ACCOLADE, INC. AND SUBSIDIARIES
Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Accolade, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Accolade, Inc. and subsidiaries (the Company) as of February 29, 2024 and February 28, 2023, the related consolidated statements of operations and comprehensive loss, stockholders' equity (deficit), and cash flows for each of the years in the three-year period ended February 29, 2024, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of February 29, 2024 and February 28, 2023, and the results of its operations and its cash flows for each of the years in the three-year period ended February 29, 2024, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of February 29, 2024 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated April 25, 2024 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

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

Sufficiency of audit evidence over revenue

As discussed in Note 2(l) to the consolidated financial statements, the Company generates revenue by providing customers access to its advocacy, expert medical opinion, and virtual primary care services, as well as through usage of its expert medical opinion and virtual primary care services. The Company's revenue includes multiple revenue streams and certain aspects of the Company's processes and information technology (IT) systems differ among the revenue streams. As discussed in Note 3, the Company recorded $414,292 thousand of revenue for the year ended February 29, 2024.

We identified the evaluation of the sufficiency of audit evidence over revenue as a critical audit matter. Evaluating the sufficiency of audit evidence required a high degree of subjective auditor judgment and specialized skills and knowledge due to the number of revenue streams with unique revenue processes and IT applications involved. This included determining the revenue streams over which procedures were performed and evaluating the nature and extent of evidence obtained over each revenue stream.

The following are the primary procedures we performed to address this critical audit matter. We applied auditor judgment to determine the nature and extent of procedures to be performed over revenue. For each revenue stream where procedures were performed, we evaluated the design and tested the operating effectiveness of certain internal controls related to the revenue process, including IT related controls. We involved IT professionals with specialized skills and knowledge, who assisted in testing certain general IT and application controls used by the Company in its revenue processes. For a sample of transactions, we assessed the recorded revenue by comparing the amounts recognized to underlying documentation. We evaluated the sufficiency of the audit evidence obtained over revenue by assessing the results of procedures performed.

/s/ KPMG LLP

We have served as the Company's auditor since 2008.

Philadelphia, Pennsylvania
April 25, 2024

ACCOLADE, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(In thousands, except share and per share data)

	February 28(29), 2024	2023
Assets		
Current assets:		
Cash and cash equivalents	$ 185,718	$ 321,083
Marketable securities	51,315	—
Accounts receivable, net	21,800	23,435
Unbilled revenue	5,902	3,260
Current portion of deferred contract acquisition costs	4,369	4,022
Prepaid and other current assets	15,808	14,149
Total current assets	284,912	365,949
Property and equipment, net	19,140	14,763
Operating lease right-of-use assets	28,340	29,525
Goodwill	278,191	278,191
Intangible assets, net	165,407	203,202
Deferred contract acquisition costs	9,608	9,815
Other assets	2,553	1,624
Total assets	$ 788,151	$ 903,069
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 13,749	$ 10,155
Accrued expenses and other current liabilities	10,736	11,744
Accrued compensation	23,392	39,346
Due to customers	18,552	15,694
Current portion of deferred revenue	34,770	35,191
Current portion of operating lease liabilities	6,651	7,284
Total current liabilities	107,850	119,414
Loans payable, net of unamortized issuance costs	208,482	282,323
Operating lease liabilities	26,077	27,189
Other noncurrent liabilities	156	203
Deferred revenue	121	154
Total liabilities	342,686	429,283
Commitments and contingencies (Note 14)		
Stockholders' equity		
Common stock par value $0.0001; 500,000,000 shares authorized; 78,070,781 and 73,089,075 shares issued and outstanding at February 28(29), 2024 and 2023, respectively	8	7
Additional paid-in capital	1,499,603	1,428,073
Accumulated other comprehensive loss	(47)	—
Accumulated deficit	(1,054,099)	(954,294)
Total stockholders' equity	445,465	473,786
Total liabilities and stockholders' equity	$ 788,151	$ 903,069

See accompanying notes to consolidated financial statements.

ACCOLADE, INC. AND SUBSIDIARIES

Consolidated Statements of Operations and Comprehensive Loss

(In thousands, except share and per share data)

	Fiscal Year Ended February 28(29),		
	2024	2023	2022
Revenue	$ 414,292	$ 363,142	$ 310,021
Cost of revenue, excluding depreciation and amortization	222,232	198,905	169,019
Operating expenses:			
Product and technology	99,159	101,347	83,664
Sales and marketing	100,066	99,113	86,765
General and administrative	62,124	81,209	99,106
Depreciation and amortization	45,164	46,377	42,608
Goodwill impairment	—	299,705	—
Change in fair value of contingent consideration	—	—	(45,416)
Total operating expenses	306,513	627,751	266,727
Loss from operations	(114,453)	(463,514)	(125,725)
Interest income (expense), net	5,952	255	(2,905)
Other income (expense)	9,931	(15)	(133)
Loss before income taxes	(98,570)	(463,274)	(128,763)
Income tax benefit (expense)	(1,235)	3,624	5,639
Net loss	$ (99,805)	$ (459,650)	$ (123,124)
Net loss per share, basic and diluted	$ (1.33)	$ (6.45)	$ (1.93)
Weighted-average common shares outstanding, basic and diluted	74,906,938	71,279,831	63,823,270
Other comprehensive loss:			
Unrealized loss on marketable securities, net	$ (47)	$ —	$ —
Comprehensive loss	$ (99,852)	$ (459,650)	$ (123,124)

See accompanying notes to consolidated financial statements.

ACCOLADE, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity (Deficit)

(In thousands, except shares)

	Common stock		Additional paid-in capital	Accumulated Other Comprehensive Loss	Accumulated deficit	Total
	Shares	Amount				
Balance, February 28, 2021	55,699,052	$ 6	$ 762,362	$ —	$ (371,520)	$ 390,848
Issuance of common stock in connection with acquisitions	10,219,443	1	456,592	—	—	456,593
Issuance of replacement awards in connection with acquisitions	—	—	6,729	—	—	6,729
Contingent share earnout in connection with acquisitions	—	—	73,481	—	—	73,481
Exercise of stock options and vesting of restricted stock units	1,039,144	—	8,522	—	—	8,522
Purchase of capped calls	—	—	(34,503)	—	—	(34,503)
Issuance of common stock in connection with the employee stock purchase plan	140,838	—	4,309	—	—	4,309
Stock-based compensation expense	—	—	72,939	—	—	72,939
Net loss	—	—	—	—	(123,124)	(123,124)
Balance, February 28, 2022	67,098,477	$ 7	$ 1,350,431	$ —	$ (494,644)	$ 855,794
Settlement of acquisition-related contingent consideration	3,304,729	—	—	—	—	—
Exercise of stock options and vesting of restricted stock units	2,125,524	—	2,071	—	—	2,071
Issuance of common stock in connection with the employee stock purchase plan	560,345	—	2,927	—	—	2,927
Stock-based compensation expense	—	—	72,644	—	—	72,644
Net loss	—	—	—	—	(459,650)	(459,650)
Balance, February 28, 2023	73,089,075	$ 7	$ 1,428,073	$ —	$ (954,294)	$ 473,786
Exercise of stock options and vesting of restricted stock units	4,375,007	1	7,010	—	—	7,011
Issuance of common stock in connection with the employee stock purchase plan	512,235	—	3,579	—	—	3,579
Release of indemnity shares in connection with acquisition	94,464	—	—	—	—	—
Stock-based compensation expense	—	—	60,941	—	—	60,941
Other comprehensive loss	—	—	—	(47)	—	(47)
Net loss	—	—	—	—	(99,805)	(99,805)
Balance, February 29, 2024	78,070,781	$ 8	$ 1,499,603	$ (47)	$ (1,054,099)	$ 445,465

See accompanying notes to consolidated financial statements.

ACCOLADE, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In thousands)

	Fiscal Year Ended February 28(29),		
	2024	2023	2022
Cash flows from operating activities:			
Net loss	$ (99,805)	$ (459,650)	$ (123,124)
Adjustments to reconcile net loss to net cash used in operating activities:			
Goodwill impairment	—	299,705	—
Depreciation and amortization expense	45,164	46,377	42,608
Amortization of deferred contract acquisition costs	5,437	3,698	2,945
Change in fair value of contingent consideration	—	—	(45,416)
Deferred income taxes	—	(3,997)	(6,132)
Noncash interest expense (income)	1,540	1,660	1,673
Accretion of discounts/premiums on marketable securities, net	(215)	—	—
Stock-based compensation expense	60,941	72,644	72,939
Gain on repurchase of convertible notes	(9,268)	—	—
Changes in operating assets and liabilities:			
Accounts receivable and unbilled revenue	(1,007)	4,106	(11,829)
Accounts payable and accrued expenses	3,380	1,131	(1,899)
Deferred contract acquisition costs	(5,575)	(7,314)	(4,148)
Deferred revenue and due to customers	2,404	3,634	13,986
Accrued compensation	(15,953)	157	(2,519)
Other liabilities	(607)	1,627	(106)
Other assets	(2,605)	(4,483)	(1,328)
Net cash used in operating activities	(16,169)	(40,705)	(62,350)
Cash flows from investing activities:			
Capitalized software development costs	(7,547)	(5,123)	(1,096)
Purchases of property and equipment	(4,935)	(2,105)	(2,521)
Purchase of marketable securities	(51,147)	—	(99,998)
Sale of marketable securities	—	—	99,998
Cash paid for acquisitions, net of cash acquired	—	—	(259,996)
Net cash used in investing activities	(63,629)	(7,228)	(263,613)
Cash flows from financing activities:			
Payments for repurchase of convertible notes	(65,808)	—	—
Payments for debt extinguishment costs	(355)	—	—
Proceeds from employee stock purchase plan	3,579	2,927	4,703
Proceeds from stock option exercises	7,017	2,064	8,600
Payment of contingent consideration for acquisition	—	(1,828)	—
Payments of equity issuance costs	—	—	(60)
Payment of debt issuance costs	—	—	(8,368)
Payment for purchase of capped calls	—	—	(34,443)
Proceeds from borrowings on debt	—	—	287,500
Net cash provided (used) by financing activities	(55,567)	3,163	257,932
Net decrease in cash and cash equivalents	(135,365)	(44,770)	(68,031)
Cash and cash equivalents, beginning of period	321,083	365,853	433,884
Cash and cash equivalents, end of period	$ 185,718	$ 321,083	$ 365,853
Supplemental cash flow information:			
Interest paid	$ 1,640	$ 1,640	$ 930
Fixed assets included in accounts payable	$ 28	$ 771	$ 161
Other receivable related to stock option exercises	$ 6	$ 13	$ 4
Income taxes paid	$ 402	$ 157	$ 122
Common stock issued in connection with acquisitions	$ —	$ —	$ 455,586
Replacement awards issued in connection with acquisitions	$ —	$ —	$ 6,729

See accompanying notes to consolidated financial statements.

Accolade, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Dollar amounts in thousands except share and per share data)

(1) Background

(a) Business

Accolade, Inc. (Accolade or together with its subsidiaries, the Company) provides an advocacy-led, nationwide care delivery service comprised of personalized, technology-enabled solutions that help people better understand, navigate, and utilize the healthcare system and their workplace benefits. The Company's customers are primarily employers that deploy Accolade solutions in order to provide employees and their families (the members) a single place to turn for their health, healthcare, and benefits needs. The Company also offers expert medical opinion services to commercial customers (which includes employers, health plans, and governmental entities) and virtual primary care both directly to consumers and to commercial customers. These services are designed to improve the member experience, encourage better healthcare outcomes, and lower costs for both members and customers. Accolade is co-headquartered in Seattle, Washington and Plymouth Meeting, Pennsylvania.

(b) Liquidity

The Company has incurred net losses and cumulative negative cash flows from operations since inception. To date, the Company's operations have been funded by capital raised from investors, debt facilities, and revenues in the normal course of business. Management believes that the Company's cash and cash equivalents, plus customer revenues and advances and available borrowings under its debt facility, are sufficient to fund its operations through at least the next 12 months from the issuance of these consolidated financial statements. Additional financing may be required for the Company to successfully implement its long-term strategy. There can be no assurance that additional financing, if needed, can be obtained on terms acceptable to the Company.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation and Principles of Consolidation

Accolade's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and include the Company's accounts and those of the Company's wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

The Company has various administrative service agreements (ASA) with professional medical corporations established in California, Illinois, Wyoming, and New Jersey (PC). The PCs employ or contract with medical providers who provide services via the Company's technology platform. The ASAs are evergreen and are terminable by the parties for breach or bankruptcy. Through the ASAs, the Company provides non-clinical administrative services to the PCs and manages the economic activities that most significantly affect PCs. The PCs retain control over the provision of medical services and the PC's clinical personnel.

The PCs are variable interest entities (VIE) to the Company. Under Accounting Standards Codification Subtopic 810 – *Consolidation*, the Company is considered the PC's primary beneficiary because the Company has the power to direct the activities that most significantly impact the VIE's economic performance and absorbs the residual benefits and losses from the VIE's operations. Consequently, the Company consolidates the operations of the PCs. PC assets were $31,148 as of February 29, 2024 which consisted primarily of amounts receivable from PlushCare, Inc. PC liabilities were $15,276 as of February 29, 2024 and consisted primarily of amounts due to Accolade, Inc. and accrued compensation.

The PCs and the Company are independent entities, and as such creditors of the PCs do not have recourse against the Company in the event of default by the PCs. Additionally, the PCs' non-cash assets are available to the Company to satisfy obligations or for other corporate purposes.

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including the fair value of assets acquired and liabilities assumed for business combinations, unbilled revenues and deferred revenues, certain accrued expenses, stock-based compensation, assessment of the useful life and recoverability of long-lived assets, income taxes, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, assessment of the recoverability of goodwill, and the reported amounts of revenues and expenses during the reporting period. To the extent there are material differences between these estimates, judgments, or assumptions and actual results, the Company's financial statements will be affected.

(c) Fair Value of Financial Instruments

The carrying value of the Company's financial instruments, including cash equivalents, marketable securities, accounts receivable, unbilled revenue, other current assets, accounts payable, and accrued expenses approximates fair value due to the short-term nature of those instruments.

The Company measures financial assets and liabilities at fair value at each reporting period using a fair value hierarchy that requires the use of observable inputs and minimizes the use of unobservable inputs. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 — Inputs that are generally unobservable and typically reflect the Company's estimate of assumptions that market participants would use in pricing the asset or liability.

(d) Cash and Cash Equivalents

Cash and cash equivalents is comprised of cash in banks and highly liquid investments, including U.S. treasury bills purchased with an original maturity of three months or less. Cash equivalents consist of investments in money market funds for which the carrying amount approximates fair value, due to the short maturities of these instruments.

(e) Marketable Securities

The Company classifies its marketable securities as available-for-sale, which include securities with original maturities of greater than three months. These securities are carried at fair market value and unrealized gains and losses are recorded to accumulated other comprehensive loss. Premiums and discounts are amortized or accreted over the life of the related available-for-sale security as an adjustment to yield.

(f) Accounts Receivable and Unbilled Revenue

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company does not have any off-balance-sheet credit exposure related to its customers. The Company records unbilled revenue for services performed on contracts for amounts not yet billed to customers.

(g) Property and Equipment

Property and equipment are recorded at cost. Property and equipment are depreciated on a straight-line basis over their estimated useful lives.

Useful lives for property and equipment are as follows:

Property and Equipment	Estimated Useful Life
Office equipment and furniture	7 years
Computer equipment	3-5 years
Computer software	3-5 years
Leasehold improvements	Lesser of estimated useful life or remaining lease term

(h) Capitalized Internal-Use Software Costs

Costs related to software acquired, developed, or modified solely to meet the Company's internal requirements, including tools that enable the Company's employees to interact with members and their providers, with no substantive plans to market such software at the time of development, are capitalized. Costs incurred during the preliminary planning and evaluation stage of the project and during the post-implementation operational stage are expensed as incurred. Costs related to minor upgrades, minor enhancements, and maintenance activities are expensed as incurred. Costs incurred during the application development stage of the project are capitalized. Internal-use software is included in property and equipment and is amortized on a straight-line basis over 3 years.

For the fiscal years ended February 28(29), 2024, 2023, and 2022, the Company capitalized $6,938, $5,709, and $1,096, respectively, for internal-use software. Amortization expense related to capitalized internal-use software during the fiscal years ended February 28(29), 2024, 2023, and 2022 was $2,761, $1,196, and $2,387, respectively.

(i) Impairment of Long-Lived Assets

The Company reviews long-lived assets, such as property and equipment and finite-lived intangibles, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, then an impairment charge is recognized for the amount by which the carrying value of the asset exceeds the fair value of the asset. There were no long-lived asset impairment charges recorded during the fiscal years ended February 28(29), 2024, 2023, and 2022.

(j) Intangible Assets

The Company has acquired intangible assets through various acquisitions. Intangible assets are recorded at fair value on the date of acquisition and are subject to amortization over the estimated useful lives of each asset. Estimates of fair value and useful lives are based on historical factors, current circumstances, and the experience and judgment of management. Estimates and assumptions used to value intangible assets are evaluated by management on an ongoing basis.

(k) Goodwill

Goodwill is the excess of the cost of an acquired entity over the net amounts assigned to tangible and intangible assets acquired and liabilities assumed. Goodwill is not amortized, but is subject to evaluations of its recoverability annually and upon the identification of a triggering event. The Company has a single reporting unit and all goodwill relates to that reporting unit.

The Company performs an impairment analysis of goodwill on an annual basis in the fourth quarter of each fiscal year or more frequently if changes in circumstances or the occurrence of events suggest that an impairment exists. If the fair value of the reporting unit is less than its carrying value, an impairment loss is recorded. A goodwill impairment loss was recorded during the first quarter of fiscal 2023. See Note 4 for further information. The Company did not recognize a goodwill impairment charge in the fiscal year ended February 29, 2024.

(l) Revenue and Deferred Revenue

Revenue Recognition

The Company generates revenue by providing customers access to its advocacy, expert medical opinion, and virtual primary care services, as well as through usage of its expert medical opinion and virtual primary care services. Contracts with customers that include expert medical opinion or virtual primary care services may contain either an access fee, a usage-based fee, or both.

In accordance with Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, the Company recognizes revenue when control of the promised services is transferred to its customers, in an amount that reflects the consideration to which it expects to be entitled in exchange for those services. Accordingly, the Company determines revenue recognition through the following steps:

- identification of the contract, or contracts with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contracts; and
- recognition of revenue when, or as, the Company satisfies a performance obligation.

At contract inception, the Company assesses the type of services being provided and assesses the performance obligations in the contract. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. The Company determines the standalone selling prices based on overall pricing objectives, taking into consideration market conditions and other factors, using an expected cost plus margin approach. The Company considered the variable consideration allocation exception in ASC 606 for its advocacy contracts and concluded that such exception for allocating variable consideration to distinct performance obligations or distinct time periods within a series was not met primarily due to variability in its per-member-per-month (PMPM) pricing.

The majority of fees earned by the Company are considered to be variable consideration due to both the uncertainty regarding the total number of members, consultations or visits for which the Company will invoice the customer, as well as the variable PMPM fees that are dependent upon the achievement of performance metrics and/or healthcare cost savings. Performance metrics are measured monthly, quarterly, or annually, and with respect to the achievement of healthcare cost savings targets, annually (typically measured on a calendar year basis). Accordingly, at contract inception and on an ongoing basis, as part of the Company's estimate of the transaction price, the Company determines whether any such fees should be constrained, and the Company includes the estimated consideration for those fees to the extent that it is probable that a significant reversal of cumulative revenue recognized will not occur (and is therefore considered to be unconstrained). Consideration related to the Company's achievement of healthcare cost savings is typically constrained until the end of the applicable calendar year due to uncertainty related to factors outside of the Company's control. Consideration related to other performance metrics is typically not constrained based on the Company's prior success of achieving such metrics. On an ongoing basis, the Company reassesses its estimates for variable consideration, which can change based upon its assessment of the achievement of performance metrics and healthcare cost savings, as well as the number of members, consultations, or visits.

Access Fees

The Company generates revenue primarily from contracts with customers to access the Company's advocacy, expert medical opinion, and virtual primary care services. The Company prices access fees primarily using a recurring PMPM fee, typically with a portion of the fee calculated as the product of a fixed rate times the number of members (fixed PMPM fee), plus a variable PMPM fee calculated as the product of a variable rate times the number of members (variable PMPM fee). The fees associated with the variable PMPM fee can be earned through the achievement of performance metrics and/or the realization of healthcare cost savings resulting from use of the Company's services. Collectively, the fixed PMPM fee and variable PMPM fee are referred to as the total PMPM fee. The Company's PMPM pricing varies by contract. In certain contracts, the maximum total PMPM fee varies during the contract term (total PMPM rate increases or decreases annually), while in other contracts, the total PMPM maximum fee is consistent over the term, yet the fixed and variable portions vary. For example, in certain contracts the fixed PMPM fee increases on an annual basis while the variable PMPM fee decreases on an annual basis, resulting in the same total PMPM fee throughout the term of the contract.

The PMPM fees for expert medical opinion and virtual primary care services may be tiered based upon the customer's utilization.

Access to the Company's services represent a single stand-ready performance obligation. The Company's contracts include stand-ready services to provide eligible participants with access to the Company's services and to perform an unspecified quantity of interactions with members during the contract period. Accordingly, the Company's services are generally viewed as stand-ready performance obligations comprised of a series of distinct daily services that are substantially the same and have the same pattern of transfer. For advocacy services, the Company satisfies these performance obligations over time and recognizes revenue related to its services as the services are provided using a measure of progress based upon the actual number of members eligible for the service during the respective period as a percentage of the estimated members expected to be eligible for the service over the term of the contract. The Company believes a measure of progress based on the number of members is the most appropriate measurement of control of the services being transferred to the customer as the amount of internal resources necessary to stand-ready is directly correlated to the number of members who can use the services.

For the majority of expert medical opinion services, the Company satisfies these performance obligations over time and recognizes revenue in the amount of consideration for which it has the right to invoice using the as-invoiced practical expedient. Access fees also include access to the Company's virtual primary care services sold directly to consumers on a monthly or yearly fixed fee subscription basis. For these services, the Company satisfies these stand-ready performance obligations over time and recognizes revenue ratably over the subscription period.

Usage-based fees

The Company also generates revenue when members use the expert medical opinion and virtual primary care services that are billed based on usage. Many, but not all, contracts with customers contain usage-based fees. For any usage-based fees, the Company satisfies these performance obligations over time and recognizes revenue in the amount of consideration for which it has the right to invoice using the as-invoiced practical expedient for any consultations or visits sold to commercial customers as well as any non-insured consultations or visits related to virtual primary care services sold directly to consumers. For any consultations or visits that are paid through insurance claims, the Company recognizes revenue as the consultations and visits occur in an amount that reflects the consideration that is expected based upon then-current prices and historical experience from insurance payors. In prior periods, the Company referred to usage-based fees as "utilization-based fees."

Deferred Revenue

The Company typically invoices its customers in advance of the services performed on a monthly or quarterly basis, and the amount invoiced typically represents the maximum total PMPM fee for the estimated number of eligible members over the applicable invoice period. The total PMPM fee covers the stand-ready services in the Company's typical contracts (i.e., the performance obligations are not separately priced or invoiced). The maximum total PMPM fee that is invoiced includes both the fixed PMPM fee and the variable PMPM fee related to the performance metrics and/or the realization of healthcare cost savings that can be achieved during the period. These fees are classified as deferred revenue on the Company's consolidated balance sheet until such time that revenue can be recognized. In the event the Company fails to satisfy any of the performance metrics and/or realization of healthcare cost savings that are billed in advance, the Company will refund the applicable portion of the fee or offset the amount against a future invoice. These amounts are included in due to customers on the Company's consolidated balance sheet. The Company's accounts receivable represent rights to consideration that are unconditional.

(m) Concentration of Credit Risk

Financial instruments that potentially subject the Company to credit risk consist principally of cash, cash equivalents, and marketable securities. The Company maintains its cash primarily with domestic financial institutions of high credit quality, which may exceed federal deposit insurance corporation limits. The Company invests its cash equivalents in highly rated money market funds and U.S. treasury bills with original maturities of three months or less. Marketable securities are comprised of U.S. government debt, commercial paper, and U.S. agency debt with original maturities greater than three months. The Company believes it is not exposed to any significant credit risk on cash, cash equivalents, and marketable securities and performs periodic evaluations of the credit standing of such institutions.

(n) Stock-Based Compensation

The Company recognizes compensation cost for awards to employees, nonemployee directors, consultants, and advisors based on the grant date fair value of stock-based awards on a straight-line basis over the period during which an award holder is required to provide service in exchange for the award. The Company estimates the fair value of each employee stock option on the date of grant using the Black-Scholes option pricing model.

(o) Cost of Revenue, excluding Depreciation and Amortization

Cost of revenue, excluding depreciation and amortization, consists primarily of personnel costs including salaries, wages, overtime, bonuses, stock-based compensation expense, and benefits, as well as software and tools for telephony, business analytics, allocated overhead costs, and other expenses related to delivery and implementation of the Company's personalized technology-enabled solutions.

(p) Product and Technology

Product and technology expenses consist of personnel expenses, including salaries, bonuses, stock-based compensation expense, and benefits for employees and contractors for engineering, product, and design teams, and allocated overhead costs, as well as costs of software and tools for business analytics, data management, and IT applications that are not directly associated with delivery of the Company's solutions to customers.

(q) Income Taxes

The provision for income taxes was determined using the asset and liability approach of accounting for income taxes. Under this approach, deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The provision for income taxes represents income taxes paid or payable for the current year plus the change in deferred taxes during the period. Deferred taxes result from differences between the financial and tax basis of the Company's assets and liabilities and are adjusted for changes in tax rates and tax laws when changes are enacted. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates applicable in the years in which they are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax law is recognized in income in the period that includes the enactment date.

In evaluating the ability to realize deferred tax assets, the Company relies on taxable income in prior carryback years, the future reversals of existing taxable temporary differences, future taxable income, and tax planning strategies.

Consistent with the provisions of FASB ASC Topic 740, *Income Taxes*, the Company does not recognize a tax benefit for a tax position in its financial statements unless it has concluded that it is more likely than not that the benefit will be sustained on audit by the taxing authority based solely on the technical merits of the associated tax position; and that the amount of tax benefit recognized is measured at the largest amount of the tax benefit that, in the Company's judgment, is greater than 50% likely to be realized. U.S. GAAP requires the evaluation of tax positions taken or expected to be taken in the course of preparing tax returns to determine whether the tax positions will more likely than not be sustained by the Company upon challenge by the applicable tax authority. Tax positions not deemed to meet the "more likely than not" threshold and that would result in a tax benefit or expense to the Company would be recorded as a tax benefit or expense in the current period. A reconciliation is not provided herein, as the beginning and ending amounts of unrecognized benefits are $0, with no additions, reductions, or settlements during the year. Tax years 2010 through present remain subject to examination by the U.S. and state taxing authorities.

(r) Segments

The Company's chief operating decision maker, its Chief Executive Officer, reviews the financial information presented on a consolidated basis for purposes of allocating resources and evaluating its financial performance. Accordingly, the Company has determined that it operates in a single reportable segment.

As of February 28(29), 2024, 2023, and 2022, substantially all of Accolade's long-lived assets were located in the United States, and all revenue was earned in the United States.

(s) Leases

Whenever the Company enters into a new arrangement, it determines, at the inception date, whether the arrangement is or contains a lease. This determination generally depends on whether the arrangement conveys to the Company the right to control the use of an explicitly or implicitly identified asset for a period of time in exchange for consideration. Control of an underlying asset is conveyed to the Company if the Company obtains the right to direct the use of, and obtain substantially all the economic benefits from, the use of the underlying asset.

For each lease, the Company then determines the lease term, the present value of lease payments, and the classification of the lease as either an operating or finance lease. The Company has elected, for all of its leases, to not separate lease and non-lease components. The lease term is the period of the lease not cancellable by the Company, together with periods covered by: (i) renewal options the Company is reasonably certain to exercise, (ii) termination options the Company is reasonably certain not to exercise, and (iii) renewal or termination options that are controlled by the lessor.

The present value of lease payments is calculated based on:

(1) Lease payments – Lease payments included in the measurement of the lease asset or liability comprise the following: fixed payments (including in-substance fixed payments), and the exercise price of a lessee option to purchase the underlying asset if the lessee is reasonably certain to exercise.

(2) Discount rate – the discount rate is determined based on information available to the Company upon the commencement of the lease. Lessees are required to use the rate implicit in the lease whenever such rate is readily available; however, as the implicit rate in the Company's leases is generally not readily determinable, the Company generally uses the incremental borrowing rate it would have to pay to borrow an amount equal to the lease payments, on a collateralized basis, over a timeframe similar to the lease term.

In making the determination of whether a lease is an operating lease or a finance lease, the Company considers the lease term in relation to the economic life of the leased asset, the present value of lease payments in relation to the fair value of the leased asset and certain other factors, including the lessee's and lessor's rights, obligations, and economic incentives over the term of the lease.

The Company does not recognize leases with an initial term of 12 months or less on its consolidated balance sheets and recognizes these payments in the consolidated statements of operations on a straight-line basis over the lease term. Certain leases contain variable payments which are based on usage or operating costs, such as utilities and maintenance. These payments are not included in the measurement of the lease liability or corresponding right-of-use asset due to the uncertainty of the payment amount and are recorded as lease expense in the period incurred.

(t) Recently Issued Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-07, Segment Reporting (Topic 280). The new standard requires enhanced disclosures about significant segment expenses and other segment items and requires companies to disclose all annual disclosures about segments in interim periods. The new standard also permits companies to disclose more than one measure of segment profit or loss, requires disclosure of the title and position of the Chief Operating Decision Maker, and requires companies with a single reportable segment to provide all disclosures required by Topic 280. The new standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted and companies are required to apply the ASU retrospectively to all periods presented. The Company is currently evaluating the impact that the adoption of this standard will have on its financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which requires expanding disclosures of an entity's income tax rate reconciliation and income taxes paid. The new standard is effective for annual periods beginning after December 15, 2024 and early adoption is permitted. Upon adoption, this standard will result in additional required disclosures being included in the Company's consolidated financial statements. The Company is currently evaluating the impact that the adoption of this standard will have on its financial statements and related disclosures.

(3) Revenue

The following table presents the Company's revenues disaggregated by revenue source:

	Year Ended February 28(29),		
	2024	2023	2022
Access fees	$ 300,489	$ 284,144	$ 264,612
Usage-based fees	113,803	78,998	45,409
Total	$ 414,292	$ 363,142	$ 310,021

As of February 29, 2024, revenue is expected to be recognized from remaining performance obligations as follows:

Year Ending February 28(29),	
2025	$ 155,157
2026	49,937
2027	12,154
2028	652
2029	274
Total	$ 218,174

The expected revenue includes variable fee estimates for access fee revenue during the non-cancellable term of the Company's contracts. The expected revenue does not include amounts of variable consideration that are constrained, direct-to-consumer revenues, and usage-based revenues.

Significant changes to the contract liability balances during the fiscal years ended February 28(29), 2024 and 2023 were the result of revenue recognized and net cash received. During the fiscal years ended February 28(29), 2024 and 2023, changes in the deferred revenue balances were the result of recognized revenue of $34,941 and $30,567, respectively, that were included in deferred revenue. In addition, significant changes to the contract asset balances during the fiscal years ended February 28(29), 2024 and 2023 were the result of revenue recognized and transfers to accounts receivable. Contract assets relating to unbilled revenue are transferred to accounts receivable when the right to consideration becomes unconditional.

Revenue related to performance obligations satisfied in prior periods that was recognized during the years ended February 28(29), 2024 and 2023 was $5,142 and $3,768, respectively. These changes in amounts were primarily due to the inclusion of consideration that was previously constrained related to the Company's achievement of healthcare cost savings.

Cost to obtain and fulfill a contract

The Company capitalizes sales commissions paid to internal sales personnel that are both incremental to the acquisition of customer contracts and recoverable. These costs are recorded as deferred contract acquisition costs in the accompanying consolidated balance sheets. The Company capitalized commission costs of $3,913 and $6,016 for the years ended February 28(29), 2024 and 2023, respectively. The Company defers costs based on its sales compensation plans only if the commissions are incremental and would not have occurred absent the customer contract. Payments to direct sales personnel are typically made upon signature of the contract. The Company does not pay commissions on contract renewals.

Deferred commissions paid on the initial acquisition of a contract are amortized ratably over an estimated period of benefit of five years, which is the estimated customer life. The Company determined the period of amortization for deferred commissions by taking into consideration current customer contract terms, historical customer retention, and other factors. Amortization is included in sales and marketing expenses in the accompanying consolidated statements of operations and totaled $3,950, $2,695, and $2,080 for the fiscal years ended February 28(29), 2024, 2023, and 2022, respectively. The Company periodically reviews deferred contract acquisition costs to determine whether events or changes in circumstances have occurred that could impact the estimated period of benefit. There were no impairment losses recorded during the periods presented.

For certain customer contracts, the Company may incur direct and incremental costs related to customer set-up and implementation. The Company recorded deferred implementation costs of $1,645 and $1,303 for the fiscal years ended February 28(29), 2024 and 2023, respectively. These implementation costs are deferred and amortized over the expected useful life of the Company's customers, which is five years. Amortization is included in cost of revenues in the Company's consolidated statements of operations and totaled $1,486, $1,002, and $865 for the fiscal years ended February 28(29), 2024, 2023, and 2022, respectively.

(4) Goodwill and Intangible Assets

The changes in the carrying amount of goodwill are as follows:

Balance, February 28, 2022	$	577,896
Impairment during the year ended February 28, 2023		(299,705)
Balance, February 28(29), 2023 and 2024	$	278,191

Annually, and upon the identification of a triggering event, management is required to perform an evaluation of the recoverability of goodwill. Triggering events potentially warranting an interim goodwill impairment test include, among other factors, declines in historical or projected revenue, operating income or cash flows, and sustained declines in the Company's stock price or market capitalization, considered both in absolute terms and relative to peers. During the three months ended November 30, 2023, the Company determined that the decline in the price of its stock, which resulted in a corresponding decline in market capitalization, constituted a triggering event. The Company evaluated whether changes in the Company's market capitalization indicated that the carrying value of goodwill was impaired. As a result of this evaluation, the Company determined that there was no impairment as of November 30, 2023. The Company also performed its annual evaluation of the recoverability of goodwill during the fourth quarter and concluded that there was no impairment.

No impairments were recorded to goodwill or intangible assets during the year ended February 29, 2024. During the year ended February 28, 2023, as a result of sustained decreases in the Company's stock price and market capitalization, the Company conducted an impairment test of its goodwill and intangible assets as of May 31, 2022. As a result of this testing, the Company recorded a non-cash goodwill impairment charge of $299,705 (equivalent to $4.20 per basic and diluted share for the year ended February 28, 2023) during the first quarter of fiscal 2023.

The Company's May 31, 2022 goodwill impairment test reflected an allocation of 70% and 30% between income and market-based approaches, respectively. The Company believes the 70% weighting to the income-based approach is appropriate as it more directly reflects its future growth and profitability expectations. Significant inputs into the valuation models included the discount rate, revenue market multiples, and estimated future cash flows. Management used a discount rate of 11% and guideline peer group and public transaction revenue multiples between 1.1x and 1.8x current and forward-looking revenues in the goodwill impairment test.

While management cannot predict if or when additional future goodwill impairments may occur, additional goodwill impairments could have material adverse effects on the Company's operating income, net assets, and/or the Company's cost of, or access to, capital.

Intangible assets consisted of the following:

		As of February 29, 2024			As of February 28, 2023		
	Weighted Avg. Remaining Useful Life (years)	Gross Value	Accumulated Amortization	Net Carrying Value	Gross Value	Accumulated Amortization	Net Carrying Value
Customer relationships	17.0	$ 124,050	$ (21,925)	$ 102,125	$ 124,050	$ (15,353)	$ 108,697
Technology	2.0	111,526	(68,094)	43,432	111,526	(45,046)	66,480
Supplier-based network	2.0	25,000	(15,000)	10,000	25,000	(10,000)	15,000
Trade name	7.2	13,700	(3,850)	9,850	13,700	(2,483)	11,217
Non-compete agreement	0.0	9,300	(9,300)	—	9,300	(7,492)	1,808
		$ 283,576	$ (118,169)	$ 165,407	$ 283,576	$ (80,374)	$ 203,202

Amortization expense for intangible assets was $37,795, $41,488, and $36,590 during the years ended February 28(29), 2024, 2023, and 2022, respectively.

Amortization expense over the remaining life of the intangible assets will be recognized as follows:

Year Ending February 28(29),	
2025	$ 34,143
2026	32,125
2027	9,403
2028	7,370
2029	7,370
Thereafter	74,996
	$ 165,407

(5) Property and Equipment

Property and equipment consisted of the following:

	February 28(29),	
	2024	2023
Capitalized software development costs	$ 46,032	$ 39,097
Computer software	6,077	6,026
Computer equipment	14,200	12,363
Office equipment, furniture, and leasehold improvements	11,728	12,120
	78,037	69,606
Less accumulated depreciation	(58,897)	(54,843)
Total	$ 19,140	$ 14,763

Depreciation and amortization expense related to property and equipment was $7,369, $4,889, and $6,018 for the fiscal years ended February 28(29), 2024, 2023, and 2022, respectively.

(6) Leases

The Company adopted Accounting Standards Update 2016-02, *Leases* (Topic 842) on February 28, 2022, with an effective date of adoption of March 1, 2021, using the modified retrospective approach. The Company has operating leases for offices and certain equipment under non-cancelable leases in the United States and Czech Republic. These leases have remaining terms of up to 7 years. The Company had no finance leases during the years ended February 28(29), 2024, 2023, and 2022.

The components of operating lease cost recorded in the consolidated statements of operations were as follows:

	Year Ended February 28(29),		
	2024	2023	2022
Operating lease cost	$ 7,285	$ 7,575	$ 7,169
Variable lease cost	2,253	2,042	1,691
Short-term lease cost	465	—	—
Less: sublease income	(52)	—	—
Total lease cost	$ 9,951	$ 9,617	$ 8,860

The following table sets forth the cash flows related to the Company's leases:

	Year Ended February 28(29),		
Cash Flow Information	2024	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	$ 9,293	$ 8,569	$ 8,310
Right-of-use assets obtained in exchange for lease obligations			
Operating leases	$ 5,841	$ 2,170	$ 3,564

The following table sets forth the weighted-average remaining term and weighted-average discount rate for the Company's leases as of February 29, 2024:

Supplemental Information	February 29, 2024
Weighted-average remaining lease term (years)	5.0
Weighted-average discount rate	5.8 %

As of February 29, 2024, the future minimum lease payments under non-cancelable operating leases were as follows:

Year Ending February 28(29),	
2025	$ 8,580
2026	8,582
2027	7,361
2028	4,567
2029	3,730
Thereafter	4,925
Total lease payments	37,745
Less: Imputed interest	(5,017)
Total lease liabilities	$ 32,728

(7) Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	February 28(29),	
	2024	2023
Current portion of loans payable, net of unamortized issuance cost	$ 438	$ 596
Professional and consulting fees	2,715	$ 1,992
Taxes	1,732	$ 528
Marketing	544	$ 347
Accrued litigation[(1)]	—	$ 3,700
Software, hardware, and communication costs	1,204	$ 464
Other	4,103	$ 4,117
Total	$ 10,736	$ 11,744

(1) See Note 14 for discussion regarding accrued litigation matters.

(8) Fair Value Measurements

The following table sets forth the fair value of the Company's financial assets within the fair value hierarchy:

	February 29, 2024			
	Level 1	Level 2	Level 3	Fair Value
Assets				
Cash equivalents:				
Money market funds	$ 34,351	$ —	$ —	$ 34,351
Marketable securities:				
United States government debt	$ 24,431	$ —	$ —	$ 24,431
Commercial paper	$ —	$ 17,134	$ —	$ 17,134
United States agency debt	$ —	$ 9,750	$ —	$ 9,750

	February 28, 2023			
	Level 1	Level 2	Level 3	Fair Value
Assets				
Cash equivalents:				
Money market funds	$ 99,861	$ —	$ —	$ 99,861
United States treasury bills	$ 39,995	$ —	$ —	$ 39,995

The estimated fair value of the convertible senior notes (Note 9) was $180,841 as of February 29, 2024, based on quoted market prices of the Company's instrument in markets that are not active and are classified as Level 2 within the fair value hierarchy. Considerable judgment is necessary to interpret the market data and develop an estimate of the fair value. Accordingly, the estimate is not necessarily indicative of the amount at which this instrument could be purchased, sold, or settled.

(9) Debt

(a) Convertible Senior Notes and Capped Call Options

Convertible Senior Notes

In March 2021, the Company completed a private convertible note offering, pursuant to an Indenture dated as of March 29, 2021 between the Company and U.S. Bank National Association, as trustee (the Indenture), and issued $287,500 of 0.50% Convertible Senior Notes due 2026 (the Notes) that mature in April 2026, unless earlier converted, redeemed or repurchased. The Notes bear interest at a rate of 0.50% per annum, payable semiannually in arrears on April 1 and October 1 of each year, beginning on October 1, 2021 and are convertible into cash, shares of the Company's common stock or a combination of cash and shares of common stock, at the Company's election. The Company incurred costs of $8,428 in connection with the Notes and the capped calls, of which $8,368 was allocated to the Notes and recorded as a debt discount and $60 was allocated to the capped call and recorded directly to additional paid-in capital. Net proceeds from the issuance of Notes were $279,132, and the Company used $34,443 of the net proceeds to pay the costs of the capped call transactions described below.

Pursuant to the terms of the Notes, a holder may convert all or any portion of its Notes at its option at any time prior to October 1, 2025 and only under the following circumstances: (1) during any fiscal quarter commencing after the fiscal quarter ending on August 31, 2021, if the last reported sale price of the Company's common stock for at least 20 trading days during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any ten consecutive trading day period (the "measurement period") in which the trading price (as defined in the Indenture) per $1 principal amount of Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day; (3) if the Company calls such Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date, but only with respect to the Notes called (or deemed called) for redemption; or (4) upon the occurrence of specified corporate events. On or after October 1, 2025 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their Notes at any time, regardless of the foregoing circumstances.

The initial conversion rate is 19.8088 shares of the Company's common stock per $1 principal amount of Notes (equivalent to an initial conversion price of approximately $50.48 per share of the Company's common stock). The conversion rate is subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, following certain corporate events that occur prior to the maturity date, or if the Company delivers a notice of redemption, the Company will, in certain circumstances, increase the conversion rate for a holder who elects to convert its Notes in connection with such a corporate event or convert its Notes called (or deemed called) for redemption in connection with such notice of redemption, as the case may be.

The Company was not able to redeem the Notes prior to April 6, 2024. On or after April 6, 2024, the Company may redeem for cash all or any portion of the Notes (subject to the partial redemption limitation set forth in the Indenture), at its option, if the last reported sale price of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days, including the trading day immediately preceding the date on which the Company provides notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the Notes.

Upon a fundamental change (as defined in the Indenture), holders may, subject to certain exceptions, require the Company to purchase their Notes in whole or in part for cash at a price equal to the principal amount of the Notes to be purchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date (as defined in the Indenture). In addition, upon a Make-Whole Fundamental Change (as defined in the Indenture), the Company will, under certain circumstances, increase the applicable conversion rate for a holder that elects to convert its Notes in connection with such Make-Whole Fundamental Change.

Under the Indenture, the Notes may be accelerated upon the occurrence of certain customary events of default. If certain bankruptcy and insolvency-related events of default with respect to the Company occur, the principal of, and accrued and unpaid interest on, all of the then outstanding Notes shall automatically become due and payable. The Indenture provides that the sole remedy for an event of default relating to certain failures by the Company to comply with reporting covenants, including timely filings, consists exclusively of the right to receive additional interest on the Notes.

As of February 29, 2024, none of the conditions of the Notes to early convert had been met. The Notes are the Company's senior, unsecured obligations that rank senior in right of payment to the Company's future indebtedness that is expressly subordinated to the Notes, rank equally in right of payment with the Company's future senior unsecured indebtedness that is not so subordinated, effectively subordinated to the Company's existing and future secured indebtedness, to the extent of the value of the collateral securing such indebtedness, and structurally subordinated to all existing and future indebtedness and other liabilities (including trade payables and preferred equity (to the extent the Company is not a holder thereof)) of the Company's subsidiaries. The Notes contain both affirmative and negative covenants. As of February 29, 2024, the Company was in compliance with all covenants in the Notes.

The Company concluded the Notes are accounted for as debt, with no bifurcation of the embedded conversion feature. Transaction costs were recorded as a direct deduction from the related debt liability in the consolidated balance sheet and are amortized to interest expense using the effective interest method over the term of the Notes. The effective interest rate for the Notes is 1.1%.

Partial Repurchase and Cancellation of Convertible Notes

During the year ended February 29, 2024, the Company entered into separate, privately negotiated transactions with certain holders of the Notes to repurchase $76,459 aggregate principal amount of the Notes for an aggregate cash repurchase price of $66,163, including third-party costs of $355 (the Repurchases). Following the Repurchases, the Company cancelled the repurchased Notes. The repurchase and cancellation of the Notes was accounted for as a debt extinguishment and the resulting gain of $9,268, net of related unamortized issuance costs of $1,078 and accrued interest of $50 that were written-off, has been recorded within other income (expense) on the condensed consolidated statement of operations. After the cancellation, $211,041 aggregate principal amount of the Notes remained outstanding.

The net carrying amount of the Notes was as follows:

	February 28(29),	
	2024	2023
Principal	$ 211,041	$ 287,500
Unamortized issuance costs	(2,559)	(5,177)
Net carrying amount	$ 208,482	$ 282,323

For the years ended February 28(29), 2024, 2023, and 2022, the Company recorded interest expense of $2,869, $3,094, and $2,857 respectively, of which $1,540, $1,657, and $1,534, respectively, was associated with the amortization of the debt discount.

Capped Call

Concurrent with the pricing of the Notes, the Company entered into privately negotiated capped call transactions with two of the initial purchasers and/or their respective affiliates and another financial institution (the Option Counterparties). The capped call transactions are expected to offset the potential dilution to Accolade's common stock as a result of any conversion of Notes, with such offset subject to a cap initially equal to $76.20 (which represented a premium of 100% over the last reported sale price of the Company's common stock on March 24, 2021). The capped call transactions are separate transactions, entered into by the Company with the Option Counterparties, and are not part of the terms of the Notes.

As the capped call options are both legally detachable and separately exercisable from the Notes, the Company accounts for the capped call options separately from the Notes. The capped call options are indexed to the Company's own common stock and classified in stockholders' equity. As such, the premiums paid for the capped call options were included as a net reduction to additional paid-in capital in the consolidated balance sheet.

(b) Revolving Credit Facility

During July 2019, the Company entered into a revolving credit facility (as amended, the 2019 Revolver) with a syndicate of two banks. Under the 2019 Revolver, the Company has the capacity to borrow up to $80,000 on a revolving facility. Availability of borrowings on the 2019 Revolver is calculated as a multiple of the Company's eligible monthly recurring revenues (as defined in the 2019 Revolver). As of February 29, 2024, the Company had outstanding letters of credit to serve as office landlord security deposits in the amount of $1,208, which are secured through the revolving credit facility and reduce our borrowing capacity. The capacity of the revolving credit facility was $72,613 as of February 29, 2024. No amounts were outstanding as of February 29, 2024.

The 2019 Revolver term ends on July 19, 2024. The interest rate on the outstanding borrowings are at the Bloomberg Short-Term Bank Yield Index (BSBY) rate plus 350 basis points or Base Rate (as defined) plus 250 basis points, with the BSBY rate and Base Rate subject to minimum levels. Interest payments are to be made in installments of one, two, or three months as chosen by the Company.

The Company incurred lender and third-party fees when entering into the 2019 Revolver, all of which were deferred at the onset of the facility and have been fully amortized. During the years ended February 28(29), 2024, 2023, and 2022, the Company recorded interest expense of $203, $203, and $296, respectively, related to the revolving credit facility of which $0, $0, and $93, respectively, related to the amortization of deferred financing fees.

On July 19, 2022, the Company entered into an amendment to the 2019 Revolver which extended the term until July 19, 2024, documented the transition from the LIBOR interest rate index to the BSBY rate, and established new minimum covenant revenue targets. The term will automatically be extended to July 19, 2025 if the Company has at least $200,000 in consolidated net cash as of May 31, 2024.

The 2019 Revolver is collateralized by substantially all of the assets of the Company.

(c) Letters of Credit

In addition to the letters of credit outstanding under the 2019 Revolver, the Company had letters of credit outstanding as of February 29, 2024 to serve as office landlord security deposits in the amount of $1,407. The Company provided a payment guarantee which restricts the use of the Company's cash in this amount. These letters of credit expire on June 30, 2024.

(10) Equity-based Compensation

The following table summarizes the amount of stock-based compensation included in the consolidated statements of operations:

	Year Ended February 28(29),		
	2024	2023	2022
Cost of revenue, excluding depreciation and amortization	$ 4,309	$ 4,794	$ 3,197
Product and technology	29,991	24,995	18,744
Sales and marketing	14,243	17,275	12,822
General and administrative	12,398	25,580	38,176
Total stock-based compensation	$ 60,941	$ 72,644	$ 72,939

In July 2020, the Company adopted the 2020 Equity Incentive Plan (the Incentive Plan), which authorized the Company to grant up to 4,300,000 shares of common stock to eligible employees, directors, and consultants to the Company in the form of stock options, restricted stock units, and other various equity awards, including any shares subject to stock options or other awards granted under the Company's prior stock option plan that expire or terminate for any reason (other than being exercised in full) or are cancelled in accordance with the terms of the prior stock option plan. The Incentive Plan also includes an annual evergreen increase, and the amount, terms of grants, and exercisability provisions are determined by the board of directors. The term of an award may be up to 10 years and options generally vest over four years, with one quarter of an award vesting one year after grant and the remainder vesting on a monthly basis over three years. As of February 29, 2024, there was a total of 12,135,039 shares of common stock authorized for issuance under the Incentive Plan, of which 1,447,521 were available for future grants.

(a) Stock Options

The Company recognizes stock-based compensation based on the grant date fair value of the awards and recognizes that cost using the straight-line method over the requisite service period of the award. The fair value of options, which vest in accordance with service schedules, is estimated on the date of grant using the Black-Scholes option pricing model. Prior to the Company's IPO in July 2020, the absence of an active market for the Company's common stock required it to estimate the fair value of the Company's common stock for purposes of granting stock options and for determining stock-based compensation expense for the periods presented. The Company obtained contemporaneous third-party valuations to assist in determining the estimated fair value of its common stock. These contemporaneous third-party valuations used the methodologies, approaches, and assumptions consistent with the American Institute of Certified Public Accountants Practice Guide, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*. Expected volatilities are based on historical volatilities of comparable companies. The expected term of the options is based on the simplified method outlined in the SEC Staff accounting guidance, under which the Company estimates the term as the average of the option's contractual term and the option's weighted average vesting period. The risk-free rate represents the yield on U.S. Treasury bonds with maturity equal to the expected term of the granted option. The Company accounts for forfeitures as they occur. All stock options outstanding at February 29, 2024 are expected to vest according to their specific schedules.

During the years ended February 28(29), 2024, 2023, and 2022, the Company recognized $7,188, $11,798, and $10,374, respectively, of compensation expense related to stock options. The Company did not capitalize any stock-based compensation expense to deferred costs for the years ended February 28(29), 2024, 2023 and 2022. The weighted average grant date fair value for stock options granted during the years ended February 28(29), 2024, 2023, and 2022 was $9.22, $5.10, and $28.59, respectively. The fair value of the Company's option grants is estimated at the grant date using the Black-Scholes option-pricing model based on the following assumptions:

	Year Ended February 28(29),		
	2024	2023	2022
Estimated fair value of common stock	$9.22	$5.13-$8.54	$13.59-$31.95
Exercise price	$14.25	$8.03-$14.05	$23.50-$53.38
Expected volatility	69%	64%-70%	63%-68%
Expected term (in years)	6.08	6.08	6.08
Risk-free interest rate	3.43%	2.71%-4.14%	1.29%-1.39%
Dividend yield	—	—	—

The following is a summary of stock option activity under the Option Plan and Incentive Plan:

	Stock Options	Weighted-Average Exercise Price	Weighted Remaining Contractual Life In Years	Aggregate Intrinsic Value
Balance, February 28, 2021	8,723,769			
Granted	528,038	$ 47.74		
Exercised	(901,064)	$ 9.37		
Forfeited	(304,951)	$ 14.87		
Balance, February 28, 2022	8,045,792			
Granted	915,081	$ 8.06		
Exercised	(346,518)	$ 5.45		
Forfeited	(563,836)	$ 20.05		
Balance, February 28, 2023	8,050,519			
Granted	10,792	$ 14.25		
Exercised	(1,349,080)	$ 5.41		
Forfeited	(540,578)	$ 19.36		
Balance, February 29, 2024	6,171,653		4.5	$ 18,454
Vested and expected to vest as of February 29, 2024	6,171,653	$ 10.87	4.5	$ 18,454
Exercisable as of February 29, 2024	5,713,200	$ 10.17	4.2	$ 17,827

The aggregate intrinsic value of stock options exercised was $7,820, $1,801, and $29,964 for the years ended February 28(29), 2024, 2023, and 2022 respectively. As of February 29, 2024, approximately $5,036 of unrecognized compensation expense related to stock options is expected to be recognized over a weighted average period of 1.1 years.

(b) PlushCare Stock Options

In connection with the acquisition of PlushCare, Inc. (PlushCare) on June 9, 2021, the Company assumed all stock options that were awarded under the PlushCare Plan and that were outstanding as of the closing of the acquisition. These options were converted into options to purchase the Company's common stock at a ratio determined in the purchase agreement. The Company has no intent to grant any further options under the PlushCare Plan beyond the options granted and outstanding as of the Company's acquisition of PlushCare. The following is a summary of stock option activity under the PlushCare Plan:

	Stock Options	Weighted average exercise price	Weighted remaining contractual life in years	Aggregate intrinsic value
Assumed, June 9, 2021	325,992			
Exercised	(50,506)	$ 1.20		
Forfeited	(7,765)	$ 2.88		
Balance, February 28, 2022	267,721			
Exercised	(111,456)	$ 1.65		
Forfeited	(2,657)	$ 2.61		
Balance, February 28, 2023	153,608			
Exercised	(98,492)	$ 1.54		
Forfeited	(1,847)	$ 2.88		
Balance, February 29, 2024	53,269		5.1	$ 453
Vested and expected to vest as of February 29, 2024	53,269	$ 1.74	5.1	$ 453
Exercisable as of February 29, 2024	47,285	$ 1.60	4.9	$ 409

For the years ended February 28(29), 2024, 2023, and 2022, the Company recognized $2,335, $4,367, and $4,161, respectively, in compensation expense related to PlushCare stock options. As of February 29, 2024, approximately $212 of unrecognized compensation expense related to PlushCare stock options is expected to be recognized over a weighted average period of 0.7 years. The aggregate intrinsic value of stock options exercised was $1,027, $1,127, and $1,596 for the years ended February 28(29), 2024, 2023, and 2022, respectively.

(c) Restricted Stock Units

Time-based restricted stock units have generally been subject to a vesting period of two to four years. For two-year grants, one-eighth of an award generally vests quarterly for the first year after the grant with the remainder vesting ratably on a monthly basis over the subsequent year. For three-year grants, one-third of an award generally vests one year after grant with the remainder vesting ratably on a monthly basis over the subsequent two years. For four-year grants, one quarter of an award generally vests one year after grant and the remainder vests ratably on a monthly basis over the subsequent three years.

The following is a summary of activity for the years ended February 28(29), 2024, 2023, and 2022:

	Restricted Stock Units
Balance, February 28, 2021	190,713
Granted	2,257,433
Vested	(87,574)
Forfeited	(134,515)
Balance, February 28, 2022	2,226,057
Granted	4,470,526
Vested	(1,667,550)
Forfeited	(762,043)
Balance, February 28, 2023	4,266,990
Granted	3,956,349
Vested	(2,178,716)
Forfeited	(1,013,483)
Balance, February 29, 2024	5,031,140

For the years ended February 28(29), 2024, 2023 and 2022, the Company recognized $35,449, $32,356 and $23,309, respectively, in restricted stock unit compensation expense, with $56,932 remaining of total unrecognized compensation costs related to these awards as of February 29, 2024. The total unrecognized costs are expected to be recognized over a weighted-average term of 2.0 years. The weighted-average grant date fair value of restricted stock units granted during the years ended February 28(29), 2024, 2023, and 2022 was $12.22, $8.76, and $44.40, respectively.

In connection with the PlushCare acquisition, the agreement provided for the issuance of time-based restricted stock units for 64,694 shares of common stock to existing PlushCare shareholders, upon the achievement of the contingent consideration revenue milestones. During the second quarter of fiscal 2023, 57,124 of these restricted stock units were issued. These restricted stock units are included in the table above.

During fiscal 2023, performance-based restricted stock units were approved to be issued as part of the Company's fiscal 2023 corporate bonus program. In association with the Company's fiscal 2023 corporate bonus payout, 747,687 fully-vested RSUs were issued in May 2023. During the year ended February 28, 2023, the Company recorded $4,663 in stock-based compensation expense related to these performance-based restricted stock units.

(d) Performance Stock Units

During the year ended February 29, 2024, the Company granted performance stock units (PSUs) to the Company's named executive officers. These PSUs will vest after the fiscal year ending February 28, 2026 based on achievement of performance metrics for revenue, Adjusted EBITDA, and Gross Dollar Retention for each of the fiscal years 2024, 2025, and 2026. Stock-based compensation costs associated with these PSUs are reassessed each reporting period based on estimated performance achievement. The number of PSUs that will be issued to executive officers at the end of the performance period will be between 0% and 200% of the grant based on the actual achievement of performance metrics.

The following is a summary of activity for the year ended February 29, 2024:

	Performance Stock Units
Balance, February 28, 2023	—
Granted	276,480
Vested	—
Forfeited	—
Balance, February 29, 2024	276,480

Expense for these awards is recognized using graded amortization. For the year ended February 29, 2024, the Company recognized $281 in PSU expense related to these awards with $3,972 remaining total unrecognized compensation costs related to these awards as of February 29, 2024. The total unrecognized costs are expected to be recognized over a weighted-average term of 2.3 years. The weighted average grant date fair value of PSUs granted during the year ended February 29, 2024 was $12.23.

(e) Employee Stock Purchase Plan

In July 2020, the Board of Directors adopted the Company's 2020 Employee Stock Purchase Plan (the ESPP). As of February 29, 2024, there was a total of 3,058,760 shares of common stock authorized for issuance under the ESPP, of which 1,777,844 were available for future issuance.

Under the ESPP, eligible employees can purchase the Company's common stock through accumulated payroll deductions at such times as are established by the compensation committee. Eligible employees may purchase the Company's common stock at 85% of the lower of the fair market value of the Company's common stock on the first day of the offering period or on the last day of the offering period. Eligible employees may contribute up to 15% of their eligible compensation. Under the ESPP, a participant may not accrue rights to purchase more than $25,000 worth of the Company's common stock for each calendar year in which such right is outstanding.

Employees who elect to participate in the ESPP commence payroll withholdings that accumulate through the end of the respective period. In accordance with the guidance in ASC 718-50 – *Compensation – Stock Compensation*, the ability to purchase shares of the Company's common stock for 85% of the lower of the price on the first day of the offering period or the last day of the offering period (i.e. the purchase date) represents an option and**,** therefore, the ESPP is a compensatory plan under this guidance. Accordingly, share-based compensation expense is determined based on the option's grant-date fair value as estimated by applying the Black Scholes option-pricing model and is recognized over the withholding period. The Company recognized share-based compensation expense of $1,506, $1,332, and $1,749 during the years ended February 28(29), 2024, 2023, and 2022, respectively, related to the ESPP.

During the years ended February 28(29), 2024, 2023, and 2022, employees who elected to participate in the ESPP purchased a total of 512,235, 560,345, and 140,838 shares of common stock, respectively, resulting in cash proceeds to the Company of $3,579, $2,927, and $4,309, respectively. An additional $1,263 has been withheld via employee payroll deductions who have opted to participate in the next stock purchase plan period ending May 2024.

(f) Other

In connection with the acquisition of Innovation Specialists, LLC d/b/a 2nd.MD (2nd.MD) on March 3, 2021, several 2nd.MD individuals entered into agreements with the Company whereby these individuals are eligible to receive an aggregate of 608,332 shares that required continued employment with the Company. These shares are excluded from the above restricted stock units table. Included in the 608,332 shares are 281,531 shares that were also contingent upon the achievement of the contingent consideration milestones. These shares are considered compensatory in the post business combination periods due to the additional service requirement for these individuals. These shares vested 50% on the first anniversary of the acquisition date and 50% on the second anniversary of acquisition date. As a result of the achievement of certain revenue milestones (the contingent consideration milestones), a total of 256,418 of the eligible 281,531 shares were issued to such shareholders. As of February 29, 2024, there were no unvested shares outstanding. The Company recognized stock-based compensation expense of $4,015 and $23,138 during the years ended February 28, 2023 and 2022, respectively, including $8,981 of accelerated expense related to certain separation and transition agreements entered into during fiscal 2022.

In connection with the acquisition of PlushCare, certain PlushCare individuals entered into agreements with the Company whereby these individuals are eligible to receive an aggregate of 806,161 shares that require continued employment with the Company. These shares are excluded from the above restricted stock units table. These shares are considered compensatory in the post business combination periods due to the additional service requirement for these individuals. One third of these shares vested on the first anniversary of the acquisition date, one third vested on the second anniversary of acquisition date, and one third will vest on the third anniversary of the acquisition date. As of February 29, 2024, there were 268,720 unvested shares outstanding with a grant date fair value of $52.52 per share. The Company recognized stock-based compensation expense of $14,182, $14,113, and $10,208 during the years ended February 28(29), 2024, 2023, and 2022, respectively. The unamortized compensation expense of $3,905 will be recognized over a weighted average remaining period of 0.3 years.

(11) Defined Contribution Retirement Plan

The Company sponsors a defined contribution retirement plan named the Accolade, Inc. 401(k) Plan (401(k) Plan). Under the 401(k) Plan, eligible employees may contribute up to the maximum allowed by law. Eligible employees are eligible for Company matching contributions on the first quarter following their one-year anniversary date, which are dollar for dollar up to 3.5% of an employee's eligible compensation, up to $100 in annual compensation. Employer contributions are vested over a period of four years of service. The 401(k) Plan includes an employer discretionary profit-sharing contribution feature to allow the Company to make a contribution to eligible employees' 401(k) Plan accounts. Profit sharing contributions are vested over a period of four years of service. The Company incurred expenses related to matching contributions totaling $2,903, $3,231, and $2,278 for the years ended February 28(29), 2024, 2023, and 2022, respectively, which were funded subsequent to each respective year-end.

(12) Income Taxes

Income (loss) before income taxes consists of the following components:

	Year Ended February 28(29),		
	2024	2023	2022
Domestic	$ (99,594)	$ (463,848)	$ (129,569)
Foreign	1,024	574	806
Total	$ (98,570)	$ (463,274)	$ (128,763)

Significant components of income taxes are as follows:

	Year Ended February 28(29),		
	2024	2023	2022
Current:			
Federal	$ 668	$ 156	$ 124
State and Local	380	90	76
Foreign	200	127	202
Total Current	1,248	373	402
Deferred:			
Federal	—	(1,638)	(7,935)
State and Local	—	(2,359)	1,941
Foreign	(13)	—	(47)
Total deferred	(13)	(3,997)	(6,041)
Provision (benefit) for income taxes	$ 1,235	$ (3,624)	$ (5,639)

A reconciliation of income tax expense at the U.S. Federal statutory income tax rate to actual income tax provision is as follows:

	Year Ended February 28(29),		
	2024	2023	2022
Federal income tax expense at statutory tax rate	21.0 %	21.0 %	21.0 %
State income taxes, net of federal tax benefit	3.1	2.8	4.5
Change in state rate	(1.8)	(2.1)	—
Stock-based compensation	(20.9)	(0.3)	0.8
Transaction costs	—	—	(1.1)
Contingent consideration	—	—	1.1
Goodwill impairment	—	(8.6)	—
Changes in valuation allowances	(2.5)	(11.9)	(21.9)
Other	(0.2)	(0.1)	—
Effective Income Tax Rate	(1.3)%	0.8 %	4.4 %

Income tax (expense) benefit for the fiscal years ended February 28(29), 2024, 2023, and 2022 differ from the U.S. statutory income tax rate primarily due to changes in valuation allowances, state income taxes, goodwill impairment, and stock based compensation.

The tax expense for the year ended February 29, 2024 primarily relates to the profitability of the PCs and the Company's foreign subsidiary. The tax benefit for the year ended February 28, 2023 relates to the partial release of the reversal of the deferred tax liability associated with the basis difference in goodwill from the 2nd.MD acquisition. The goodwill impairment recorded in the first quarter of fiscal 2023 required the Company to reverse that deferred tax liability in the amount of $3,899 and recognize a tax benefit during the year ended February 28, 2023.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes. The Company makes significant judgments regarding the realizability of its deferred tax assets (principally net operating losses). The carrying value of deferred tax assets is based on the Company’s assessment that it is more likely than not that the Company will realize these assets after consideration of all available positive and negative evidence. Significant components of the Company's deferred tax assets and liabilities at February 28(29), 2024 and 2023 are as follows:

	February 28(29),	
	2024	2023
Deferred tax assets:		
Net operating loss and tax credit carryforwards	$ 126,404	$ 113,740
Other accruals and reserves	2,310	5,599
Stock-based compensation	10,550	32,741
Interest expense deduction limitation carryforward	2,959	3,092
Intangibles	9,271	6,248
Property, plant & equipment	1,146	869
Capitalized research and development	23,507	10,931
Lease liability	8,170	10,086
Other	—	—
Valuation allowance	(178,097)	(175,610)
Deferred tax assets	6,220	7,696
Deferred tax liabilities:		
Operating lease right-of-use assets	(5,989)	(7,478)
Intangibles	—	—
Deferred tax liabilities	(5,989)	(7,478)
Net deferred taxes	$ 231	$ 218

Deferred tax liabilities are included in other noncurrent liabilities on the consolidated balance sheet. Net operating loss (NOL) carryforwards amounted to $501,600 and $453,323 for U.S. federal and $448,518 and $402,376 for U.S. states at February 28(29), 2024 and 2023, respectively. These NOL carryforwards related to the 2010 through current 2022 tax periods. At February 29, 2024, none of the NOL carryforwards were subject to expiration until 2030. The NOL carryforwards expiring in years 2030 through 2037 make up $61,189 of the recorded deferred tax asset. The remaining deferred tax asset relating to NOL carryforwards of $64,782 have an indefinite expiration. In addition to NOL carryforwards, research and development tax credit carryforwards amounted to $432 for U.S. federal and U.S. states at February 29, 2024. These tax credit carryforwards will expire in 2036. Under Section 382 of the Internal Revenue Code, the yearly utilization of a corporation's NOL carryforwards may be limited following a change in ownership of greater than 50% (by value) over a three-year period. The yearly limitation is based on the value of the corporation immediately before the ownership change multiplied by the federal long-term tax-exempt rate. If a loss is not utilized in a year after an ownership change that yearly limit is carried forward to future years for the balance of the NOL carryforward period. As of February 29, 2024, the Company did not incorporate a yearly limitation under Section 382 as a recent study has not been completed.

Management assesses the available positive and negative evidence to estimate if a valuation allowance is required to be recorded against existing deferred tax assets. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the Company's brief operating history and the net losses incurred since inception, management does not believe that it is more likely than not that the Company will realize the benefits of these deductible differences in the U.S. As a result, a full valuation allowance has been provided at February 29, 2024 and 2023 for U.S. Federal and state tax purposes.

The following is a summary of NOL activity:

	Year Ended February 28(29),	
	2024	2023
Balance at the beginning of the period	$ 175,610	$ 125,810
Increase due to NOLs and temporary differences	2,487	54,937
Decrease due to acquisitions	—	(5,137)
Balance at the end of the period	$ 178,097	$ 175,610

The Company has recorded a deferred tax asset of $2,959 for interest expense limited under the Tax Act at February 29, 2024. The interest expense limited has an unlimited carryforward period.

U.S. income and foreign withholding taxes have not been recognized on the excess of the amount for financial reporting over tax basis of the investments in foreign subsidiaries that is indefinitely reinvested outside the U.S. The foreign subsidiary is identified as a branch for U.S. tax purposes, and therefore, a gross temporary difference for investment basis differences is not applicable.

The Company had no material accrual for uncertain tax positions or interest or penalties related to income taxes on the Company's consolidated balance sheets at February 28(29), 2024 and 2023 and has not recognized any material uncertain tax positions or interest and/or penalties related to income taxes in the consolidated statement of operations for the years ended February 28(29), 2024, 2023, and 2022.

(13) Net Loss Per Share Attributable to Common Stockholders

The following table sets forth the computation of basic and diluted net loss per common share:

	Year Ended February 28(29),		
	2024	2023	2022
Net loss	$ (99,805)	$ (459,650)	$ (123,124)
Net loss per common share, basic and diluted	$ (1.33)	$ (6.45)	$ (1.93)
Weighted-average shares used to compute net loss per common share, basic and diluted	74,906,938	71,279,831	63,823,270

As the Company has reported net losses for each of the periods presented, all potentially dilutive securities are antidilutive. The following potential outstanding shares of common stock were excluded from the computation of diluted net loss per common share for the periods presented because including them would have been antidilutive:

	Year Ended February 28(29),		
	2024	2023	2022
Stock options	6,224,922	8,204,127	8,313,513
Unvested restricted stock units	5,031,140	4,266,990	2,226,057
Unvested performance stock units	97,690	—	—
Shares issued to 2nd.MD employees and subject to vesting	—	274,224	326,801
Shares issued to PlushCare employees and subject to vesting	268,720	537,401	806,161
Contingent shares in connection with PlushCare acquisition	—	102,111	102,111
Indemnity shares held in escrow in connection with PlushCare acquisition	—	27,342	27,342
Shares to be issued to HealthReveal shareholders upon expiration of indemnification period	—	28,089	28,089
Convertible Senior Notes	4,180,469	5,700,297	5,700,297
Total	15,802,941	19,140,581	17,530,371

(14) Commitments and Contingencies

(a) Legal Proceedings

The Company is involved in various claims, inquiries and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters is not expected to have a material adverse effect on the Company’s financial position or liquidity.

On May 8, 2021, a purported class action complaint (*Robbins v. PlushCare, Inc. et al.*) was filed in the United States District Court for the Northern District of California against the Company’s wholly owned subsidiary, PlushCare, Inc. The complaint, as amended, alleges that certain of PlushCare’s subscription payment practices violate California and other state automatic renewal laws and the Federal Electronic Funds Transfer Act, among other claims, arising from allegations that PlushCare failed to provide adequate disclosures to members. The lawsuit seeks restitution of subscription fees, statutory damages for each violation, subject to trebling, reasonable attorneys’ fees, and injunctive relief. Under the terms of the agreement to purchase PlushCare, the selling shareholders will indemnify Accolade for losses related to this matter, subject to a cap. The parties agreed to a settlement for $3,700. The court issued a final approval and final judgment in July 2023. The Company paid the settlement in full in September 2023 pursuant to the terms of the court-approved settlement. The Company has been reimbursed by third-party insurance for a majority of the liability and the remainder of the liability was subject to indemnification and reimbursement from cash and stock escrows set up as part of the Company's acquisition of PlushCare which was settled in the fourth quarter of fiscal 2024.

(b) Employment Agreements

Certain officers of the Company have employment agreements providing for severance, continuation of benefits, and other specified rights in the event of termination without cause, including in the event of a change of control of the Company, as defined in the agreements.

(c) Purchase Obligations

The Company has minimum required purchase commitments of $40,323 pursuant to an agreement primarily related to cloud computing services. Portions of the total purchase commitment are required to be met prior to the end of each contract year, September 30, in each of fiscal years 2023 through 2027. If total purchases in a contract year do not meet the portion of the commitment required for that year, the shortfall must be prepaid and can be used for future purchases through September 30, 2027. As of February 29, 2024, the Company has remaining future purchase commitments under this agreement of $22,588.

(15) Restructuring

During the year ended February 28, 2023, the Company initiated certain measures to accelerate the integration of recent acquisitions through strategic reductions in the Company's workforce, including increasing hiring in lower cost regions to support its growth, scale, and profitability objectives. As a result, severance expense was recorded for the impacted employees.

The following table summarizes the amount of severance costs included in the consolidated statements of operations:

	Year Ended February 28(29),	
	2024	2023
Cost of revenue, excluding depreciation and amortization	$ 686	$ 1,025
Product and technology	102	2,149
Sales and marketing	(127)	1,948
General and administrative	203	1,943
Total severance costs	$ 864	$ 7,065

The following is a summary of the changes in severance liabilities related to the workforce reductions. These liabilities are included within accrued compensation on the consolidated balance sheets:

Balance as of March 1, 2022	$ —
Severance costs	7,065
Cash payments	(3,069)
Balance as of February 28, 2023	$ 3,996
Severance costs	864
Cash payments	(4,860)
Balance as of February 29, 2024	$ —