estimating the labor costs incurred in developing software assets. Prior to this change, we estimated the associated labor costs using an estimated time-equivalent for workload metrics commonly utilized within agile software development environments. With this change, we now estimate these labor costs using the distribution of these agile workload metrics between capitalizable and non-capitalizable units of work. We believe this change is preferable as the new methodology better estimates capitalizable labor costs and is consistent with industry best practices. We have determined that this change in accounting for software development costs is a change in accounting estimate effected by a change in accounting principle and, as such, has been accounted for on a prospective basis. In connection with this change, we capitalized software development costs of $8.8 million during the year ended December 31, 2021. We estimate that the effect of this change was to increase capitalized amounts by approximately $4.6 million for the year ended December 31, 2021, with a corresponding decrease to product development costs.

Software development, net was comprised of the following at December 31, 2021 and 2020:

(In thousands)	2021	2020
Software development costs	$ 12,693	$ 3,328
Less: accumulated amortization	(1,049)	(118)
Software development costs, net	$ 11,644	$ 3,210

6. OTHER ACCRUED LIABILITIES

Other accrued liabilities were comprised of the following at December 31, 2021 and 2020:

(In thousands)	2021	2020
Salaries and benefits	$ 8,482	$ 7,876
Severance	236	25
Commissions	1,158	1,040
Self-insurance reserves	1,409	1,776
Contingent consideration	2,500	—
Other	1,786	551
Operating lease liabilities, current portion	1,592	1,518
Other accrued liabilities	$ 17,163	$ 12,786

7. NET INCOME PER SHARE

The Company presents basic and diluted earnings per share ("EPS") data for its common stock. Basic EPS is calculated by dividing the net income attributable to stockholders of the Company by the weighted average number of shares of common stock outstanding during the period. Diluted EPS is determined by adjusting the net income attributable to stockholders of the Company and the weighted average number of shares of common stock outstanding during the period for the effects of all dilutive potential common shares, including awards under stock-based compensation arrangements.

The Company's unvested restricted stock awards (see Note 9) are considered participating securities under ASC 260, *Earnings Per Share*, because they entitle holders to non-forfeitable rights to dividends until the awards vest or are forfeited. When a company has a security that qualifies as a "participating security," the Codification requires the use of the two-class method when computing basic EPS. The two-class method is an earnings allocation formula that determines EPS for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. In determining the amount of net income to allocate to common stockholders, income is allocated to both common stock and participating securities based on their respective weighted average shares outstanding for the period, with net income attributable to common stockholders ultimately equaling net income less net income attributable to participating securities. Diluted EPS for the Company's common stock is computed using the more dilutive of the two-class method or the treasury stock method.

The following is a calculation of the basic and diluted EPS for the Company's common stock, including a reconciliation between net income and net income attributable to common stockholders for the years ended December 31, 2021, 2020, and 2019:

(In thousands, except for per share data)	2021	2020	2019
Basic EPS			
Numerator			
Net income	$ 18,430	$ 14,246	$ 20,468
Less: Net income attributable to participating securities	(409)	(429)	(764)
Net income attributable to common stockholders	$ 18,021	$ 13,817	$ 19,704
Denominator			
Weighted average shares outstanding used in basic per common share computations	14,290	14,038	13,778
Basic EPS	$ 1.26	$ 0.98	$ 1.43
Diluted EPS			
Numerator			
Net income attributable to common stockholders for diluted EPS	$ 18,021	$ 13,817	$ 19,704
Denominator			
Weighted average shares outstanding used in basic per common share computations	14,290	14,038	13,778
Weighted average effect of dilutive securities:			
Performance share awards	28	—	—
Weighted average shares outstanding used in diluted per common share computations	14,318	14,038	13,778
Diluted EPS	$ 1.26	$ 0.98	$ 1.43

8. INCOME TAXES

The Company accounts for income taxes in accordance with ASC 740, *Accounting for Income Taxes*. These provisions require a company to determine whether it is more likely than not that a tax position will be sustained upon examination based on the technical merits of the position. If the more-likely-than-not threshold is met, a company must measure the tax position to determine the amount to recognize in the financial statements. The Company did not have any unrecognized tax positions as of December 31, 2021 and 2020.

The federal returns for tax years 2018 through 2020 remain open to examination, and the tax years 2017 through 2020 remain open to examination by certain other taxing jurisdictions to which the Company is subject. Additional years may be open to the extent attributes are being carried forward to an open year.

Deferred income taxes arise from the temporary differences in the recognition of income and expenses for tax purposes. A valuation allowance is established when the Company believes that it is more likely than not that some portion of its deferred tax assets will not be realized.

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

(In thousands)	2021	2020
Deferred tax assets:		
Accounts receivable and financing receivables	$ 625	$ 773
Accrued vacation	678	691
Stock-based compensation	1,905	2,568
Deferred revenue	988	283
Accrued severance	44	4
Accrued liabilities	15	—
Right of use asset	1,740	—
Credits	2,472	3,274
Net operating loss	3,560	4,301
Deferred tax assets	12,027	11,894
Less: Valuation allowance	622	636
Total deferred tax assets	$ 11,405	$ 11,258
Deferred tax liabilities:		
Intangible assets	$ 18,002	$ 19,603
Accrued liabilities and other	4,668	956
Fixed assets	875	1077
Right of use liability	$ 1,740	$ —
Total deferred tax liabilities	$ 25,285	$ 21,636
Total net deferred tax liability	$ (13,880)	$ (10,378)

Significant components of the income tax provision for the years ended December 31, 2021, 2020 and 2019 were as follows:

(In thousands)	2021	2020	2019
Current provision:			
Federal	$ 731	$ 244	$ 860
State	413	1,539	1,357
Deferred provision:			
Federal	3,331	2,766	951
State	171	(11)	60
Total income tax provision	$ 4,646	$ 4,538	$ 3,228

The difference between income taxes at the U.S. federal statutory income tax rate of 21% for the years ended December 31, 2021, 2020 and 2019, and those reported in the consolidated statements of operations for the years ended December 31, 2021, 2020 and 2019 are as follows:

(In thousands)	2021	2020	2019
Income taxes at U.S. federal statutory rate	$ 4,846	$ 3,945	$ 4,976
Provision-to-return adjustments	117	455	(66)
State income tax, net of federal tax effect	509	908	978
Tax credits	(1,274)	(958)	(2,196)
Contingent consideration	—	—	(1,050)
Stock-based compensation	(74)	255	151
Change in valuation allowance	(14)	(165)	173
Non-deductible compensation - 162(m)	510	—	—
Other	26	98	262
Total income tax provision	$ 4,646	$ 4,538	$ 3,228

Our effective tax rates for the years ended December 31, 2021, 2020 and 2019 were 20%, 24% and 14% respectively. Our effective tax rate for 2019 was significantly impacted by the non-taxable nature of our recorded gain on contingent

consideration, which served to reduce the year's effective tax rate by over 4%. 2020 lacked any benefit to the effective tax rate from such contingent consideration and, when combined with more punitive provision to return adjustments primarily related to R&D tax credits and lowered estimates for qualifying research expenditures during the year, thereby lowering estimates for the 2020 R&D tax credit, resulted in a significant increase in the effective tax rate for 2020. Lowered provision to return adjustments resulted in an incremental 2.6% decrease in our effective tax rate for 2021 compared to 2020, while decreased tax shortfalls related to stock-based compensation arrangements resulted in an incremental 1.9% decrease in our effective tax rate for 2021 compared to 2020.

We have federal net operating loss carryforwards related to the acquisition of HHI and Get Real Health of $7.9 million, $12.2 million and $27.9 million for the years ending December 31, 2021, 2020, and 2019, respectively, which expire at various dates from 2026 to 2035. We have state net operating loss carryforwards related to the acquisition of HHI and Get Real Health of $29.9 million, $34.4 million and $34.5 million for the years ending December 31, 2021, 2020, and 2019, respectively, which expire at various dates from 2023 to 2036.

Realization of deferred tax assets associated with the state net operating loss carryforwards is dependent upon generating sufficient taxable income prior to their expiration. We believe it is more likely than not that the benefit from certain state NOL carryforwards associated with the acquisition of Get Real Health will not be realized. In recognition of this risk, we have provided a valuation allowance on the deferred tax assets related to these state NOL carryforwards of $0.6 million after both December 31, 2021 and 2020, respectively.

9. STOCK-BASED COMPENSATION AND EQUITY

The Company's stock-based compensation awards are in the form of restricted stock and performance share awards granted pursuant to the Company's 2012 Restricted Stock Plan for Non-Employee Directors, Amended and Restated 2014 Incentive Plan and 2019 Incentive Plan, as amended (the "Plans"). Stock-based compensation cost is measured at the grant date based on the fair value of the award, and is recognized as an expense over the employee's or non-employee director's requisite service period. As of December 31, 2021, there was a total of 334,629 shares of common stock reserved under the Plans for issuance under future share-based payment arrangements.

The following table details total stock-based compensation expense for the years ended December 31, 2021, 2020 and 2019, included in the consolidated statements of operations:

(In thousands)	2021	2020	2019
Costs of sales	$ 990	$ 1,474	$ 2,040
Operating expenses	4,467	5,531	7,782
Pre-tax stock-based compensation expense	5,457	7,005	9,822
Less: income tax effect	(1,146)	(1,471)	(2,063)
Net (after tax) stock-based compensation expense	$ 4,311	$ 5,534	$ 7,759

As of December 31, 2021, there was $7.0 million of unrecognized compensation cost related to unvested or unearned, as applicable, stock-based compensation arrangements granted under the Plans, which is expected to be recognized over a weighted-average period of 1.9 years.

Restricted Stock

The Company grants restricted stock to executive officers, certain key employees and non-employee directors under the 2019 Incentive Plan with the fair value of the awards representing the fair value of the common stock on the date the restricted stock is granted. Shares of restricted stock generally vest in equal annual installments over the applicable vesting period, which ranges from one to three years. The Company records expenses for these grants on a straight-line basis over the applicable vesting periods. Shares of restricted stock have also been issued pursuant to the settlement of performance share awards with one-year performance periods, for which the Company records expenses in the manner described in the "Performance Share Awards" section below. Although no such one-year performance share awards were granted during 2021, shares issued pursuant to past one-year performance share awards are still subject to vesting.

A summary of restricted stock activity (including shares of restricted stock issued pursuant to the settlement of performance share awards) under the Plans during the years ended December 31, 2021, 2020 and 2019 is as follows:

	Shares	Weighted-Average Grant-Date Fair Value
Unvested stock outstanding at January 1, 2019	475,132	$ 32.00
Granted	133,936	30.89
Performance share awards converted to restricted stock	138,566	29.80
Vested	(221,775)	33.48
Unvested stock outstanding at December 31, 2019	525,859	$ 30.51
Granted	136,771	26.16
Performance share awards converted to restricted stock	19,678	30.15
Vested	(268,067)	30.80
Forfeited	(1,274)	26.16
Unvested stock outstanding at December 31, 2020	412,967	$ 28.87
Granted	153,700	31.22
Vested	(245,455)	29.16
Forfeited	(6,329)	29.10
Unvested stock outstanding at December 31, 2021	314,883	$ 29.79

Performance Share Awards

The Company grants performance share awards to executive officers and certain key employees under the Amended and Restated 2014 Incentive Plan prior to 2019 and under the 2019 Incentive Plan beginning in 2019. The number of shares of common stock earned and issuable under each award is determined at the end of each one-year or three-year performance period, based on the Company's achievement of performance goals predetermined by the Compensation Committee of the Board of Directors at the time of grant. The three-year performance share awards include a modifier to the total number of shares earned based on the Company's total shareholder return ("TSR") compared to an industry index. If certain levels of the performance objective are met, the award results in the issuance of shares of restricted stock or common stock corresponding to such level. One-year performance share awards are then subject to time-based vesting pursuant to which the shares of restricted stock vest in equal annual installments over the applicable vesting period, which is generally three years. Three-year performance share awards result in the issuance of shares of common stock that are not subject to time-based vesting at the conclusion of the three-year performance period if earned.

In the event that the Company's financial performance meets the predetermined targets for the performance objectives of the one-year or three-year performance share awards, the Company will issue each award recipient the number of shares of restricted stock or common stock, as applicable, equal to the target award specified in the individual's underlying performance share award agreement. In the event the financial results of the Company exceed the predetermined targets, additional shares up to the maximum award may be issued. In the event the financial results of the Company fall below the predetermined targets, a reduced number of shares may be issued. If the financial results of the Company fall below the threshold performance levels, no shares will be issued. The total number of shares issued for the three-year performance share award may be increased, decreased, or unchanged based on the TSR modifier described above.

The recipients of performance share awards do not receive dividends or possess voting rights during the performance period and, accordingly, the fair value of the one-year performance share awards is the quoted market value of CPSI's common stock on the grant date less the present value of the expected dividends not received during the relevant period. The TSR modifier applicable to the three-year performance share awards is considered a market condition and therefore is reflected in the grant date fair value of the award. A Monte Carlo simulation has been used to account for this market condition in the grant date fair value of the award.

Expense of one-year performance share awards is recognized using the accelerated attribution (graded vesting) method over the period beginning on the date the Company determines that it is probable that the performance criteria will be achieved and ending on the last day of the vesting period for the restricted stock issued in satisfaction of such awards. Expense of three-year performance share awards is recognized using ratable straight-line amortization over the three-year

performance period. In the event the Company determines it is no longer probable that the minimum performance level will be achieved, all previously recognized compensation expense related to the applicable awards is reversed in the period such a determination is made.

A summary of performance share award activity under the Plans for the years ended December 31, 2021, 2020 and 2019, is as follows, based on the target award amounts set forth in the performance share award agreements:

	Shares	Weighted-Average Grant-Date Fair Value
Performance share awards outstanding at January 1, 2019	184,776	$ 30.15
Granted	110,310	30.95
Forfeited or unearned	44,189	29.77
Performance share awards converted to restricted stock	(138,566)	29.80
Performance share awards outstanding at December 31, 2019	200,709	$ 30.75
Granted	107,298	26.96
Forfeited or unearned	(35,477)	30.15
Performance share awards converted to restricted stock	(19,678)	30.15
Performance share awards outstanding at December 31, 2020	252,852	$ 29.27
Granted	93,444	31.26
Forfeited or unearned	(20,373)	29.92
Vested and issued	(75,971)	30.50
Performance share awards outstanding at December 31, 2021	249,952	$ 29.59

Stock Repurchases

On September 4, 2020, our Board of Directors approved a stock repurchase program under which we may repurchase up to $30.0 million of our common stock through September 3, 2022. During 2021, we repurchased 41,965 shares. The approximate dollar value of shares that may yet be repurchased under the stock repurchase program was $28.1 million as of December 31, 2021. Any future stock repurchase transactions may be made through open market purchases, privately-negotiated transactions, or otherwise in compliance with Rule 10b-18 under the Securities Exchange Act of 1934, as amended. Any repurchase activity will depend on many factors, such as the availability of shares of our common stock, general market conditions, the trading price of our common stock, alternative uses for capital, the Company's financial performance, compliance with the terms of our Amended and Restated Credit Agreement and other factors. Concurrent with the authorization of this stock repurchase program, the Board of Directors opted to indefinitely suspend all quarterly dividends.

10. CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially subject the Company to concentration of credit risk, consist principally of temporary cash investments and trade receivables (including financing receivables). The Company places its temporary cash investments with credit-worthy, high-quality financial institutions.

The Company’s customer base is concentrated in the healthcare industry. Customers are primarily located throughout the United States. The Company requires no collateral or other security to support customer trade receivables. An allowance for credit losses for trade receivables and an allowance for credit losses for financing receivables have been established for potential credit losses based on historical collection experience.

The Company maintains its cash and cash equivalents in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

11. FINANCING RECEIVABLES

Short-Term Payment Plans

The Company provides fixed monthly payment arrangements ("short-term payment plans") over terms ranging from three to twelve months for certain add-on software installations. As a practical expedient, we do not adjust the amount of consideration recognized as revenue for the financing component as unearned income when we expect payment within one year or less. These receivables, included in the current portion of financing receivables, were comprised of the following on December 31, 2021 and 2020:

(In thousands)	2021	2020
Short-term payment plans, gross	$ 121	$ 1,973
Less: allowance for credit losses	(6)	(99)
Short-term payment plans, net	$ 115	$ 1,874

Long-Term Financing Arrangements

Additionally, the Company provides financing for purchases of its information and patient care systems to certain healthcare providers under long-term financing arrangements expiring in various years through 2026. Under long-term financing arrangements, the transaction price is adjusted by a discount rate that reflects market conditions and that would be used for a separate financing transaction between the Company and licensee at contract inception, and takes into account the credit characteristics of the licensee and market interest rates as of the date of the agreement. As such, the amount of fixed fee revenue recognized at the beginning of the license term will be reduced by the calculated financing component. As payments are received from the licensee, the Company recognizes a portion of the financing component as interest income, reported as other income in the consolidated statements of operations. These receivables typically have terms from two to seven years.

The components of these receivables were as follows on December 31, 2021 and 2020:

(In thousands)	2021	2020
Long-term financing arrangements, gross	$ 15,659	$ 24,082
Less: allowance for credit losses	(716)	(1,390)
Less: unearned income	(1,339)	(2,268)
Long-term financing arrangements, net	$ 13,604	$ 20,424

Future minimum payments to be received subsequent to December 31, 2021 are as follows:

(In thousands)	
2022	$ 7,060
2023	4,393
2024	2,726
2025	1,309
2026	153
Thereafter	18
Total minimum payments to be received	15,659
Less: allowance for credit losses	(716)
Less: unearned income	(1,339)
Receivables, net	$ 13,604

Credit Quality of Financing Receivables and Allowance for Credit Losses

The following table is a roll-forward of the allowance for financing credit losses for the years ended December 31, 2021 and 2020:

(In thousands)	Beginning Balance	Provision	Charge-offs	Recoveries	Ending Balance
December 31, 2021	$ 1,489	$ 481	$ (1,248)	$ —	$ 722
December 31, 2020	$ 2,971	$ 1,632	$ (3,114)	$ —	$ 1,489

The Company's financing receivables are comprised of a single portfolio segment, as the balances are all derived from short-term payment plan arrangements and long-term financing arrangements within our target market of community hospitals. The Company evaluates the credit quality of its financing receivables based on a combination of factors, including, but not limited to, customer collection experience, economic conditions, the customer's financial condition, and known risk characteristics impacting the respective customer base of community hospitals, the most notable of which relate to enacted and potential changes in Medicare and Medicaid reimbursement rates as community hospitals typically generate a significant portion of their revenues and related cash flows from beneficiaries of these programs. In addition to specific account identification, the Company utilizes historical collection experience to establish the allowance for credit losses. Financing receivables are written off only after the Company has exhausted all collection efforts. Write-off amounts during 2020 were uncharacteristically high as we wrote off large balances for a handful of customers for which specific reserves had been established as of December 31, 2019. Write-off amounts normalized during 2021.

Customer payments are considered past due if a scheduled payment is not received within contractually agreed upon terms. To facilitate customer collection and credit monitoring efforts, financing receivable amounts are invoiced and reclassified to trade accounts receivable when they become due, with all invoiced amounts placed on nonaccrual status. As a result, all past due amounts related to the Company's financing receivables are included in trade accounts receivable in the accompanying consolidated balance sheets. The following is an analysis of the age of financing receivables amounts (excluding short-term payment plans) that have been reclassified to trade accounts receivable and were past due as of December 31, 2021 and 2020:

(In thousands)	1 to 90 Days Past Due	91 to 180 Days Past Due	181 + Days Past Due	Total Past Due
December 31, 2021	$ 713	$ 78	$ 73	$ 864
December 31, 2020	$ 1,270	$ 227	$ 672	$ 2,169

From time to time, the Company may agree to alternative payment terms outside of the terms of the original financing receivable agreement due to customer difficulties in achieving the original terms. In general, such alternative payment arrangements do not result in a re-aging of the related receivables. Rather, payments pursuant to any alternative payment arrangements are applied to the already outstanding invoices beginning with the oldest outstanding invoices as the payments are received.

Because amounts are reclassified to trade accounts receivable when they become due, there are no past due amounts included within the financing receivables or the financing receivables, current portion, net amounts in the accompanying consolidated balance sheets.

The Company utilizes an aging of trade accounts receivable as the primary credit quality indicator for its financing receivables, which is facilitated by the reclassification of customer payment amounts to trade accounts receivable when they become due. The table below categorizes customer financing receivable balances (excluding short term payment plans), none of which are considered past due, based on the age of the oldest payment outstanding that has been reclassified to trade accounts receivable:

(In thousands)	December 31, 2021	December 31, 2020
Stratification of uninvoiced client financing receivables based on aging of related trade accounts receivable:		
Uninvoiced client financing receivables related to trade accounts receivable that are 1 to 90 Days Past Due	$ 9,100	$ 11,719
Uninvoiced client financing receivables related to trade accounts receivable that are 91 to 180 Days Past Due	329	1,092
Uninvoiced client financing receivables related to trade accounts receivable that are 181+Days Past Due	386	2,668
Total uninvoiced client financing receivables balances of clients with a trade accounts receivable	$ 9,815	$ 15,479
Total uninvoiced client financing receivables of clients with no related trade accounts receivable	4,505	6,335
Total financing receivables with contractual maturities of one year or less	121	1,973
Less: allowance for credit losses	(722)	(1,489)
Total financing receivables	$ 13,719	$ 22,298

12. INTANGIBLE ASSETS AND GOODWILL

Our purchased definite-lived intangible assets as of December 31, 2021 and 2020 are summarized as follows:

	December 31, 2021			
(In thousands)	Customer Relationships	Trademark	Developed Technology	Total
Gross carrying amount, beginning of period	$ 84,370	$ 11,120	$ 29,700	$ 125,190
Intangible assets acquired	28,200	1,200	7,900	37,300
Accumulated amortization	(41,738)	(5,177)	(20,372)	(67,287)
Net intangible assets as of December 31, 2021	$ 70,832	$ 7,143	$ 17,228	$ 95,203
Weighted average remaining years of useful life	9	13	8	10

	December 31, 2020			
(In thousands)	Customer Relationships	Trademark	Developed Technology	Total
Gross carrying amount, beginning of period	$ 84,370	$ 11,120	$ 29,700	$ 125,190
Accumulated amortization	(33,612)	(4,297)	(15,592)	(53,501)
Net intangible assets as of December 31, 2020	$ 50,758	$ 6,823	$ 14,108	$ 71,689

The following table represents the remaining amortization of definite-lived intangible assets as of December 31, 2021:

(In thousands)	
For the year ended December 31,	
2022	$ 14,688
2023	12,800
2024	11,266
2025	10,950
2026	10,328
Due thereafter	35,171
Total	$ 95,203

The following table sets forth the change in the carrying amount of goodwill by segment for the years ended December 31, 2021, 2020, and 2019:

(In thousands)	Acute Care EHR	Post-acute Care EHR	TruBridge	Total
Balance as of December 31, 2018	$ 97,095	$ 29,570	$ 13,784	$ 140,449
Goodwill acquired	—	—	9,767	9,767
Balance as of December 31, 2019	97,095	29,570	23,551	150,216
Balance as of December 31, 2020	97,095	29,570	23,551	150,216
Goodwill acquired	$ —	—	27,497	27,497
Balance as of December 31, 2021	$ 97,095	$ 29,570	$ 51,048	$ 177,713

We determined there was no impairment to goodwill as of December 31, 2021, 2020, or 2019.

13. LONG-TERM DEBT

Long-term debt was comprised of the following at December 31, 2021 and 2020:

(In thousands)	December 31, 2021	December 31, 2020
Term loan facility	$ 69,375	$ 73,125
Revolving credit facility	31,000	5,000
Debt obligations	100,375	78,125
Less: debt issuance costs	(1,015)	(1,308)
Debt obligation, net	99,360	76,817
Less: current portion	(4,394)	(3,457)
Long-term debt	$ 94,966	$ 73,360

As of December 31, 2021, the carrying value of debt approximates the fair value due to the variable interest rate which reflects market rates.

Credit Agreement

In conjunction with our acquisition of HHI in January 2016, we entered into a syndicated credit agreement with Regions Bank ("Regions") serving as administrative agent, which provided for a $125 million term loan facility and a $50 million revolving credit facility. On June 16, 2020, we entered into an Amended and Restated Credit Agreement that increased the aggregate principal amount of our credit facilities to $185 million, which includes a $75 million term loan facility and a $110 million revolving credit facility.

Each of our credit facilities continues to bear interest at a rate per annum equal to an applicable margin plus, at our option, either (1) the Adjusted LIBOR rate for the relevant interest period, subject to a floor of 0.50%, (2) an alternate base rate determined by reference to the greater of (a) the prime lending rate of Regions, (b) the federal funds rate for the relevant interest period plus one half of one percent per annum and (c) the one month LIBOR rate, subject to the aforementioned floor, plus one percent per annum, or (3) a combination of (1) and (2). The applicable margin range for LIBOR loans and the letter of credit fee ranges from 1.8% to 3.0%. The applicable margin range for base rate loans ranges from 0.8% to 2.0%, in each case based on the Company's consolidated net leverage ratio.

Principal payments with respect to the term loan facility are due on the last day of each fiscal quarter beginning September 30, 2020, with quarterly principal payments of approximately $0.9 million through June 30, 2022, approximately $1.4 million through June 30, 2024 and approximately $1.9 million through March 31, 2025, with maturity on June 16, 2025 or such earlier date as the obligations under the Amended and Restated Credit Agreement become due and payable pursuant to the terms of such agreement. Any principal outstanding under the revolving credit facility is due and payable on the maturity date.

Anticipated annual future maturities of the term loan facility and revolving credit facility are as follows as of December 31, 2021:

(In thousands)	
2022	$ 4,687
2023	5,625
2024	6,563
2025	83,500
Thereafter	—
	$ 100,375

Our credit facilities are secured pursuant to an Amended and Restated Pledge and Security Agreement, dated June 16, 2020, among the parties identified as obligors therein and Regions, as collateral agent, on a first priority basis by a security interest in substantially all of the tangible and intangible assets (subject to certain exceptions) of the Company and certain subsidiaries of the Company, as guarantors (collectively, the “Subsidiary Guarantors”), including certain registered intellectual property and the capital stock of certain of the Company’s direct and indirect subsidiaries. Our obligations under the Amended and Restated Credit Agreement are also guaranteed by the Subsidiary Guarantors.

The Amended and Restated Credit Agreement provides incremental facility capacity of $50 million, subject to certain conditions. The Amended and Restated Credit Agreement includes a number of restrictive covenants that, among other things and in each case subject to certain exceptions and baskets, impose operating and financial restrictions on the Company and the Subsidiary Guarantors, including the ability to incur additional debt; incur liens and encumbrances; make certain restricted payments, including paying dividends on the Company's equity securities or payments to redeem, repurchase or retire the Company's equity securities (which are subject to our compliance, on a pro forma basis to give effect to the restricted payment, with the fixed charge coverage ratio and consolidated net leverage ratio described below); enter into certain restrictive agreements; make investments, loans and acquisitions; merge or consolidate with any other person; dispose of assets; enter into sale and leaseback transactions; engage in transactions with affiliates; and materially alter the business we conduct. The Amended and Restated Credit Agreement requires the Company to maintain a minimum fixed charge coverage ratio of 1.25:1.00 throughout the duration of such agreement. Under the Amended and Restated Credit Agreement, the Company is required to comply with a maximum consolidated net leverage ratio of 3.50:1.00. The Amended and Restated Credit Agreement also contains customary representations and warranties, affirmative covenants and events of default. We believe that we were in compliance with the covenants contained in the credit agreement as of December 31, 2021.

The Amended and Restated Credit Agreement requires the Company to mandatorily prepay our credit facilities with 50% of excess cash flow (minus certain specified other payments). This mandatory prepayment requirement is applicable only if the Company's net leverage ratio exceeds 2.50:1.00. The Company is permitted to voluntarily prepay our credit facilities at any time without penalty, subject to customary “breakage” costs with respect to prepayments of LIBOR rate loans made on a day other than the last day of any applicable interest period. The excess cash flow mandatory prepayment requirement under the credit agreement did not result in a prepayment in 2021 or 2020.

14. BENEFIT PLANS

In January 1994, the Company adopted the CPSI 401(k) Retirement Plan that covers all eligible employees of the Company. The plan allows eligible employees to contribute up to 60% of their pre-tax earnings up to the statutory limit prescribed by the Internal Revenue Service. The Company matches a discretionary amount determined by the Board of Directors. The Company contributed approximately $3.2 million, $3.2 million, and $2.9 million to the plan for the years ended December 31, 2021, 2020 and 2019, respectively.

The Company provides certain health and medical benefits to eligible employees, their spouses and dependents pursuant to a benefit plan funded by the Company. Each participating employee contributes to the Company’s costs associated with such benefit plan. The Company’s obligation to fund this benefit plan and pay for these benefits is limited through the Company’s purchase of an insurance policy from a third-party insurer. The amount established as a reserve is intended to recognize the Company’s estimated obligations with respect to its payment of claims and claims incurred but not yet reported under the benefit plan. Management believes that the recorded liability for medical self-insurance at December 31, 2021 and 2020 is adequate to cover the losses and claims incurred, but these reserves are based on estimates and the amount ultimately paid may be more or less than such estimates.

15. OPERATING LEASES

The Company leases office space in various locations in Alabama, Pennsylvania, Minnesota, Maryland, and Mississippi. These leases have terms expiring from 2022 through 2030 but do contain optional extension terms. Leases with an initial term of 12 months or less are not recorded on the balance sheet. We recognize lease expense on a straight-line basis over the lease term.

On July 28, 2021, the Company terminated its lease agreement for approximately 45,000 square feet of office space in Fairhope, Alabama. Pursuant to a Termination of Lease Agreement dated July 28, 2021, the Company paid $0.9 million to the landlord as consideration for the early termination. In connection with the lease termination, the Company derecognized the assets and liabilities associated with the operating lease and recorded a $0.3 million loss on the disposal of leasehold improvements.

Supplemental balance sheet information related to operating leases is as follows:

(In thousands)	December 31, 2021
Operating lease assets:	
Operating lease assets	$ 7,097
Operating lease liabilities:	
Other accrued liabilities	1,592
Operating lease liabilities, net of current portion	5,505
Total operating lease liabilities	$ 7,097
Weighted average remaining lease term in years	6
Weighted average discount rate	4.6%

Because our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the lease commencement date in determining the present value of lease payments. We used the incremental borrowing rate on January 1, 2019, for operating leases that commenced prior to that date.

The future minimum lease payments payable under these operating leases subsequent to December 31, 2021 are as follows:

(In thousands)	
2022	$ 1,592
2023	1,520
2024	1,411
2025	1,202
2026	1,225
Thereafter	1,115
Total lease payments	8,065
Less imputed interest	(968)
Total	$ 7,097

Total rent expense for the years ended December 31, 2021, 2020, and 2019 was $1.8 million, $1.7 million, and $2.2 million, respectively.

Total cash paid for amounts included in the measurement of lease liabilities within operating cash flows from operating leases for the year ended December 31, 2021 was $1.8 million.

16. COMMITMENTS AND CONTINGENCIES

From time to time, the Company is involved in routine litigation that arises in the ordinary course of business. Management does not believe it is reasonably possible that such matters will have a material adverse effect on the Company's financial statements.

17. FAIR VALUE

ASC 820, *Fair Value Measurements and Disclosures,* establishes a framework for measuring fair value and expands financial statement disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The Codification topic does not require any new fair value measurements, but rather applies to all other accounting pronouncements that require or permit fair value measurements. The Codification topic requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

As of December 31, 2021, we measured the fair value of contingent consideration that represents the potential earnout incentive for TruCode's former equity holders. We estimated the fair value of the contingent consideration based on the probability of TruCode meeting EBITDA targets (subject to certain pro-forma adjustments). We did not have any other instruments that required fair value measurement as of December 31, 2021.

The following table summarizes the carrying amount and fair value of the contingent consideration at December 31, 2021:

		Fair Value at December 31, 2021 Using		
(In thousands)	**Carrying Amount at 12/31/21**	**Quoted Price in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Description				
Contingent Consideration	$ 2,500	$ —	$ —	$ 2,500
Total	$ 2,500	$ —	$ —	$ 2,500

18. SEGMENT REPORTING

Our chief operating decision makers ("CODM") utilize three operating segments, "Acute Care EHR", "Post-acute Care EHR" and "TruBridge", based on our three distinct business units with unique market dynamics and opportunities. Revenues and costs of sales are primarily derived from the provision of services and sales of our proprietary software, and our CODM assess the performance of these three segments at the gross profit level. Operating expenses and items such as interest, income tax, capital expenditures and total assets are managed at a consolidated level and thus are not included in our operating segment disclosures. Our CODM group is comprised of the Chief Executive Officer, Chief Growth Officer, Chief Operating Officer, and Chief Financial Officer. Accounting policies for each of the reportable segments are the same as those used on a consolidated basis.

The following table presents a summary of the revenues, cost of sales, and gross profit of our three operating segments for the years ended December 31, 2021, 2020, and 2019:

	Year Ended December 31,		
(In thousands)	2021	2020	2019
Revenues:			
Acute Care EHR			
Recurring revenue	$ 108,440	$ 105,597	$ 109,046
Non-recurring revenue	16,939	29,173	35,028
Total Acute Care EHR revenue	125,379	134,770	144,074
Post-acute Care EHR			
Recurring revenue	16,472	16,272	17,466
Non-recurring revenue	1,258	1,912	3,812
Total Post-acute Care EHR revenue	17,730	18,184	21,278
TruBridge	137,520	111,534	109,282
Total revenues	280,629	264,488	274,634
Cost of sales:			
Acute Care EHR	65,776	64,540	68,569
Post-acute Care EHR	4,888	4,821	5,303
TruBridge	69,083	58,881	56,617
Total cost of sales	139,747	128,242	130,489
Gross profit:			
Acute Care EHR	59,603	70,230	75,505
Post-acute Care EHR	12,842	13,363	15,975
TruBridge	68,437	52,653	52,665
Total gross profit	140,882	136,246	144,145
Corporate operating expenses	(116,175)	(115,192)	(119,562)
Other income	1,529	1,494	807
Gain on contingent consideration	—	—	5,000
Loss on extinguishment of debt	—	(202)	—
Interest expense	(3,160)	(3,562)	(6,694)
Income before taxes	$ 23,076	$ 18,784	$ 23,696

19. SUBSEQUENT EVENTS

On March 1, 2022, the Company acquired all of the assets and liabilities of Healthcare Resource Group, Inc., a Washington corporation ("HRG"), pursuant to a Stock Purchase Agreement dated March 1, 2022. Based in Spokane, Washington, HRG is a leading provider of customized RCM solutions and consulting services that enable hospitals and clinics to improve efficiency, profitability, and patient satisfaction.

The Stock Purchase Agreement provides for a total purchase price of $44.0 million, subject to various upward or downward adjustments, including for working capital, cash, indebtedness, and transaction expenses of HRG.

Due to the proximity of the acquisition date to the Company's filing of its Annual Report on Form 10-K for the year ended December 31, 2021, the initial accounting for the HRG business combination is incomplete, and therefore the Company is unable to disclose certain information required by ASC 805, *Business Combinations,* including the provisional amounts recognized as of the acquisition date for each major class of assets acquired, liabilities assumed and goodwill. A preliminary valuation assessment is expected to be provided on our quarterly report on Form 10-Q for the three month ended March 31, 2022.

20. COVID-19 PANDEMIC

In December 2019, a novel coronavirus disease ("COVID-19") was reported, and in January 2020, the World Health Organization ("WHO") declared it a Public Health Emergency of International Concern. In February 2020, the WHO raised its assessment of the COVID-19 threat from high to very high at a global level due to the continued increase in the number of cases and affected countries, and in March 2020, the WHO characterized COVID-19 as a pandemic and the President of the United States declared the COVID-19 outbreak a national emergency.

The COVID-19 pandemic has caused, and is continuing to cause, severe economic, market, and other disruptions to the U.S. and global economies. The Company began experiencing adverse business conditions beginning in the latter half of March 2020, which have persisted through the date of this report, including the results of operations for the year ended December 31, 2021. Most notably:

- Travel restrictions and social distancing protocols have created an additional challenge to our on-site implementation and sales teams. Although we have shown success with remote implementation models and our sales representatives are engaging in remote contact with existing customers and prospects, these restrictions and protocols are expected to continue to have an incrementally negative impact on implementation revenues and new sales generation.
- Although patient volumes at our client hospitals have largely recovered from the severe declines in such volumes experienced during much of 2020, there can be no guarantee as to the permanence of this recovery. As the overwhelming majority of TruBridge revenues are directly or indirectly correlated with client patient volumes, any further reduction in these patient volumes may negatively impact our related revenues.
- Although we have experienced no notable disruption to our operating cash flows through the date of this report, the aforementioned limitations on travel and decreased client patient volumes increase the risk of decreased cash collections from our customers as long as these conditions persist. Such decreases in cash collections could be further negatively impacted by the amount and extent to which the pandemic impacts the financial condition and liquidity of our customers.

Despite these adverse business conditions, the pandemic has had a muted impact on our financial condition as of December 31, 2021. However, the ultimate impact of COVID-19 on our operations and financial performance in future periods remains uncertain and will depend on future pandemic related developments, including the duration of the pandemic, any potential subsequent waves of COVID-19 infection, emergence of new variants, the effectiveness, distribution, and acceptance of COVID-19 vaccines, and related government actions to prevent and manage disease spread, all of which are uncertain and cannot be predicted. Consequently, the ongoing pandemic could result in a material impact to the Company's future financial position, results of operations, cash flows and liquidity.

SCHEDULE II
COMPUTER PROGRAMS AND SYSTEMS, INC.
VALUATION AND QUALIFYING ACCOUNTS
(In thousands)

Description		Balance at beginning of period	Additions charged to cost and expenses (1)	Deductions (2)	Balance at end of period
Allowance for credit losses deducted from accounts receivable in the balance sheet	2019	$ 2,124	$ 1,378	$ (1,424)	$ 2,078
	2020	$ 2,078	$ 2,825	$ (3,202)	$ 1,701
	2021	$ 1,701	$ 2,111	$ (1,986)	$ 1,826

(1) Adjustments to allowance for change in estimates.
(2) Uncollectible accounts written off, net of recoveries.

Description		Balance at beginning of period	Additions charged to cost and expenses (1)	Deductions (2)	Balance at end of period
Allowance for credit losses deducted from financing receivables in the balance sheet	2019	$ 2,567	$ 970	$ (566)	$ 2,971
	2020	$ 2,971	$ 1,632	$ (3,114)	$ 1,489
	2021	$ 1,489	$ 481	$ (1,248)	$ 722

(1) Adjustments to allowance for change in estimates.
(2) Uncollectible accounts written off, net of recoveries.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the rules and forms promulgated by the Securities and Exchange Commission, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Because of the inherent limitations to the effectiveness of any system of disclosure controls and procedures, no evaluation of disclosure controls and procedures can provide absolute assurance that all control issues and instances of fraud, if any, with a company have been prevented or detected on a timely basis. Even disclosure controls and procedures determined to be effective can only provide reasonable assurance that their objectives are achieved.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) pursuant to Rule 13a-15 of the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

On May 12, 2021, we acquired TruCode LLC (“TruCode”), as further described in Note 3 to the consolidated financial statements. We continue to integrate policies, processes, people, technology and operations for our combined operations, and will continue to evaluate the impact of any related changes to internal controls over financial reporting during the fiscal year.

There were no changes in the Company's internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during the quarter ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Annual Report on Internal Control Over Financial Reporting

This report is included in Item 8 on page 62 and is incorporated herein by reference.

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

This report is included in Item 8 on page 63 and is incorporated herein by reference.

ITEM 9B. OTHER INFORMATION.

Effective as of the filing of this Annual Report on Form 10-K, Troy D. Rosser, the Company's Senior Vice President – Sales and a current "named executive officer" of the Company, is no longer an "executive officer" of the Company for purposes of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Mr. Rosser is maintaining his position and responsibilities with the Company; however, the Board of Directors of the Company has made the determination that, based on the role and duties of Mr. Rosser and other individuals at the Company and the current structure of the Company's business, Mr. Rosser should no longer be designated as an "executive officer" (as defined in Rule 3b-7 under the Exchange Act) of the Company for purposes of the Exchange Act.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

We have adopted a Code of Business Conduct and Ethics applicable to all of our directors, officers (including our Chief Executive Officer and senior financial officers) and employees. We have also adopted a separate code of ethics with additional guidelines and responsibilities applicable to our Chief Executive Officer and senior financial officers, known as the Code of Ethics for CEO and Senior Financial Officers. Copies of the Code of Business Conduct and Ethics and the Code of Ethics for CEO and Senior Financial Officers are available on CPSI's web site at www.cpsi.com in the "Corporate Information" section under "Corporate Governance."

Other information required by this Item regarding executive officers is included in Part I of this Form 10-K under the caption "Executive Officers" in accordance with Instruction 3 to Paragraph (b) of Item 401 of Regulation S-K.

Other information required by this Item is incorporated by reference pursuant to General Instruction G(3) of Form 10-K from CPSI's definitive Proxy Statement for the 2022 Annual Meeting of Stockholders (the "2022 Proxy Statement") to be filed with the Securities and Exchange Commission pursuant to Regulation 14A.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference pursuant to General Instruction G(3) of Form 10-K from the 2022 Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated by reference pursuant to General Instruction G(3) of Form 10-K from the 2022 Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference pursuant to General Instruction G(3) of Form 10-K from the 2022 Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated by reference pursuant to General Instruction G(3) of Form 10-K from the 2022 Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) and (2) and (c) – Financial Statements and Financial Statement Schedules.

Financial Statements: The Financial Statements and related Financial Statements Schedule of CPSI are included herein in Part II, Item 8.

(a)(3) and (b) – Exhibits.

The exhibits listed on the Exhibit Index beginning on page 102 of this Annual Report on Form 10-K are filed herewith or are incorporated herein by reference.

ITEM 16. FORM 10-K SUMMARY

None.

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 the 15th day of March, 2022.

COMPUTER PROGRAMS AND SYSTEMS, INC.

By: /s/ J. Boyd Douglas
J. Boyd Douglas
President and Chief Executive Officer

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.

Name	Title	Date
/s/ J. Boyd Douglas J. Boyd Douglas	President, Chief Executive Officer and Director (principal executive officer)	March 15, 2022
/s/ Matt J. Chambless Matt J. Chambless	Chief Financial Officer (principal financial officer)	March 15, 2022
/s/ David A. Dye David A. Dye	Chief Growth Officer and Director	March 15, 2022
/s/ James B. Britain James B. Britain	Vice President – Finance and Controller (principal accounting officer)	March 15, 2022
/s/ Glenn P. Tobin Glenn P. Tobin	Chairperson of the Board	March 15, 2022
/s/ Regina M. Benjamin Regina M. Benjamin	Director	March 15, 2022
/s/ Christopher T. Hjelm Christopher T. Hjelm	Director	March 15, 2022
/s/ Charles P. Huffman Charles P. Huffman	Director	March 15, 2022
/s/ Denise W. Warren Denise W. Warren	Director	March 15, 2022

Exhibit Index

Exhibit Number	Description
2.1	Agreement and Plan of Merger and Reorganization, dated as of November 25, 2015, by and among Computer Programs and Systems, Inc., HHI Merger Sub I, Inc., HHI Merger Sub II, Inc., Healthland Holding Inc. and AHR Holdings, LLC (filed as Exhibit 2.1 to the CPSI's Current Report on Form 8-K dated December 1, 2015 and incorporated herein by reference)
2.2	Amendment to Agreement and Plan of Merger and Reorganization, dated as of January 8, 2016, by and among Computer Programs and Systems, Inc., Healthland Holding, Inc. and AHR Holdings, LLC (filed as Exhibit 2.2 to the CPSI's Current Report on Form 8-K dated January 8, 2016 and incorporated herein by reference)
3.1	Certificate of Incorporation (filed as Exhibit 3.4 to CPSI's Registration Statement on Form S-1 (Registration No. 333-84726) and incorporated herein by reference)
3.2	Amended and Restated Bylaws (filed as Exhibit 3 to CPSI's Current Report on Form 8-K dated October 28, 2013 and incorporated herein by reference)
3.3	Amendment to Amended and Restated Bylaws (filed as Exhibit 3.1 to CPSI's Current Report on Form 8-K dated January 22, 2019 and incorporated herein by reference)
4.1	Description of Securities Registered under Section 12 of the Securities Exchange Act of 1934 (filed as Exhibit 4.1 to CPSI's Annual Report on Form 10-K for the period ended December 31, 2019 and incorporated herein by reference)
10.1	Form of Indemnity Agreement entered into by CPSI and each of its non-employee directors (filed as Exhibit 10.1 to CPSI's Quarterly Report on Form 10-Q for the period ended September 30, 2002 and incorporated herein by reference)
10.2	Sublease Agreement, dated February 22, 2021, between CPSI and Red Square, LLC (filed as Exhibit 10.1 to CPSI's Quarterly Report on Form 10-Q for the period ended March 31, 2021 and incorporated herein by reference)
10.3	Commercial Lease Agreement, dated March 1, 2021, between CPSI and Central Optical, LLC (filed as Exhibit 10.2 to CPSI's Quarterly Report on Form 10-Q for the period ended March 31, 2021 and incorporated herein by reference)
10.4*	Computer Programs and Systems, Inc. Amended and Restated 2014 Incentive Plan (filed as Appendix A to CPSI's Schedule 14A dated March 31, 2017 and incorporated herein by reference)
10.5*	Form of Performance Share Award Agreement (Three-Year) under the 2014 Incentive Plan (filed as Exhibit 10.9 to CPSI's Annual Report on Form 10-K for the period ended December 31, 2019 and incorporated herein by reference)
10.6*	Form of Restricted Stock Award Agreement under the 2014 Incentive Plan (filed as Exhibit 10.4 to CPSI's Current Report on Form 8-K dated May 16, 2014 and incorporated herein by reference)
10.7*	Healthland Holding Inc. (f/k/a Dairyland Healthcare Solutions Holding Corp) Stock Incentive Plan (filed as Exhibit 99.1 to CPSI's Registration Statement on Form S-8 (Registration No. 333-208915) and incorporated herein by reference)
10.8*	Computer Programs and Systems, Inc. 2019 Incentive Plan (filed as Exhibit 10.1 to CPSI's Current Report on Form 8-K dated May 2, 2019 and incorporated herein by reference)
10.9*	First Amendment to the Computer Programs and Systems, Inc. 2019 Incentive Plan (filed as Exhibit 10.1 to CPSI's Quarterly Report on Form 10-Q for the period ended September 30, 2020 and incorporated herein by reference)
10.10*	Form of Performance Share Award Agreement (Three-Year) under the 2019 Incentive Plan (filed as Exhibit 10.3 to CPSI's Current Report on Form 8-K dated May 2, 2019 and incorporated herein by reference)
10.11*	Form of Performance-Based Cash Bonus Award Agreement under the 2019 Incentive Plan (filed as Exhibit 10.4 to CPSI's Current Report on Form 8-K dated May 2, 2019 and incorporated herein by reference)

10.12*	Form of Restricted Stock Award Agreement under the 2019 Incentive Plan (filed as Exhibit 10.18 to CPSI's Annual Report on Form 10-K for the period ended December 31, 2019 and incorporated herein by reference)
10.13*	Amended Commission Program for Troy D. Rosser (2020) (filed as Exhibit 10.3 to CPSI's Quarterly Report on Form 10-Q for the period ended March 31, 2021 and incorporated herein by reference)
10.14*	Senior Vice President of Sales Compensation Plan for Troy D. Rosser (Oct. 1, 2021 - Dec. 31, 2021) (filed as Exhibit 10.1 to CPSI's Quarterly Report on Form 10-Q for the period ended September 30, 2021 and incorporated herein by reference)
10.15	Amended and Restated Credit Agreement, dated as of June 16, 2020, by and among Computer Programs and Systems, Inc., certain of its subsidiaries, as guarantors, certain lenders named therein, and Regions Bank, as administrative agent and collateral agent (filed as Exhibit 10.1 to CPSI's Current Report on Form 8-K dated June 18, 2020 and incorporated herein by reference)
10.16	Amended and Restated Pledge and Security Agreement, dated as of June 16, 2020, by and among the parties identified as Obligors therein and Regions Bank, as collateral agent (filed as Exhibit 10.2 to CPSI's Current Report on Form 8-K dated June 18,2020 and incorporated herein by reference)
21.1	Subsidiaries of the registrant
23.1	Consent of Grant Thornton LLP, Independent Registered Public Accounting Firm
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	Interactive Data Files for CPSI's Annual Report on Form 10-K for the period ended December 31, 2021

* Management compensation plan or arrangement

Exhibit 21.1

Computer Programs and Systems, Inc.
Subsidiary List

Subsidiary Name	State of Organization
TruBridge, LLC	Delaware
Evident, LLC	Delaware
Healthland Holding Inc.	Delaware
Healthland Inc.	Minnesota
American HealthTech, Inc.	Mississippi
Rycan Technologies, Inc.	Minnesota
iNetXperts, Corp. d/b/a Get Real Health	Maryland
TruCode LLC	Virginia
Healthcare Resource Group, Inc.	Washington

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated March 15, 2022, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of Computer Programs and Systems, Inc. on Form 10-K for the year ended December 31, 2021. We consent to the incorporation by reference of said reports in the Registration Statements of Computer Programs and Systems, Inc. on Form S-3 (File No. 333-209669) and on Forms S-8 (File No. 333-196020, File No. 333-208915, File No. 333-217880 and File No.333-231193).

/s/ GRANT THORNTON LLP
Atlanta, Georgia
March 15, 2022

Exhibit 31.1

CERTIFICATION

I, J. Boyd Douglas, certify that:

1. I have reviewed this Annual Report on Form 10-K of Computer Programs and Systems, Inc.;

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 subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

Date: March 15, 2022

/s/ J. Boyd Douglas

J. Boyd Douglas
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Matt J. Chambless, certify that:

1. I have reviewed this Annual Report on Form 10-K of Computer Programs and Systems, Inc.;

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 subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

Date: March 15, 2022

/s/ Matt J. Chambless
Matt J. Chambless
Chief Financial Officer

Exhibit 32.1

Certifications of Chief Executive Officer
and Chief Financial Officer
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 Annual Report on Form 10-K for the year ended December 31, 2021 (the "Report") of Computer Programs and Systems, Inc. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof, J. Boyd Douglas, Chief Executive Officer of the Company, and Matt J. Chambless, Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 15, 2022

/s/ J. Boyd Douglas
J. Boyd Douglas
Chief Executive Officer

/s/ Matt J. Chambless
Matt J. Chambless
Chief Financial Officer