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

FORM 10-Q

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

For the quarterly period ended June 30, 2022

or

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

Commission file number: 001-12537

NEXTGEN HEALTHCARE, INC.
(Exact name of registrant as specified in its charter)

Delaware	**95-2888568**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification No.)*
3525 Piedmont Rd., NE, Building 6, Suite 700, Atlanta, GA	**30305**
(Address of principal executive offices)	*(Zip Code)*

(404) 467-1500
(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, $0.01 Par Value	**NXGN**	**NASDAQ Global Select Market**

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Small reporting company ☐
	Emerging growth company ☐

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

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

The number of outstanding shares of the Registrant's common stock as of July 22, 2022 was 68,018,785 shares.

NEXTGEN HEALTHCARE, INC.

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FOR THE THREE MONTHS ENDED JUNE 30, 2022

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

NEXTGEN HEALTHCARE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)
(Unaudited)

	June 30, 2022	March 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 40,361	$ 59,829
Restricted cash and cash equivalents	8,054	6,918
Accounts receivable, net	77,279	76,057
Contract assets	25,464	25,157
Income taxes receivable	7,367	6,507
Prepaid expenses and other current assets	34,011	37,102
Total current assets	192,536	211,570
Equipment and improvements, net	8,326	9,120
Capitalized software costs, net	47,602	43,958
Operating lease assets	9,707	11,316
Deferred income taxes, net	19,187	19,259
Contract assets, net of current	1,729	1,910
Intangibles, net	21,817	24,303
Goodwill	267,212	267,212
Other assets	39,879	39,026
Total assets	$ 607,995	$ 627,674
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 15,042	$ 9,125
Contract liabilities	63,094	61,280
Accrued compensation and related benefits	25,967	48,736
Income taxes payable	363	99
Operating lease liabilities	7,946	8,089
Other current liabilities	45,187	53,533
Total current liabilities	157,599	180,862
Deferred compensation	7,181	7,230
Operating lease liabilities, net of current	9,794	11,934
Other noncurrent liabilities	4,562	4,570
Total liabilities	179,136	204,596
Commitments and contingencies (Note 15)		
Shareholders' equity:		
Common stock, $0.01 par value; authorized 100,000 shares; issued and outstanding 68,064 and 67,075 shares at June 30, 2022 and March 31, 2022, respectively	704	692
Treasury stock, at cost, 2,318 shares and 2,170 shares at June 30, 2022 and March 31, 2022, respectively	(38,379)	(35,874)
Additional paid-in capital	337,071	329,917
Accumulated other comprehensive loss	(1,937)	(1,909)
Retained earnings	131,400	130,252
Total shareholders' equity	428,859	423,078
Total liabilities and shareholders' equity	$ 607,995	$ 627,674

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

NEXTGEN HEALTHCARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,	
	2022	**2021**
Revenues:		
Recurring	$ 139,759	$ 132,381
Software, hardware, and other non-recurring	13,543	13,703
Total revenues	153,302	146,084
Cost of revenue:		
Recurring	62,244	57,160
Software, hardware, and other non-recurring	10,676	7,497
Amortization of capitalized software costs and acquired intangible assets	7,134	8,084
Total cost of revenue	80,054	72,741
Gross profit	73,248	73,343
Operating expenses:		
Selling, general and administrative	49,034	48,486
Research and development costs, net	21,795	19,321
Amortization of acquired intangible assets	705	881
Impairment of assets	524	382
Restructuring costs	—	539
Total operating expenses	72,058	69,609
Income from operations	1,190	3,734
Interest income	46	12
Interest expense	(330)	(317)
Other expense, net	(5)	(22)
Income before provision for (benefit of) income taxes	901	3,407
Provision for (benefit of) income taxes	(247)	559
Net income	$ 1,148	$ 2,848
Other comprehensive income:		
Foreign currency translation, net of tax	(28)	(38)
Comprehensive income	$ 1,120	$ 2,810
Net income per share:		
Basic	$ 0.02	$ 0.04
Diluted	$ 0.02	$ 0.04
Weighted-average shares outstanding:		
Basic	67,588	67,175
Diluted	68,283	67,799

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

NEXTGEN HEALTHCARE, INC.
STATEMENTS OF CONDENSED CONSOLIDATED STOCKHOLDERS' EQUITY
(In thousands)
(Unaudited)

	Three Months Ended June 30, 2022						
	Common Stock		Treasury	Additional Paid-in	Retained	Accumulated Other Comprehensive	Total Shareholders'
	Shares	Amount	Stock	Capital	Earnings	Loss	Equity
Balance, March 31, 2022	67,075	$ 692	$ (35,874)	$ 329,917	$ 130,252	$ (1,909)	$ 423,078
Common stock issued under stock plans, net of shares withheld for taxes	1,137	12	—	(1,612)	—	—	(1,600)
Stock-based compensation	—	—	—	8,766	—	—	8,766
Repurchase of common stock (1)	(148)	—	(2,505)	—	—	—	(2,505)
Components of other comprehensive income:							
Translation adjustments	—	—	—	—	—	(28)	(28)
Net income	—	—	—	—	1,148	—	1,148
Balance, June 30, 2022	68,064	704	(38,379)	337,071	131,400	(1,937)	428,859

(1) Weighted-average repurchase price (dollars per share) for the three months ended June 30, 2022 was $16.93.

	Three Months Ended June 30, 2021						
	Common Stock		Treasury	Additional Paid-in	Retained	Accumulated Other Comprehensive	Total Shareholders'
	Shares	Amount	Stock	Capital	Earnings	Loss	Equity
Balance, March 31, 2021	67,069	$ 671	$ -	$ 304,263	$ 128,634	$ (1,924)	$ 431,644
Common stock issued under stock plans, net of shares withheld for taxes	293	3	—	(2,301)	—	—	(2,298)
Stock-based compensation	—	—	—	6,412	—	—	6,412
Components of other comprehensive income:							
Translation adjustments	—	—	—	—	—	(38)	(38)
Net income	—	—	—	—	2,848	—	2,848
Balance, June 30, 2021	67,362	674	—	308,374	131,482	(1,962)	438,568

NEXTGEN HEALTHCARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended June 30,	
	2022	2021
Cash flows from operating activities:		
Net income	$ 1,148	$ 2,848
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of capitalized software costs	5,354	5,866
Amortization of debt issuance costs	127	127
Amortization of other intangibles	2,486	3,099
Deferred income taxes	—	28
Depreciation	1,292	2,108
Excess tax benefit from share-based compensation	(411)	(176)
Impairment of assets	524	382
Loss on disposal of equipment and improvements	41	38
Loss on foreign currency exchange rates	6	—
Non-cash operating lease costs	914	1,628
Provision for bad debts	241	639
Share-based compensation	8,766	6,412
Changes in assets and liabilities:		
Accounts receivable	(1,464)	3,407
Contract assets	(126)	(919)
Accounts payable	5,829	(4,334)
Contract liabilities	1,814	(582)
Accrued compensation and related benefits	(22,668)	(21,964)
Income taxes	(191)	464
Deferred compensation	(49)	743
Operating lease liabilities	(2,085)	(2,676)
Other assets and liabilities	(6,193)	3,175
Net cash provided by (used in) operating activities	(4,645)	313
Cash flows from investing activities:		
Additions to capitalized software costs	(8,998)	(5,538)
Additions to equipment and improvements	(455)	(1,002)
Net cash used in investing activities	(9,453)	(6,540)
Cash flows from financing activities:		
Proceeds from issuance of shares under employee plans	2,068	671
Repurchase of common stock	(2,505)	—
Payments for taxes related to net share settlement of equity awards	(3,668)	(2,969)
Net cash used in financing activities	(4,105)	(2,298)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(129)	—
Net decrease in cash, cash equivalents, and restricted cash	(18,332)	(8,525)
Cash, cash equivalents, and restricted cash at beginning of period	66,747	78,575
Cash, cash equivalents, and restricted cash at end of period	$ 48,415	$ 70,050
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	$ 360	$ 294
Cash refunds from income taxes	9	19
Cash paid for interest	—	—
Cash paid for amounts included in the measurement of operating lease liabilities	2,308	2,964
Operating lease assets obtained in exchange for operating lease liabilities	—	—
Accrued purchases of equipment and improvements	96	169

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

NOTES INDEX

1. Summary of Significant Accounting Policies

Principles of Consolidation. The condensed consolidated financial statements include the accounts of NextGen Healthcare, Inc. and its wholly-owned subsidiaries (collectively, the “Company”). Each of the terms “we,” “us,” or “our” as used herein refers collectively to the Company, unless otherwise stated. All intercompany accounts and transactions have been eliminated.

Basis of Presentation. The accompanying unaudited condensed consolidated financial statements as of June 30, 2022 and for the three months ended June 30, 2022 have been prepared in accordance with the requirements of Quarterly Report on Form 10-Q and Article 10 of the Securities and Exchange Commission Regulation S-X and therefore do not include all information and notes which would be presented were such condensed consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements presented in our Annual Report on Form 10-K for the fiscal year ended March 31, 2022. In the opinion of management, the accompanying condensed consolidated financial statements reflect all adjustments which are necessary for a fair statement of the results of operations and cash flows for the periods presented. The results of operations for such interim periods are not necessarily indicative of results of operations to be expected for the full year.

Certain prior period amounts have been reclassified to conform to current period presentation. References to amounts in the condensed consolidated financial statement sections are in thousands, except shares and per share data, unless otherwise specified.

Use of Estimates. We evaluate our estimates and assumptions on an ongoing basis. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and recording revenue and expenses during the period. Our estimates and assumptions consider the potential economic implications of COVID-19 on our critical and significant accounting estimates.

Recent Accounting Standards Not Yet Adopted. Recent accounting pronouncements requiring implementation in current or future periods are discussed below or in the notes, where applicable.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (“ASU 2020-04”). ASU 2020-04 provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in ASU 2020-04 apply only to contracts, hedging relationships, and other transactions that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. In January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848): Scope* (“ASU 2021-01”), which clarifies the application of certain optional expedients and exceptions. *Topic 848* may be applied prospectively through December 31, 2022. We are currently evaluating the effect that ASU 2020-04 may have on our contracts that reference LIBOR, such as our amended and restated revolving credit agreement (see Note 9). We have not elected to apply any of the provisions of *Topic 848*, and we are currently in the process of evaluating the potential impact of adoption of this updated authoritative guidance on our condensed consolidated financial statements.

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805) - Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* (“ASU 2021-08”). Under current GAAP, an acquirer generally recognizes assets acquired and liabilities assumed in a business combination, including contract assets and contract liabilities arising from revenue contracts with customers and other similar contracts that are accounted for in accordance with ASU 2016-10, *Revenue from Contracts with Customers (Topic 606)*, at fair value on the acquisition date. ASU 2021-08 requires acquiring entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination. ASU 2021-08 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The amendments in ASU 2021-08 should be applied prospectively to business combinations occurring on or after the effective date of the amendments. Early adoption is permitted, including adoption in an interim period. ASU 2021-08 is effective for us in the first quarter of fiscal 2024. We are currently in the process of evaluating the potential impact of adoption of this updated authoritative guidance on our condensed consolidated financial statements, which will also depend on the magnitude of any potential future business combinations.

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

2. Revenue from Contracts with Customers

Revenue Recognition and Performance Obligations

We generate revenue from sales of licensing rights and subscriptions to our software solutions, hardware and third-party software products, support and maintenance, managed services, transactional and data services, and other non-recurring services, including implementation, training, and consulting services. Our contracts with customers may include multiple performance obligations that consist of various combinations of our software solutions and related services, which are generally capable of being distinct and accounted for as separate performance obligations.

The total transaction price is allocated to each performance obligation within a contract based on estimated standalone selling prices. We generally determine standalone selling prices based on the prices charged to customers, except for certain software licenses that are based on the residual approach because their standalone selling prices are highly variable and certain maintenance customers that are based on substantive renewal rates. In instances where standalone selling price is not sufficiently observable, such as RCM services and software licenses included in our RCM arrangements, we estimate standalone selling price utilizing an expected cost plus a margin approach. When standalone selling prices are not observable, significant judgment is required in estimating the standalone selling price for each performance obligation.

Revenue is recognized when control of the promised goods or services is transferred to our customers in an amount that reflects the consideration that we expect to be entitled to in exchange for those goods or services.

We exclude sales tax from the measurement of the transaction price and record revenue net of taxes collected from customers and subsequently remitted to governmental authorities.

The following table presents our revenues disaggregated by our major revenue categories and by occurrence:

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021
Recurring revenues:		
Subscription services	$ 42,759	$ 38,284
Support and maintenance	39,138	38,486
Managed services	30,645	27,908
Transactional and data services	27,217	27,703
Total recurring revenues	139,759	132,381
Software, hardware, and other non-recurring revenues:		
Software license and hardware	6,199	7,214
Other non-recurring services	7,344	6,489
Total software, hardware and other non-recurring revenues	13,543	13,703
Total revenues	$ 153,302	$ 146,084

Recurring revenues consists of subscription services, support and maintenance, managed services, and transactional and data services. Software, hardware, and other non-recurring revenues consists of revenue from sales of software license and hardware and certain non-recurring services, such as implementation, training, and consulting performed for clients who use our products.

We generally recognize revenue for our most significant performance obligations as follows:

Subscription services. Performance obligations involving subscription services, which include annual libraries, are satisfied over time as the customer simultaneously receives and consumes the benefits of the services throughout the contract period. Our subscription services primarily include our software-as-a-service ("SaaS") based offerings, such as our electronic health records and practice management, mobile, patient portal, and population health management solutions. Our SaaS-based offerings may include multiple goods and services, such as providing access to our technology-based solutions together with our managed cloud hosting services. These offerings are concurrently delivered with the same pattern of transfer to our customers and are accounted for as a single performance obligation because the technology-based solutions and other goods and services included within our overall SaaS-based offerings are each individually not capable of being distinct as the customer receives benefits based on the combined offering. Our annual libraries primarily consist of providing stand-ready access to certain content, knowledgebase, databases, and SaaS-based educational tools, which are frequently updated to meet the most current standards and requirements, to be utilized in conjunction with our core solutions. We recognize revenue related to these subscription services, including annual libraries, ratably over the respective noncancelable contract term.

Support and maintenance. Performance obligations involving support and maintenance are satisfied over time as the customer simultaneously receives and consumes the benefits of the maintenance services provided. Our support and maintenance services may consist of separate performance obligations, such as unspecified upgrades or enhancements and technical support, which are considered stand-ready in nature and can be offered at various points during the service period. Since the efforts associated with the combined support and maintenance services are rendered concurrently and provided evenly throughout the service period, we consider the series of support and maintenance services to be a single performance obligation. Therefore, we recognize revenue related to these services ratably over the respective noncancelable contract term.

Managed services. Managed services consist primarily of RCM and related services, but also includes our hosting services, which we refer to as managed cloud services, transcription services, and certain other recurring services. Performance obligations associated with RCM services are satisfied over time as the customer simultaneously receives and consumes the benefits of the services executed throughout the contract period. The majority of service fees under our RCM arrangements are variable consideration contingent upon collections by our clients. We estimate the variable consideration which we expect to be entitled to over the noncancelable contract term associated with our RCM service arrangements. The estimate of variable consideration included in the transaction price typically involves estimating the amounts we will ultimately collect on behalf of our clients and the relative fee we charge that is generally calculated as a percentage of those collections. Inputs to these estimates include, but are not limited to, historical service fees and collections amounts, timing of historical collections relative to the timing of when claims are submitted by our clients to their respective payers, macroeconomic trends, and anticipated changes in the number of providers. Significant judgement is required when estimating the total transaction price based on the variable consideration. We may apply certain constraints when appropriate whereby we include in the transaction price estimated variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Such estimates are assessed at the contract level. RCM and related services may not be rendered evenly over the contract period as the timing of services are based on customer collections, which may vary throughout the service period. We recognize revenue for RCM based on the amount of collections received throughout the contract term as it most closely depicts our efforts to transfer our service obligations to the customer. Our managed cloud services represent a single performance obligation to provide cloud hosting services to our customers and related revenue is recognized ratably over the respective noncancelable contract term. Performance obligations related to the transcription services and other recurring services are satisfied as the corresponding services are provided and revenue is recognized as such services are rendered.

Transactional and data services. Performance obligations related to transactional and data services, including EDI, patient pay, and other transaction processing services are satisfied at the point in time the services are rendered or delivered. The transfer of control occurs when the transactional and data services are delivered and the customer receives the benefits from the services provided. Revenue is recognized as such services are rendered.

Beginning in fiscal year 2023, to align the presentation of disaggregated revenue with the manner in which management reviews such information, the presentation of disaggregated revenues by major revenue categories was revised to reclassify revenues related to patient pay services and certain other services from the managed services category into the transactional and data services category, which replaced the prior EDI and data services category. The prior period presentation of revenues disaggregated by major revenue categories and by occurrence above has been reclassified to conform with current period presentation.

Software license and hardware. Software license and hardware are considered point-in-time performance obligations as control is transferred to customers upon the delivery of the software license and hardware. Our software licenses are considered functional licenses, and revenue recognition generally occurs on the date of contract execution as the customer is provided with immediate access to the license. We generally determine the amount of consideration allocated to the software license performance obligation using the residual approach, except for certain RCM arrangements where the amount allocated to the software license performance obligation is determined based on estimated relative standalone selling prices. For hardware, we recognize revenue upon transfer of such hardware or devices to the customer.

Other non-recurring services. Performance obligations related to other non-recurring services, including implementation, training, and consulting services, are generally satisfied as the corresponding services are provided. Once the services have been provided to the customer, the transfer of control has occurred. Therefore, we recognize revenue as such services are rendered.

Transaction Price Allocated to Remaining Performance Obligations

As of June 30, 2022, the aggregate amount of transaction price related to remaining unsatisfied or partially unsatisfied performance obligations over the respective noncancelable contract term was approximately $605,700, of which we expect to recognize approximately 8% as services are rendered or goods are delivered, 52% over the next 12 months, and the remainder thereafter.

As of June 30, 2021, the aggregate amount of transaction price related to remaining unsatisfied or partially unsatisfied performance obligations over the respective noncancelable contract term was approximately $551,200, of which we expect to recognize approximately 10% as services are rendered or goods are delivered, 54% over the next 12 months, and the remainder thereafter.

Contract Balances

Contract balances result from the timing differences between our revenue recognition, invoicing, and cash collections. Such contract balances include accounts receivables, contract assets and liabilities, and other customer deposits and liabilities balances. Accounts receivables include invoiced amounts where the right to receive payment is unconditional and only subject to the passage of time. Contract assets, consisting of unbilled receivables, include amounts where revenue recognized exceeds the amount invoiced to the customer and the right to payment is not solely subject to the passage of time. Contract assets are generally associated with our sales of software licenses, but may also be associated with other performance obligations such as subscription services, support and maintenance, annual libraries, and professional services, where control has been transferred to our customers but the associated payments are based on future customer collections (in the case of our RCM service arrangements) or based on future milestone payment due dates. In such instances, the revenue recognized may exceed the amount invoiced to the customer and such balances are included in contract assets since our right to receive payment is not unconditional, but rather is conditional upon customer collections or the continued functionality of the software and our ongoing support and maintenance obligations. Contract liabilities consist mainly of fees invoiced or paid by our clients for which the associated services have not been performed and revenues have not been recognized. Contract assets and contract liabilities are reported in a net position on an individual contract basis at the end of each reporting period. Contract assets are classified as current or long-term on our condensed consolidated balance sheets based on the timing of when we expect to complete the related performance obligations and invoice the customer. Contract liabilities are classified as current on our condensed consolidated balance sheets since the revenue recognition associated with the related customer payments and invoicing is expected to occur within the next twelve months.

During the three months ended June 30, 2022 and 2021, we recognized $17,724 and $17,781, respectively, of revenues that were included in the contract liability balance or invoiced to customers since the beginning of the corresponding periods.

Our contracts with customers do not include any major financing components.

Costs to Obtain or Fulfill a Contract

We capitalize all incremental costs of obtaining a contract with a customer to the extent that such costs are directly related to a contract and expected to be recoverable. Our sales commissions and related sales incentives are considered incremental costs requiring capitalization. Capitalized contract costs are amortized to expense utilizing a method that is consistent with the transfer of the related goods or services to the customer. The amortization period ranges from less than one year up to five years, based on the period over which the related goods and services are transferred, including consideration of the expected customer renewals and the related useful lives of the products.

Capitalized commissions costs were $33,885 as of June 30, 2022, of which $11,914 is classified as current and included as prepaid expenses and other current assets and $21,971 is classified as long-term and included within other assets on our condensed consolidated balance sheets, based on the expected timing of expense recognition. During the three months ended June 30, 2022 and 2021, we recognized $3,487 and $2,926, respectively, of commissions expense. Commissions expense primarily relates to the amortization of capitalized commissions costs, which is included as a selling, general and administrative expense in the condensed consolidated statements of net income and comprehensive income.

3. Accounts Receivable

Accounts receivable includes invoiced amounts where the right to receive payment is unconditional and only subject to the passage of time. Allowance for credit losses are reported as a component of accounts receivable as summarized below:

	June 30, 2022	March 31, 2022
Accounts receivable, gross	$ 81,216	$ 79,945
Allowance for credit losses	(3,937)	(3,888)
Accounts receivable, net	$ 77,279	$ 76,057

The following table represents the changes in the allowance for credit losses, as of and for the three months ended June 30, 2022:

Balance as of March 31, 2022	$ (3,888)
Additions charged to costs and expenses	(241)
Deductions	192
Balance as of June 30, 2022	$ (3,937)

4. Fair Value Measurements

The following tables set forth by level within the fair value hierarchy our financial assets and liabilities that were accounted for at fair value on a recurring basis at June 30, 2022 and March 31, 2021:

	Balance At June 30, 2022		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Unobservable Inputs (Level 3)	
ASSETS								
Cash and cash equivalents [1]	$	40,361	$	40,361	$	—	$	—
Restricted cash and cash equivalents		8,054		8,054		—		—
	$	48,415	$	48,415	$	—	$	—

	Balance At March 31, 2022		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Unobservable Inputs (Level 3)	
ASSETS								
Cash and cash equivalents [1]	$	59,829	$	59,829	$	—	$	—
Restricted cash and cash equivalents		6,918		6,918		—		—
	$	66,747	$	66,747	$	—	$	—

(1) Cash equivalents consist primarily of money market funds.

There are no assets or liabilities accounted for utilizing unobservable inputs (Level 3) or measured at fair value using significant other observable inputs (Level 2), as of June 30, 2022.

We believe that the fair value of our other financial assets and liabilities, including accounts receivable, accounts payable, and line of credit, approximate their respective carrying values due to their nominal credit risk.

Non-Recurring Fair Value Measurements

We have certain assets, including goodwill and other intangible assets, which are measured at fair value on a non-recurring basis and are adjusted to fair value only if an impairment charge is recognized. The categorization of the framework used to measure fair value of the assets is considered to be within the Level 3 valuation hierarchy due to the subjective nature of the unobservable inputs used.

5. Leases

Our leasing arrangements are reflected on the balance sheet as right-of-use assets and liabilities pertaining to the rights and obligations created by the leased assets.

Right-of-use lease assets and corresponding lease liabilities are recognized at commencement date based on the present value of lease payments over the expected lease term. Since the interest rate implicit in our lease arrangements is not readily determinable, we determine an incremental borrowing rate for each lease based on the approximate interest rate on a collateralized basis with similar remaining terms and payments as of the lease commencement date to determine the present value of future lease payments. Our lease terms may include options to extend or terminate the lease. Currently, it is not reasonably certain that we will exercise those options and therefore, we utilize the initial, noncancelable, lease term to calculate the lease assets and corresponding liabilities for all our leases. We have certain insignificant short-term leases with an initial term of twelve months or less that are not recorded in our condensed consolidated balance sheets. Operating right-of-use lease assets are classified as operating lease assets on our condensed consolidated balance sheets. We determine whether an arrangement is a lease at inception and classify it as finance or operating. All of our existing material leases are classified as operating leases. Our leases do not contain any residual value guarantees.

Our lease agreements generally contain lease and non-lease components. Non-lease components primarily include payments for maintenance and utilities. We have applied the practical expedient to combine fixed payments for non-lease components with our lease payments for all of our leases and account for them together as a single lease component, which increases the amount of our lease assets and corresponding liabilities. Payments under our lease arrangements are primarily fixed, however, certain lease agreements contain variable payments, which are expensed as incurred and not included in the operating lease assets and liabilities.

Operating lease costs are recognized on a straight-line basis over the lease term and included as a selling, general and administrative expense in the condensed consolidated statements of net income and comprehensive income. Total operating lease costs were $942 and $1,864 for the three months ended June 30, 2022 and 2021, respectively.

Components of operating lease costs are summarized as follows:

	Three Months Ended June 30,	
	2022	2021
Operating lease costs	$ 949	$ 1,833
Short-term lease costs	—	6
Variable lease costs	173	157
Less: Sublease income	(180)	(132)
Total operating lease costs	$ 942	$ 1,864

Supplemental cash flow information related to operating leases is summarized as follows:

	Three Months Ended June 30,	
	2022	2021
Cash paid for amounts included in the measurement of operating lease liabilities	$ 2,308	$ 2,964
Operating lease assets obtained in exchange for operating lease liabilities	—	—

We have operating lease agreements for our offices in the United States and India with lease periods expiring between 2022 and 2026. As of June 30, 2022, our operating leases had a weighted average remaining lease term of 2.5 years and a weighted average discount rate of 3.7%. Future minimum aggregate lease payments under operating leases as of June 30, 2022 are summarized as follows:

For the year ended March 31,	
2023	$ 6,507
2024	6,885
2025	4,387
2026	1,257
Total future lease payments	19,036
Less interest	(1,296)
Total lease liabilities	$ 17,740

During the three months ended June 30, 2022 we recorded impairments of $524 to the operating right-of-use asset and related fixed assets for our previously vacated portion of our St. Louis, MO office related to changes in projected sublease assumptions. During the three months ended June 30, 2021, we vacated our Fairport, NY office and recorded impairments of $382 to our operating right-of-use assets and certain related fixed assets based on projected sublease rental income and the estimated sublease commencement date. These impairment analyses were performed at the asset group level and the impairment charge was estimated by comparing the fair value of each asset group based on the expected cash flows to its respective book value. We determined the discount rate for each asset group based on the approximate interest rate on a collateralized basis with similar remaining terms and payments as of the impairment date. Significant judgment was required to estimate the fair value of each asset group and actual results could vary from the estimates, resulting in potential future adjustments to amounts previously recorded.

6. Goodwill

We test goodwill for impairment annually during our first fiscal quarter, referred to as the annual test date. We will also test for impairment between annual test dates if an event occurs or circumstances change that would indicate the carrying amount may be impaired. Impairment testing for goodwill is performed at a reporting-unit level, which is defined as an operating segment or one level below an operating segment (referred to as a component). We operate as one segment and have a single reporting unit. The measures evaluated by our chief operating decision maker ("CODM"), consisting of the Chief Executive Officer, to assess company performance and make decisions about the allocation of resources include consolidated revenue and consolidated operating results.

As part of our annual goodwill impairment test, we may elect to first assess qualitative factors to determine whether it is more likely than not that the fair value of our single reporting unit is less than its carrying amount. We assess events or changes in circumstances in totality, including macroeconomic and industry conditions, market and competitive environment, changes in customers or customer mix, cost factors, loss of key personnel, significant changes in legislative environment or other legal factors, changes in the use of our acquired assets, changes in our strategic direction, significant changes in projected future results of operations, changes in the composition or carrying amount of our net assets, and changes in our stock price. Based on our assessment, if we conclude that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, then additional impairment testing is not required. Otherwise, if we determine that a quantitative impairment test should be performed, we then evaluate goodwill for impairment by comparing the estimated fair value of the reporting unit with its book value, including goodwill. If the estimated fair value exceeds book value, goodwill is considered not to be impaired and no additional steps are necessary. If, however, the fair value of the reporting unit is less than book value, then an impairment charge is recorded for the difference between the reporting unit's fair value and carrying amount, not to exceed the carrying amount of the goodwill.

During the quarter ended June 30, 2022, we performed a qualitative assessment, which indicated that it was more likely than not that the fair value of goodwill exceeded its net carrying value and, therefore, additional impairment testing was not deemed necessary. We do not amortize goodwill as it has been determined to have an indefinite useful life. The carrying amount of goodwill as of June 30, 2022 and March 31, 2021 was $267,212.

7. Intangible Assets

Our definite-lived intangible assets, other than capitalized software development costs, are summarized as follows:

	June 30, 2022			
	Customer Relationships	Trade Names	Software Technology	Total
Gross carrying amount	$ 39,200	$ 250	$ 49,000	$ 88,450
Accumulated amortization	(30,516)	(129)	(35,988)	(66,633)
Net intangible assets	$ 8,684	$ 121	$ 13,012	$ 21,817

	March 31, 2022			
	Customer Relationships	Trade Names	Software Technology	Total
Gross carrying amount	$ 39,200	$ 250	$ 49,000	$ 88,450
Accumulated amortization	(29,824)	(116)	(34,207)	(64,147)
Net intangible assets	$ 9,376	$ 134	$ 14,793	$ 24,303

Amortization expense related to customer relationships and trade names recorded as operating expenses in the condensed consolidated statements of net income and comprehensive income was $705 and $881 for the three months ended June 30, 2022 and 2021, respectively. Amortization expense related to software technology recorded as cost of revenue was $1,781 and $2,218 for the three months ended June 30, 2022 and 2021, respectively.

The following table summarizes the remaining estimated amortization of definite-lived intangible assets as of June 30, 2022:

	Estimated Remaining Amortization Expense		
	Operating Expense	Cost of Revenue	Total
For the year ended March 31,			
2023	$ 2,115	$ 3,373	$ 5,488
2024	2,279	3,573	5,852
2025	1,846	3,573	5,419
2026	1,377	2,251	3,628
2027	631	242	873
2028 and beyond	557	-	557
Total	$ 8,805	$ 13,012	$ 21,817

8. Capitalized Software Costs

Our capitalized software costs are summarized as follows:

	June 30, 2022	March 31, 2022
Gross carrying amount	$ 118,759	$ 110,155
Accumulated amortization	(71,157)	(66,197)
Net capitalized software costs	$ 47,602	$ 43,958

Amortization expense related to capitalized software costs was $5,354 and $5,866 for the three months ended June 30, 2022 and 2021, respectively, and is recorded as cost of revenue in the condensed consolidated statements of net income and comprehensive income. During the three months ended, we retired $393 of fully amortized capitalized software costs that are no longer being utilized by our client base.

The following table presents the remaining estimated amortization of capitalized software costs as of June 30, 2022. The estimated amortization is comprised of (i) amortization of released products and (ii) the expected amortization for products that are not yet available for sale based on their estimated economic lives and projected general release dates.

For the year ended March 31,	
2023	$ 20,300
2024	15,900
2025	8,000
2026	3,402
Total	$ 47,602

9. Line of Credit

On March 12, 2021, we entered into a $300,000 second amended and restated revolving credit agreement (the “Credit Agreement”) with JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the “Administrative Agent”), U.S. Bank National Association and Bank of the West, as co-syndication agents, and certain other agents and lenders. The Credit Agreement replaces our prior $300,000 amended and restated revolving credit agreement, originally entered into on January 4, 2016 and amended on March 29, 2018. The Credit Agreement provides a subfacility of up to $10,000 for letters of credit and a subfacility of up to $10,000 for swing-line loans. The Credit Agreement also provides us with the ability to obtain up to $150,000 in the aggregate of additional revolving credit commitments and/or term loans thereunder (i.e., in excess of $300,000) upon satisfaction of certain conditions, including receipt of commitments from new or existing lenders to provide such additional revolving credit commitments and/or term loans.

On May 17, 2022, we entered into that certain Amendment No. 1 to Credit Agreement (the “First Amendment”) with the Administrative Agent and the lenders party thereto to amend the existing Credit Agreement. The First Amendment modifies the Credit Agreement to increase our net leverage ratio maintenance covenant from 3.75x to 4.00x and increase the related adjusted covenant period option (available upon the consummation of certain acquisitions) from 4.25x to 4.75x, in each case, commencing with the reporting period ending June 30, 2022. The First Amendment also makes certain updates to the conditions restricting the making of certain dividends, distributions, and other restricted payments by the Company so that such conditions are based on the our net leverage ratio (as set forth in the Credit Agreement) rather than our total leverage ratio, to increase the dollar cap for such restricted payments that can be made without satisfying leverage conditions from $11,500 to $25,000, and to increase flexibility in cash netting calculations in connection with the making of restricted payments.

The Credit Agreement matures on March 12, 2026 and the full balance of the revolving loans and all other obligations under the Credit Agreement must be paid at that time. In addition, we are required to prepay the revolving loan balance if at any time the aggregate principal amount outstanding under the Credit Agreement exceeds the aggregate commitments thereunder. The Credit Agreement is secured by substantially all of our existing and future property and our material domestic subsidiaries. The revolving loans under the Credit Agreement will be available for letters of credit, permitted acquisitions, working capital and general corporate purposes. We were in compliance with all financial and non-financial covenants under the Credit Agreement as of June 30, 2022.

As of June 30, 2022 and March 31, 2022, we had no outstanding loans and $300,000 of unused credit under the Credit Agreement.

Interest expense related to the Credit Agreement was $203 and $190 for the three months ended June 30, 2022 and 2021, respectively. Amortization of deferred debt issuance costs was $127 and $127 for the three months ended June 30, 2022 and 2021, respectively.

10. Composition of Certain Financial Statement Captions

Cash, cash equivalents, and restricted cash are summarized as follows:

	June 30, 2022	March 31, 2022
Cash and cash equivalents	$ 40,361	$ 59,829
Restricted cash and cash equivalents	8,054	6,918
Cash, cash equivalents, and restricted cash	$ 48,415	$ 66,747

Prepaid expenses and other current assets are summarized as follows:

	June 30, 2022	March 31, 2022
Prepaid expenses	$ 21,145	$ 24,229
Capitalized commissions costs	11,914	11,698
Other current assets	952	1,175
Prepaid expenses and other current assets	$ 34,011	$ 37,102

Equipment and improvements are summarized as follows:

	June 30, 2022	March 31, 2022
Computer equipment	$ 36,544	$ 36,293
Internal-use software	19,265	19,001
Leasehold improvements	12,692	13,227
Furniture and fixtures	8,315	9,579
Equipment and improvements, gross	76,816	78,100
Accumulated depreciation and amortization	(68,490)	(68,980)
Equipment and improvements, net	$ 8,326	$ 9,120

Other assets are summarized as follows:

	June 30, 2022	March 31, 2022
Capitalized commission costs	$ 21,971	$ 21,654
Deposits	7,049	5,793
Debt issuance costs	2,179	2,006
Other noncurrent assets	8,680	9,573
Other assets	$ 39,879	$ 39,026

Accrued compensation and related benefits are summarized as follows:

	June 30, 2022	March 31, 2022
Accrued vacation	$ 12,376	$ 11,785
Accrued bonus	6,644	27,311
Deferred payroll taxes	3,806	3,817
Accrued commissions	2,776	5,353
Accrued payroll and other	365	470
Accrued compensation and related benefits	$ 25,967	$ 48,736

Other current and noncurrent liabilities are summarized as follows:

	June 30, 2022	March 31, 2022
Care services liabilities	$ 8,054	$ 6,918
Accrued hosting costs	6,084	12,510
Sales returns reserves and other customer liabilities	5,956	5,725
Customer credit balances and deposits	5,665	4,622
Accrued consulting and outside services	3,756	4,799
Accrued employee benefits and withholdings	3,463	3,535
Accrued self insurance expense	2,485	2,208
Accrued outsourcing costs	2,391	2,264
Accrued EDI expense	1,976	2,168
Accrued legal expense	1,453	1,439
Accrued royalties	717	3,557
Accrued taxes payable	478	540
Other accrued expenses	2,709	3,248
Other current liabilities	$ 45,187	$ 53,533
Uncertain tax positions	$ 4,189	$ 4,196
Other liabilities	373	374
Other noncurrent liabilities	$ 4,562	$ 4,570

11. Income Taxes

The benefit of income taxes was $247 in the three months ended June 30, 2022, reflecting an effective tax rate benefit of 27.4%. The provision for income taxes was $559 in the three months ended June 30, 2021, reflecting an effective tax rate of 16.4%.

The decrease in the effective tax rate for the three months ended June 30, 2022 compared to the prior period was primarily due to the impact of reduced pre-tax book income impact on rate reconciling items and the increased net benefit of discrete items in the current period compared to the prior year, offset by a net decrease of the research and development credit, foreign rate differential benefit, and higher nondeductible officer compensation.

The deferred tax assets and liabilities are presented net in the accompanying condensed consolidated balance sheets as noncurrent. We expect to receive the full benefit of the deferred tax assets recorded, with the exception of certain state credits and state net operating loss carryforwards, for which we have recorded a valuation allowance.

We had unrecognized tax benefits of $6,097 and $6,112 related to various federal, state, and local income tax matters as of June 30, 2022 and March 31, 2022, respectively. If recognized, this amount would reduce our effective tax rate.

We are subject to taxation in federal, various state, Indian, and United Kingdom jurisdictions. We are no longer subject to United States federal income tax examinations for tax years before fiscal year ended 2018. With a few exceptions, we are no longer subject to state or local income tax examinations for tax years before fiscal year ended 2017. We do not anticipate the total unrecognized tax benefits to significantly change due to the settlement of audits or the expiration of statute of limitations within the next twelve months.

12. Earnings per Share

The presentation of “basic” and “diluted” earnings per share is provided below. Share amounts below are in thousands.

	Three Months Ended June 30,	
	2022	2021
Earnings per share — Basic:		
Net income	$ 1,148	$ 2,848
Weighted-average shares outstanding — Basic	67,588	67,175
Net income per common share — Basic	$ 0.02	$ 0.04
Earnings per share — Diluted:		
Net income	$ 1,148	$ 2,848
Weighted-average shares outstanding	67,588	67,175
Effect of potentially dilutive securities	695	624
Weighted-average shares outstanding — Diluted	68,283	67,799
Net income per common share — Diluted	$ 0.02	$ 0.04

The computation of diluted net income per share does not include 26 and 238 options to acquire shares of common stock for the three months ended June 30, 2022 and June 30, 2021, respectively, because their inclusion would have an anti-dilutive effect on net income per share.

13. Stockholders’ Equity

Equity Incentive Plans

In October 2005, our shareholders approved a stock option and incentive plan (the “2005 Plan”) under which 4,800,000 shares of common stock were reserved for the issuance of awards, including incentive stock options and non-qualified stock options, stock appreciation rights, restricted stock, unrestricted stock, restricted stock units, performance shares, performance units (including performance options) and other share-based awards. The 2005 Plan provides that our employees and directors may, at the discretion of the Board of Directors ("Board") or a duly designated compensation committee, be granted certain share-based awards. In the case of option awards granted under the 2005 Plan, the exercise price of each option is determined based on the date of grant and expire no later than 10 years from the date of grant. Awards granted pursuant to the 2005 Plan are subject to the vesting schedule or performance metrics set forth in the agreements pursuant to which they are granted. Upon a change of control of our Company, as such term is defined in the 2005 Plan, awards under the 2005 Plan will fully vest under certain circumstances. The 2005 Plan expired on May 25, 2015. As of June 30, 2022, there were 34,100 outstanding options under the 2005 Plan.

In August 2015, our shareholders approved a stock option and incentive plan (the “2015 Plan”) under which 11,500,000 shares of common stock were reserved for the issuance of awards, including incentive stock options and non-qualified stock options, stock appreciation rights, restricted stock awards and restricted stock unit awards, performance stock awards and other share-based awards. In August 2017, our shareholders approved an amendment to the 2015 Plan, to, among other items, increase the number of shares of common stock reserved for issuance thereunder by 6,000,000 shares, which was further amended in August 2019 as approved by our shareholders, to, among other items, increase the number of shares of common stock reserved for issuance thereunder by an additional 3,575,000 shares. In October 2021, our shareholders approved an amendment and restatement of the Company’s 2015 Equity Incentive Plan (the “Amended 2015 Plan”), to, among other items, increase the number of common stock reserved for issuance thereunder by an additional 1,850,000 shares. The Amended 2015 Plan provides that our employees and directors may, at the discretion of the Board or a duly designated compensation committee, be granted certain share-based awards. In the case of option awards granted under the Amended 2015 Plan, the exercise price of each option is determined based on the date of grant and expire no later than 10 years from the date of grant. Awards granted pursuant to the Amended 2015 Plan are subject to the vesting schedule or performance metrics set forth in the agreements pursuant to which they are granted. Upon a change of control of our Company, as such term is defined in the Amended 2015 Plan, awards under the Amended 2015 Plan will fully vest under certain circumstances. As of June 30, 2022, there were 1,332,613 outstanding options, 2,794,093 outstanding shares of restricted stock awards, certain outstanding performance stock unit awards as described further below, and 1,259,395 shares available for future grant under the Amended 2015 Plan.

In September 2021, the Board adopted the 2021 Employment Inducement Equity Incentive Plan (the “Inducement Plan”) and initially reserved 1,500,000 shares of common stock for issuance under the Inducement Plan. The Inducement Plan was adopted by the Board without stockholder approval pursuant to Rule 5635(c)(4) of the Nasdaq Listing Rules. In accordance with Rule 5635(c)(4) of the Nasdaq Listing Rules, awards under the Inducement Plan may only be made to an employee who has not previously been an employee or member of the Board or the Board of Directors or any parent or subsidiary, or following a bona fide period of non-employment by the Company or a parent or subsidiary, if he or she is granted such award in connection with his or her commencement of employment with the Company or a subsidiary and such grant is an inducement material to his or her entering into employment with the Company or such subsidiary. The terms of the Inducement Plan are substantially similar to the terms of our Amended 2015 Plan, with the exception that incentive stock options may not be granted under the Inducement Plan. As of June 30, 2022, there were 1,037,614 outstanding shares of restricted stock awards, 450,000 outstanding performance stock unit awards, and 12,386 shares available for future grant under the Inducement Plan.

Stock-Based Compensation

The following table summarizes total share-based compensation expense included in the condensed consolidated statements of net income and comprehensive income for the three months ended June 30, 2022 and 2021:

	Three Months Ended June 30,	
	2022	2021
Costs and expenses:		
Cost of revenue	$ 563	$ 504
Research and development costs	1,583	1,043
Selling, general and administrative	6,620	4,865
Total share-based compensation	8,766	6,412
Income tax benefit	(2,045)	(1,582)
Decrease in net income	$ 6,721	$ 4,830

Share-based compensation expense under our equity incentive plans is based on the number awards that ultimately vest and forfeitures are accounted for as they occur.

Stock Options

The following table summarizes the stock option transactions during the three months ended June 30, 2022:

	Number of Shares	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (in thousands)
Outstanding, March 31, 2022	1,453,739	$ 14.80	2.9	$ 8,886
Exercised	(85,026)	14.64	2.1	440
Expired	(2,000)	15.99		
Outstanding, June 30, 2022	1,366,713	$ 14.81	2.7	$ 3,670
Vested and expected to vest, June 30, 2022	1,364,971	$ 14.81	2.7	$ 3,667
Exercisable, June 30, 2022	1,355,463	$ 14.79	2.7	$ 3,655

Share-based compensation expense related to stock options was $66 and $709 for the three months ended June 30, 2022 and 2021, respectively.

Non-vested stock option award activity during the three months ended June 30, 2022 is summarized as follows:

	Number of Shares	Weighted-Average Grant-Date Fair Value per Share
Outstanding, March 31, 2022	50,382	$ 6.98
Vested	(39,132)	6.92
Outstanding, June 30, 2022	11,250	$ 7.20

As of June 30, 2022, $17 of total unrecognized compensation costs related to stock options is expected to be recognized over a weighted-average period of 0.2 years. This amount does not include the cost of new options that may be granted in future periods or any changes in our forfeiture percentage. The total fair value of options vested during the three months ended June 30, 2022 and 2021 was $271 and $800, respectively.

Restricted Stock Awards

Restricted stock awards activity during the three months ended June 30, 2022 is summarized as follows:

	Number of Shares	Weighted-Average Grant-Date Fair Value per Share
Outstanding, March 31, 2022	3,242,763	$ 15.30
Granted	1,252,308	17.83
Vested	(612,365)	15.14
Canceled	(50,999)	16.51
Outstanding, June 30, 2022	3,831,707	$ 16.13

Share-based compensation expense related to restricted stock awards was $6,279 and $6,458 for the three months ended June 30, 2022 and 2021, respectively.

The weighted-average grant date fair value for the restricted stock awards was estimated using the market price of the common stock on the date of grant. The fair value of the restricted stock awards is amortized on a straight-line basis over the vesting period, which is generally between one to three years.

As of June 30, 2022, $51,094 of total unrecognized compensation costs related to restricted stock awards is expected to be recognized over a weighted-average period of 2.2 years. This amount does not include the cost of new restricted stock awards that may be granted in future periods.

The total fair value of restricted stock awards vested as of the vesting dates were $11,091 and $8,670 for the three months ended June 30, 2022 and 2021.

Net Share Settlements

Restricted stock awards are generally net share-settled upon vesting to cover the required withholding taxes, and the remaining share amount is transferred to the employee. The majority of restricted stock awards that vested during the three months ended June 30, 2022 and 2021 were net-share settled such that we withheld shares with value equivalent to the employees' applicable income tax obligations for the applicable income and other employment taxes and remitted the equivalent amount of cash to the appropriate taxing authorities. Total payments for the employees' applicable income tax obligations are reflected as a financing activity within the accompanying consolidated statements of cash flows. The total shares withheld during the three months ended June 30, 2022 and 2021 were 202,512 and 177,318, respectively, and were based on the value of the restricted stock awards on their vesting date as determined by our closing stock price. These net-share settlements had the effect of share repurchases by us as they reduced the number of shares that would have otherwise been issued at the vesting date.

Performance Stock Units and Awards

On October 23, 2018, the Compensation Committee of the Board approved 248,140 performance stock unit awards to be granted to certain executives and non-executive members of the executive leadership team, of which no shares are currently outstanding and no shares were ultimately earned or issued during the performance period. Approximately 34% of the performance stock units were tied to our cumulative 3-year total shareholder return, 33% were tied to our fiscal year 2021 revenue, and 33% were tied to our fiscal year 2021 adjusted earnings per share goals, each as specifically defined in the equity award agreements. The number of shares to be issued was to vary between 50% and 200% of the number of performance stock units depending on performance, and no such shares were to be issued if threshold performance was not achieved. The weighted-average grant date fair value of the awards was $17.84 per share, which was estimated using a Monte Carlo-based valuation model for the awards based on total shareholder return and using a probability-adjusted achievement rate combined with the market price of the common stock on the date of grant for the awards based on revenue and earnings per share targets.

On December 26, 2019 and January 27, 2020, the Compensation Committee of the Board approved a total of 279,587 performance stock unit awards to be granted to certain executives and non-executive members of the executive leadership team, which vest only in the event certain performance goals are achieved and with continuous service through the date the goals are certified. Approximately 80% of the performance stock units are tied to the Company's fiscal year 2021 revenue goal and 20% are tied to the Company's fiscal year 2022 revenue goal. Performance stock unit awards funded for fiscal year 2021 and fiscal year 2022 revenue performance will be modified for cumulative 3-year total shareholder return ("TSR") on the three-year grant anniversary, which is also the cliff vest date. The number of shares to be issued may vary between 42.5% and 172.5% of the number of performance stock units depending on performance, and no such shares will be issued if threshold performance is not achieved. The weighted-average grant date fair value of the awards was $16.02 per share, which was estimated using a Monte Carlo-based valuation model for the awards based on total shareholder return and using a probability adjusted achievement rate combined with the market price of the common stock on the date of grant for the awards based on revenue targets.

On October 26, 2020, the Compensation Committee of the Board approved 408,861 performance stock unit awards to be granted to certain executives and non-executive members of the executive leadership team, which vest only in the event certain performance goals are achieved and with continuous service through the date the goals are certified. Approximately 80% of the performance stock units are tied to the Company’s fiscal year 2022 revenue goal and 20% are tied to the Company’s fiscal year 2023 revenue goal. Performance stock unit awards funded for fiscal year 2022 and fiscal year 2023 revenue performance will be modified for cumulative 3-year TSR on the three-year grant date anniversary, which is also the cliff vest date. The number of shares to be issued may vary between 8.5% and 199.5% of the number of target performance stock units depending on performance, and no such shares will be issued if threshold performance is not achieved. The weighted-average grant date fair value of the awards was $16.25 per share, which was estimated using a Monte Carlo-based valuation model for the awards based on total shareholder return and using a probability adjusted achievement rate combined with the market price of the common stock on the date of grant for the awards based on revenue targets.

On September 20, 2021, the Compensation Committee of the Board approved an award of 450,000 performance stock units to be granted to our Chief Executive Officer under the Inducement Plan. The award has a grant date of September 22, 2021 and portions of the award vest upon both the attainment of five separate pre-determined stock price milestones during a five-year performance period and continued service over a period of three years following the grant date. The fair value and derived service period for each share-price milestone tranche was estimated separately using a Monte-Carlo based valuation model. The expense for each share-price milestone tranche is amortized over the longer of the derived service period or the explicit service period. The weighted-average grant date fair value of the award was $10.52 per share.

On October 26, 2021, the Compensation Committee of the Board approved 476,713 performance stock units to be granted to certain members of the executive leadership team. The awards have a grant date of November 2, 2021 and portions of the award vest upon both the attainment of four separate pre-determined stock price milestones through September 22, 2026 and continued service over a period of three years following the grant date. The fair value and derived service period for each share-price milestone tranche was estimated separately using a Monte-Carlo based valuation model. The expense for each share-price milestone tranche is amortized over the longer of the derived service period or the explicit service period. The weighted-average grant date fair value of the award was $13.02 per share.

Share-based compensation expense related to the performance stock units and awards was $2,202 for the three months ended June 30, 2022 and a benefit of $957 for three months ended June 30, 2021. The benefit recognized in the prior year period was primarily due to the cancellation of awards associated with the resignation of our former Chief Executive Officer.

As of June 30, 2022, $9,876 of total estimated unrecognized compensation costs related to performance stock units and awards is expected to be recognized over a weighted-average period of 1.9 years. This amount does not include the cost of new performance stock units and awards that may be granted in future periods.

Employee Share Purchase Plan

On August 11, 2014, our shareholders approved an Employee Share Purchase Plan (the “Purchase Plan”) under which 4,000,000 shares of common stock were reserved for future grant. The Purchase Plan allows eligible employees to purchase shares through payroll deductions of up to 15% of total base salary at a price equal to 90% of the lower of the fair market values of the shares as of the beginning or the end of the corresponding offering period. Any shares purchased under the Purchase Plan are subject to a six-month holding period. Employees are limited to purchasing no more than 1,500 shares on any single purchase date and no more than $25 in total fair market value of shares during any one calendar year. As of June 30, 2022, we have issued 942,271 shares under the Purchase Plan and 3,057,729 shares are available for future issuance.

Share-based compensation expense recorded for the employee share purchase plan was $219 and $201 for the three months ended June 30, 2022 and 2021, respectively.

Share Repurchase Program

In October 2021, the Board authorized a share repurchase program under which we may repurchase up to $60,000 of our outstanding shares of common stock through March 2023. The timing and amount of any share repurchases under the share repurchase program will be determined by our management at its discretion based on ongoing assessments of the capital needs of the business, the market price of our common stock and general market conditions. Share repurchases under the program may be made through a variety of methods, which may include open market purchases, in block trades, accelerated share repurchase transactions, exchange transactions, or any combination of such methods. Repurchases may also be made under Rule 10b5-1 plans, which permit shares of common stock to be repurchased through pre-determined criteria. The program does not obligate the Company to acquire any particular amount of our common stock, and the share repurchase program may be suspended or discontinued at any time at our discretion.

During the three months ended June 30, 2022, we repurchased 147,990 shares of common stock for a total of $2,505 at a weighted-average share repurchase price of approximately $16.93. As of June 30, 2022, $21,621 remained available for share repurchases pursuant to the Company's share repurchase program.

14. Concentration of Credit Risk

We had cash deposits at United States banks and financial institutions which exceeded federally insured limits at June 30, 2022. We are exposed to credit loss for amounts in excess of insured limits in the event of non-performance by the institutions; however, we do not anticipate non-performance by these institutions.

15. Commitments, Guarantees and Contingencies

Commitments and Guarantees

Our software license agreements include a performance guarantee that our software products will substantially operate as described in the applicable program documentation for a period of 365 days after delivery. To date, we have not incurred any significant costs associated with our performance guarantee or other related warranties and do not expect to incur significant warranty costs in the future. Therefore, no accrual has been made for potential costs associated with these warranties. Certain arrangements also include performance guarantees related to response time, availability for operational use, and other performance-related guarantees. Certain arrangements also include penalties in the form of maintenance credits should the performance of the software fail to meet the performance guarantees. To date, we have not incurred any significant costs associated with these warranties and do not expect to incur significant warranty costs in the future. Therefore, no accrual has been made for potential costs associated with these warranties.

We historically have accepted sales returns under limited circumstances. We estimate expected sales returns and other forms of variable consideration considering our customary business practice and contract-specific facts and circumstances, and we consider such estimated potential returns as variable consideration when allocating the transaction price to the extent it is probable that there will not be a significant reversal of cumulative revenue recognized.

Our standard sales agreements contain an indemnification provision pursuant to which we shall indemnify, hold harmless, and reimburse the indemnified party for losses suffered or incurred by the indemnified party in connection with any United States patent, any copyright or other intellectual property infringement claim by any third-party with respect to our software. As we have not incurred any significant costs to defend lawsuits or settle claims related to these indemnification agreements, we believe that our estimated exposure on these agreements is currently minimal. Accordingly, we have no liabilities recorded for these indemnification obligations.

We have experienced legal claims by clients regarding product and contract disputes, by other third parties asserting that we have infringed their intellectual property rights, by current and former employees regarding certain employment matters and by certain shareholders. We believe that these claims are without merit and intend to defend against them vigorously; however, we could incur substantial costs and diversion of management resources defending any such claim, even if we are ultimately successful in the defense of such matter. Litigation is inherently uncertain and always difficult to predict.

Additionally, we are subject to the regulation and oversight of various federal and state governmental agencies that enforce fraud and abuse programs related to the submission of fraudulent claims for reimbursement from governmental payers. We have received, and from time to time may receive, inquiries or subpoenas from federal and state agencies. Under the False Claims Act ("FCA"), private parties have the right to bring qui tam, or "whistleblower," suits against entities that submit, or cause to be submitted, fraudulent claims for reimbursement. Qui tam or whistleblower actions initiated under the FCA may be pending but placed under seal by the court to comply with the FCA's requirements for filing such suits. As a result, they could lead to proceedings without our knowledge. We refer you to the discussion of regulatory and litigation risks within "Item 1A. Risk Factors" appearing in our most recent Annual Report on Form 10-K for the fiscal year ended March 31, 2022 ("Annual Report").

Hussein Litigation

On October 7, 2013, a complaint was filed against our Company and certain of our officers and directors in the Superior Court of the State of California for the County of Orange, captioned Ahmed D. Hussein v. Sheldon Razin, Steven Plochocki, Quality Systems, Inc. and Does 1-10, inclusive, No. 30-2013-00679600-CU-NP-CJC, by Ahmed Hussein, a former director and significant shareholder of our Company. After the court sustained our demurrer to the initial complaint, Hussein filed an amended complaint on April 25, 2014. The amended complaint generally alleges fraud and deceit, constructive fraud, negligent misrepresentation and breach of fiduciary duty in connection with statements made to our shareholders regarding our financial condition and projected future performance. The amended complaint seeks actual damages, exemplary and punitive damages and costs. Hussein's breach of fiduciary duty claims were dismissed on demurrer, and we filed an answer and cross-complaint against Hussein, alleging that he breached fiduciary duties owed to the Company. On September 16, 2015, the Court granted summary judgment with respect to Hussein's remaining claims, dismissing all claims against us. The cross-complaint against Hussein went to trial, but the Court granted judgment in favor of Hussein on our cross-complaint. Final judgment over Hussein's claims and our cross-claims was entered on January 9, 2018. Hussein appealed the order granting summary judgment over his claims, and we appealed the court's decision granting Hussein's motion for judgment on our cross-complaint. On October 8, 2019, the California State Court of Appeal for the Fourth Appellate District, Division Three, reversed the Superior Court's grant of summary judgment on Hussein's affirmative claims and affirmed the trial court's judgement on the Company's breach of fiduciary duty claims against Hussein. As a result, the case has returned to the trial court for resolution of Hussein's claims against us. Trial commenced on July 6, 2021. On July 29, 2021, the jury rendered a verdict in favor of the Company and the individual defendants on all counts. Hussein filed a Motion for New Trial, which the Court denied.

Separately, Hussein has issued an arbitration demand seeking indemnification for the fees he incurred defending against our cross-complaint. Following briefing and a hearing at the liability phase of the arbitration, the arbitrator held that Hussein is entitled to indemnification for "expenses" (as that term is defined in Hussein's indemnification agreement with NextGen) incurred in defense of NextGen's cross-complaint against him. The arbitrator reserved all other claims related to costs and damages for a second phase of the arbitration. On June 10, 2021, the arbitrator heard arguments on the quantum of indemnifiable expenses. On September 2, 2021, the arbitrator awarded Hussein indemnification for fees and costs incurred defending the cross-complaint. After trebling the fees incurred pursuant to Hussein's supplemental agreement with his attorneys, and adding in interest and costs, the arbitrator calculated that the Company owes Mr. Hussein $11,370 in indemnification, which we subsequently paid on September 30, 2021.

Other Regulatory Matters

Commencing in April 2017, we have received requests for documents and information from the United States Attorney's Office for the District of Vermont and other government agencies in connection with an investigation concerning the certification we obtained for our software under the United States Department of Health and Human Services' Electronic Health Record (EHR) Incentive Program. The requests for information relate to, among other things: (a) data used to determine objectives and measures under the Meaningful Use (MU) and the Physician Quality Reporting System (PQRS) programs, (b) our EHR product and its performance, including defects that relate to patient safety or meaningful use certifications, (c) the software code used in certifying our EHR software and information, and (d) marketing programs and payments provided for the referral of EHR business. We continue to respond to the government's request and are engaged in discussions on the status of their investigation, which is still ongoing. Requests and investigations of this nature may lead to future requests for information and ultimately the assertion of claims or the commencement of legal proceedings against us, which themselves may lead to material fines, penalties or other liabilities. In addition, our responses to these and any future requests require time and effort, which can result in additional cost to us. At this time, we are unable to estimate the probability of the outcome of this matter or the range of reasonably possible loss, if any. However, the unfavorable resolution of this matter could have a material adverse effect on our business, results of operations, financial condition or cash flows.

Given the highly-regulated nature of our industry, we may, from time to time, be subject to subpoenas, requests for information, or investigations from various government agencies. It is our practice to respond to such matters in a cooperative, thorough and timely manner.

16. Subsequent Event

On July 26, 2022, we sold certain, non-strategic, dental-related assets in accordance with the terms of the Asset Purchase Agreement, subject to customary close procedures and certain adjustments to the closing cash consideration, which we are in the process of determining.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q ("Report") and certain information incorporated herein by reference contain forward-looking statements within the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. All statements included or incorporated by reference in this Report, other than statements that are purely historical, are forward-looking statements. Words such as “anticipate,” “expect,” “intend,” “plan,” “believe,” “seek,” “estimate,” “will,” “should,” “would,” “could,” “may,” and similar expressions also identify forward-looking statements. These forward-looking statements include, without limitation, discussions of the impact of the COVID-19 pandemic and measures taken in response thereto, as well as our product development plans, business strategies, future operations, financial condition and prospects, share repurchases, developments in and the impacts of government regulation and legislation and market factors influencing our results. Our expectations, beliefs, objectives, intentions and strategies regarding our future results are not guarantees of future performance and are subject to risks and uncertainties, both foreseen and unforeseen, that could cause actual results to differ materially from results contemplated in our forward-looking statements. These risks and uncertainties include, but are not limited to, our ability to continue to develop new products and increase systems sales in markets characterized by rapid technological evolution, consolidation, and competition from larger, better-capitalized competitors. Many other economic, competitive, governmental and technological factors could affect our ability to achieve our goals, and interested persons are urged to review any risks that may be described in “Item 1A. Risk Factors” as set forth herein and other risk factors appearing in our most recent Annual Report on Form 10-K for the fiscal year ended March 31, 2022 (“Annual Report”), as supplemented by additional risk factors, if any, in our interim filings on our Quarterly Reports on Form 10-Q, as well as in our other public disclosures and filings with the Securities and Exchange Commission ("SEC"). Because of these risk factors, as well as other variables affecting our financial condition and results of operations, past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods. We assume no obligation to update any forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of the filing of this Report. Each of the terms “NextGen Healthcare,” “NextGen,” “we,” “us,” “our,” or the “Company” as used throughout this Report refers collectively to NextGen Healthcare, Inc. and its wholly-owned subsidiaries, unless otherwise indicated.

This management's discussion and analysis of financial condition and results of operations ("MD&A") is provided as a supplement to the condensed consolidated financial statements and notes thereto included elsewhere in this Report in order to enhance your understanding of our results of operations and financial condition and should be read in conjunction with, and is qualified in its entirety by, the condensed consolidated financial statements and related notes thereto included elsewhere in this Report. Historical results of operations, percentage margin fluctuations and any trends that may be inferred from the discussion below are not necessarily indicative of the operating results for any future period.

Company Overview

NextGen Healthcare is a leading provider of innovative, cloud-based, healthcare technology solutions that empower healthcare practices to manage the risk and complexity of delivering care in the United States healthcare system. Our combination of technological breadth, depth, and domain expertise makes us a preferred solution provider and trusted advisor for our clients. In addition to highly configurable core clinical and financial capabilities, our portfolio includes tightly integrated solutions that deliver on ambulatory healthcare imperatives, including consumerism, digitization, risk allocation, regulatory influence, and integrated care and health equity.

We serve clients across all 50 states. Over 100,000 providers use NextGen Healthcare solutions to deliver care in nearly every medical specialty in a wide variety of practice models including accountable care organizations (“ACOs”), independent physician associations (“IPAs”), managed service organizations (“MSOs”), Veterans service organizations (“VSOs”), and dental service organizations (“DSOs”). Our clients range from some of the largest and most progressive multi-specialty groups in the country to sole practitioners with a wide variety of business models. With the addition of behavioral health to our medical and oral health capabilities, we continue to extend our share not only in federally qualified health centers (“FQHCs”) but also in the growing integrated care market.

Our company was incorporated in California in 1974. Previously named Quality Systems, Inc., we changed our corporate name to NextGen Healthcare, Inc. in September 2018, and in 2021, we changed our state of incorporation to Delaware. Our principal executive offices are located at 3525 Piedmont Rd., NE, Building 6, Suite 700, Atlanta, Georgia. Our principal website is www.nextgen.com. We operate on a fiscal year ending on March 31.

Our Vision, Mission and Strategy

NextGen Healthcare’s vision is better healthcare outcomes for all. We strive to achieve this vision by delivering innovative solutions and insights aimed at creating healthier communities. We focus on improving care delivered in ambulatory settings but do so recognizing that the entire healthcare ecosystem needs to work in concert to achieve the quadruple aim… “to improved patient experience, improved provider experience, improve the health of a population, and reduce per capita health care costs.”

Our long-term strategy is to position NextGen Healthcare as both the essential, integrated, delivery platform and the most trusted advisor for the ambulatory practices of the future. To that end, we primarily serve organizations that provide or orchestrate care in ambulatory settings and do so across diverse practice sizes, specialties, care modalities, and business models. These customers include conventional practices as well as new market entrants.

We plan to continue investing in our current capabilities as well as building and/or acquiring new capabilities. In October 2019, we acquired Topaz Information Systems, LLC for its behavioral health solutions. In December 2019, we acquired Medfusion, Inc. for its Patient Experience Platform capabilities (i.e., patient portal, self-scheduling, and patient pay) and OTTO Health, LLC for its virtual care solutions, notably telemedicine. The integration of these acquired technologies has made NextGen Healthcare's solutions among the most comprehensive in the market. Further, we are also actively innovating our business models and exploring new high-growth market domains as we extend our position as the essential, integrated, delivery platform and trusted impact partner for the ambulatory practices of the future.

Market Opportunity, and Trends

The scale and scope of the healthcare industry continues to expand. Annual United States healthcare spend today represents nearly $4.1 trillion and ~20% of GDP. A significant portion of this spend is directed towards the treatment of chronic conditions and administering an increasingly complex system with diverse stakeholders. While there are several convergent market forces reshaping the healthcare industry landscape, we are focused on six trends we believe will materially impact the markets we participate in and our customer value proposition:

1. **Regulatory Influence** – Medicare and Medicaid continue to expand and represent approximately a third of covered lives. Further, the 21st Century Cures Act ("Cures Act") certification requirements and impending changes by Centers for Medicare & Medicaid Services ("CMS") to Medicare reimbursement and shared savings programs parameters (i.e., MIPS, MSSP and telehealth programs) represent continued and escalating regulatory requirements in the healthcare industry broadly and the shape of primary healthcare. Considering these regulatory and market-based changes, many ambulatory practices have come to place a very high value on partnering with vendors that stay ahead of these regulatory and industry changes
2. **Risk Reallocation** – As healthcare shifts away from defined benefit models towards defined contribution, employers, payors, providers and consumers are increasingly evaluating models to share and reallocate risk. In 2020, nearly 40% of all healthcare payments representing over 75% of all covered lives flowed through an alternative payment model. While Medicare Advantage related payments led the charge with over 55% of payments tied to alternative models, a plurality of commercial payors are also leveraging value-based provider arrangements to incent care quality standards and reduce health disparities. For providers, effective participation in these models requires a full view of the patient population's clinical and cost data and robust financial management solutions and services to navigate multiple contract types.
3. **Consumerism** – Consumers are increasingly directing their own healthcare and are expecting greater levels of access, convenience, and experience personalization. Beyond tailoring healthcare interactions to their needs and preferences, they also expect much greater transparency about the costs for visits, medications, and procedures. Accompanied by a significant shift of care from inpatient to lower cost outpatient settings and virtual modes, healthcare is poised to becomes increasingly 'retail-like' and will place unique demands on practices and care providers who need comprehensive engagement platforms to attract, retain and engage patients through their complete health journey
4. **New Modalities and Coordinated Team Based Care** – Untethered from physical clinics and desktops, care is now being delivered in "boundless" venues by multiple, coordinated care providers.
5. **Meaningful Interoperability & Digitization** – Greater levels of data exchange, automation, Artificial Intelligence (AI) and speech enabled workflows.
6. **Integrated Care and Health Equity** – Integrated, whole-person health continues to trend strongly as evidenced by FQHCs/CHCs receiving Health Resources and Services Administration ("HRSA") funding to drive integrated medical, behavioral, and oral health. Public sector and private investment in understanding and addressing social determinants of health and improving community health are growing.

NextGen Healthcare is well positioned to play a key role in guiding our clients through short-term and long-term changes that impact healthcare in the United States and is committed to helping them deliver better outcomes.

Our Value Proposition

NextGen Healthcare's value proposition to our clients can be summarized by the four "I's" as follows:

- **Integration** – Delivering a broad and highly integrated set of solutions and end-user experiences. NextGen Healthcare, a top KLAS-ranked platform solution provider, is driving greater levels of efficiency and experience for practices. Our clients value the full breadth of our solution offering and seamless integration into their clinical workflows. This integration is an important determinant of our success.
- **Interoperability** – Building seamlessly connected data and human networks across ambulatory healthcare. NextGen Healthcare's Interoperability solutions help create a frictionless environment where those that need important healthcare data can rapidly find and utilize it. For example, NextGen Healthcare powers over a third of all United States Health Information Exchanges ("HIE's"), with over 170 million patient records passing over our network of almost 2.8 million directory addresses.

- **Insights** – Providing intelligence at the point of care to enable better health and financial decision-making. We are helping our clients move from being data rich to insight rich. By providing intelligence, through innovative solutions that take data out of electronic health records (“EHR”), normalize, cleanse, and present it back as usable data pipelines, NextGen Healthcare can help optimize prescription guidance, care gap reviews, billing quality, practice variance, etc. and insert it directly into clinician’s workflows in order to facilitate sound clinical and financial decisions when serving patients.
- **Impact** – Delivering and shaping outcomes in all aspects of our solutions and service. NextGen Healthcare is pivoting towards becoming a true performance partner for our clients and is evidenced by proactively helping manage performance and outcomes for our clients.

NextGen Healthcare delivers value to our clients in several ways. Our solutions enable our clients to address current needs while preparing for the needs of the future including expanding access to health services, enhancing the coordination and management of care, and optimizing patient outcomes while also ensuring the sustainability of their practices. Specifically, we offer a range of solutions to allow clinicians to practice anywhere and in new and innovative collaboration models.

NextGen Healthcare provides integrated cloud-based solutions and services that align with our client’s strategic imperatives. Ultimately, this value is reflected in the overall insights and impact delivered to the client. The foundation for our integrated ambulatory care platform is a core of our industry-leading EHR and practice management (“PM”) systems that support clinical, financial and patient engagement activities.

We optimize the core with an automation and workflow layer that gives our clients control over how platform capabilities are implemented to drive their desired outcomes. The workflow layer includes mobile and voice-enabled capabilities proven to reduce physician burden. Recognizing that engaged patients are key to positive outcomes, our patient experience platform enables our clients to create personalized care experiences that enhance trust and drive patient loyalty. Further, we support the advances in integrated care that focuses on the whole person with solutions supporting behavioral and oral health. Our cloud-based population health and analytics engine allows our clients to improve results in both fee-for-service and fee-for-value environments.

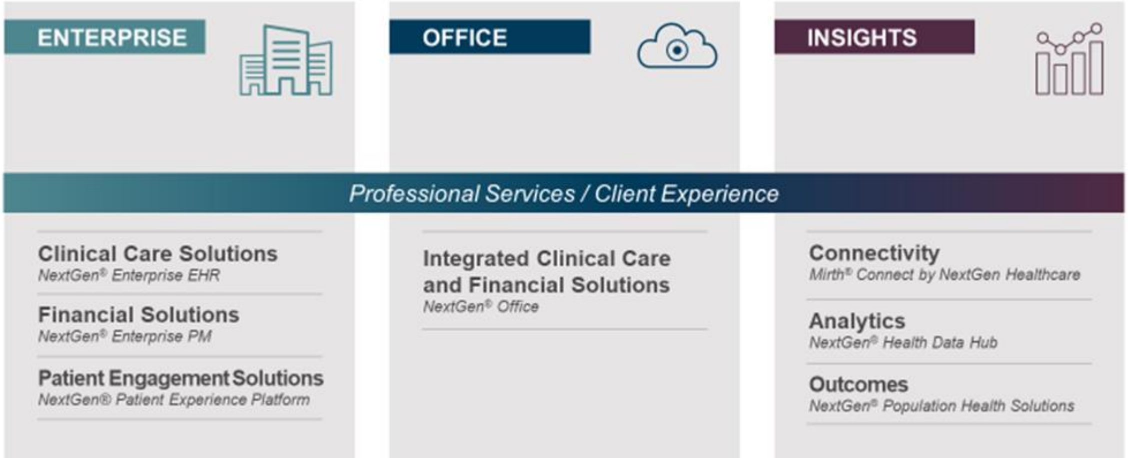
In support of extensibility, we surround the core with open, web-based application programming interfaces (“APIs”) to drive the secure exchange of health and patient data with connected health solutions. Our commitment to interoperability, defragmenting care and our experience powering many of the nation’s HIE’s places us in a unique position to enable our clients to leverage this technology to lower the cost of care and improve the patient and provider experience by providing an integrated community patient record.

Finally, to ensure our clients get maximum value from our solutions, we have augmented our technology with key services aligned with their needs, helping to ensure they reach their organizational goals. We partner with our clients to optimize their information technology (“IT”) operations, enhance revenue cycle processes across fee-for-service and fee-for-value models, service line expansion and operations, as well as advise on long-term strategy.

Positioning NextGen Healthcare for Growth. As NextGen Healthcare applies this value proposition framework across the ambulatory care market, we incorporate some or all our current solution offerings within three broad domains illustrated in Figure 1 below:

- **Enterprise** – The Enterprise domain is both the largest and incorporates our broadest portfolio of solutions (e.g., clinical, financial, and patient engagement solution portfolios) provided to ambulatory care practices that incorporate 10 or more healthcare providers. One of these solutions, our practice management offering, NextGen® Enterprise PM, was recognized as the #1 Practice Management Solution (11-75 Physicians) for four consecutive years – 2019, 2020, 2021 and 2022 Best in KLAS Report.
- **Office** – The Office domain reflects almost all solutions (software solutions and adjacent services) provided to an ambulatory care practice that incorporates fewer than 10 healthcare providers. Our main offering in this group is a cloud-based, multi-tenant SaaS EHR and PM solution, called NextGen® Office, which was recognized as the #1 Small Practice Ambulatory EMR/PM (<10 Physicians) in the 2022 Best in KLAS Report.
- **Insights** – The Insights domain incorporates solutions that address interoperability, data and analytics, and value-based care. Previously described as population health and connected health, the Insights solutions portfolio is offered to clients across both our Enterprise and Office domains as well as additional ambulatory healthcare stakeholders addressing connectivity or value-based care needs. NextGen is highlighting this domain as a reflection of its overall importance and high future growth potential.

Figure 1: NextGen Healthcare Solutions Domains



Results of Operations

The following table sets forth the percentage of revenue represented by each item in our condensed consolidated statements of net income for the three months ended June 30, 2022 and 2021 (certain percentages below may not sum due to rounding):

	Three Months Ended June 30,	
	2022	2021
Revenues:		
Recurring	91.2%	90.6%
Software, hardware, and other non-recurring	8.8	9.4
Total revenues	100.0	100.0
Cost of revenue:		
Recurring	40.6	39.1
Software, hardware, and other non-recurring	7.0	5.1
Amortization of capitalized software costs and acquired intangible assets	4.7	5.5
Total cost of revenue	52.2	49.8
Gross profit	47.8	50.2
Operating expenses:		
Selling, general and administrative	32.0	33.2
Research and development costs, net	14.2	13.2
Amortization of acquired intangible assets	0.5	0.6
Impairment of assets	0.3	0.3
Restructuring costs	0.0	0.4
Total operating expenses	47.0	47.6
Income from operations	0.8	2.6
Interest income	0.0	0.0
Interest expense	(0.2)	(0.2)
Other expense, net	0.0	0.0
Income before provision for (benefit of) income taxes	0.6	2.3
Provision for (benefit of) income taxes	(0.2)	0.4
Net income	0.7%	1.9%

Revenues

The following table presents our disaggregated revenues for the three months ended June 30, 2022 and 2021 (in thousands):

	Three Months Ended June 30,	
	2022	2021
Recurring revenues:		
Subscription services	$ 42,759	$ 38,284
Support and maintenance	39,138	38,486
Managed services	30,645	27,908
Transactional and data services	27,217	27,703
Total recurring revenues	139,759	132,381
Software, hardware, and other non-recurring revenues:		
Software license and hardware	6,199	7,214
Other non-recurring services	7,344	6,489
Total software, hardware and other non-recurring revenues	13,543	13,703
Total revenues	$ 153,302	$ 146,084
Recurring revenues as a percentage of total revenues	91.2%	90.6%

We generate revenue from sales of licensing rights and subscriptions to our software solutions, hardware and third-party software products, support and maintenance, managed services, transactional and data services, and other non-recurring services, including implementation, training, and consulting services performed for clients who use our products.

Beginning in fiscal year 2023, in order to align the presentation of disaggregated revenue with the manner in which management reviews such information, we revised our presentation of disaggregated revenues by major revenue categories to reclassify revenues related to patient pay services and certain other services from the managed services category into the transactional and data services category, which replaced the prior EDI and data services category. The prior period presentation of revenues disaggregated by our major revenue categories and by occurrence above have been reclassified to conform to current year presentation.

Consolidated revenue for the three months ended June 30, 2022 increased $7.2 million compared to the prior year period due to a $7.4 million increase in recurring revenues, partially offset by a $0.2 million decrease in software, hardware and other non-recurring revenues. The increase in recurring revenues was driven by a $4.5 million increase in subscription services, $2.7 million increase in managed services, and a $0.7 million increase in support and maintenance, offset by $0.5 million decrease in transactional and data services. The increase in subscription services was primarily due to higher subscriptions of our NextGen Office and insights solutions, including interoperability, population health, virtual visits, mobile, and financial analytics, due to higher recent bookings. The increase in managed services revenue was primarily due to an increase in revenue cycle management (“RCM”) and hosting services revenues associated with higher recent bookings. Support and maintenance increased $0.7 million primarily due to our annual Consumer Price Index (“CPI”) fee increases, partially offset by client attrition. Transactional and data services revenue decreased due to lower volume of data services, partially offset by higher EDI transaction volumes compared to the prior year. Software, hardware, and other non-recurring revenues decreased $0.2 million due to lower software bookings, partially offset by higher professional services revenue from more hours incurred in the current year.

Bookings reflect the estimated annual value of our executed contracts, adjusted to include the effect of pre-acquisition bookings if applicable, and are believed to provide a broad indicator of the general direction and progress of the business. Total bookings were $39.2 million and $34.3 million for the three months ended June 30, 2022 and 2021, respectively. The increase is due to higher bookings RCM and transactional and data services, including patient pay services, partially offset by lower bookings in subscriptions of mobile, population health, and virtual visits solutions.

We continue to see overall practice volumes at healthy, pre-pandemic levels. This reflects in our volume- and transaction-based solutions, as noted above, and reflects an ongoing industry trend of procedure volumes migrating out of higher cost settings, like hospitals, favoring lower cost care settings and independent healthcare providers. We also continue to see healthy activity levels in our current pipeline. Sales development activities, such as lead generation and demos, indicate a positive demand environment. We have not been significantly impacted by the current economic concerns and general market conditions, and we continue to constructively engage prospects and our clients to find ways to achieve better outcomes for all.

Cost of Revenue and Gross Profit

The following table presents our consolidated cost of revenue and gross profit for the three months ended June 30, 2022 and 2021 (in thousands):

	Three Months Ended June 30,	
	2022	2021
Cost of revenue:		
Recurring	$ 62,244	$ 57,160
Software, hardware, and other non-recurring	10,676	7,497
Amortization of capitalized software costs and acquired intangible assets	7,134	8,084
Total cost of revenue	$ 80,054	$ 72,741
Gross profit	$ 73,248	$ 73,343
Gross margin %	47.8%	50.2%

Cost of revenue consists primarily of compensation expense, including share-based compensation, for personnel that deliver our products and services. Cost of revenue also includes amortization of capitalized software costs and acquired technology, third party consultant and outsourcing costs, costs associated with our EDI business partners and clearinghouses, hosting service costs, third party software costs and royalties, and other costs directly associated with delivering our products and services. Refer to Note 7, "Intangible Assets" and Note 8, "Capitalized Software Costs" of our notes to condensed consolidated financial statements included elsewhere in this Report for additional information on current period amortization of capitalized software costs and acquired technology and an estimate of future expected amortization.

Share-based compensation expense included in cost of revenue was $0.6 million and $0.5 million for the three months ended June 30, 2022 and 2021, respectively.

Gross profit for the three months ended June 30, 2022 was relatively flat at $73.2 million compared to the prior year due to an $7.2 million increase in revenues as discussed above, offset by a $7.3 million increase in cost of revenue associated with the higher revenues. Our gross margin decreased to 47.8% for the three months ended June 30, 2022 compared to the prior year period.

The increase in cost of revenue for the three months ended June 30, 2022 compared to the prior year period was due to higher costs of subscription services and managed services, including higher hosting costs associated with delivering our software solutions and higher salaries and benefits from increased employee headcount. Transactional and data services costs also increased due to higher third party costs, partially offset by a decrease in salaries and benefits. Software, hardware, and other non-recurring services revenue costs increased compared to the prior periods primarily due to higher salaries and benefits from increased employee headcount and an increase in consulting costs associated with the delivery of our professional services as we accelerate Spring’21 migration. These increases in cost of revenue were partially offset by lower amortization of capitalized software costs and acquired intangible assets, as noted above.

Selling, General and Administrative Expense

The following table presents our selling, general and administrative expense for the three months ended June 30, 2022 and 2021 (in thousands):

	Three Months Ended June 30,	
	2022	2021
Selling, general and administrative	$ 49,034	$ 48,486
Selling, general and administrative, as a percentage of revenue	32.0%	33.2%

Selling, general and administrative expense consists of compensation expense, including share-based compensation, for management and administrative personnel, selling and marketing expense, facilities costs, depreciation, professional service fees, including legal and accounting services, legal settlements, acquisition and transaction-related costs, and other general corporate and administrative expenses.

Share-based compensation expense included in selling, general and administrative expenses was $6.6 million and $4.9 million for the three months ended June 30, 2022 and 2021, respectively. Refer to Note 13, "Stockholders’ Equity" of our notes to condensed consolidated financial statements included elsewhere in this Report for additional information of our share-based awards and related incentive plans.

Selling, general and administrative expenses increased $0.5 million in the three months ended June 30, 2022 compared to the prior year. The increase was primarily due to increases in travel, conferences, and conventions costs as these activities begin to resume, higher personnel costs from our annual merit increases, higher commissions, and increased employee insurance costs, and increases in consulting and marketing costs. These increases were partially offset by lower legal and related costs associated with the Hussein Litigation matter that concluded in July 2021, as discussed further in Note 15, “Commitments, Guarantees and Contingencies.”

Research and Development Costs, net

The following table presents our consolidated net research and development costs, capitalized software costs, and gross expenditures prior to capitalization, for the three months ended June 30, 2022 and 2021 (in thousands):

	Three Months Ended June 30,	
	2022	2021
Gross expenditures	$ 30,793	$ 24,859
Capitalized software costs	(8,998)	(5,538)
Research and development costs, net	$ 21,795	$ 19,321
Research and development costs, as a percentage of revenue	14.2%	13.2%
Capitalized software costs as a percentage of gross expenditures	29.2%	22.3%

Gross research and development expenditures, including costs expensed and costs capitalized, consist of compensation expense, including share-based compensation for research and development personnel, certain third-party consultant fees, software maintenance costs, and other costs related to new product development and enhancement to our existing products.

The healthcare information systems and services industry is characterized by rapid technological change, requiring us to engage in continuing investments in our research and development to update, enhance and improve our systems. This includes expansion of our software and service offerings that support pay-for-performance initiatives around accountable care organizations, bringing greater ease of use and intuitiveness to our software products, enhancing our managed cloud and hosting services to lower our clients' total cost of ownership, expanding our interoperability and enterprise analytics capabilities, and furthering development and enhancements of our portfolio of specialty-focused templates within our electronic health records software.

The capitalization of software development costs results in a reduction to our reported net research and development costs. Our software capitalization rate, or capitalized software costs as a percentage of gross expenditures, has varied historically and may continue to vary based on the nature and status of specific projects and initiatives in progress. Although changes in software capitalization rates have no impact on our overall cash flows, it results in fluctuations in the amount of software development costs that may be capitalized or expensed up front and the amount of net research and development costs reported in our condensed consolidated statements of net income and comprehensive income, and ultimately also affects the future amortization of our previously capitalized software development costs. Refer to Note 8, "Capitalized Software Costs" of our notes to condensed consolidated financial statements included elsewhere in this Report for additional information on current period amortization of capitalized software costs and an estimate of future expected amortization.

Share-based compensation expense included in research and development costs was $1.6 million and $1.0 million for the three months ended June 30, 2022 and 2021, respectively.

Net research and development costs for the three months ended June 30, 2022 increased $2.5 million compared to the prior year period due to $5.9 million higher gross expenditures, offset by $3.5 million higher capitalization of software costs.

The increase in gross expenditures in the three months ended June 30, 2022 compared to the prior year was primarily driven by higher personnel costs due to our annual merit increases and increased headcount as well as an increase in consulting costs. Our software capitalization rate fluctuates due to differences in the nature and status of our projects and initiatives during a given year, which affects the amount of development costs that may be capitalized.

Amortization of Acquired Intangible Assets

The following table presents our amortization of acquired intangible assets for the three months ended June 30, 2022 and 2021 (in thousands):

	Three Months Ended June 30,	
	2022	2021
Amortization of acquired intangible assets	$ 705	$ 881

Amortization of acquired intangible assets included in operating expense consists of the amortization related to our customer relationships and trade names intangible assets acquired as part of our business combinations. Refer to Note 7, "Intangible Assets" of our notes to condensed consolidated financial statements included elsewhere in this Report for an estimate of future expected amortization.

Amortization of acquired intangible assets for the three months ended June 30, 2022 decreased $0.2 million compared to the prior year period due to lower amortization of the customer relationships intangible assets associated with Medfusion and HealthFusion as these assets are amortized under the accelerated method of amortization.

Interest and Other Income and Expense

The following table presents our interest expense for the three months ended June 30, 2022 and 2021 (in thousands):

	Three Months Ended June 30,	
	2022	**2021**
Interest income	$ 46	$ 12
Interest expense	(330)	(317)
Other expense, net	(5)	(22)

Interest expense relates to our revolving credit agreement and the related amortization of deferred debt issuance costs. Refer to Note 9, “Line of Credit” of our notes to condensed consolidated financial statements included elsewhere in this Report for additional information.

The changes in interest expense are primarily caused by fluctuations in outstanding balances under our revolving credit agreement and the related amortization of debt issuance costs. As of June 30, 2022 and June 30, 2021, we had no outstanding balances under the revolving credit agreement. Interest income is earned from funds in our money market accounts. The fluctuation of other income and expense compared to the prior year period are primarily due to changes to the India foreign exchange rates.

Provision for (Benefit of) Income Taxes

The following table presents our provision for (benefit of) income taxes for the three months ended June 30, 2022 and 2021 (in thousands):

	Three Months Ended June 30,	
	2022	**2021**
Provision for (benefit of) income taxes	(247)	$ 559
Effective tax (benefit) rate	(27.4)%	16.4%

The decrease in the effective tax rate for the three months ended June 30, 2022 compared to the prior period was primarily due to the impact of reduced pre-tax book income on rate reconciling items and the increased net benefit of discrete items in the current period compared to prior year, offset by a net decrease of the research and development credit, foreign rate differential benefit, and higher nondeductible officer compensation.

Liquidity and Capital Resources

The following table presents selected financial statistics and information for the three months ended June 30, 2022 and 2021 (in thousands):

	Three Months Ended June 30,	
	2022	**2021**
Cash and cash equivalents	$ 40,361	$ 63,002
Unused portion of revolving credit agreement (1)	300,000	300,000
Total liquidity	$ 340,361	$ 363,002
Net income	$ 1,148	$ 2,848
Net cash provided by operating activities	$ (4,645)	$ 313

(1) As of June 30, 2022, we had no outstanding loans under our $300.0 million revolving credit agreement.

We had no outstanding borrowings under our revolving credit agreement as of June 30, 2022, March 31, 2022, and June 30, 2021. Our principal sources of liquidity are our cash generated from operations, driven mostly by our net income and working capital management, our cash and cash equivalents, and our revolving credit agreement.

We believe that our cash and cash equivalents balance as of June 30, 2022, together with our cash flows from operating activities and liquidity provided by our revolving credit agreement, will be sufficient to meet our working capital and capital expenditure requirements for the next twelve months.

At present, we are conducting business as usual with certain modifications to employee travel, employee work locations, and marketing events, among other modifications. However, the extent to which COVID-19 may continue to impact our business, financial results, cash flows, and liquidity requirements depends on numerous evolving factors including, but not limited to, the magnitude and duration of COVID-19; the impact on our employees; the extent to which it impacts worldwide macroeconomic conditions, including interest rates, employment rates, and health insurance coverage; the speed of the recovery; and governmental and business reactions to the pandemic. We continue to monitor the broader implications of the global COVID-19 pandemic and may take further actions that we determine are in the best interests of our employees, customers, partners, suppliers, and shareholders.

Cash and Cash Equivalents

As of June 30, 2022, our cash and cash equivalents balance of $40.4 million compares to $59.8 million as of March 31, 2022 and $63.0 million as of June 30, 2021.

We may continue to use a portion of our funds as well as available financing from our revolving credit agreement, to the extent permissible, for share repurchases, future acquisitions, or other similar business activities, although the specific timing and amount of funds to be used is not currently determinable. We intend to expend some of our available funds for the development of products complementary to our existing product line as well as new versions of certain of our products. These developments are intended to take advantage of more powerful technologies and to increase the integration of our products.

Our investment policy is determined by our Board of Directors. Excess cash, if any, may be invested in very liquid short term assets including tax exempt and taxable money market funds, certificates of deposit and short term municipal bonds with average maturities of 365 days or less at the time of purchase. Our Board of Directors continues to review alternate uses for our cash including an expansion of our investment policy and other items. Any or all of these programs could significantly impact our investment income in future periods.

Cash Flows from Operating Activities

The following table summarizes our condensed consolidated statements of cash flows for the three months ended June 30, 2022 and 2021 (in thousands):

	Three Months Ended June 30,	
	2022	2021
Net income	$ 1,148	$ 2,848
Non-cash expenses	19,340	20,151
Cash from net income, as adjusted	$ 20,488	$ 22,999
Change in contract assets and liabilities, net	1,688	(1,501)
Change in accounts receivable	(1,464)	3,407
Change in all other assets and liabilities	(25,357)	(24,592)
Net cash provided by operating activities	$ (4,645)	$ 313

For the three months ended June 30, 2022, cash used by operating activities increased $5.0 million compared to the prior year period, primarily due to a $4.9 million decrease in cash from changes in accounts receivable, $2.5 million lower cash from net income, as adjusted for non-cash expenses, and $0.8 million of decreases in cash from changes in other assets and liabilities, partially offset by an increase in cash of $3.2 million from net changes in contract assets and liabilities. The decrease in cash from changes in accounts receivable is primarily due to higher accounts receivable from our annual CPI fee increases and increases in invoicing from higher recent bookings, partially offset by continued efforts to resolve aged balances and improve collections. Net income for the three months decreased $1.7 million compared to the prior year period, as described in the sections above. Non-cash expenses decreased primarily due to lower depreciation, lower amortization of our operating right of use assets, lower amortization of our purchased intangibles, and lower amortization of capitalized software costs, partially offset by higher share-based compensation expense. The decrease in cash from changes in other assets and liabilities is primarily due to lower accruals of legal expenses and deferred payroll taxes, as well as higher prepaid commissions, prepaid insurance, and other general prepaid expenses. These decreases were partially offset by an increase in cash from changes in accounts payable due to timing of invoice payments. The increase in cash from changes in net contract assets and liabilities was primarily due to higher invoicing associated with higher bookings and sales volume and our annual CPI fee increases.

Cash Flows from Investing Activities

Net cash used in investing activities for the three months ended June 30, 2022 was $9.5 million compared with $6.5 million in the prior year period. The increase in net cash used in investing activities is primarily due to higher additions to capitalized software, partially offset by lower additions in equipment and improvements in the current period.

Cash Flows from Financing Activities

Net cash used in financing activities for the three months ended June 30, 2022 was $4.1 million compared with $2.3 million cash used in financing activities in the prior year period. The decrease in cash used in financing activities is primarily due to $2.5 million in share repurchases in the current period, higher payments for taxes related to net share settlement of equity awards, partially offset by higher proceeds from the issuance of shares under our employee equity plans in the three months ended June 30, 2022.

Contractual Obligations

Debt

On March 12, 2021, we entered into a $300 million second amended and restated revolving credit agreement (the "Credit Agreement"). The Credit Agreement matures on March 12, 2026 and the full balance of the revolving loans and all other obligations under the Credit Agreement must be paid at that time. In addition, we are required to prepay the revolving loan balance if at any time the aggregate principal amount outstanding under the Credit Agreement exceeds the aggregate commitments thereunder. On May 17, 2022, we entered into an amendment to the Credit Agreement, which, among other changes, provides more favorable terms and flexibility with regards to our ability to obtain additional revolving credit commitments and/or term loans thereunder, including amendments to the net leverage ratio and definition of restricted payments.

As of June 30, 2022, we had no outstanding borrowings under the Credit Agreement. Refer to Note 9, "Line of Credit" of our notes to condensed consolidated financial statements included elsewhere in this Report for additional information.

Non-cancelable Operating Leases

As of June 30, 2022, the total amount of future lease payments under operating leases was $19.0 million, of which $8.7 million is short-term. Our operating leases have a weighted average remaining lease term of 2.5 years. Included in our total future lease payments are $10.2 million of remaining lease obligations for vacated properties, of which $5.4 million is short-term. Remaining lease obligations for vacated properties relates to certain locations, including Cary, Brentwood, North Canton, Fairport and portions of Atlanta, Horsham, St. Louis, Hunt Valley, and Bangalore that we have vacated as part of our reorganization efforts and are actively marketing for sublease. Refer to Note 5, "Leases" of our notes to consolidated financial statements included elsewhere in this Report for additional information. The remaining obligations have not been reduced by projected sublease rentals or by minimum sublease rentals of $2.2 million due in future periods under non-cancelable subleases.

Purchase Obligations

As of June 30, 2022, we had minimum purchase commitments of $186.0 million related to payments due under certain non-cancelable agreements to purchase goods and services, of which $30.3 million is due within the next 12 months.

Share Repurchase Program

In October 2021, the Board authorized a share repurchase program under which we may repurchase up to $60.0 million of our outstanding shares of common stock through March 2023. The timing and amount of any share repurchases under the share repurchase program will be determined by our management at its discretion based on ongoing assessments of the capital needs of the business, the market price of our common stock and general market conditions. The program does not obligate the Company to acquire any particular amount of our common stock, and the share repurchase program may be suspended or discontinued at any time at our discretion.

During the three months ended June 30, 2022, we repurchased 0.1 million shares of common stock for a total of $2.5 million at a weighted-average share repurchase price of approximately $16.93. As of June 30, 2022, $21.6 million remained available for share repurchases pursuant to the Company's share repurchase program.

Deferred Compensation

Deferred compensation liability was $7.2 million, for which timing of future benefit payments to employees is not determinable. To offset this liability, we have purchased life insurance policies on some of the participants. The Company is the owner and beneficiary of the policies and the cash values are intended to produce cash needed to help make the benefit payments to employees when they retire or otherwise leave the Company. The cash surrender value of the life insurance policies for deferred compensation was $7.3 million.

Income Taxes

We have an uncertain tax position liability of $4.2 million as of June 30, 2022, for which timing of expected payments is not determinable.

Off-Balance Sheet Arrangements

During the three months ended, we did not have any relationships with unconsolidated organizations, financial partnerships, or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other limited purposes.

New Accounting Pronouncements

Refer to Note 1, “Summary of Significant Accounting Policies” of our notes to condensed consolidated financial statements included elsewhere in this Report for a discussion of new accounting standards.

Critical Accounting Policies and Estimates

The discussion and analysis of our condensed consolidated financial statements and results of operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these condensed consolidated financial statements requires us to make estimates and judgments that affect our reported amounts of assets, liabilities, revenue and expenses, and related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends, and other factors we believe to be reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. On a regular basis, we review the accounting policies and update our assumptions, estimates, and judgments, as needed, to ensure that our condensed consolidated financial statements are presented fairly and in accordance with GAAP. Actual results could differ materially from our estimates under different assumptions or conditions. To the extent that there are material differences between our estimates and actual results, our financial condition or results of operations will be affected.

We describe our significant accounting policies in Note 1, “Summary of Significant Accounting Policies,” of our notes to consolidated financial statements included in our Annual Report. We discuss our critical accounting policies and estimates in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” of our Annual Report.

There have been no other material changes in our significant accounting policies or critical accounting policies and estimates since the fiscal year ended March 31, 2022.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

As of June 30, 2022, we were subject to minimal market risk on our cash and cash equivalents as we maintained our balances in very liquid funds with maturities of 90 days or less at the time of purchase.

As of June 30, 2022, we had no outstanding loans under our revolving credit agreement. The revolving loans under the Credit Agreement bear interest at either, at our option of either, (a) for base rate loans, a base rate based on the highest of (i) 1%, (ii) the “prime rate” quoted in the Wall Street Journal for the United States of America, (iii) the overnight bank funding rate (not to be less than zero) as determined by the Federal Reserve Bank of New York plus 0.50% or (iv) the LIBOR-based rate for one month Eurodollar deposits plus 1%, and (b) for Eurodollar loans, the LIBOR-based rate for one, two, three or six months (as selected by the Company) Eurodollar deposits plus, in each case, an applicable margin based on our net leverage ratio from time to time, ranging from 0.50% to 1.75% for base rate loans, and from 1.50% to 2.75% for Eurodollar loans. Accordingly, we are exposed to interest rate risk, primarily changes in LIBOR (including the transition away from LIBOR), due to our loans under the revolving credit agreement. Refer to Note 9, “Line of Credit” of our notes to condensed consolidated financial statements included elsewhere in this Report for additional information.

As of June 30, 2022, we had international operations that exposed us to the risk of fluctuations in foreign currency exchange rates against the United States dollar. However, the impact of foreign currency fluctuations has not been material to our financial position or operating results.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively) have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Security Exchange Act of 1934, as amended, the "Exchange Act") as June 30, 2022, the end of the period covered by this Quarterly Report on Form 10-Q (the “Evaluation Date”). They have concluded that, as of the Evaluation Date, these disclosure controls and procedures were effective to ensure that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities and would be disclosed on a timely basis. The Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are designed, and are effective, to give reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time period specified in the rules and forms of the Securities and Exchange Commission. They have also concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that are filed or submitted under the Exchange Act are accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

During the quarter ended June 30, 2022, there were no changes in our “internal control over financial reporting” (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The information required by Item 1 is incorporated herein by reference from Note 15, “Commitments, Guarantees and Contingencies” of our notes to condensed consolidated financial statements in this Report.

ITEM 1A. RISK FACTORS.

Our business is subject to many risks and uncertainties, which may materially and adversely affect our future business, prospects, financial condition, and results of operations. These risk factors are disclosed in “Item 1A. Risk Factors” in our Annual Report.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Month	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
April 1 - 30	—	$ -	—	$ 24,126
May 1 - 31	—	$ -	—	$ 24,126
June 1 - 30	147,990	$ 16.93	147,990	$ 21,621
Total	147,990		147,990	

(1) On October 28, 2021, our Board of Directors authorized a share repurchase program under which we may repurchase up to $60.0 million of outstanding shares of our common stock through March 2023. All share repurchases were made under this publicly announced program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not Applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

			Incorporated by Reference		
Exhibit Number	Exhibit Description	Filed Herewith	Form	Exhibit	Filing Date
10.1	Amendment No. 1 to Credit Agreement, dated as of May 17, 2022, by and among NextGen Healthcare, Inc., JPMorgan Chase Bank, N.A., as administrative agent and the lenders party thereto.	X			
31.1	Certification of Principal Executive Officer Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X			
31.2	Certification of Principal Financial Officer Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X			
32.1	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X			
101.INS**	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
101.SCH**	Inline XBRL Taxonomy Extension Schema Document				
101.CAL**	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB**	Inline XBRL Taxonomy Extension Label Linkbase Document				
101.PRE**	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, has been formatted in Inline XBRL.				

** XBRL information is furnished and not filed or a part of a registration statement or prospectus for purposes of section 11 or 12 of the Securities and Exchange Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

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

		NEXTGEN HEALTHCARE, INC.
Date: July 26, 2022	By:	/s/ David Sides
		David Sides Chief Executive Officer (Principal Executive Officer)
Date: July 26, 2022	By:	/s/ James R. Arnold, Jr.
		James R. Arnold, Jr. Chief Financial Officer (Principal Financial Officer)
Date: July 26, 2022	By:	/s/ David Ahmadzai
		David Ahmadzai Chief Accounting Officer (Principal Accounting Officer)

Exhibit 10.1

EXECUTION COPY

AMENDMENT NO. 1

Dated as of May 17, 2022

to

CREDIT AGREEMENT

Dated as of March 12, 2021

THIS AMENDMENT NO. 1 (this "Amendment") is made as of May 17, 2022 by and among NextGen Healthcare, Inc. (the "Borrower"), the financial institutions listed on the signature pages hereof and JPMorgan Chase Bank, N.A., as Administrative Agent (the "Administrative Agent'), under that certain Second Amended and Restated Credit Agreement dated as of March 12, 2021 by and among the Borrower, the Lenders from time to time party thereto and the Administrative Agent (as further amended, restated, supplemented or otherwise modified from time to time, the "Existing Credit Agreement"; and the Existing Credit Agreement as amended by this Amendment, the "Amended Credit Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Amended Credit Agreement (as defined below).

WHEREAS, the Borrower has requested that the requisite Lenders and the Administrative Agent agree to make certain amendments to the Existing Credit Agreement; and

WHEREAS, the Borrower, the Lenders party hereto and the Administrative Agent have so agreed on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower, the Lenders party hereto and the Administrative Agent hereby agree to enter into this Amendment.

1. Amendments to the Existing Credit Agreement. Effective as of the Amendment No. 1 Effective Date (as defined below), the Existing Credit Agreement is hereby amended as follows:

(a) The definition of "Restricted Payment Requirements" set forth in Section 1.01 of the Existing Credit Agreement is hereby amended to (i) replace each reference to "Total Leverage Ratio" appearing therein with "Net Leverage Ratio" and (ii) replace each reference to "$11,500,000" appearing therein with "$25,000,000".

(b) Section 1.01 of the Existing Credit Agreement is amended to (i) delete the definition of "Total Leverage Ratio" therefrom and (ii) add the following defined term thereto in the appropriate alphabetical order: "Amendment No. 1 Effective Date" means May 17, 2022.

(c) Section 1.04(b) of the Existing Credit Agreement is amended to add the following proviso to the end of the first sentence thereof: "; provided that, solely for purposes of determining compliance with the Restricted Payment Requirements in connection with any repurchase by the Borrower of its common Equity Interests on or about the Amendment No. 1 Effective Date, this clause (ii) shall not apply to the proceeds of any Convertible Debt Securities issued on or about the Amendment No. 1 Effective Date."

(d) Section 6.07 of the Existing Credit Agreement is hereby amended to (i) delete the word "and" appearing at the end of clause (d) thereof, (ii) replace the period at the end of clause (e) thereof with a semicolon, (iii) add the following as a new clause (f) thereof: "(f) the Borrower may make interest payments due on any Convertible Debt Securities; and", and (iv) add the following as a new clause (g) thereof: "(g) the Borrower may make Restricted Payments on Convertible Debt Securities if such Restricted Payments are permitted by Section 6.09(c)."

(e) Section 6.09(c) of the Existing Credit Agreement is hereby amended to (i) add the parenthetical "(plus accrued and unpaid interest, if any)" immediately following the phrase "the principal amount" appearing in clause (ii) thereof, (ii) replace the word "and" appearing at the end of clause (ii) thereof with ",", (iii) replace clause (iii) thereof with "(iii) any such redemption, repurchase, conversion, exchange or settlement made with a combination of an amount of cash not to exceed the principal amount of Convertible Debt Securities incurred pursuant to the terms of this Agreement, Equity Interests (other than Disqualified Stock) and cash in lieu of any fractional shares", and (iii) add the following as a new clause (iv) thereof: "(iv) any other redemption, repurchase, conversion, exchange or settlement so long as, solely for purposes of this Section 6.09(c)(iv), (x) at the time thereof and immediately after giving effect (including giving effect on a pro forma basis) thereto, (A) no Event of Default has occurred and is continuing or would result therefrom and (B) the Borrower is in pro forma compliance with the financial covenants set forth in Section 6.11 and (y) the aggregate amount of cash and Permitted Investments paid in connection with all such redemptions, repurchases, conversions, exchanges and settlements made in reliance on this Section 6.09(c)(iv) does not exceed the sum of (1) the principal amount of the Convertible Debt Securities plus (2) any payments received by the Borrower or any of its Subsidiaries pursuant to the exercise, settlement or termination of any related Permitted Equity Derivative; provided that, if the Net Leverage Ratio is less than 2.00 to 1.00 both before and immediately after giving effect (including giving effect on a pro forma basis) thereto, such redemption, repurchase, conversion, exchange or settlement shall not be included in such dollar limitation."

(f) For purposes of determining compliance under Section 6.11(a) of the Amended Credit Agreement for any fiscal quarter of the Borrower ending after the Amendment No. 1 Effective Date, Section 6.11(a) of the Existing Credit Agreement is hereby amended to replace the reference therein to (a) "3.75 to 1.00" with "4.00 to 1.00" and (b) "4.25 to 1.00" with "4.75 to 1.00".

2. Conditions of Effectiveness. The effectiveness of this Amendment (the "Amendment No. 1 Effective Date") is subject to the satisfaction of the following conditions precedent:

(a) The Administrative Agent shall have received counterparts of this Amendment duly executed by the Borrower and the Required Lenders.

(b) The Borrower shall have paid to the Administrative Agent, for the account of each Lender that delivers its executed signature page to this Amendment by such time and date required by the Administrative Agent, a work fee to each such Lender in an amount equal to $10,000.

(c) The Administrative Agent shall have received payment of the Administrative Agent's fees and reasonable and documented out-of-pocket expenses (including reasonable and documented out-of-pocket fees and expenses of counsel for the Administrative Agent) in connection with this Amendment for which invoices have been presented on or before the Amendment No. 1 Effective Date to the extent such fees and expenses are invoiced at least three (3) Business Days in advance of the

Amendment No. 1 Effective Date, or if invoiced thereafter, within thirty (30) days of written demand (including documentation reasonably supporting such request).

3. Representations and Warranties of the Borrower. The Borrower hereby represents and warrants as follows:

(a) This Amendment and the Amended Credit Agreement constitute legal, valid and binding obligations of the Borrower and, in the case of the Amended Credit Agreement, the other Loan Parties party thereto, enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(b) As of the date hereof and after giving effect to the terms of this Amendment, (i) no Default or Event of Default has occurred and is continuing or would result therefrom and (ii) the representations and warranties of the Loan Parties set forth in the Amended Credit Agreement and the other Loan Documents are true and correct in all material respects (or in all respects in the case of any representation and warranty qualified by materiality or Material Adverse Effect) with the same effect as though made on and as of the date hereof (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date is true and correct in all material respects (or in all respects in the case of any representation and warranty qualified by materiality or Material Adverse Effect) only as of such specified date).

4. Reference to and Effect on the Existing Credit Agreement.

(a) Upon the effectiveness hereof, each reference to the Existing Credit Agreement in the Existing Credit Agreement or any other Loan Document shall mean and be a reference to the Amended Credit Agreement.

(b) On behalf of itself and each of the other Loan Parties, the Borrower hereby (i) agrees that, except as otherwise set forth herein, this Amendment and the transactions contemplated hereby shall not limit or diminish the obligations of the Loan Parties arising under or pursuant to the Loan Documents to which each such Loan Party is a party, (ii) reaffirms all of the Loan Parties' obligations under the Existing Credit Agreement and the other Loan Documents to which each such Loan Party is a party except as specifically modified herein and (iii) acknowledges and agrees that the Existing Credit Agreement and each other Loan Document executed by each such Loan Party remains in full force and effect and is hereby reaffirmed, ratified and confirmed, in each case, except as specifically modified herein.

(c) Except as set forth herein, the execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Lenders or the Administrative Agent under the Existing Credit Agreement or any of the other Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents or any other documents, instruments and agreements executed and/or delivered in connection therewith.

(d) This Amendment is a Loan Document.

5. Governing Law. This Amendment shall be governed by and construed in accordance with and governed by the law of the State of New York. The parties hereto agree that provisions of Sections 9.09 and 9.10 of the Amended Credit Agreement are hereby incorporated by reference, *mutatis mutandis*.

6. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

7. Counterparts. This Amendment may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment that is an Electronic Signature transmitted by telecopy, emailed pdf. or any other electronic means that reproduces an image of an actual executed signature page shall be effective as delivery of a manually executed counterpart of this Amendment. The words “execution,” “signed,” “signature,” “delivery,” and words of like import in or relating to this Amendment shall be deemed to include Electronic Signatures, deliveries or the keeping of records in any electronic form (including deliveries by telecopy, emailed pdf. or any other electronic means that reproduces an image of an actual executed signature page), each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be; provided, that, without limiting the foregoing, (i) to the extent the Administrative Agent has agreed to accept any Electronic Signature, the Administrative Agent and each of the Lenders shall be entitled to rely on such Electronic Signature purportedly given by or on behalf of the Borrower without further verification thereof and without any obligation to review the appearance or form of any such Electronic Signature, and (ii) upon the request of the Administrative Agent or any Lender, any Electronic Signature shall be promptly followed by a manually executed counterpart.

[Signature Pages Follow]

IN WITNESS WHEREOF, this Amendment has been duly executed as of the day and year first above written.

NEXTGEN HEALTHCARE, INC.,
as the Borrower

By: /s/ James R. Arnold, Jr.
Name: James R. Arnold, Jr.
Title: EVP, Chief Financial Officer

JPMORGAN CHASE BANK, N.A.,
individually as a Lender and as Administrative Agent

By: /s/ Ling Li
Name: Ling Li
Title: Executive Director

U.S. BANK NATIONAL ASSOCIATION,
as a Lender

By: /s/ Andrew Williams
Name: Andrew Williams
Title: Senior Vice President

BANK OF THE WEST,
as a Lender

By: /s/ Michael Tschida
Name: Michael Tschida
Title: Managing Director

Signature Page to Amendment No. 1 to
Second Amended and Restated Credit Agreement dated as of March 12, 2021
NextGen Healthcare, Inc.

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as a Lender

By: /s/ Brandon Moss
Name: Brandon Moss
Title: Vice President

CITY NATIONAL BANK,
as a Lender

By: /s/ Marie-Lou Godinez
Name: Marie-Lou Godinez
Title: Senior Vice President

TRUIST BANK,
as a Lender

By: /s/ Jonathan Hart
Name: Jonathan Hart
Title: Director

PNC BANK, NATIONAL ASSOCIATION (f/k/a BBVA USA),
as a Lender

By: /s/ Jonas R. Berglund
Name: Jonas R. Berglund
Title: Senior Vice President

CITIZENS BANK, N.A.,
as a Lender

By: /s/ Mark Guyeski
Name: Mark Guyeski
Title: Vice President

FIRST-CITIZENS BANK & TRUST COMPANY
(successor by merger to CIT BANK, N.A.,)
as a Lender

By: /s/ Jean-Pierre Knight
Name: Jean-Pierre Knight
Title: Managing Director

EXHIBIT 31.1

Certification of Principal Executive Officer Required by
Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David Sides, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of NextGen Healthcare, 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 26, 2022

By:/s/ David Sides
David Sides
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

Certification of Principal Financial Officer Required by
Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, James R. Arnold, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of NextGen Healthcare, 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 26, 2022

By: /s/ James R. Arnold, Jr.
James R. Arnold, Jr.
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION 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 Quarterly Report on Form 10-Q of NextGen Healthcare, Inc. (the “Company”) for the quarterly period ended June 30, 2022 (the “Report”), the undersigned hereby certify in their capacities as Chief Executive Officer and Chief Financial Officer of the Company, respectively, 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, as amended; and

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

Date: July 26, 2022

By: /s/ David Sides
David Sides
Chief Executive Officer
(Principal Executive Officer)

Date: July 26, 2022

By: /s/ James R. Arnold, Jr.
James R. Arnold, Jr.
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signatures that appear in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.