HURON ANNUAL REPORT

2019

I | 2019 ANNUAL REPORT | HURON

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HURON

When we launched our strategic plan two years ago, we knew that our clients and the markets they serve were undergoing significant transformation. We also recognized that there were competitive forces rapidly impacting our core markets, and that we, too, would need to transform to stay ahead of the substantial change taking place in the professional services industry and the industries we serve.

We began executing against our five-year plan in 2018 with the fundamental objective to foster a collaborative, innovative environment that would help us ideate, design, nurture, and grow a set of new offerings that, coupled with the strength of our core businesses, would position Huron for long-term growth. As we approach the midpoint of our five-year strategic plan, I am incredibly proud of the progress we made in 2019 to achieve our vision and the way we are positioning this company for long-term success.

# Building Upon Our Momentum in 2019

Because of the work we had done to achieve our strategy, we left 2018 with a strong belief that we had built a solid foundation from which we could sustainably grow revenues and expand margins over time. That belief held true in 2019 as full year revenues grew 10 percent over 2018, driven by strong organic growth across all three operating segments.

Healthcare segment revenues in 2019 grew nine percent over 2018. The year-over-year increase was primarily attributable to strong growth in our performance improvement solution. In 2019, we continued to broaden our collective services across the healthcare continuum, developing new offerings to help our clients transform care delivery, create customer-centric experiences, and utilize technology and analytics to enable our clients to achieve sustained, continuous improvement for their organizations while also improving the health and wellbeing of their patients. With our expanding services for the healthcare industry, we believe we are well-positioned to strategically and operationally help our clients improve the quality of care while lowering the cost of that care.

"Because of the work we had done to achieve our strategy, we left 2018 with a strong belief that we had built a solid foundation from which we could sustainably grow revenues and expand margins over time. That belief held true in 2019."

The business advisory segment achieved revenue growth of seven percent in 2019 over 2018, driven by solid growth in our enterprise solutions and analytics and business advisory practices. Collaboration between our business advisory segment and our healthcare and education segments remained strong in 2019 as 32 percent of business advisory segment revenue was attributable to the healthcare and education industries. The business advisory segment is also focused on pursuing our commercial strategy and developing new services to grow beyond our traditional offerings. We believe the business advisory segment will continue to be a driver of growth for Huron as we expand our competencies within and beyond our traditional industry verticals of healthcare, education and life sciences.

Education segment revenues grew 16 percent over 2018, achieving another year of record revenue. This growth was primarily driven by our research and technology solutions as we continue to expand our offerings to serve the leading research universities and academic medical centers around the world. In 2019, we accelerated the hiring of resources in this segment in the areas we believe will drive future growth to capitalize on market opportunities as we position ourselves for growth in 2020 and beyond.

In 2019, we built on the financial momentum we achieved in 2018 by delivering strong organic revenue growth and improving our adjusted EBITDA margin. We remain focused on sustainably growing revenues and expanding margins consistent with our long-term financial objectives.

# Investing In Our People

The success we achieved in 2019 was driven by the hard work and dedication of our incredible team. Their focus and commitment to our clients, our company and to each other is what makes Huron such a special place to work. We have grown to 3,750 employees as of December 31, 2019, and we have worked to provide our people with career opportunities that encourage innovation and creativity, while fostering an internal culture that enables our employees to achieve their full potential.

In 2019, we were again recognized for our strong commitment to our people, our values, our clients and the communities we serve. We have been named a 'Best Firm to Work For' nine years running by *Consulting* magazine. In addition, for six years in a row we have been recognized by the Human Rights Campaign Foundation for receiving a perfect score of 100 on the Corporate Equality Index and the designation as a 'Best Place to Work' for LGBTQ Equality.

Some examples of how we invested in our people in 2019 include:

- Redefining the employee experience with the introduction of our talent and culture framework. This framework provides a robust and personalized employee journey, from onboarding a new hire to supporting each employee's personal and professional development.

- We held our inaugural "Women in Leadership Summit," which is designed to empower, influence, connect, inspire and encourage our female employees in the workplace. We know the empowerment and advancement of women – within our organization and around the world – helps drive innovation and contributes to our overall success. We are proud that women make up nearly half of our global workforce.

By investing in our people's personal and professional growth, we can nurture a global workforce and foster a culture that is well-positioned to stay ahead of market changes and help our clients tackle their most complex business challenges.

**James H. Roth**
Chief Executive Officer

# Supporting Our Communities

In 2019, we furthered our efforts to improve the communities around us and expanded the adoption of sustainable business practices to build a better future for all. Our Sustainability Council is committed to helping our organization promote environmentally friendly business practices and reduce our carbon footprint. In 2019, we launched our "Bring It Huron" initiative, focused on reducing paper use, improving our recycling efforts, utilizing biodegradable copiers and toners, and promoting sustainable practices across all of our offices and project sites.

We will continue to build on our progress and expand our "Bring It Huron" initiative in 2020 to include reducing our waste footprint and expanding our recycling program. We remain focused on shaping a more sustainable future and challenge ourselves to make a lasting impact on our people, our clients, the environment and the communities we serve.

# Continuing Our Commitment to Strategic Transformation

We do not take our recent success for granted and remain focused on executing our strategy. In 2020, our strategic priorities to drive shareholder value remain: achieving sustainable organic growth, driving margin expansion, strategically deploying capital and investing in our people.

To further drive shareholder value and enable our transformation, we continue to invest for the long-term. In 2019, we saw the fruits of our 2018 investments in new businesses and business models begin to take hold, and we are committed to investing in the areas we believe have the greatest growth potential. It is exciting to see our teams bring these innovative ideas to life as we continuously look for new ways to collaborate and better serve our clients.

James H. Roth

**James H. Roth**
Chief Executive Officer

# Financial and Operating Highlights

Year Ended December 31

(IN THOUSANDS, EXCEPT FOR EARNINGS PER SHARE)

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Revenues (before reimbursable expenses) | $699,010 | $726,272 | $732,570 | $795,125 | $876,757 |
| Operating Income | $103,498 | $74,234 | $(207,456) | $52,096 | $63,706 |
| Operating Margin[1] | 14.8% | 10.2% | -28.3% | 6.6% | 7.3% |
| Net Income (Loss) from Continuing Operations | $61,895 | $39,480 | $(170,505) | $13,944 | $41,979 |
| Income (Loss) from Discontinued Operations, net of tax | $(2,843) | $(1,863) | $388 | $(298) | $(236) |
| Net Income (Loss) | $59,052 | $37,617 | $(170,117) | $13,646 | $41,743 |
| Diluted Earnings (Loss) Per Share from Continuing Operations | $2.74 | $1.84 | $(7.95) | $0.63 | $1.87 |
| Diluted Earnings (Loss) Per Share | $2.61 | $1.76 | $(7.93) | $0.62 | $1.85 |
| Return on Assets[2] | 4.8% | 3.3% | -15.0% | 1.3% | 3.8% |
| Return on Equity[3] | 9.4% | 5.9% | -29.7% | 2.6% | 7.4% |

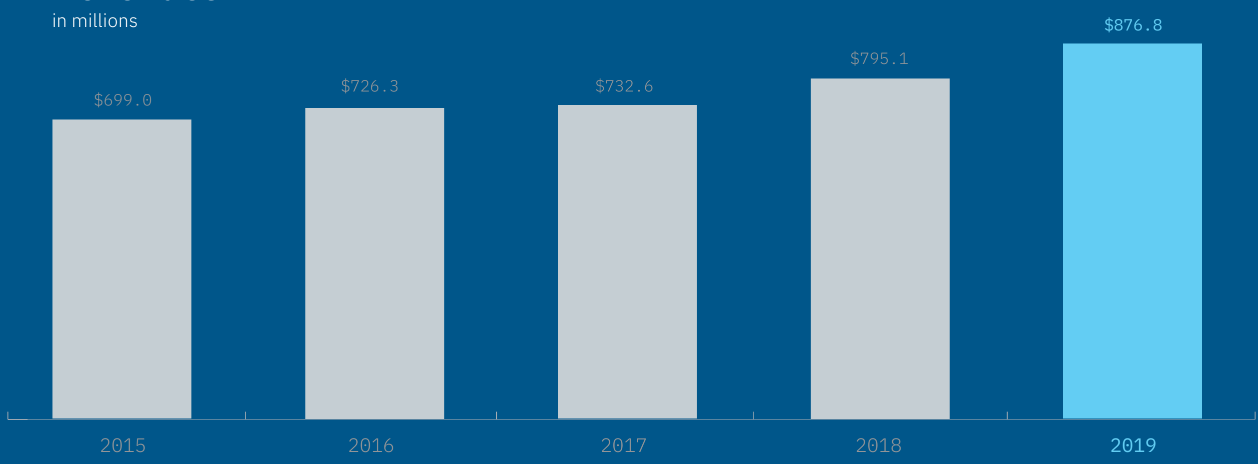
(1) Operating margin is defined as operating income expressed as a percentage of revenues.

(2) Return on assets is calculated by dividing net income by average total assets. The average total assets for the years ended December 31, 2015, 2016, 2017, 2018, and 2019 were $1,226.2 million, $1,148.8 million, $1,130.7 million, $1,045.7 million, and $1,104.4 million, respectively.

(3) Return on equity is calculated by dividing net income by average total stockholders' equity. The average total stockholders' equity for the years ended December 31, 2015, 2016, 2017, 2018 and 2019 were $627.4 million, $634.5 million, $571.9 million, $520.0 million, and $566.3 million, respectively.

## Revenues

in millions




Note: The financial and operating information presented above is on a continuing operations basis, unless otherwise noted.

# Board of Directors & Executive Team

## BOARD OF DIRECTORS

**John F. McCartney** (1, 3)
Non-Executive Chairman of the Board
Board of Directors
Datatec Limited
Transco, Inc.

**George E. Massaro** (1, 3)
Vice Chairman of the Board
Board of Directors
Charles River Laboratories

**James H. Roth**
Chief Executive Officer
Board of Directors
Keypath Education Holdings, LLC
Lurie Children's Pediatric Anesthesia Associates
Shorelight Holdings LLC

**H. Eugene Lockhart** (1, 2)
Chairman
MissionOG LLC
Board of Directors
Metro Bank PLC
Vice Chairman of the Board
Virginia State Council of Higher Education

**Hugh E. Sawyer**
Chief Executive Officer, President and Director
Regis Corporation

**Ekta Singh-Bushell** (2, 3)
Board of Directors
NET 1 UEPS Technologies, Inc.
Designer Brands Inc.
TTEC Holdings, Inc.
Datatec Limited

**Debra Zumwalt** (2, 3)
Vice President and General Counsel
Stanford University
Board of Directors
Exponent, Inc.
Academy of Art University
Board of Trustees
American University of Afghanistan

## EXECUTIVE TEAM

**James H. Roth**
Chief Executive Officer and Director

**C. Mark Hussey**
President and Chief Operating Officer

**John D. Kelly**
Executive Vice President, Chief Financial Officer and Treasurer

**Diane E. Ratekin**
Executive Vice President, General Counsel and Corporate Secretary

Committees: (1) Audit, (2) Compensation, (3) Nominating and Corporate Governance

Board of Directors and Executive Team as of February 22, 2020.

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
# FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2019

OR

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

Commission file number: 000-50976

HURON CONSULTING GROUP INC.

(Exact name of registrant as specified in its charter)

| Delaware | 01-0666114 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (IRS Employer Identification Number) |

550 West Van Buren Street
Chicago, Illinois
60607

(Address of principal executive offices and zip code)

(312) 583-8700

(Registrant's telephone number, including area code)

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

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|---|---|---|
| Common Stock, par value $0.01 per share | HURN | NASDAQ Global Select Market |

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

| Large Accelerated Filer | ☒ | Accelerated Filer | ☐ | Non-accelerated Filer | ☐ | Smaller Reporting Company | ☐ | Emerging Growth Company | ☐ |
|---|---|---|---|---|---|---|---|---|---|

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

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

The aggregate market value of the registrant's common stock held by non-affiliates as of June 30, 2019 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately $1,128,100,000.

As of February 18, 2020, 22,509,235 shares of the registrant's common stock, par value $0.01 per share, were outstanding.

Documents Incorporated By Reference

Portions of the registrant's definitive Proxy Statement to be filed with Securities and Exchange Commission within 120 days after the end of its fiscal year are incorporated by reference into Part III.

HURON CONSULTING GROUP INC.

ANNUAL REPORT ON FORM 10-K
FOR FISCAL YEAR ENDED DECEMBER 31, 2019

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## FORWARD-LOOKING STATEMENTS

In this Annual Report on Form 10-K, unless the context otherwise requires, the terms “Huron,” “Company,” “we,” “us” and “our” refer to Huron Consulting Group Inc. and its subsidiaries.

Statements in this Annual Report on Form 10-K that are not historical in nature, including those concerning the Company’s current expectations about its future requirements and needs, are “forward-looking” statements as defined in Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and the Private Securities Litigation Reform Act of 1995. Forward-looking statements are identified by words such as “may,” “should,” “expects,” “provides,” “anticipates,” “assumes,” “can,” “will,” “meets,” “could,” “likely,” “intends,” “might,” “predicts,” “seeks,” “would,” “believes,” “estimates,” “plans,” “continues,” “guidance,” or “outlook,” or similar expressions. These forward-looking statements reflect our current expectations about our future requirements and needs, results, levels of activity, performance, or achievements. Some of the factors that could cause actual results to differ materially from the forward-looking statements contained herein include, without limitation: failure to achieve expected utilization rates, billing rates, and the number of revenue-generating professionals; inability to expand or adjust our service offerings in response to market demands; our dependence on renewal of client-based services; dependence on new business and retention of current clients and qualified personnel; failure to maintain third-party provider relationships and strategic alliances; inability to license technology to and from third parties; the impairment of goodwill; various factors related to income and other taxes; difficulties in successfully integrating the businesses we acquire and achieving expected benefits from such acquisitions; risks relating to privacy, information security, and related laws and standards; and a general downturn in market conditions. These forward-looking statements involve known and unknown risks, uncertainties, and other factors, including, among others, those described under Item 1A. "Risk Factors," that may cause actual results, levels of activity, performance or achievements to be materially different from any anticipated results, levels of activity, performance, or achievements expressed or implied by these forward-looking statements. We disclaim any obligation to update or revise any forward-looking statements as a result of new information or future events, or for any other reason.

# PART I

## ITEM 1. BUSINESS.

### OVERVIEW

Huron is a global consultancy that collaborates with clients to drive strategic growth, ignite innovation and navigate constant change. Through a combination of strategy, expertise and creativity, we help clients accelerate operational, digital and cultural transformation, enabling the change they need to own their future. By embracing diverse perspectives, encouraging new ideas and challenging the status quo, we create sustainable results for the organizations we serve.

We are headquartered in Chicago, Illinois, with additional locations in the United States and abroad in Canada, India, Singapore, Switzerland, and the United Kingdom.

### OUR SERVICES

We provide professional services through three operating segments: Healthcare, Business Advisory, and Education. For the year ended December 31, 2019, we derived 46%, 29%, and 25% of our revenues from the Healthcare, Business Advisory, and Education operating segments, respectively.

- **Healthcare**

  Our Healthcare segment has a depth of expertise in financial and operational improvement, care transformation, culture and organizational excellence, strategy, and technology and analytics. We serve national and regional hospitals, integrated health systems, academic medical centers, community hospitals, and medical groups. Our solutions help clients evolve and adapt to the rapidly changing healthcare environment and achieve growth, optimize performance, enhance profitability, improve quality and clinical outcomes, align leaders, improve organizational culture, and drive physician, patient, and employee engagement across the enterprise to deliver better consumer outcomes.

  We help organizations transform and innovate their delivery model to focus on patient wellness by improving quality outcomes, minimizing care variation and fundamentally improving patient and population health. Our consultants collaborate with clients to help build and sustain today’s business to invest in the future by reducing complexity, improving operational efficiency and growing market share. We enable the healthcare of the future by identifying, integrating and optimizing digital and technology investments to collect data that transforms care delivery and improves patient outcomes. We also develop future leaders capable of driving meaningful cultural and organizational change and who transform the consumer experience.

- **Business Advisory**

  Our Business Advisory segment provides services to large and middle market organizations, lending institutions, law firms, investment banks, private equity firms, and not-for-profit organizations, including higher education and healthcare institutions. We assist clients in a broad range of industries and across the spectrum from healthy, well-capitalized companies to organizations in transition, as well as creditors, equity owners, and other key constituents. Our Enterprise Solutions and Analytics experts advise, deliver, and optimize technology and analytic solutions that enable organizations to manage and optimize their financial performance, operational efficiency, and client or stakeholder experience. Our Business Advisory experts resolve complex business issues and enhance client enterprise value through a suite of services including capital advisory, transaction advisory, operational improvement, restructuring and turnaround, valuation, and dispute advisory. Our Strategy and Innovation professionals collaborate with clients across a range of industries to identify new growth opportunities, build new ventures and capabilities, and accelerate organizational change. Our Life Sciences professionals provide strategic solutions to help pharmaceutical, medical device, and biotechnology companies deliver more value to patients, payers, and providers, and comply with regulations.

- **Education**

  Our Education segment provides consulting and technology solutions to higher education institutions and academic medical centers. We collaborate with clients to address challenges relating to business and technology strategy, financial and operational excellence, student success, research administration, and regulatory compliance. Our research enterprise solutions assist clients in identifying and implementing institutional research strategy, optimizing clinical research operations, improving financial management and cost reimbursement, improving service to faculty, and mitigating risk compliance. Our technology strategy, enterprise applications, and analytic solutions transform and optimize operations, deliver time and cost savings, and enhance the student experience. Our institutional strategy, budgeting and financial management, and business operations align missions with business priorities, improve quality, and reduce costs institution-wide. Our student solutions improve attraction, retention and graduation rates, increase student satisfaction and help generate quality outcomes.

Huron is a Platinum level member of the Oracle PartnerNetwork (OPN), an Oracle Cloud Premier Partner within North America, a Gold level consulting partner with Salesforce.com and a Workday Services Partner.

## OUR CLIENTS AND INDUSTRIES

We provide professional services to both financially sound organizations and organizations in transition, including: national and regional hospitals, integrated health systems, higher education institutions and academic medical centers, community hospitals, medical groups, large and middle market organizations, not-for-profit organizations, lending institutions, law firms, investment banks and private equity firms. In 2019, we served over 1,800 clients.

Our clients are in a broad array of industries, including healthcare, education, financial services, life sciences, energy and utilities, manufacturing and industrials, government and other commercial industries.

## EMPLOYEES

Our success depends on our ability to attract, engage, develop and retain highly talented professionals. We know that by creating a work environment where employees can shape their futures, and individuals are rewarded not only for their own contributions, but also for the success of our organization, we can accomplish these goals. We are focused on advancing every facet of the employee experience, beginning with the recruiting process through post-employment or retirement. We create a personalized experience for our people, where they are empowered to make a meaningful impact on our clients, our communities, and with one another. We have developed comprehensive programs incorporating learning opportunities, beginning with the onboarding process and continuing throughout one's career journey. We provide a competitive total rewards package including robust benefits that are tailored to the diverse needs of our employees and are refreshed regularly to maintain competitiveness. Our commitment to corporate social responsibility is facilitated through our employee and community experience team and encompasses our Helping Hands program, diversity and inclusion efforts, and a renewed focus on sustainability.

Our employee population is divided into two groups: client-serving and support professionals. As of December 31, 2019, we had 3,750 full-time employees, including 153 client-serving managing directors. Our client-serving employees serve as critical business advisors; collaborating with clients to help solve their most complex business problems. Our managing directors are the key drivers of growth in our business, generating new revenue streams from existing and new clients. They enhance our market reputation by partnering with clients as advisors and engagement team leaders. Internally, they create our intellectual capital, develop our people, and are stewards of our culture. Our senior directors, directors, and managers manage day-to-day client relationships, develop our people, nurture our culture, and oversee the delivery and quality of our work product. Our associates and analysts gather and organize data, conduct detailed analyses, and prepare presentations that synthesize and distill information to support recommendations we deliver to clients. Our support professionals include our senior management team as well as those who provide sales support, methodology creation, software development, and corporate functions consisting of our facilities, finance and accounting, human resources, information technology, legal, and marketing teams. These employees provide strategic direction and support that enables the success of our client-serving employees. At December 31, 2019, our support professionals team was led by 24 managing directors, executives and corporate vice presidents.

In addition to our full-time client-serving employees, we engage temporary employees on an as-needed basis to provide unique skill sets that are not required to be staffed on a full-time basis.

The ability to advance one's career is critical to our employee retention and engagement. As part of our onboarding process, our employee experience team facilitates a robust and structured curriculum for newly hired employees to develop and onboard into the company. We strive to develop world class leaders and are committed to providing programs and opportunities that achieve this goal by focusing on key leadership attributes at all levels. We also provide a variety of learning opportunities, through online and classroom environments, to further develop employees' capabilities, including technical knowledge; people skills; team dynamics; and coaching and developing others. We encourage our employees to enhance their professional skills through external learning opportunities that certify their technical skills and to pursue certain advanced degrees. Employees are matched with internal performance coaches and mentors to facilitate their growth, including identifying opportunities for professional development, formal training, and technical skill certifications. All employees have a coach to support them.

Our total rewards philosophy focuses on rewarding and retaining our high performing employees. To accomplish this, we offer employees a competitive base salary; performance incentives; and robust, market-competitive benefits.

Our incentive compensation plan is designed to recognize and reward performance of both the organization and individuals and to ensure we retain our top performers. We take both practice and company financial performance into consideration in the determination of bonus pool funding. At the practice level, the annual bonus pool is funded based on achievement of its annual financial goals. Our board of directors reviews and approves the total incentive compensation pool for all practices in the context of the Company's overall financial performance. Individual bonus awards are based on the practice's financial performance, individual bonus targets, and the individual's performance as evaluated through our performance management process. The intent of the incentive compensation plan is to differentiate rewards based on individual performance, ensuring that our top performers for the year receive incentives that are commensurate with their contributions, which enables Huron to retain them and continue to provide our clients with exceptional service. The incentive compensation plan for our named executive officers is funded based on a blend of achievement of financial goals and strategic initiatives.

Managing directors' individual compensation levels, including base salary and target incentive awards, are set to align with the value of their expected contributions to the organization, including collaboration across practices. As the key drivers of the organization's success, their compensation is designed to include equity awards as a core component. The use of equity is intended to encourage retention, align the interests of our managing directors with shareholders, and help build wealth over a managing director's career at Huron through annual grants as well as stock price appreciation.

Our benefit programs are designed to be comprehensive, competitive and personalized to the needs of our employees. Examples of these programs include flexible paid time off and a travel reward program which recognizes the significant travel commitment of our client-serving workforce. We provide opportunities that allow employees to focus and care for their personal well-being which are aimed at providing tools and resources to focus on their physical, financial, social, and emotional health given the demanding nature of their work. In addition, our health and welfare plans, retirement benefits, and stock purchase plan provide a core foundation of security to our employees and their families.

Our corporate social responsibility efforts are designed to support an individual's charitable interests while also providing a venue for our employees to come together to make an impact in the communities in which we live and work. In addition, the diversity and inclusion efforts support the needs of our growing employee population through employee resource groups that provide corporate-wide educational opportunities, build awareness, celebrate our differences, develop mentoring relationships, and ensure we are fostering a welcoming and engaging environment for all employees.

**BUSINESS DEVELOPMENT AND MARKETING**

Our business development and marketing activities are aimed at cultivating relationships, generating leads, and building a strong brand reputation with health systems, hospitals, and university administrators; offices of the C-suite; and senior level influencers and decision makers of middle market and large corporate organizations. We believe excellent service delivery to clients is critical to building and maintaining relationships and our brand reputation, and we emphasize the importance of client service to all of our employees.

Currently, we generate new business opportunities through the combination of relationships our managing directors have with individuals working in healthcare organizations, academic and research institutions, and corporations, and marketing lead generation activities. We also view market-based collaboration between our managing directors as a key component in building our business. Often, the client relationship of a managing director in one area of our business leads to opportunities in another area. All of our managing directors understand their roles in ongoing relationship and business development, which is reinforced through our compensation and incentive programs. We actively seek to identify new business opportunities and frequently receive referrals and repeat business from past and current clients. In addition, to complement the business development efforts of our managing directors, we have dedicated business development professionals who are focused exclusively on developing client relationships and generating new business.

**COMPETITION**

The professional services industry is extremely competitive, highly fragmented, and constantly evolving. The industry includes a large number of participants with a variety of skills and industry expertise, including other strategy, business operations, technology, and financial consulting firms; general management consulting firms; the consulting practices of major accounting firms; technical and economic advisory firms; regional and specialty consulting firms; and the internal professional resources of organizations. We compete with a large number of service and technology providers in all of our segments. Our competitors vary, depending on the particular practice area, and we expect to continue to face competition from new market entrants.

We believe the principal competitive factors in our market include reputation, the ability to attract and retain top talent, the capacity to manage engagements effectively to drive high value to clients, and the ability to deliver measurable and sustainable results. There is also competition on price, although to a lesser extent due to the criticality of the issues that many of our services address. Some competitors have a greater geographic footprint, broader international presence, and more resources than we do, but we believe our reputation and ability to deliver high-value, quality service and measurable results to our clients across a balanced portfolio of services and attract and retain employees with broad capabilities and deep industry expertise enable us to compete favorably in the professional services marketplace.

**AVAILABLE INFORMATION**

We file annual, quarterly and current reports, proxy statements, and other information with the Securities and Exchange Commission (the “SEC”). These filings are available on the SEC’s website at http://www.sec.gov.

Our website is located at www.huronconsultinggroup.com, and our investor relations website is located at ir.huronconsultinggroup.com. We make our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 available through our website, free of charge, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

We provide information about our business and financial performance, including our corporate profile, on the Investor Relations page of our website. Additionally, we webcast our earnings calls and certain events we participate in with members of the investment community on the Investor Relations page of our website. Further corporate governance information, including our code of ethics, code of business conduct, corporate governance guidelines, and board committee charters, is also available on the Investor Relations page of our website. The content of our websites is not incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only.

## ITEM 1A. RISK FACTORS.

The following discussion of risk factors may be important to understanding the statements in this Annual Report on Form 10-K or elsewhere. The following information should be read in conjunction with Part II—Item 7. "Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the Consolidated Financial Statements and related notes in this Annual Report on Form 10-K. Discussions about the important operational risks that our business encounters can be found in Part II—Item 7. "Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

**An inability to retain our senior management team and other managing directors would be detrimental to the success of our business.**

We rely heavily on our senior management team, our practice leaders, and other managing directors; our ability to retain them is particularly important to our future success. Given the highly specialized nature of our services, the senior management team must have a thorough understanding of our service offerings as well as the skills and experience necessary to manage an organization consisting of a diverse group of professionals. In addition, we rely on our senior management team and other managing directors to generate and market our business. Further, our senior management’s and other managing directors’ personal reputations and relationships with our clients are a critical element in obtaining and maintaining client engagements. Members of our senior management team and our other managing directors could choose to leave or join one of our competitors and some of our clients could choose to use the services of that competitor instead of our services. If one or more members of our senior management team or our other managing directors leave and we cannot replace them with a suitable candidate quickly, we could experience difficulty in securing and successfully completing engagements and managing our business properly, which could harm our business prospects and results of operations.

**Our inability to hire and retain talented people in an industry where there is great competition for talent could have a serious negative effect on our prospects and results of operations.**

Our business involves the delivery of professional services and is highly labor-intensive. Our success depends largely on our general ability to attract, develop, motivate, and retain highly skilled professionals. Further, we must successfully maintain the right mix of professionals with relevant experience and skill sets as we continue to grow, as we expand into new service offerings, and as the market evolves. The loss of a significant number of our professionals, the inability to attract, hire, develop, train, and retain additional skilled personnel, or failure to maintain the right mix of professionals could have a serious negative effect on us, including our ability to manage, staff, and successfully complete our existing engagements and obtain new engagements. Qualified professionals are in great demand, and we face significant competition for both senior and junior professionals with the requisite credentials and experience. Our principal competition for talent comes from other consulting firms and accounting firms, as well as from organizations seeking to staff their internal professional positions. Many of these competitors may be able to offer greater compensation and benefits or more attractive lifestyle choices, career paths, or geographic locations than we do. Therefore, we may not be successful in attracting and retaining the skilled consultants we require to conduct and expand our operations successfully. Increasing competition for these revenue-generating professionals may also significantly increase our labor costs, which could negatively affect our margins and results of operations.

**Changes in capital markets, legal or regulatory requirements, and general economic or other factors beyond our control could reduce demand for our services, in which case our revenues and profitability could decline.**

A number of factors outside of our control affect demand for our services. These include:

- fluctuations in U.S. and global economies;
- the U.S. or global financial markets and the availability, costs, and terms of credit;
- changes in laws and regulations; and
- other economic factors and general business conditions.

For example, some portion of the services we provide may be considered by our clients to be more discretionary in nature, as the demand for the services may be impacted by economic slowdowns. We are not able to predict the positive or negative effects that future events or changes to the U.S. or global economy, financial markets, or regulatory and business environment could have on our operations.

**Our goodwill and other intangible assets represent a substantial amount of our total assets, and we may be required to recognize a non-cash impairment charge for these assets if the performance of one or more of our reporting units falls below our expectations.**

Our total assets reflect a substantial amount of intangible assets, primarily goodwill. At December 31, 2019, goodwill and other intangible assets totaled $678.3 million, or 61%, of our total assets. Goodwill results from our acquisitions, representing the excess of the fair value of consideration transferred over the fair value of the net assets acquired. We test goodwill for impairment at the reporting unit level, annually and whenever events or circumstances make it more likely than not that an impairment may have occurred. Intangible assets other than goodwill represent purchased assets that lack physical substance but can be distinguished from goodwill. Our intangible assets primarily consist of customer relationships, trade names, customer contracts, technology and software, and non-competition agreements, all of which were acquired through business combinations. We evaluate our intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. No material impairment charges for intangible assets were recorded in 2019, 2018, and 2017. During the years ended 2019 and 2018, we did not record any non-cash goodwill impairment charges. During 2017, we recorded $253.1 million of non-cash goodwill impairment charges. Of the $253.1 million, $208.1 million related to our Healthcare reporting unit and $45.0 million related to our Enterprise Solutions and Analytics reporting unit which is included in our Business Advisory segment.

Determining the fair value of a reporting unit requires us to make significant judgments, estimates, and assumptions. While we believe that the estimates and assumptions underlying our valuation methodology are reasonable, these estimates and assumptions could have a significant impact on whether or not a non-cash goodwill impairment charge is recognized and also the magnitude of any such charge. The results of an impairment analysis are as of a point in time. There is no assurance that the actual future earnings or cash flows of our reporting units will be consistent with our projections. We will monitor any changes to our assumptions and will evaluate goodwill as deemed warranted during future periods. Any significant decline in our operations could result in additional non-cash goodwill impairment charges.

Refer to “Critical Accounting Policies” within Part I - Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 4 “Goodwill and Intangible Assets” within the notes to our consolidated financial statements for further discussion of our business combinations, goodwill, intangible assets, and impairment tests performed.

**We may incur costs to support our business and the inability to effectively build a support structure for the business could have an adverse impact on our growth and profitability.**

We have grown significantly since we commenced operations and have increased the number of our full-time professionals from 249 in 2002 to 3,750 as of December 31, 2019. Additionally, our considerable growth has placed demands on our management and our internal systems, procedures, and controls and will continue to do so in the near future. To successfully manage growth, we must periodically adjust and strengthen our operating, financial, accounting, and other systems, procedures, and controls, which may increase our total costs and may adversely affect our gross profits and our ability to sustain profitability if we do not generate increased revenues to offset the costs. As a public company, our information and control systems must enable us to prepare accurate and timely financial information and other required disclosures. If we discover deficiencies in our existing information and control systems that impede our ability to satisfy our reporting requirements, we must successfully implement improvements to those systems in an efficient and timely manner.

In the fourth quarter of 2019, we committed to the implementation of a new enterprise resource planning ("ERP") system designed to improve the efficiency of our internal operational, financial and administrative activities. The implementation of a new ERP system, which will take place over several years, subjects us to inherent costs and risks including substantial capital expenditures, additional administration and operating expenses, potential disruption of our internal control structure, retention of sufficiently skilled personnel to implement and operate the new system, demand on management time, and other risks and costs of delays or difficulties in transition. Our system implementation may not result in productivity improvements at a level that outweighs the costs of implementation, or at all. In addition, the difficulties with implementing a new ERP system may cause disruptions or have an adverse effect on our business operations, if not anticipated and appropriately mitigated.

**Our financial results could suffer if we are unable to achieve or maintain adequate utilization and suitable billing rates for our consultants, or if we are unable to deliver our services due to factors that disrupt travel to our client sites.**

Our profitability depends to a large extent on the utilization and billing rates of our professionals. Utilization of our professionals is affected by a number of factors, including:

- the number and size of client engagements;
- the timing of the commencement, completion and termination of engagements, which in many cases is unpredictable;
- our ability to transition our consultants efficiently from completed engagements to new engagements;
- the hiring of additional consultants because there is generally a transition period for new consultants that results in a temporary drop in our utilization rate;
- unanticipated changes in the scope of client engagements;
- our ability to forecast demand for our services and thereby maintain an appropriate level of consultants; and
- conditions affecting the industries in which we practice as well as general economic conditions.

The billing rates of our consultants that we are able to charge are also affected by a number of factors, including:

- our clients' perception of our ability to add value through our services;
- the market demand for the services we provide;
- an increase in the number of engagements in the government sector, which are subject to federal contracting regulations;
- introduction of new services by us or our competitors;
- our competition and the pricing policies of our competitors; and
- current economic conditions.

If we are unable to achieve and maintain adequate overall utilization as well as maintain or increase the billing rates for our consultants, our financial results could materially suffer. In addition, our consultants oftentimes perform services at the physical locations of our clients. If there are natural disasters, widespread outbreak of contagious disease, disruptions to travel and transportation, or problems with communications systems, our ability to perform services for, and interact with, our clients at their physical locations may be negatively impacted which could have an adverse effect on our business and results of operations.

**Expanding our service offerings or number of offices may add additional risks and may not be profitable.**

We may choose to develop new service offerings, open new offices, or eliminate service offerings because of market opportunities or client demands. Developing new service offerings involves inherent risks, including:

- our inability to estimate demand for the new service offerings;
- competition from more established market participants;
- exposure to new legal and operational risks;
- a lack of market understanding;
- unanticipated expenses to recruit and hire qualified consultants and to market our new service offerings; and
- unanticipated challenges with service delivery.

For example, our recently launched Huron Managed Services business provides revenue cycle management services to hospitals and health systems. These services include the coding, preparation, submission and collection of claims for medical service to payers for reimbursement. Such claims are governed by U.S. federal and state laws. U.S. federal law provides civil liability to any persons that knowingly submit, or cause to be submitted, a claim to a payer, including Medicare, Medicaid and private health plans, seeking payment for any services or items that overbills or bills for services or items that have not been provided to the patient. U.S. federal law may also impose criminal penalties for intentionally submitting such false claims. In addition, federal and state law regulates the collection of debt and may impose monetary penalties for violating those regulations. In connection with these laws, we may be subjected to U.S. federal or state government investigations and possible penalties may be imposed upon us, false claims actions may have to be defended and private payers may file claims against us. Any investigation or proceeding related to these laws, even if unwarranted or without merit, may have a material adverse effect on our business, results of operations and financial condition.

In addition, expanding into new geographic areas and expanding current service offerings is challenging and may require integrating new employees into our culture as well as assessing the demand in the applicable market. If we cannot manage the risks associated with new service offerings or new locations effectively, we are unlikely to be successful in these efforts, which could harm our ability to sustain profitability and our business prospects.

**Our quarterly results of operations have fluctuated in the past and may continue to fluctuate in the future as a result of certain factors, some of which may be outside of our control.**

A key element of our strategy is to market our products and services directly to certain large organizations, such as health systems and acute care hospitals, and to increase the number of our products and services utilized by existing clients. The sales cycle for some of our products and services is often lengthy and may involve significant commitment of client personnel. As a consequence, the commencement date of a client engagement often cannot be accurately forecasted. As discussed below, certain of our client contracts contain terms that result in revenue that is deferred and cannot be recognized until the occurrence of certain events. As a result, the period of time between contract signing and recognition of associated revenue may be lengthy, and we are not able to predict with certainty the period in which revenue will be recognized.

Fee discounts, pressure to not increase or even decrease our rates, and less advantageous contract terms could result in the loss of clients, lower revenues and operating income, higher costs, and less profitable engagements. More discounts or write-offs than we expect in any period would have a negative impact on our results of operations.

Other fluctuations in our quarterly results of operations may be due to a number of other factors, some of which are not within our control, including:

- the timing and volume of client invoices processed and payments received, which may affect the fees payable to us under certain of our engagements;
- client decisions regarding renewal or termination of their contracts;
- the amount and timing of costs related to the development or acquisition of technologies or businesses; and
- unforeseen legal expenses, including litigation and other settlement gains or losses.

We base our annual employee bonus expense upon our expected annual adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA") for that year. If we experience lower adjusted EBITDA in a quarter without a corresponding change to our full-year adjusted EBITDA expectation, our estimated bonus expense will not be reduced, which will have a negative impact on our quarterly results of operations for that quarter. Our quarterly results of operations may vary significantly and period-to-period comparisons of our results of operations may not be meaningful. The results of one quarter should not be relied upon as an indication of future performance. If our quarterly results of operations fall below the expectations of securities analysts or investors, the price of our common stock could decline substantially.

**Revenues from our performance-based engagements are difficult to predict, and the timing and extent of recovery of our costs is uncertain.**

We have engagement agreements under which our fees include a significant performance-based component. Performance-based fees are contingent on the achievement of specific measures, such as our clients meeting cost-saving or other contractually-defined goals. The achievement of these contractually-defined goals may be subject to acknowledgment by the client and is often impacted by factors outside of our control, such as the actions of the client or other third parties. To the extent that any revenue is contingent upon the achievement of a performance target, we recognize such revenue using a process that requires us to make significant management judgments, estimates, and assumptions. While we believe that the estimates and assumptions we have used for revenue recognition are reasonable, subsequent changes could have a material impact to our future financial results. The percentage of our revenues derived from performance-based fees for the years ended December 31, 2019, 2018, and 2017, was 8.9%, 6.1%, and 4.9%, respectively. A greater number of performance-based fee arrangements may result in increased volatility in our working capital requirements and greater variations in our quarter-to-quarter results, which could affect the price of our common stock. In addition, an increase in the proportion of performance-based fee arrangements may temporarily offset the positive effect on our operating results from an increase in our utilization rate until the related revenues are recognized.

**The profitability of our fixed-fee engagements with clients may not meet our expectations if we underestimate the cost of these engagements.**

When making proposals for fixed-fee engagements, we estimate the costs and timing for completing the engagements. These estimates reflect our best judgment regarding the efficiencies of our methodologies and consultants as we plan to deploy them on engagements. Any increased or unexpected costs or unanticipated delays in connection with the performance of fixed-fee engagements, including delays caused by factors outside our control, could make these contracts less profitable or unprofitable, which would have an adverse effect on our profit margin. For the years ended December 31, 2019, 2018, and 2017, fixed-fee engagements represented 45.8%, 47.4%, and 46.7% of our revenues, respectively.

**Our business is becoming increasingly dependent on information technology and will require additional investments in order to grow and meet the demands of our clients.**

We depend on the use of sophisticated technologies and systems. Some of our practices provide services that are increasingly dependent on the use of software applications and systems that we do not own and could become unavailable. Moreover, our technology platforms will require continuing investments by us in order to expand existing service offerings and develop complementary services. For example, we have subscription-based offerings that require us to incur costs associated with upgrades and maintenance that could impact profit margins associated with those offerings and related services. Our future success depends on our ability to adapt our services and infrastructure while continuing to improve the performance, features, and reliability of our services in response to the evolving demands of the marketplace.

**Adverse changes to our relationships with key third-party vendors, or in the business of our key third-party vendors, could unfavorably impact our business.**

A portion of our services and solutions depend on technology or software provided by third-party vendors. Some of these third-party vendors refer potential clients to us, and others require that we obtain their permission prior to accessing their software while performing services for our clients. These third-party vendors could terminate their relationship with us without cause and with little or no notice, which could limit our service offerings and harm our financial condition and operating results. In addition, if a third-party vendor's business changes, is reduced or fails to adapt to changing market demands, that could adversely affect our business. Moreover, if third-party technology or software that is important to our business does not continue to be available or utilized within the marketplace, or if the services that we provide to clients is no longer relevant in the marketplace, our business may be unfavorably impacted.

**We could experience system failures, service interruptions, or security breaches that could negatively impact our business.**

Our organization is comprised of employees who work on matters throughout the United States and overseas. Our technology platform is a "virtual office" from which we all operate. We may be subject to disruption to our operating systems from technology events that are beyond our control, including the possibility of failures at third-party data centers, disruptions to the Internet, natural disasters, power losses, and malicious attacks. In addition, despite the implementation of security measures, our infrastructure and operating systems, including the Internet and related systems, may be vulnerable to physical break-ins, hackers, improper employee or contractor access, computer viruses, programming errors, denial-of-service attacks, or other attacks by third parties seeking to disrupt operations or misappropriate information or similar physical or electronic breaches of security. While we have taken and are taking reasonable steps to prevent and mitigate the damage of such events, including implementation of system security measures, information backup, and disaster recovery processes, those steps may not be effective and there can be no assurance that any such steps can be effective against all possible risks. We will need to continue to invest in technology in order to achieve redundancies necessary to prevent service interruptions. Access to our systems as a result of a security breach, the failure of our systems, or the loss of data could result in legal claims or proceedings, liability, or regulatory penalties and disrupt operations, which could adversely affect our business and financial results.

**Our reputation could be damaged and we could incur additional liabilities if we fail to protect client and employee data through our own accord or if our information systems are breached.**

We rely on information technology systems to process, transmit, and store electronic information and to communicate among our locations around the world and with our clients, partners, and employees. These locations include Canada, the United Kingdom, Switzerland, Singapore, and India, all of which have their own either recently updated or potential new data protection laws. The breadth and complexity of this infrastructure increases the potential risk of security breaches which could lead to potential unauthorized disclosure of confidential information.

In providing services to clients, we may manage, utilize, and store sensitive or confidential client or employee data, including personal data and protected health information. As a result, we are subject to numerous laws and regulations designed to protect this information, such as the U.S. federal and state laws governing the protection of health or other personally identifiable information, including the Health Insurance Portability and Accountability Act (HIPAA), and international laws such as the European Union's General Data Protection Regulation (GDPR), which went into effect in 2018. In addition, many states, U.S. federal governmental authorities and non-U.S. jurisdictions have adopted, proposed or are considering adopting or proposing, additional data security and/or data privacy statutes or regulations. Continued governmental focus on data security and privacy may lead to additional legislative and regulatory action, which could increase the complexity of doing business. The increased emphasis on information security and the requirements to comply with applicable U.S. and foreign data security and privacy laws and regulations may increase our costs of doing business and negatively impact our results of operations.

These laws and regulations are increasing in complexity and number. If any person, including any of our employees or third-party vendors, negligently disregards or intentionally breaches our established controls or contractual obligations with respect to client or employee data, or otherwise mismanages or misappropriates that data, we could be subject to significant monetary damages, regulatory enforcement actions, fines, and/or criminal prosecution. We maintain certain insurance coverages for cybersecurity incidents through our directors and officers insurance policy, in amounts we believe to be reasonable and at a cost that is included in our general insurance premiums.

In addition, unauthorized disclosure of sensitive or confidential client or employee data, whether through systems failure, employee negligence, fraud, or misappropriation, could damage our reputation and cause us to lose clients and their related revenue in the future.

**Our international expansion could result in additional risks.**

We operate both domestically and internationally, including in Canada, Europe, Asia, and the Middle East. Although historically our international operations have been limited, we intend to continue to expand internationally. Such expansion may result in additional risks that are not present domestically and which could adversely affect our business or our results of operations, including:

- compliance with additional U.S. regulations and those of other nations applicable to international operations;
- cultural and language differences;
- employment laws, including immigration laws affecting the mobility of employees, and rules and related social and cultural factors;
- losses related to start-up costs, lack of revenue, higher costs due to low utilization, and delays in purchase decisions by prospective clients;
- currency fluctuations between the U.S. dollar and foreign currencies;
- restrictions on the repatriation of earnings;
- potentially adverse tax consequences and limitations on our ability to utilize losses generated in our foreign operations;
- different regulatory requirements and other barriers to conducting business;
- different or less stable political and economic environments;
- greater personal security risks for employees traveling to or located in unstable locations; and
- civil disturbances or other catastrophic events.

Further, conducting business abroad subjects us to increased regulatory compliance and oversight. For example, we are subject to laws prohibiting certain payments to governmental officials, such as the Foreign Corrupt Practices Act, which increases the risk from our international operations relative to our competitors who do not operate outside the United States. A failure to comply with applicable regulations could result in regulatory enforcement actions as well as substantial civil and criminal penalties assessed against us and our employees.

**Our obligations under the Amended Credit Agreement are secured by a pledge of certain of the equity interests in our subsidiaries and a lien on substantially all of our assets and those of our subsidiary grantors. If we default on these obligations, our lenders may foreclose on our assets, including our pledged equity interest in our subsidiaries.**

We entered into a second amended and restated security agreement with Bank of America (the “Security Agreement”) and a second amended and restated pledge agreement (the “Pledge Agreement”) in connection with our entry into the Second Amended and Restated Credit Agreement, dated as of March 31, 2015 (as amended and restated, the “Amended Credit Agreement”). Pursuant to the Security Agreement and to secure our obligations under the Amended Credit Agreement, we granted our lenders a first-priority lien, subject to permitted liens, on substantially all of the personal property assets that we and the subsidiary grantors own. Pursuant to the Pledge Agreement, we granted our lenders a security interest in 100% of the voting stock or other equity interests in our domestic subsidiaries and 65% of the voting stock or other equity interests in certain of our foreign subsidiaries. If we default on our obligations under the Amended Credit Agreement, our lenders could accelerate our indebtedness and may be able to exercise their liens on the equity interests subject to the Pledge Agreement and their liens on substantially all of our assets and the assets of our subsidiary grantors, which would have a material adverse effect on our business, operations, financial condition, and liquidity. In addition, the covenants contained in the Amended Credit Agreement impose restrictions on our ability to engage in certain activities, such as the incurrence of additional indebtedness, certain investments, certain acquisitions and dispositions, and the payment of dividends.

**Our indebtedness could adversely affect our ability to raise additional capital to fund our operations and obligations, expose us to interest rate risk to the extent of our variable-rate debt, and adversely affect our financial results.**

At December 31, 2019, we had outstanding indebtedness of $205.0 million on our revolving line of credit that becomes due and payable in full upon maturity on September 27, 2024, and $3.9 million principal amount of our promissory note due March 1, 2024. Our ability to make scheduled payments of the principal, to pay interest, or to refinance our indebtedness, depends on our future performance. If we are unable to generate cash flow from operations sufficient to satisfy our obligations under our current indebtedness and any future indebtedness, we may be required to adopt one or more alternatives, such as reducing or delaying investments or capital expenditures, selling assets, refinancing, or obtaining additional equity capital on terms that may be onerous or dilutive. Our ability to refinance our current indebtedness or future indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on the current indebtedness or future indebtedness.

The interest rates on our revolving line of credit and promissory note are linked to LIBOR. In 2017, the Financial Conduct Authority (FCA) in the U.K. announced that it would phase out LIBOR as a benchmark rate by the end of 2021. It is unclear whether new methods of calculating LIBOR will be established such that it continues to exist after 2021, or whether different benchmark rates will develop. If LIBOR ceases to exist, the method and rates used to calculate our interest rates and/or payments on our debt may result in interest rates and/or payments that are higher than, or that do not otherwise correlate over time with, the interest rates and/or payments that would have been applicable to our obligations if LIBOR was available in its current form, which could have a material adverse effect on our financial condition and results of operations. While we continue to take steps to mitigate the impact of the phase-out or replacement of LIBOR, such efforts may not prove successful. Furthermore, the U.S. or global financial markets may be disrupted as a result of the phase-out or replacement of LIBOR, which could also have a material adverse effect on our business, financial condition and results of operations.

In addition, our indebtedness, combined with our other financial obligations and contractual commitments, could have other important consequences such as exposing us to the risk of increased interest rates because some of our borrowings are at variable interest rates; making us more vulnerable to adverse changes in general U.S. and worldwide economic, industry, and competitive conditions and adverse changes in government regulation; or reducing our capacity to obtain additional financing and flexibility in planning for, or reacting to, changes in our business and our industry. Any of these factors could materially and adversely affect our business, financial condition, and results of operations.

**Our business performance might not be sufficient for us to meet the full-year financial guidance that we provide publicly.**

We provide full-year financial guidance to the public based upon our expectations regarding our financial performance. While we believe that our annual financial guidance provides investors and analysts with insight to our view of the Company’s future performance, such financial guidance is based on assumptions that may not always prove to be accurate and may vary from actual results. If we fail to meet the full-year financial guidance that we provide, or if we find it necessary to revise such guidance during the year, the market value of our common stock could be adversely affected.

**The healthcare industry is an area of significant focus for our business, and factors that adversely affect the financial condition of the healthcare industry could consequently affect our business.**

We derive a significant portion of our revenue from clients in the healthcare industry. As a result, our financial condition and results of operations could be adversely affected by conditions affecting the healthcare industry generally and hospitals and health systems particularly. The healthcare industry is highly regulated and is subject to changing political, legislative, regulatory, and other influences. Uncertainty in any of these areas could cause our clients to delay or postpone decisions to use our services. Existing and new federal and state laws and regulations affecting the healthcare industry could create unexpected liabilities for us, could cause us or our clients to incur additional costs, and could restrict our or our clients' operations. Many healthcare laws are complex and their application to us, our clients, or the specific services and relationships we have with our clients are not always clear. In addition, federal and state legislatures have periodically introduced programs to reform or amend the U.S. healthcare system at both the federal and state level, such as the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, and continue to consider further significant reforms. Due to the significant implementation issues arising under these laws and potential new legislation, it is unclear what long-term effects they will have on the healthcare industry and in turn on our business, financial condition, and results of operations. Our failure to accurately anticipate the application of new laws and regulations, or our failure to comply with such laws and regulations, could create liability for us, result in adverse publicity and negatively affect our business.

There are many factors that could affect the purchasing practices, operations, and, ultimately, the operating funds of healthcare organizations, such as reimbursement policies for healthcare expenses, federal and state budgetary considerations, consolidation in the healthcare industry, and regulation, litigation, and general economic conditions. In particular, we could be required to make unplanned modifications of our products and services (which would require additional time and investment) or we could suffer reductions in demand for our products and services as a result of changes in regulations affecting the healthcare industry, such as changes in the way that healthcare organizations are paid for their services (e.g., based on patient outcomes instead of services provided). Furthermore, as a result of the current presidential administration and the upcoming presidential election, there is an increased uncertainty surrounding the future of the Affordable Care Act and the regulation of the healthcare industry, and therefore healthcare organizations may wait to buy services such as ours until the regulatory environment is more certain.

In addition, state tax authorities have challenged the tax-exempt status of some hospitals and other healthcare facilities claiming such status on the basis that they are operating as charitable and/or religious organizations. If the tax-exempt status of any of our clients is revoked or compromised by new legislation or interpretation of existing legislation, that client's financial health could be adversely affected, which could adversely impact demand for our services, our sales, revenue, financial condition, and results of operations.

**Additional hiring, departures, business acquisitions and dispositions could disrupt our operations, increase our costs or otherwise harm our business.**

Our business strategy is dependent in part upon our ability to grow by hiring individuals or groups of individuals and by acquiring complementary businesses. However, we may be unable to identify, hire, acquire, or successfully integrate new employees and acquired businesses without substantial expense, delay, or other operational or financial obstacles. From time to time, we will evaluate the total mix of services we provide and we may conclude that businesses may not achieve the results we previously expected. Competition for future hiring and acquisition opportunities in our markets could increase the compensation we offer to potential employees or the prices we pay for businesses we wish to acquire. In addition, we may be unable to achieve the financial, operational, and other benefits we anticipate from any hiring or acquisition, as well as any disposition, including those we have completed so far. New acquisitions could also negatively impact existing practices and cause current employees to depart. Hiring additional employees or acquiring businesses could also involve a number of additional risks, including the diversion of management's time, attention, and resources from managing and marketing our Company; the potential assumption of liabilities of an acquired business; the inability to attain the expected synergies with an acquired business; and the perception of inequalities if different groups of employees are eligible for different benefits and incentives or are subject to different policies and programs.

Selling practices and shutting down operations present similar challenges in a service business. Dispositions not only require management's time, but they can impair existing relationships with clients or otherwise affect client satisfaction, particularly in situations where the divestiture eliminates only part of the complement of consulting services provided to a client. Dispositions may also involve continued financial involvement, as we may be required to retain responsibility for, or agree to indemnify buyers against, liabilities related to a business sold.

**Our ability to maintain and attract new business depends upon our reputation, the professional reputation of our revenue-generating employees, and the quality of our services.**

As a professional services firm, our ability to secure new engagements depends heavily upon our reputation and the individual reputations of our professionals. Any factor that diminishes our reputation or that of our employees, including not meeting client expectations or misconduct by our employees, could make it substantially more difficult for us to attract new engagements and clients. Similarly, because we obtain many of our new engagements from former or current clients or from referrals by those clients or by law firms that we have worked with in the past, any client that questions the quality of our work or that of our consultants could impair our ability to secure additional new engagements and clients.

**A significant portion of our revenues is derived from a limited number of clients, and our engagement agreements, including those related to our largest clients, can be terminated by our clients with little or no notice and without penalty, which may cause our operating results to be unpredictable and may result in unexpected declines in our utilization and revenues.**

As a consulting firm, we have derived, and expect to continue to derive, a significant portion of our revenues from a limited number of clients. Our clients typically retain us on an engagement-by-engagement basis, rather than under fixed-term contracts. The volume of work performed for any particular client is likely to vary from year to year, and a major client in one fiscal period may not require or may decide not to use our services in any subsequent fiscal period. Moreover, a large portion of our new engagements comes from existing clients. Accordingly, the failure to obtain new large engagements or multiple engagements from existing or new clients could have a material adverse effect on the amount of revenues we generate.

In addition, almost all of our engagement agreements can be terminated by our clients with little or no notice and without penalty. In client engagements that involve multiple engagements or stages, there is a risk that a client may choose not to retain us for additional stages of an engagement or that a client will cancel or delay additional planned engagements. For clients in bankruptcy, a bankruptcy court could elect not to retain our interim management consultants, terminate our retention, require us to reduce our fees for the duration of an engagement, elect not to approve claims against fees earned by us prior to or after the bankruptcy filing, or subject previously paid amounts to be returned to the bankruptcy estate as preferential payments under the bankruptcy code.

Terminations of engagements, cancellations of portions of the project plan, delays in the work schedule, or reductions in fees could result from factors unrelated to our services. When engagements are terminated or reduced, we lose the associated future revenues, and we may not be able to recover associated costs or redeploy the affected employees in a timely manner to minimize the negative impact. In addition, our clients' ability to terminate engagements with little or no notice and without penalty makes it difficult to predict our operating results in any particular fiscal period.

**Our engagements could result in professional liability, which could be very costly and hurt our reputation.**

Our engagements typically involve complex analyses and the exercise of professional judgment. As a result, we are subject to the risk of professional liability. From time to time, lawsuits with respect to our work are pending. Litigation alleging that we performed negligently or breached any other obligations could expose us to significant legal liabilities and, regardless of outcome, is often very costly, could distract our management, could damage our reputation, and could harm our financial condition and operating results. We also face increased litigation risk as a result of an expanded workforce. In addition, certain of our engagements, including interim management engagements and corporate restructurings, involve greater risks than other consulting engagements. We are not always able to include provisions in our engagement agreements that are designed to limit our exposure to legal claims relating to our services. While we attempt to identify and mitigate our exposure with respect to liability arising out of our consulting engagements, these efforts may be ineffective and an actual or alleged error or omission on our part or the part of our client or other third parties in one or more of our engagements could have an adverse impact on our financial condition and results of operations. In addition, we carry professional liability insurance to cover many of these types of claims, but the policy limits and the breadth of coverage may be inadequate to cover any particular claim or all claims plus the cost of legal defense. For example, we provide services on engagements in which the impact on a client may substantially exceed the limits of our errors and omissions insurance coverage. If we are found to have professional liability with respect to work performed on such an engagement, we may not have sufficient insurance to cover the entire liability.

**Changes in U.S. tax laws could have a material adverse effect on our business, cash flow, results of operations and financial condition.**

We are subject to income and other taxes in the U.S. at the state and federal level and also in foreign jurisdictions. Changes in applicable U.S. state, federal or foreign tax laws and regulations, or their interpretation and application, could materially affect our tax expense and profitability.

Future changes in tax laws, treaties or regulations, and their interpretation or enforcement, may be unpredictable, particularly as taxing jurisdictions face an increasing number of political, budgetary and other fiscal challenges. Tax rates in the jurisdictions in which we operate may change as a result of macroeconomic and other factors outside of our control, making it increasingly difficult for multinational corporations like ourselves to operate with certainty about taxation in many jurisdictions. As a result, we could be materially adversely affected by future changes in tax law or policy (or in their interpretation or enforcement) in the jurisdictions where we operate, including the United States, which could have a material adverse effect on our business, cash flow, results of operations, financial condition, as well as our effective income tax rate.

**The consulting services industry is highly competitive and we may not be able to compete effectively.**

The consulting services industry in which we operate includes a large number of participants and is intensely competitive. We face competition from other business operations and financial consulting firms, general management consulting firms, the consulting practices of major accounting firms, regional and specialty consulting firms, and the internal professional resources of organizations. In addition, because there are relatively low barriers to entry, we expect to continue to face additional competition from new entrants into the business operations and financial consulting industries. Competition in several of the sectors in which we operate is particularly intense as many of our competitors are seeking to expand their market share in these sectors. Many of our competitors have a greater national and international presence, as well as have a significantly greater number of personnel, financial, technical, and marketing resources. In addition, these competitors may generate greater revenues and have greater name recognition than we do. Some of our competitors may also have lower overhead and other costs and, therefore, may be able to more effectively compete through lower cost service offerings. Our ability to compete also depends in part on the ability of our competitors to hire, retain, and motivate skilled professionals, the price at which others offer comparable services, the ability of our competitors to offer new and valuable products and services to clients, and our competitors' responsiveness to their clients. If we are unable to compete successfully with our existing competitors or with any new competitors, our financial results will be adversely affected.

**Our intellectual property rights in our "Huron Consulting Group" name are important, and any inability to use that name could negatively impact our ability to build brand identity.**

We believe that establishing, maintaining, and enhancing the "Huron Consulting Group" name and "Huron" brand is important to our business. We are, however, aware of a number of other companies that use names containing "Huron." There could be potential trade name or service mark infringement claims brought against us by the users of these similar names and marks and those users may have trade name or service mark rights that are senior to ours. If another company were to successfully challenge our right to use our name, or if we were unable to prevent a competitor from using a name that is similar to our name, our ability to build brand identity could be negatively impacted.

**We may incur impairment charges with respect to our convertible debt investment in Shorelight.**

In 2014 and 2015, we invested $27.9 million, in the form of zero coupon convertible debt, in Shorelight Holdings, LLC ("Shorelight"), the parent company of Shorelight Education. The investment is carried at its fair value of $49.5 million as of December 31, 2019, with unrealized holding gains and losses reported in other comprehensive income. In the first quarter of 2020, we invested an additional $13.0 million, in the form of 1.69% convertible debt with a senior liquidation preference. As of December 31, 2019, our investment in Shorelight is in an unrealized gain position. If the investment were to be in an unrealized loss position, we would assess whether the investment is other-than-temporarily impaired. We consider impairments to be other-than-temporary if they are related to significant credit deterioration or if it is likely we will sell the security before the recovery of its cost basis. As of December 31, 2019, we have not identified any factors that indicate an other-than-temporary impairment. In the future, if there are adverse developments in Shorelight's business that may be the result of events within or outside of Shorelight's control or declines in value judged to be other-than-temporary, we may incur impairment charges with respect to our convertible debt investment, which could materially impact our results of operations.

**Conflicts of interest could preclude us from accepting engagements thereby causing decreased utilization and revenues.**

We provide services in connection with bankruptcy and other proceedings that usually involve sensitive client information and frequently are adversarial. In connection with bankruptcy proceedings, we are required by law to be "disinterested" and may not be able to provide multiple services to a particular client. In addition, our engagement agreement with a client or other business reasons may preclude us from accepting engagements from time to time with the client's competitors or adversaries. Moreover, in many industries in which we provide services, there has been a continuing trend toward business consolidations and strategic alliances. These consolidations and alliances reduce the number of companies that may seek our services and increase the chances that we will be unable to accept new engagements as a result of conflicts of interest. If we are unable to accept new engagements for any reason, our consultants may become underutilized, which would adversely affect our revenues and results of operations in future periods.

## ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

## ITEM 2. PROPERTIES.

We do not own any real estate or other physical properties. Our administrative and principal executive offices are located at 550 W. Van Buren Street, Chicago, Illinois 60607. We believe that our office facilities are suitable and adequate for our business as it is presently conducted.

## ITEM 3. LEGAL PROCEEDINGS.

From time to time, we are involved in legal proceedings and litigation arising in the ordinary course of business. As of the date of this Annual Report on Form 10-K, we are not a party to any litigation or legal proceeding that, in the current opinion of management, could have a material adverse effect on our financial position or results of operations. However, due to the risks and uncertainties inherent in legal proceedings, actual results could differ from current expected results.

## ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

# PART II

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

### Market Information

Our common stock is traded on The NASDAQ Global Select Market under the symbol "HURN." As of February 18, 2020, there were 370 registered holders of record of Huron's common stock. A number of Huron's stockholders hold their shares in street name; therefore, the Company believes that there are substantially more beneficial owners of its common stock.

### Dividends

We have not declared or paid dividends on our common stock since we became a public company. Our board of directors re-evaluates this policy periodically. Any determination to pay cash dividends will be at the discretion of the board of directors and will be dependent upon our results of operations, financial condition, capital requirements, terms of our financing arrangements, and such other factors as the board of directors deems relevant. In addition, the amount of dividends we may pay is subject to the restricted payment provisions of our senior secured credit facility. See the Liquidity and Capital Resources section under Part II—Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further information on the restricted payment provisions of our senior secured credit facility.

### Securities Authorized for Issuance Under Equity Compensation Plans

The information required by this item appears under Part III—Item 12. "Security Ownership of Certain Beneficial Owners and Management and Related Stockholders Matters."

### Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Our Stock Ownership Participation Program, 2012 Omnibus Incentive Plan, and 2004 Omnibus Stock Plan, which was replaced by the 2012 Omnibus Incentive Plan, permit the netting of common stock upon vesting of restricted stock awards to satisfy individual tax withholding requirements. During the quarter ended December 31, 2019, we reacquired 2,816 shares of common stock with a weighted average fair market value of $62.69 as a result of such tax withholdings.

We currently have a share repurchase program pursuant to which we may, from time to time, repurchase up to $125 million of our common stock through October 31, 2020 (the "Share Repurchase Program"). The amount and timing of the repurchases will be determined by management and will depend on a variety of factors, including the trading price of our common stock, capacity under our line of credit, general market and business conditions, and applicable legal requirements.

The following table provides information with respect to purchases we made of our common stock during the quarter ended December 31, 2019.

| Period | Total Number of Shares Purchased [(1)] | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs [(2)] |
|---|---|---|---|---|
| October 1, 2019 – October 31, 2019 | 2,026 | $ 60.64 | — | $ 35,143,546 |
| November 1, 2019 – November 30, 2019 | 89,263 | $ 66.63 | 89,263 | $ 29,193,168 |
| December 1, 2019 – December 31, 2019 | 121,964 | $ 68.21 | 121,174 | $ 20,924,416 |
| Total | 213,253 | $ 67.48 | 210,437 | |

(1) The number of shares repurchased included 2,026 shares in October 2019 and 790 shares in December 2019 to satisfy employee tax withholding requirements. No shares were repurchased in November 2019 to satisfy employee tax withholding requirements. These shares do not reduce the repurchase authority under the Share Repurchase Program.

(2) As of the end of the period.

## ITEM 6. SELECTED FINANCIAL DATA.

We have derived the following selected consolidated financial data as of and for the years ended December 31, 2015 through 2019 from our consolidated financial statements. The following data reflects the business acquisitions that we have completed through December 31, 2019. The results of operations for acquired businesses have been included in our results of operations since the date of their acquisitions. See Note 3 "Acquisitions" within the notes to our consolidated financial statements for additional information regarding our acquisitions. The following data also reflects the classification of discontinued operations.

The information set forth below is not necessarily indicative of the results of future operations and should be read in conjunction with Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and related notes included elsewhere in this Annual Report on Form 10-K.

| **Consolidated Statements of Operations** (in thousands, except per share data): | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | **2019** | **2018** | **2017** | **2016** | **2015** |
| **Revenues and reimbursable expenses:** | | | | | |
| Revenues | $ 876,757 | $ 795,125 | $ 732,570 | $ 726,272 | $ 699,010 |
| Reimbursable expenses | 88,717 | 82,874 | 75,175 | 71,712 | 70,013 |
| Total revenues and reimbursable expenses | 965,474 | 877,999 | 807,745 | 797,984 | 769,023 |
| **Direct costs and reimbursable expenses** (exclusive of depreciation and amortization shown in operating expenses) (1): | | | | | |
| Direct costs | 575,602 | 521,537 | 454,806 | 437,556 | 401,915 |
| Amortization of intangible assets and software development costs | 5,375 | 4,247 | 10,932 | 15,140 | 16,788 |
| Reimbursable expenses | 88,696 | 82,923 | 75,436 | 71,749 | 69,932 |
| Total direct costs and reimbursable expenses | 669,673 | 608,707 | 541,174 | 524,445 | 488,635 |
| **Operating expenses and other losses (gains), net:** | | | | | |
| Selling, general and administrative expenses | 203,071 | 180,983 | 175,364 | 160,204 | 157,902 |
| Restructuring charges | 1,855 | 3,657 | 6,246 | 9,592 | 3,329 |
| Litigation and other losses (gains), net | (1,196) | (2,019) | 1,111 | (1,990) | (9,476) |
| Depreciation and amortization (1) | 28,365 | 34,575 | 38,213 | 31,499 | 25,135 |
| Goodwill impairment charges | — | — | 253,093 | — | — |
| Total operating expenses and other losses (gains), net | 232,095 | 217,196 | 474,027 | 199,305 | 176,890 |
| Operating income (loss) | 63,706 | 52,096 | (207,456) | 74,234 | 103,498 |
| **Other income (expense), net:** | | | | | |
| Interest expense, net of interest income | (15,648) | (19,013) | (18,613) | (16,274) | (18,136) |
| Other income (expense), net | 4,433 | (7,862) | 3,565 | 1,197 | (1,797) |
| Total other expense, net | (11,215) | (26,875) | (15,048) | (15,077) | (19,933) |
| Income (loss) from continuing operations before taxes | 52,491 | 25,221 | (222,504) | 59,157 | 83,565 |
| Income tax expense (benefit) | 10,512 | 11,277 | (51,999) | 19,677 | 21,670 |
| Net income (loss) from continuing operations | 41,979 | 13,944 | (170,505) | 39,480 | 61,895 |
| Income (loss) from discontinued operations, net of tax | (236) | (298) | 388 | (1,863) | (2,843) |
| Net income (loss) | $ 41,743 | $ 13,646 | $ (170,117) | $ 37,617 | $ 59,052 |

| **Consolidated Statements of Operations** (in thousands, except per share data): | Year Ended December 31, 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Net earnings (loss) per basic share: | | | | | |
| Net income (loss) from continuing operations | $ 1.91 | $ 0.64 | $ (7.95) | $ 1.87 | $ 2.80 |
| Income (loss) from discontinued operations, net of tax | (0.01) | (0.01) | 0.02 | (0.09) | (0.13) |
| Net income (loss) | $ 1.90 | $ 0.63 | $ (7.93) | $ 1.78 | $ 2.67 |
| Net earnings (loss) per diluted share: | | | | | |
| Net income (loss) from continuing operations | $ 1.87 | $ 0.63 | $ (7.95) | $ 1.84 | $ 2.74 |
| Income (loss) from discontinued operations, net of tax | (0.02) | (0.01) | 0.02 | (0.08) | (0.13) |
| Net income (loss) | $ 1.85 | $ 0.62 | $ (7.93) | $ 1.76 | $ 2.61 |
| Weighted average shares used in calculating net earnings (loss) per share: | | | | | |
| Basic | 21,993 | 21,706 | 21,439 | 21,084 | 22,136 |
| Diluted | 22,507 | 22,058 | 21,439 | 21,424 | 22,600 |

| **Consolidated Balance Sheet Data** (in thousands): | As of December 31, 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Cash and cash equivalents | $ 11,604 | $ 33,107 | $ 16,909 | $ 17,027 | $ 58,437 |
| Working capital (2) | $ 20,192 | $ (185,374) | $ 51,828 | $ 44,314 | $ 96,966 |
| Total assets | $ 1,104,271 | $ 1,049,532 | $ 1,036,928 | $ 1,153,215 | $ 1,159,543 |
| Long-term debt, net of current portion (2) | $ 208,324 | $ 53,853 | $ 342,507 | $ 292,065 | $ 307,376 |
| Total stockholders' equity (3) | $ 585,465 | $ 540,624 | $ 503,316 | $ 648,033 | $ 652,325 |

(1) Intangible asset amortization relating to customer contracts, certain client relationships, and software and amortization of software development costs are presented as a component of total direct costs. Depreciation and intangible assets amortization not classified as direct costs are presented as a component of operating expenses.

(2) Our Convertible Notes with a principal amount of $250.0 million were classified as short-term debt on our consolidated balance sheet at December 31, 2018 as they had a maturity date of October 1, 2019. Upon maturity, we refinanced the outstanding notes with the borrowing capacity available under our revolving credit facility, which is classified as long-term debt on our consolidated balance sheet. Refer to the "Liquidity and Capital Resources" section under Part II—Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 7 “Financing Arrangements” within the notes to our consolidated financial statements for more information on our outstanding borrowings.

(3) We have not declared or paid dividends on our common stock in the periods presented above. See Item 5. "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities—Dividends."

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

*Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the information under Part II—Item 6. "Selected Financial Data," and our Consolidated Financial Statements and related notes appearing under Part II—Item 8. "Financial Statements and Supplementary Data." The following MD&A contains forward-looking statements and involves numerous risks and uncertainties, including, without limitation, those described under Part I—Item 1A. "Risk Factors" and "Forward-Looking Statements" of this Annual Report on Form 10-K. Actual results may differ materially from those contained in any forward-looking statements.*

*The following information summarizes our results of operations for 2019, 2018, and 2017; and discusses those results of operations for 2019 compared to 2018. For a discussion of our results of operations for 2018 compared to 2017, refer to Part II—Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Annual Report on Form 10-K for the year ended December 31, 2018, which was filed with the United States Securities and Exchange Commission on February 27, 2019.*

### OVERVIEW

Huron is a global consultancy that collaborates with clients to drive strategic growth, ignite innovation and navigate constant change. Through a combination of strategy, expertise and creativity, we help clients accelerate operational, digital and cultural transformation, enabling the change they need to own their future. By embracing diverse perspectives, encouraging new ideas and challenging the status quo, we create sustainable results for the organizations we serve.

We provide our services and manage our business under three operating segments: Healthcare, Business Advisory, and Education. See Part I—Item 1. "Business—Overview—Our Services" and Note 19 "Segment Information" within the notes to our consolidated financial statements for a discussion of our three segments.

**How We Generate Revenues**

A large portion of our revenues is generated by our full-time consultants who provide consulting services to our clients and are billable to our clients based on the number of hours worked. A smaller portion of our revenues is generated by our other professionals, also referred to as full-time equivalents, some of whom work variable schedules as needed by our clients. Full-time equivalent professionals consist of our coaches and their support staff from our Culture and Organizational Excellence solution, consultants who work variable schedules as needed by our clients, employees who provide managed services in our Healthcare segment, and our employees who provide software support and maintenance services to our clients. We translate the hours that these other professionals work on client engagements into a full-time equivalent measure that we use to manage our business. We refer to our full-time consultants and other professionals collectively as revenue-generating professionals.

Revenues generated by our full-time consultants are primarily driven by the number of consultants we employ and their utilization rates, as well as the billing rates we charge our clients. Revenues generated by our other professionals, or full-time equivalents, are largely dependent on the number of consultants we employ, their hours worked, and billing rates charged. Revenues generated by our coaches are largely dependent on the number of coaches we employ and the total value, scope, and terms of the consulting contracts under which they provide services, which are primarily fixed-fee contracts. Revenues generated by our Managed Services solution are dependent on the total value, scope and terms of the related contracts.

We generate our revenues from providing professional services under four types of billing arrangements: fixed-fee (including software license revenue); time-and-expense; performance-based; and software support, maintenance and subscriptions.

In fixed-fee billing arrangements, we agree to a pre-established fee in exchange for a predetermined set of professional services. We set the fees based on our estimates of the costs and timing for completing the engagements. It is the client's expectation in these engagements that the pre-established fee will not be exceeded except in mutually agreed upon circumstances. We generally recognize revenues under fixed-fee billing arrangements using a proportionate performance approach, which is based on work completed to-date versus our estimates of the total services to be provided under the engagement. Contracts within our Culture and Organizational Excellence solution include fixed-fee partner contracts with multiple performance obligations, which primarily consist of coaching services, as well as speaking engagements, conferences, publications and software products ("Partner Contracts"). Revenues for coaching services and software products are generally recognized on a straight-line basis over the length of the contract. All other revenues under Partner Contracts, including speaking engagements, conferences and publications, are recognized at the time the goods or services are provided.

Fixed-fee arrangements also include software licenses for our revenue cycle management software and research administration and compliance software. Licenses for our revenue cycle management software are sold only as a component of our consulting projects, and the services we provide are essential to the functionality of the software. Therefore, revenues from these software licenses are recognized over the term of the related consulting services contract. License revenue from our research administration and compliance software is generally recognized in the month in which the software is delivered.

Fixed-fee engagements represented 45.8%, 47.4%, and 46.7% of our revenues for the years ended December 31, 2019, 2018, and 2017, respectively.

Time-and-expense billing arrangements require the client to pay based on the number of hours worked by our revenue-generating professionals at agreed upon rates. Time-and-expense arrangements also include certain speaking engagements, conferences and publications purchased by our clients outside of Partner Contracts within our Culture and Organizational Excellence solution. We recognize revenues under time-and-expense billing arrangements as the related services or publications are provided. Time-and-expense engagements represented 39.9%, 41.2%, and 43.0% of our revenues in 2019, 2018, and 2017, respectively.

In performance-based fee billing arrangements, fees are tied to the attainment of contractually defined objectives. We enter into performance-based engagements in essentially two forms. First, we generally earn fees that are directly related to the savings formally acknowledged by the client as a result of adopting our recommendations for improving operational and cost effectiveness in the areas we review. Second, we have performance-based engagements in which we earn a success fee when and if certain predefined outcomes occur. Often, performance-based fees supplement our time-and-expense or fixed-fee engagements. Effective January 1, 2018, we adopted ASC 606, *Revenue from Contracts with Customers*, on a modified retrospective basis and began recognizing revenues under performance-based billing arrangements by estimating the amount of variable consideration that is probable of being earned and recognizing that estimate over the length of the contract using a proportionate performance approach. Prior to adopting ASC 606 in 2018, we recognized revenues under performance-based billing arrangements when all related performance criteria were met. Performance-based fee revenues represented 8.9%, 6.1%, and 4.9% of our revenues in 2019, 2018, and 2017, respectively. The level of performance-based fees earned may vary based on our clients' risk sharing preferences and the mix of services we provide.

Clients that have purchased one of our software licenses can pay an annual fee for software support and maintenance. We also generate subscription revenue from our cloud-based analytic tools and solutions. Software support, maintenance and subscription revenues are recognized ratably over the support or subscription period. These fees are generally billed in advance and included in deferred revenues until recognized. Software support and maintenance and subscription-based revenues represented 5.4%, 5.3%, and 5.4% of our revenues in 2019, 2018, and 2017, respectively.

Our quarterly results are impacted principally by our full-time consultants' utilization rate, the bill rates we charge our clients, and the number of our revenue-generating professionals who are available to work. Our utilization rate can be negatively affected by increased hiring because there is generally a transition period for new professionals that results in a temporary drop in our utilization rate. Our utilization rate can also be affected by seasonal variations in the demand for our services from our clients. For example, during the third and fourth quarters of the year, vacations taken by our clients can result in the deferral of activity on existing and new engagements, which would negatively affect our utilization rate. The number of business work days is also affected by the number of vacation days taken by our consultants and holidays in each quarter. We typically have fewer business work days available in the fourth quarter of the year, which can impact revenues during that period.

Time-and-expense engagements do not provide us with a high degree of predictability as to performance in future periods. Unexpected changes in the demand for our services can result in significant variations in utilization and revenues and present a challenge to optimal hiring and staffing. Moreover, our clients typically retain us on an engagement-by-engagement basis, rather than under long-term recurring contracts. The volume of work performed for any particular client can vary widely from period to period.

**Reimbursable Expenses**

Reimbursable expenses that are billed to clients, primarily relating to travel and out-of-pocket expenses incurred in connection with engagements, are included in total revenues and reimbursable expenses. Under fixed-fee billing arrangements, we estimate the total amount of reimbursable expenses to be incurred over the course of the engagement and recognize the estimated amount as revenue using the proportionate performance approach, which is based on work completed to-date versus our estimates of the total services to be provided under the engagement. Under time-and-expense billing arrangements, we recognize reimbursable expenses as revenue as the related services are provided, using the right to invoice practical expedient. Reimbursable expenses are recognized as expenses in the period in which the expense is incurred. Subcontractors that are billed to clients at cost are also included in reimbursable expenses. When billings do not specifically identify reimbursable expenses, we allocate the portion of the billings equivalent to these expenses to reimbursable expenses.

We manage our business on the basis of revenues before reimbursable expenses, which we believe is the most accurate reflection of our services because it eliminates the effect of reimbursable expenses that we bill to our clients at cost.

**Total Direct Costs**

Our most significant expenses are costs classified as total direct costs. These total direct costs primarily include salaries, performance bonuses, signing and retention bonuses, payroll taxes, and benefits for revenue-generating professionals, as well as commissions, technology costs, product and event costs, and fees paid to independent contractors that we retain to supplement our revenue-generating professionals, typically on an as-needed basis for specific client engagements. Direct costs also include share-based compensation, which represents the cost of restricted stock and performance-based share awards granted to our revenue-generating professionals. Compensation expense for restricted stock awards and performance-based share awards is recognized ratably using either the straight-line attribution method or the graded vesting attribution method, as appropriate, over the requisite service period, which is generally three to four years. Total direct costs also include amortization of intangible assets, primarily relating to certain customer relationships, technology and software, and customer contracts acquired in business combinations, and internally developed software costs.

**Operating Expenses and Other Losses (Gains), Net**

Our operating expenses include selling, general and administrative expenses, which consist primarily of salaries, performance bonuses, payroll taxes, benefits, and share-based compensation for our support personnel. Also included in selling, general and administrative expenses is rent and other office related expenses, sales and marketing related expenses, professional fees, recruiting and training expenses, and practice administration and meetings expenses. Other operating expenses include restructuring charges, other gains and losses, depreciation and certain amortization expenses not included in total direct costs.

**Segment Results**

Segment operating income consists of the revenues generated by a segment, less the direct costs of revenue and selling, general and administrative expenses that are incurred directly by the segment. Unallocated costs include corporate costs related to administrative functions that are performed in a centralized manner that are not attributable to a particular segment. These administrative function costs include corporate office support costs, office facility costs, costs relating to accounting and finance, human resources, legal, marketing, information technology, and company-wide business development functions, as well as costs related to overall corporate management.

**RESULTS OF OPERATIONS**

The following table sets forth, for the periods indicated, selected segment and consolidated operating results and other operating data. The results of operations for acquired businesses have been included in our results of operations since the date of their respective acquisition.

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| **Segment and Consolidated Operating Results (in thousands):** | | | |
| **Healthcare:** | | | |
| Revenues | $ 399,221 | $ 364,763 | $ 356,909 |
| Operating income | $ 125,724 | $ 108,060 | $ 118,761 |
| Segment operating income as a percentage of segment revenues | 31.5% | 29.6% | 33.3% |
| **Business Advisory:** | | | |
| Revenues | $ 252,508 | $ 236,185 | $ 207,753 |
| Operating income | $ 49,695 | $ 50,625 | $ 46,600 |
| Segment operating income as a percentage of segment revenues | 19.7% | 21.4% | 22.4% |
| **Education:** | | | |
| Revenues | $ 225,028 | $ 194,177 | $ 167,908 |
| Operating income | $ 55,741 | $ 48,243 | $ 40,318 |
| Segment operating income as a percentage of segment revenues | 24.8% | 24.8% | 24.0% |
| **Total Company:** | | | |
| Revenues | $ 876,757 | $ 795,125 | $ 732,570 |
| Reimbursable expenses | 88,717 | 82,874 | 75,175 |
| Total revenues and reimbursable expenses | $ 965,474 | $ 877,999 | $ 807,745 |
| **Statements of Operations reconciliation:** | | | |
| Segment operating income | $ 231,160 | $ 206,928 | $ 205,679 |
| Items not allocated at the segment level: | | | |
| Other operating expenses | 140,285 | 122,276 | 120,718 |
| Litigation and other losses (gains), net | (1,196) | (2,019) | 1,111 |
| Depreciation and amortization | 28,365 | 34,575 | 38,213 |
| Goodwill impairment charges (1) | — | — | 253,093 |
| Total operating income (loss) | 63,706 | 52,096 | (207,456) |
| Other expense, net | 11,215 | 26,875 | 15,048 |
| Income (loss) from continuing operations before taxes | 52,491 | 25,221 | (222,504) |
| Income tax expense (benefit) | 10,512 | 11,277 | (51,999) |
| Net income (loss) from continuing operations | $ 41,979 | $ 13,944 | $ (170,505) |
| Earnings (loss) per share from continuing operations | | | |
| Basic | $ 1.91 | $ 0.64 | $ (7.95) |
| Diluted | $ 1.87 | $ 0.63 | $ (7.95) |

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| **Other Operating Data:** | | | |
| **Number of full-time billable consultants (at period end) (2):** | | | |
| Healthcare | 890 | 813 | 778 |
| Business Advisory | 930 | 813 | 809 |
| Education | 756 | 621 | 549 |
| Total | 2,576 | 2,247 | 2,136 |
| **Average number of full-time billable consultants (for the period) (2):** | | | |
| Healthcare | 849 | 807 | 796 |
| Business Advisory | 892 | 769 | 740 |
| Education | 686 | 589 | 509 |
| Total | 2,427 | 2,165 | 2,045 |
| **Full-time billable consultant utilization rate (3):** | | | |
| Healthcare | 79.4% | 81.7% | 78.4% |
| Business Advisory | 72.5% | 73.8% | 71.5% |
| Education | 76.8% | 76.6% | 72.8% |
| Total | 76.1% | 77.5% | 74.5% |
| **Full-time billable consultant average billing rate per hour (4):** | | | |
| Healthcare | $ 231 | $ 209 | $ 206 |
| Business Advisory (5) | $ 201 | $ 215 | $ 205 |
| Education | $ 199 | $ 202 | $ 213 |
| Total (5) | $ 211 | $ 209 | $ 207 |
| **Revenue per full-time billable consultant (in thousands):** | | | |
| Healthcare | $ 331 | $ 307 | $ 295 |
| Business Advisory | $ 273 | $ 293 | $ 268 |
| Education | $ 285 | $ 289 | $ 291 |
| Total | $ 297 | $ 297 | $ 284 |
| **Average number of full-time equivalents (for the period) (6):** | | | |
| Healthcare | 244 | 219 | 213 |
| Business Advisory | 14 | 22 | 20 |
| Education | 47 | 39 | 35 |
| Total | 305 | 280 | 268 |
| **Revenue per full-time equivalent (in thousands):** | | | |
| Healthcare | $ 485 | $ 536 | $ 576 |
| Business Advisory | $ 655 | $ 484 | $ 464 |
| Education | $ 617 | $ 601 | $ 564 |
| Total | $ 513 | $ 541 | $ 566 |

(1) The non-cash goodwill impairment charges are not allocated at the segment level because the underlying goodwill asset is reflective of our corporate investment in the segments. We do not include the impact of goodwill impairment charges in our evaluation of segment performance.

(2) Consists of our full-time professionals who provide consulting services and generate revenues based on the number of hours worked.

(3) Utilization rate for our full-time billable consultants is calculated by dividing the number of hours all of our full-time billable consultants worked on client assignments during a period by the total available working hours for all of these consultants during the same period, assuming a forty-hour work week, less paid holidays and vacation days.

(4) Average billing rate per hour for our full-time billable consultants is calculated by dividing revenues for a period by the number of hours worked on client assignments during the same period.

(5) The Business Advisory segment includes operations of Huron Eurasia India. Absent the impact of Huron Eurasia India, the average billing rate per hour for the Business Advisory segment would have been $228, $246, and $233 for the years ended December 31, 2019, 2018 and 2017, respectively.

Absent the impact of Huron Eurasia India, Huron's consolidated average billing rate per hour would have been $220, $218, and $216 for the years ended December 31, 2019, 2018 and 2017, respectively.

(6) Consists of coaches and their support staff within our Culture and Organizational Excellence solution, consultants who work variable schedules as needed by our clients, employees who provide managed services in our Healthcare segment, and full-time employees who provide software support and maintenance services to our clients.

**Non-GAAP Measures**

We also assess our results of operations using certain non-GAAP financial measures. These non-GAAP financial measures differ from GAAP because the non-GAAP financial measures we calculate to measure earnings (loss) before interest, taxes, depreciation and amortization ("EBITDA"), adjusted EBITDA, adjusted EBITDA as a percentage of revenues, adjusted net income from continuing operations, and adjusted diluted earnings per share from continuing operations exclude a number of items required by GAAP, each discussed below. These non-GAAP financial measures should be considered in addition to, and not as a substitute for or superior to, any measure of performance, cash flows, or liquidity prepared in accordance with GAAP. Our non-GAAP financial measures may be defined differently from time to time and may be defined differently than similar terms used by other companies, and accordingly, care should be exercised in understanding how we define our non-GAAP financial measures.

Our management uses the non-GAAP financial measures to gain an understanding of our comparative operating performance, for example when comparing such results with previous periods or forecasts. These non-GAAP financial measures are used by management in their financial and operating decision making because management believes they reflect our ongoing business in a manner that allows for meaningful period-to-period comparisons. Management also uses these non-GAAP financial measures when publicly providing our business outlook, for internal management purposes, and as a basis for evaluating potential acquisitions and dispositions. We believe that these non-GAAP financial measures provide useful information to investors and others in understanding and evaluating Huron's current operating performance and future prospects in the same manner as management does and in comparing in a consistent manner Huron's current financial results with Huron's past financial results.

The reconciliations of these financial measures from GAAP to non-GAAP are as follows (in thousands, except per share amounts):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| **Revenues** | $ 876,757 | $ 795,125 | $ 732,570 |
| Net income (loss) from continuing operations | $ 41,979 | $ 13,944 | $ (170,505) |
| Add back: | | | |
| Income tax expense (benefit) | 10,512 | 11,277 | (51,999) |
| Interest expense, net of interest income | 15,648 | 19,013 | 18,613 |
| Depreciation and amortization | 33,740 | 38,822 | 49,145 |
| **Earnings (loss) before interest, taxes, depreciation and amortization (EBITDA)** | 101,879 | 83,056 | (154,746) |
| Add back: | | | |
| Restructuring charges | 1,855 | 3,657 | 6,246 |
| Litigation and other losses (gains), net | (1,196) | (2,019) | 1,111 |
| Transaction-related expenses | 2,680 | — | — |
| Goodwill impairment charges | — | — | 253,093 |
| Other non-operating expense (income), net | — | 5,807 | (696) |
| Foreign currency transaction losses (gains), net | 160 | 475 | (434) |
| **Adjusted EBITDA** | $ 105,378 | $ 90,976 | $ 104,574 |
| **Adjusted EBITDA as a percentage of revenues** | 12.0% | 11.4% | 14.3% |

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| **Net income (loss) from continuing operations** | $ 41,979 | $ 13,944 | $ (170,505) |
| **Weighted average shares - diluted** | 22,507 | 22,058 | 21,439 |
| **Diluted earnings (loss) per share from continuing operations** | $ 1.87 | $ 0.63 | $ (7.95) |
| Add back: | | | |
| Amortization of intangible assets | 17,793 | 23,955 | 35,027 |
| Restructuring charges | 1,855 | 3,657 | 6,246 |
| Litigation and other losses (gains), net | (1,196) | (2,019) | 1,111 |
| Transaction-related expenses | 2,680 | — | — |
| Goodwill impairment charges | — | — | 253,093 |
| Non-cash interest on convertible notes | 6,436 | 8,232 | 7,851 |
| Other non-operating expense (income), net | — | 5,807 | (696) |
| Tax effect of adjustments | (7,200) | (9,487) | (91,557) |
| Tax expense related to the enactment of Tax Cuts and Jobs Act of 2017 | — | 1,749 | 8,762 |
| Tax benefit related to "check-the-box" election | (736) | — | (2,728) |
| Total adjustments, net of tax | 19,632 | 31,894 | 217,109 |
| **Adjusted net income from continuing operations** | $ 61,611 | $ 45,838 | $ 46,604 |
| **Adjusted weighted average shares - diluted** | 22,507 | 22,058 | 21,627 |
| **Adjusted diluted earnings per share from continuing operations** | $ 2.74 | $ 2.08 | $ 2.15 |

These non-GAAP financial measures include adjustments for the following items:

*Amortization of intangible assets:* We have excluded the effect of amortization of intangible assets from the calculation of adjusted net income from continuing operations presented above. Amortization of intangibles is inconsistent in its amount and frequency and is significantly affected by the timing and size of our acquisitions.

*Restructuring charges:* We have incurred charges due to the restructuring of various parts of our business. These restructuring charges have primarily consisted of costs associated with office space consolidations, including lease impairment charges and accelerated depreciation on lease-related property and equipment, and severance charges. We have excluded the effect of the restructuring charges from our non-GAAP measures because the amount of each restructuring charge is significantly affected by the timing and size of the restructured business or component of a business.

*Litigation and other losses (gains), net:* We have excluded the effects of litigation and other losses (gains), net which primarily consist of net remeasurement losses and gains related to contingent acquisition liabilities and litigation settlement losses and gains to permit comparability with periods that were not impacted by these items.

*Transaction-related expenses:* To permit comparability with prior periods, we excluded the impact of transaction-related expenses for acquisitions, whether or not ultimately consummated, and which primarily relate to third-party legal and accounting fees. The transaction-related expenses incurred in 2019 primarily related to the evaluation of a potential acquisition that ultimately did not consummate.

*Goodwill impairment charges:* We have excluded the effect of the goodwill impairment charges that occurred in 2017 as these are infrequent events and their exclusion permits comparability with periods that were not impacted by such charges.

*Non-cash interest on convertible notes:* We incurred non-cash interest expense relating to the implied value of the equity conversion component of our Convertible Notes. The value of the equity conversion component was treated as a debt discount and amortized to interest expense over the life of the Convertible Notes using the effective interest rate method. We exclude this non-cash interest expense that does not represent cash interest payments from the calculation of adjusted net income from continuing operations as management believes that this non-cash expense is not indicative of the ongoing performance of our business.

*Other non-operating expense (income), net:* We have excluded the effects of other non-operating income and expense items as they are infrequent, management believes that these items are not indicative of the ongoing performance of our business, and their exclusion permits comparability with periods that were not impacted by such items. The other non-operating expense for 2018 consists of the loss on the sale of the Middle East practice within the Business Advisory segment in 2018. The other non-operating income for 2017 is primarily attributable to a $0.9 million gain on the sale of our Life Sciences C&O practice, partially offset by a $0.3 million remeasurement loss recorded on a promissory note that was amended in 2017.

*Foreign currency transaction losses (gains), net:* We have excluded the effect of foreign currency transaction losses and gains from the calculation of adjusted EBITDA because the amount of each loss or gain is significantly affected by timing and changes in foreign exchange rates.

*Tax effect of adjustments:* The non-GAAP income tax adjustment reflects the incremental tax impact applicable to the non-GAAP adjustments.

*Tax expense related to the enactment of Tax Cuts and Jobs Act of 2017 ("2017 Tax Reform"):* We have excluded the impact of the 2017 Tax Reform, which was enacted in the fourth quarter of 2017. The net tax expense recorded in 2018 was due to a valuation allowance for foreign tax credits and an adjustment to our withholding tax on outside basis differences due to our change in assertion for permanent reinvestment, which were partially offset by U.S. federal return to provision adjustments related to 2017 Tax Reform items on our 2017 corporate tax return. The tax expense for 2017 was primarily due to the remeasurement of net deferred tax balances at the lower federal income tax rate, additional one-time income tax expense related to the transition tax on accumulated foreign earnings, and withholding tax on outside basis differences due to our change in assertion for permanent reinvestment. The exclusion of the 2017 Tax Reform permits comparability with periods that were not impacted by this item.

*Tax benefit related to "check-the-box" election:* We have excluded the positive impacts of tax benefits related to our "check-the-box" elections. The tax benefit recorded in 2019 was the result of recognizing a previously unrecognized tax benefit due to the expiration of statute of limitations on our "check-the-box" election made in 2015 to treat certain wholly-owned foreign subsidiaries as disregarded entities for U.S. federal income tax purposes. The tax benefit recorded in 2017 was the result of recognizing a previously unrecognized tax benefit from our "check-the-box" election made in 2014 to treat one of our wholly-owned foreign subsidiaries as a disregarded entity for U.S. federal income tax purposes. The exclusion of these discrete tax benefits permit comparability with periods that were not impacted by this item. Refer to Note 17 “Income Taxes” within the notes to the consolidated financial statements for additional information on our "check-the-box" elections.

*Income tax expense, Interest expense, net of interest income, Depreciation and amortization:* We have excluded the effects of income tax expense, interest expense, net of interest income, and depreciation and amortization in the calculation of EBITDA as these are customary exclusions as defined by the calculation of EBITDA to arrive at meaningful earnings from core operations excluding the effect of such items.

*Adjusted weighted average shares - diluted:* As we reported a net loss for the year ended December 31, 2017, GAAP diluted weighted average shares outstanding equals the basic weighted average shares outstanding for that period. For the year ended December 31, 2017, the non-GAAP adjustments described above resulted in adjusted net income from continuing operations. Therefore, we included the dilutive common stock equivalents in the calculation of adjusted diluted weighted average shares outstanding for that period.

**Year Ended December 31, 2019 Compared to Year Ended December 31, 2018**

**Revenues**

Revenues increased $81.6 million, or 10.3%, to $876.8 million for the year ended December 31, 2019, from $795.1 million for the year ended December 31, 2018. Of the overall $81.6 million increase in revenues, $76.9 million was driven by our full-time billable consultants and $4.7 million was driven by our full-time equivalents.

The increase in full-time billable consultant revenues was attributable to strengthened demand for services in all of our segments, as discussed below in Segment Results, and reflected an increase in the average number of full-time billable consultants in 2019 compared to 2018.

The increase in full-time equivalent revenues was attributable to increases in full-time equivalent revenues in our Education and Healthcare segments, partially offset by a decrease in full-time equivalent revenues in our Business Advisory segment, as discussed below in Segment Results; and reflected an overall increase in the average number of full-time equivalents, partially offset by an overall decrease in revenue per full-time equivalent.

**Total Direct Costs**

Our total direct costs, including amortization of intangible assets and software development costs, increased $55.2 million, or 10.5%, to $581.0 million for the year ended December 31, 2019 from $525.8 million for the year ended December 31, 2018. The overall $55.2 million increase in direct costs primarily related to a $32.2 million increase in salaries and related expenses for our revenue-generating professionals, which was largely driven by increased headcount in all of our segments; a $15.7 million increase in performance bonus expense for our revenue-generating professionals; a $3.2 million increase in contractor expense; and a $2.3 million increase in share-based compensation expense for our revenue-generating professionals. As a percentage of revenues, our total direct costs increased to 66.3% during 2019 compared to 66.1% during 2018, primarily due to the increase in performance bonus expense for our revenue-generating professionals as a percentage of revenues, largely offset by revenue growth that outpaced the increase in salaries and related expenses for our revenue-generating professionals.

Total direct costs for the year ended December 31, 2019 included $5.4 million of amortization expense for internal software development costs and intangible assets, compared to $4.2 million of amortization expense in 2018. The $1.1 million increase in amortization expense was primarily attributable to a $1.4 million increase in amortization of internal software development costs, partially offset by a $0.2 million decrease in intangible asset amortization attributable to certain intangible assets acquired in our Studer Group acquisition which were fully amortized in prior periods. Intangible asset amortization included within direct costs for the years ended December 31, 2019 and 2018 related to technology and software, certain customer relationships, publishing content and customer contracts acquired in connection with our business acquisitions. See Note 3 "Acquisitions" and Note 4 "Goodwill and Intangible Assets" within the notes to our consolidated financial statements for additional information about our intangible assets.

**Operating Expenses and Other Losses (Gains), Net**

Selling, general and administrative expenses increased $22.1 million, or 12.2%, to $203.1 million for the year ended December 31, 2019, compared to $181.0 million for the year ended December 31, 2018. The overall increase of $22.1 million was primarily related to a $10.9 million increase in salaries and related expenses for our support personnel; a $4.5 million increase in data hosting and software related expenses; a $2.7 million increase in share-based compensation expense for our support personnel; a $2.4 million increase in legal expenses; a $1.7 million increase in performance bonus expense for our support personnel; and a $1.3 million increase in promotion and marketing expenses. These increases were partially offset by a $2.2 million decrease in facilities expense. The increases in share-based compensation expense and performance bonus expense for our support personnel were largely driven by overall improved company-wide performance. The increase in legal expenses was primarily due to third-party transaction-related expenses related to the evaluation of a potential acquisition that ultimately did not consummate. As a percentage of revenues, selling, general and administrative expenses increased to 23.2% during 2019 compared to 22.8% during 2018, primarily due to the items described above.

Restructuring charges for the year ended December 31, 2019 totaled $1.9 million, compared to $3.7 million for the year ended December 31, 2018. During 2019, we exited a portion of our Lake Oswego, Oregon office resulting in a $0.7 million lease impairment charge on the related operating lease right-of-use ("ROU") asset and leasehold improvements and $0.2 million of accelerated depreciation on furniture and fixtures in that office. The lease impairment charge was recognized in accordance with ASC 842, *Leases*, which we adopted on a modified retrospective basis on January 1, 2019. See Note 2 "Summary of Significant Accounting Policies" within the notes to our consolidated financial statements for additional information on our adoption of ASC 842. See Note 5 "Leases" within the notes to our consolidated financial statements for additional information on the long-lived asset impairment test performed in 2019. Additionally, during 2019, we exited the remaining portion of our Middleton, Wisconsin office and an office space in Houston, Texas, resulting in restructuring charges of $0.4 million and $0.1 million, respectively, which primarily related to accelerated depreciation on related furniture and fixtures in those offices. During the fourth quarter of 2019, we entered into an amendment to the lease of our principal executive offices in Chicago, Illinois. Among other items, the amendment terminated the lease with respect to certain leased space which we previously vacated and currently sublease to a third-party. As a result of the amendment, we recognized a restructuring gain of $0.4 million. See Note 5 "Leases" for additional information on the amendment. Additional restructuring charges during 2019 include $0.6 million related to workforce reductions as we continue to better align resources with market demand and workforce reductions in our corporate operations.

The $3.7 million of restructuring charges in 2018 primarily consisted of $2.1 million related to workforce reductions to better align resources with market demand; $0.8 million related to the accrual of remaining lease payments, net of estimated sublease income, and accelerated depreciation on leasehold improvements due to exiting a portion of our Middleton, Wisconsin office; $0.4 million related to updated lease assumptions and commission costs for our San Francisco office vacated in 2017; and $0.3 million related to the divestiture of our Middle East practice within the Business Advisory segment. During the second quarter of 2018, we sold our Middle East business to a former employee who was the practice leader of that business at the time. The office exit costs incurred in 2018 were accounted for in accordance with ASC 840, *Leases.* See Note 11 "Restructuring Charges" within the notes to our consolidated financial statements for further discussion of our restructuring expenses.

Litigation and other losses (gains), net totaled to a net gain of $1.2 million for the year ended December 31, 2019, which primarily consisted of $1.5 million of remeasurement gains to decrease the estimated fair value of our liabilities for contingent consideration payments related to business acquisitions, partially offset by a $0.4 million litigation loss accrual related to a legal claim that was subsequently settled during the first quarter of 2020. Litigation and other losses (gains), net totaled a net gain of $2.0 million for the year ended December 31, 2018, which primarily consisted of a $2.5 million litigation settlement gain for the resolution of Huron's claim in a class action lawsuit, partially offset by $0.4 million of net remeasurement losses to increase the estimated fair value of our contingent consideration liabilities related to business acquisitions. In connection with certain business acquisitions, we may be required to pay post-closing consideration to the sellers if specific financial performance targets are met over a number of years as specified in the related purchase agreements. See Note 13 "Fair Value of Financial Instruments" within the notes to our consolidated financial statements for additional information on the fair value of contingent consideration liabilities.

Depreciation and amortization expense decreased $6.2 million, or 18.0%, to $28.4 million for the year ended December 31, 2019, from $34.6 million for the year ended December 31, 2018. The decrease was primarily attributable to decreasing amortization expense of the trade name and customer relationships acquired in our Studer Group acquisition and certain customer relationships acquired in other business acquisitions, due to the accelerated basis of amortization in prior periods, as well as certain other customer relationships acquired in business acquisitions that were fully amortized in prior periods. Intangible asset amortization included within operating expenses for the years ended December 31, 2019 and 2018 primarily related to certain customer relationships, trade names and non-competition agreements acquired in connection with our business acquisitions. See Note 3 “Acquisitions” and Note 4 “Goodwill and Intangible Assets” within the notes to our consolidated financial statements for additional information about our intangible assets.

**Operating Income**

Operating income increased $11.6 million, to $63.7 million for the year ended December 31, 2019, from $52.1 million for the year ended December 31, 2018. Operating margin, which is defined as operating income expressed as a percentage of revenues, increased to 7.3% in 2019 compared to 6.6% in 2018. The increase in operating margin was primarily attributable to the revenue growth that outpaced the increase in salaries and related expenses for our revenue-generating professionals and the decrease in intangible asset amortization expense; partially offset by the increase in performance bonus expense for our revenue-generating professionals, as a percentage of revenues.

**Other Expense, Net**

Total other expense, net decreased by $15.7 million to $11.2 million for the year ended December 31, 2019, from $26.9 million for the year ended December 31, 2018. The decrease in total other expense, net was primarily attributable to a $4.5 million net gain recognized in 2019 for the market value of our investments that are used to fund our deferred compensation liability, compared to a net loss of $1.6 million in 2018; as well as a $5.8 million loss recorded in 2018 related to the divestiture of our Middle East practice within our Business Advisory segment. During the second quarter of 2018, we sold our Middle East business to a former employee who was the practice leader of that business at the time. Interest expense, net of interest income decreased $3.4 million to $15.6 million in 2019 from $19.0 million in 2018, which was primarily attributable to the maturity of our Convertible Notes on October 1, 2019. See Note 7 “Financing Arrangements” within the notes to our consolidated financial statements for additional information about our Convertible Notes.

**Income Tax Expense**

For the year ended December 31, 2019, our effective tax rate was 20.0% as we recognized income tax expense from continuing operations of $10.5 million on income from continuing operations of $52.5 million. For the year ended December 31, 2018, our effective tax rate was 44.7% as we recognized income tax expense from continuing operations of $11.3 million on income from continuing operations of $25.2 million.

The effective tax rate for 2019 was more favorable than the statutory rate, inclusive of state income taxes, of 25.9%, primarily due to a $1.6 million tax benefit related to federal and state tax credits, which had a favorable impact of 3.1% on the effective tax rate; a $1.5 million tax benefit related to the change in valuation allowance primarily due to realizing deferred tax assets recorded for foreign tax credits, which had a favorable impact of 2.9% on the effective tax rate; and a $1.0 million tax benefit related to non-taxable gains on our investments used to fund our deferred compensation liability, which had a favorable impact of 1.8% on the effective tax rate. These favorable items were partially offset by $1.0 million of additional tax expense related to disallowed executive compensation, which had an unfavorable impact of 2.0% on the effective tax rate.

The effective tax rate for 2018 was less favorable than the statutory rate, inclusive of state income taxes, of 26.2%, primarily due to $1.8 million of discrete tax expense for valuation allowances, primarily due to uncertainties relating to the ability to utilize deferred tax assets recorded for foreign tax credits, which had an unfavorable impact of 6.9% on the effective tax rate; $1.2 million of discrete tax expense for share-based compensation awards that vested during 2018, which had an unfavorable impact of 4.9% on the effective tax rate; $0.6 million of additional tax expense related to disallowed executive compensation, which had an unfavorable impact of 2.5% on the effective tax rate; and $0.6 million of additional tax expense related to the change in fair value of contingent consideration, which had an unfavorable impact of 2.4% on the effective tax rate.

**Net Income from Continuing Operations**

Net income from continuing operations increased by $28.0 million to $42.0 million for the year ended December 31, 2019, from $13.9 million for the year ended December 31, 2018. As a result of the increase in net income from continuing operations, diluted earnings per share from continuing operations for the year ended December 31, 2019 was $1.87 compared to $0.63 for 2018.

**EBITDA and Adjusted EBITDA**

EBITDA increased $18.8 million to $101.9 million for the year ended December 31, 2019, from $83.1 million for the year ended December 31, 2018. Adjusted EBITDA increased $14.4 million to $105.4 million in 2019 from $91.0 million in 2018. The increase in EBITDA was primarily attributable to the increase in revenues for the year ended December 31, 2019 compared to the same prior year period and the loss on the divestiture of our Middle East business within our Business Advisory segment recorded in 2018. These increases to EBITDA were partially offset by the increases in salaries and related expenses for our revenue-generating professionals, selling, general and administrative expenses, and performance bonus expense for our revenue-generating professionals recognized in 2019 compared to 2018. The increase in adjusted EBITDA was primarily attributable to the increase in revenues, partially offset by the increases in salaries and related expenses for our revenue-generating professionals, selling, general and administrative expenses, and performance bonus expense for our revenue-generating professionals in 2019 compared to 2018.

**Adjusted Net Income from Continuing Operations**

Adjusted net income from continuing operations increased $15.8 million to $61.6 million for the year ended December 31, 2019, compared to $45.8 million for the year ended December 31, 2018. As a result of the increase in adjusted net income from continuing operations, adjusted diluted earnings per share from continuing operations increased by $0.66 to $2.74 in 2019, compared to $2.08 in 2018.

**Segment Results**

**Healthcare**

***Revenues***

Healthcare segment revenues increased $34.5 million, or 9.4%, to $399.2 million for the year ended December 31, 2019, from $364.8 million for the year ended December 31, 2018.

For the year ended December 31, 2019, revenues from fixed-fee arrangements; time-and-expense arrangements; performance-based arrangements; and software support, maintenance and subscription arrangements represented 62.5%, 13.8%, 17.8%, and 5.9% of this segment's revenues, respectively, compared to 65.6%, 16.0%, 11.7%, and 6.7%, respectively, in 2018. Performance-based fee revenue was $71.1 million in 2019, compared to $42.7 million in 2018. The level of performance-based fees earned may vary based on our clients' risk sharing preferences and the mix of services we provide.

Of the overall $34.5 million increase in revenues, $33.5 million was attributable to an increase in revenues from our full-time billable consultants and $1.0 million was attributable to our full-time equivalents. The increase in revenues attributable to our full-time billable consultants reflected increases in the average billing rate and the average number of full-time billable consultants, partially offset by a decrease in the consultant utilization rate in 2019 compared to 2018. The increase in revenues attributable to our full-time equivalents reflected an increase in the average number of full-time equivalents, partially offset by a decrease in the revenue per full-time equivalent in 2019 compared to 2018.

***Operating Income***

Healthcare segment operating income increased $17.7 million, or 16.3%, to $125.7 million for the year ended December 31, 2019, from $108.1 million for the year ended December 31, 2018. The Healthcare segment operating margin, defined as segment operating income expressed as a percentage of segment revenues, increased to 31.5% in 2019 from 29.6% in 2018. The increase in this segment's operating margin was primarily attributable to revenue growth that outpaced an increase in salaries and related expenses for our revenue-generating professionals, partially offset by an increase in performance bonus expense for our revenue-generating professionals, as a percentage of revenues.

**Business Advisory**

***Revenues***

Business Advisory segment revenues increased $16.3 million, or 6.9%, to $252.5 million for the year ended December 31, 2019, from $236.2 million for the year ended December 31, 2018.

For the year ended December 31, 2019, revenues from fixed-fee arrangements; time-and-expense arrangements; performance-based arrangements; and software support, maintenance and subscription arrangements represented 39.9%, 55.3%, 2.7%, and 2.1% of this segment's revenues, respectively, compared to 41.5%, 54.5%, 2.3%, and 1.7%, respectively, in 2018. Performance-based fee revenue for the year ended December 31, 2019 was $6.9 million compared to $5.4 million in 2018. The level of performance-based fees earned may vary based on our clients' preferences and the mix of services we provide.

Of the overall $16.3 million increase in revenues, $18.0 million was attributable to an increase in revenues generated by our full-time billable consultants; partially offset by a $1.7 million decrease in revenues generated by our full-time equivalents. The increase in revenues from our full-time billable consultants reflected an increase in the average number of full-time billable consultants, partially offset by decreases in the average billing rate and the consultant utilization rate. The decrease in revenues from our full-time equivalents was driven by a decreased use of contractors and project consultants, partially offset by an increase in software support and maintenance revenues; and reflected a decrease in the average number of full-time equivalents, partially offset by an increase in revenue per full-time equivalent in 2019 compared to 2018.

***Operating Income***

Business Advisory segment operating income decreased by $0.9 million, or 1.8%, to $49.7 million for the year ended December 31, 2019, compared to $50.6 million for the year ended December 31, 2018. Segment operating margin decreased to 19.7% for 2019 from 21.4% for 2018. The decrease in this segment's operating margin was also attributable to increases in salaries and related expenses and performance bonus expense for our revenue-generating professionals, as percentages of revenues. These decreases to the operating margin, were offset by decreases in contractor expense, restructuring charges, and third-party consulting expenses. Additionally, the decrease in the operating margin reflected a higher percentage of this segment's revenues derived from our lower margin solutions in 2019 compared to 2018.

**Education**

***Revenues***

Education segment revenues increased $30.9 million, or 15.9%, to $225.0 million for the year ended December 31, 2019, from $194.2 million for the year ended December 31, 2018.

For the year ended December 31, 2019, revenues from fixed-fee arrangements; time-and-expense arrangements; and software support, maintenance and subscription arrangements represented 23.0%, 68.8%, and 8.2% of this segment's revenues, respectively, compared to 20.4%, 72.5%, and 7.1%, respectively, in 2018.

Of the overall $30.9 million increase in revenues, $25.4 million was attributable to revenues generated by our full-time billable consultants and $5.5 million was attributable to our full-time equivalents. The increase in revenues from our full-time billable consultants reflected an increase in the average number of full-time billable consultants; partially offset by a decrease in the average billing rate in 2019 compared to 2018. The increase in revenues from our full-time equivalents was primarily driven by an increased use of contractors and an increase in software and data hosting revenues, partially offset by a decreased use of project consultants; and reflected increases in the average number of full-time equivalents and revenue per full-time equivalent in 2019 compared to 2018.

***Operating Income***

Education segment operating income increased $7.5 million, or 15.5%, to $55.7 million for the year ended December 31, 2019, from $48.2 million for the year ended December 31, 2018. The Education segment operating margin was 24.8% for both 2019 and 2018. The Education segment's revenue growth outpaced increases in salaries and related expenses for our revenue-generating professionals and selling, general and administrative expenses. This increase to the operating margin was offset by increases in contractor expense and performance bonus expense for our revenue-generating professionals, as percentages of revenues.

**LIQUIDITY AND CAPITAL RESOURCES**

Cash and cash equivalents were $11.6 million, $33.1 million, and $16.9 million at December 31, 2019, 2018, and 2017, respectively. As of December 31, 2019, our primary sources of liquidity are cash on hand, cash flows from our U.S. operations, and borrowing capacity available under our credit facility.

| | Year Ended December 31, | | |
|---|---|---|---|
| **Cash Flows (in thousands):** | **2019** | **2018** | **2017** |
| Net cash provided by operating activities | $ 132,220 | $ 101,658 | $ 99,795 |
| Net cash used in investing activities | (35,002) | (18,562) | (128,948) |
| Net cash provided by (used in) financing activities | (118,836) | (66,690) | 28,821 |
| Effect of exchange rate changes on cash | 115 | (208) | 214 |
| Net increase (decrease) in cash and cash equivalents | $ (21,503) | $ 16,198 | $ (118) |

**Operating Activities**

Net cash provided by operating activities totaled $132.2 million and $101.7 million for the years ended December 31, 2019 and 2018, respectively. Our operating assets and liabilities consist primarily of receivables from billed and unbilled services, accounts payable and accrued expenses, accrued payroll and related benefits, and deferred revenues. The volume of services rendered and the related billings and timing of collections on those billings, as well as payments of our accounts payable and salaries, bonuses, and related benefits to employees affect these account balances.

The increase in cash provided by operating activities in 2019 compared to 2018 was primarily attributable to an increase in cash collections from clients, which was driven by revenue growth, partially offset by the higher amount paid for annual performance bonuses during the first quarter of 2019 compared to the first quarter of 2018.

**Investing Activities**

Net cash used in investing activities was $35.0 million and $18.6 million for the years ended December 31, 2019 and 2018, respectively.

The use of cash in 2019 primarily consisted of $13.2 million for purchases of property and equipment, primarily related to purchases of computers and network equipment and leasehold improvements for new office spaces in certain locations; $10.3 million for payments related to internally developed software; $5.0 million for a purchase of investment securities in the fourth quarter of 2019; $4.7 million for contributions to our life insurance policies which fund our deferred compensation plan; and $2.5 million for the purchase of a business in the third quarter of 2019.

The use of cash in 2018 primarily consisted of $8.9 million for purchases of property and equipment, primarily related to purchases of computers and network equipment; $6.1 million for payments related to internally developed software; $2.3 million for payments related to the divestiture of our Middle East practice within the Business Advisory segment; and $2.0 million for contributions to our life insurance policies which fund our deferred compensation plan.

We estimate that cash utilized for purchases of property and equipment and software in 2020 will be approximately $25 to $30 million; primarily consisting of software development costs, information technology related equipment to support our corporate infrastructure, and leasehold improvements for certain office locations.

**Financing Activities**

Net cash used in financing activities was $118.8 million and $66.7 million for the years ended December 31, 2019 and 2018, respectively.

During 2019, we borrowed $347.0 million under our credit facility, of which $217.0 million was used to repay a portion of the $250.0 million outstanding principal on our Convertible Notes in the fourth quarter of 2019. The remaining $33.0 million outstanding principal on our Convertible Notes was repaid with cash on hand. During 2019, we also made repayments on our credit facility of $192.5 million. Additionally, we repurchased and retired $14.2 million of our common stock under our Share Repurchase Program, as defined below, of which $1.2 million settled in the first quarter of 2020. During 2019, we paid $10.0 million to the sellers of certain business acquisitions for achieving specified financial performance targets in accordance with the related purchase agreements. Of the total $10.0 million paid, $4.7 million is classified as a cash outflow from financing activities and represents the amount paid up to the initial fair value of contingent consideration liability recorded as of the acquisition date. The remaining $5.3 million is classified as a cash outflow from operating activities.

During 2018, we borrowed $204.3 million under our credit facility and made repayments on our credit facility of $259.8 million. We also paid $12.0 million to the sellers of certain businesses acquisitions for achieving specified financial performance targets in accordance with the related purchase agreements. Of the $12.0 million paid, $7.0 million is classified as a cash outflow from financing activities and represents the amount paid up to the initial fair value of the contingent consideration liability recorded as of the acquisition date. The remaining $5.0 million is classified as a cash outflow from operating activities.

*Share Repurchase Program*

We currently have a share repurchase program permitting us to repurchase up to $125 million of our common stock through October 31, 2020 (the "Share Repurchase Program"). The amount and timing of the repurchases will be determined by management and will depend on a variety of factors, including the trading price of our common stock, capacity under our credit facility, general market and business conditions, and applicable legal requirements. In 2019, we repurchased and retired 210,437 shares for $14.2 million, of which $1.2 million settled in the first quarter of 2020. No shares were repurchased under this program in 2018. As of December 31, 2019, $20.9 million remains available for share repurchases.

**Financing Arrangements**

At December 31, 2019, we had $205.0 million outstanding under our senior secured credit facility and $3.9 million outstanding under a promissory note, as discussed below. The Convertible Notes matured on October 1, 2019.

*1.25% Convertible Senior Notes*

In September 2014, we issued $250 million principal amount of 1.25% convertible senior notes due 2019 in a private offering. The Convertible Notes were senior unsecured obligations of the Company and paid interest semi-annually on April 1 and October 1 of each year at an annual rate of 1.25%. The Convertible Notes matured on October 1, 2019. Upon maturity, we refinanced $217.0 million of the principal amount of the outstanding Convertible Notes with the borrowing capacity available under our revolving credit facility and funded the remaining $33.0 million principal payment with cash on hand. See Note 7 “Financing Arrangements” within the notes to the consolidated financial statements for additional information on our Convertible Notes.

*Senior Secured Credit Facility*

The Company has a $600 million senior secured revolving credit facility, subject to the terms of a Second Amended and Restated Credit Agreement dated as of March 31, 2015, as amended to date (as amended and modified the "Amended Credit Agreement"), that becomes due and payable in full upon maturity on September 27, 2024. The Amended Credit Agreement provides the option to increase the revolving credit facility or establish term loan facilities in an aggregate amount of up to $150 million, subject to customary conditions and the approval of any lender whose commitment would be increased, resulting in a maximum available principal amount under the Amended Credit Agreement of $750 million. Borrowings under the Amended Credit Agreement may be used for working capital, capital expenditures, acquisitions of businesses, share repurchases, and general corporate purposes.

Fees and interest on borrowings vary based on our Consolidated Leverage Ratio (as defined in the Amended Credit Agreement). At our option, borrowings under the Amended Credit Agreement will bear interest at one, two, three or six-month LIBOR or an alternate base rate, in each case plus the applicable margin. The applicable margin will fluctuate between 1.125% per annum and 1.875% per annum, in the case of LIBOR borrowings, or between 0.125% per annum and 0.875% per annum, in the case of base rate loans, based upon our Consolidated Leverage Ratio at such time.

Amounts borrowed under the Amended Credit Agreement may be prepaid at any time without premium or penalty. We are required to prepay the amounts outstanding under the Amended Credit Agreement in certain circumstances. In addition, we have the right to permanently reduce or terminate the unused portion of the commitments provided under the Amended Credit Agreement at any time.

The Amended Credit Agreement contains usual and customary representations and warranties; affirmative and negative covenants, which include limitations on liens, investments, additional indebtedness, and restricted payments; and two quarterly financial covenants as follows: (i) a maximum Consolidated Leverage Ratio (defined as the ratio of debt to consolidated EBITDA) of 3.75 to 1.00; however, the maximum permitted Consolidated Leverage Ratio will increase to 4.00 to 1.00 upon the occurrence of certain transactions, and (ii) a minimum Consolidated Interest Coverage Ratio (defined as the ratio of consolidated EBITDA to interest) of 3.50 to 1.00. Consolidated EBITDA for purposes of the financial covenants is calculated on a continuing operations basis and includes adjustments to add back non-cash goodwill impairment charges, share-based compensation costs, certain non-cash restructuring charges, pro forma historical EBITDA for businesses acquired, and other specified items in accordance with the Amended Credit Agreement. At December 31, 2019 and December 31, 2018, we were in compliance with these financial covenants. Our Consolidated Leverage Ratio as of December 31, 2019 was 1.64 to 1.00, compared to 2.83 to 1.00 as of December 31, 2018. Our Consolidated Interest Coverage Ratio as of December 31, 2019 was 15.29 to 1.00, compared to 11.03 to 1.00 as of December 31, 2018. The reduction in our Consolidated Leverage Ratio as of December 31, 2019 compared to December 31, 2018 was driven by an increase in cash flows from operations, deployment of cash to reduce borrowings and improved profitability. Our maximum borrowing capacity, after consideration of our restrictive covenants and the unused borrowing capacity under the revolving credit facility, was $271.6 million at December 31, 2019 compared to $100.1 million at December 31, 2018.

Principal borrowings outstanding under the Amended Credit Agreement at December 31, 2019 and December 31, 2018 totaled $205.0 million and $50.0 million, respectively. These borrowings carried a weighted average interest rate of 3.0% at December 31, 2019 and 3.7% at December 31, 2018 including the impact of the interest rate swap described in Note 12 “Derivative Instruments and Hedging Activity" within the notes to the consolidated financial statements. The borrowing capacity under the revolving credit facility is reduced by any outstanding borrowings under the revolving credit facility and outstanding letters of credit. At December 31, 2019, we had outstanding letters of credit totaling $1.7 million, which are primarily used as security deposits for our office facilities.

The Amended Credit Agreement contains restricted payment provisions, including a potential limit on the amount of dividends we may pay. Pursuant to the terms of the Amended Credit Agreement, if our Consolidated Leverage Ratio is greater than 3.25, the amount of dividends and other Restricted Payments (as defined in the Amended Credit Agreement) we may pay is limited to an amount up to $25 million.

For further information, see Note 7 “Financing Arrangements” within the notes to the consolidated financial statements. For a discussion of certain risks and uncertainties related to the Amended Credit Agreement, see Part I—Item 1A. "Risk Factors.”

*Promissory Note due 2024*

On June 30, 2017, in conjunction with our purchase of an aircraft related to the acquisition of Innosight, we assumed, from the sellers of the aircraft, a promissory note with an outstanding principal balance of $5.1 million. The principal balance of the promissory note is subject to scheduled monthly principal payments until the maturity date of March 1, 2024, at which time a final payment of $1.5 million, plus any accrued and unpaid interest, will be due. Under the terms of the promissory note, we pay interest on the outstanding principal amount at a rate of one-month LIBOR plus 1.97% per annum. The obligations under the promissory note are secured pursuant to a Loan and Aircraft Security Agreement with Banc of America Leasing & Capital, LLC, which grants the lender a first priority security interest in the aircraft. At December 31, 2019, the outstanding principal amount of the promissory note was $3.9 million, and the aircraft had a carrying amount of $5.1 million. At December 31, 2018, the outstanding principal amount of the promissory note was $4.4 million, and the aircraft had a carrying amount of $5.8 million.

For further information, see Note 7 “Financing Arrangements” within the notes to the consolidated financial statements.

**Future Needs**

Our primary financing need has been to fund our growth. Our growth strategy is to expand our service offerings, which may require investments in new hires, acquisitions of complementary businesses, possible expansion into other geographic areas, and related capital expenditures. We believe our internally generated liquidity, together with our available cash, the borrowing capacity available under our revolving credit facility, and access to external capital resources will be adequate to fund our long-term growth and capital needs arising from cash commitments and debt service obligations. Our ability to secure short-term and long-term financing in the future will depend on several factors, including our future profitability, the quality of our accounts receivable and unbilled services, our relative levels of debt and equity, and the overall condition of the credit markets.

**CONTRACTUAL OBLIGATIONS**

The following table represents our significant obligations and commitments as of December 31, 2019 and the scheduled years of payments (in thousands).

| | | Payments Due by Period | | | |
|---|---|---|---|---|---|
| | **Total** | **2020** | **2021-2022** | **2023-2024** | **Thereafter** |
| Long-term bank borrowings—principal and interest (1) | $ 234,037 | $ 6,113 | $ 12,226 | $ 215,698 | $ — |
| Promissory note—principal and interest (2) | 4,276 | 661 | 1,308 | 2,307 | — |
| Operating lease obligations (3) | 90,887 | 9,772 | 23,541 | 22,363 | 35,211 |
| Purchase obligations (4) | 29,593 | 15,504 | 9,869 | 4,220 | — |
| Deferred compensation (5) | 27,544 | | | | |
| Uncertain tax positions (6) | 78 | | | | |
| Total contractual obligations | $ 386,415 | $ 32,050 | $ 46,944 | $ 244,588 | $ 35,211 |

(1) The interest payments on long-term bank borrowings are estimated based on the principal amount outstanding and the interest rate in effect as of December 31, 2019. Actual future interest payments will differ due to changes in our borrowings outstanding and the interest rate on those borrowings, as the interest rate varies based on the fluctuations in the variable base rates and the spread we pay over those base rates pursuant to the Amended Credit Agreement. Refer to “Liquidity and Capital Resources” and Note 7 “Financing Arrangements” within the notes to our consolidated financial statements for more information on our outstanding borrowings.

(2) The interest payments on the promissory note are estimated based on the principal amount outstanding, scheduled principal payments, and the interest rate in effect as of December 31, 2019. Actual future interest payments may differ due to changes in the principal amount outstanding and the interest rate on that principal amount, as the interest rate varies based on the fluctuations in the one-month LIBOR rate. Refer to “Liquidity and Capital Resources” and Note 7 “Financing Arrangements” within the notes to our consolidated financial statements for more information on the promissory note.

(3) We lease our facilities under operating lease arrangements expiring on various dates through 2029, with various renewal options. We lease office facilities under non-cancelable operating leases that include fixed or minimum payments plus, in some cases, scheduled base rent increases over the term of the lease. Refer to Note 5 “Leases” within the notes to our consolidated financial statements for more information on our operating lease obligations.

(4) Purchase obligations include agreements to purchase goods or services that are enforceable, are legally binding, and specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Purchase obligations do not include agreements that are cancelable without penalty.

(5) Included in deferred compensation and other liabilities on our consolidated balance sheet as of December 31, 2019 is a $27.5 million obligation for deferred compensation. The specific payment dates for the deferred compensation are unknown; therefore, the related balances have not been reflected in the “Payments Due by Period” section of the table. This deferred compensation liability is funded by corresponding deferred compensation plan assets. Refer to Note 15 “Employee Benefit and Deferred Compensation Plans” within the notes to our consolidated financial statements for more information on our deferred compensation plan.

(6) Our liabilities for uncertain tax positions are classified as non-current and includes the accrual of potential payment of interest and penalties. We are unable to reasonably estimate the timing of future payments as it depends on examinations by taxing authorities; as such, the related balance has not been reflected in the “Payments Due by Period” section of the table.

## OFF-BALANCE SHEET ARRANGEMENTS

We are not a party to any material off-balance sheet arrangements.

## CRITICAL ACCOUNTING POLICIES

Management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Our significant accounting policies are discussed in Note 2 "Summary of Significant Accounting Policies," within the notes to our consolidated financial statements. We regularly review our financial reporting and disclosure practices and accounting policies to ensure that our financial reporting and disclosures provide accurate information relative to the current economic and business environment. The preparation of financial statements in conformity with GAAP requires management to make assessments, estimates, and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Critical accounting policies are those policies that we believe present the most complex or subjective measurements and have the most potential to impact our financial position and operating results. While all decisions regarding accounting policies are important, we believe that there are five accounting policies that could be considered critical: revenue recognition, allowances for doubtful accounts and unbilled services, business combinations, carrying values of goodwill and other intangible assets, and accounting for income taxes.

### Revenue Recognition

We generate substantially all of our revenues from providing professional services to our clients. We also generate revenues from software licenses; software support and maintenance and subscriptions to our cloud-based analytic tools and solutions; speaking engagements; conferences; and publications. A single contract could include one or multiple performance obligations. For those contracts that have multiple performance obligations, we allocate the total transaction price to each performance obligation based on its relative standalone selling price, which is determined based on our overall pricing objectives, taking into consideration market conditions and other factors.

Revenue is recognized when control of the goods and services provided are transferred to our customers and in an amount that reflects the consideration we expect to be entitled to in exchange for those goods and services using the following steps: 1) identify the contract, 2) identify the performance obligations, 3) determine the transaction price, 4) allocate the transaction price to the performance obligations in the contract, and 5) recognize revenue as or when we satisfy the performance obligations.

We typically satisfy our performance obligations for professional services over time as the related services are provided. The performance obligations related to software support and maintenance and subscriptions to our cloud-based analytic tools and solutions are typically satisfied evenly over the course of the service period. Other performance obligations, such as certain software licenses, speaking engagements, conferences, and publications, are satisfied at a point in time.

We generate our revenues under four types of billing arrangements: fixed-fee (including software license revenue); time-and-expense; performance-based; and software support, maintenance and subscriptions.

In fixed-fee billing arrangements, we agree to a pre-established fee in exchange for a predetermined set of professional services. We set the fees based on our estimates of the costs and timing for completing the engagements. We generally recognize revenues under fixed-fee billing arrangements using a proportionate performance approach, which is based on work completed to-date versus our estimates of the total services to be provided under the engagement. Contracts within our Culture and Organizational Excellence solution include fixed-fee partner contracts with multiple performance obligations, which primarily consist of coaching services, as well as speaking engagements, conferences, publications and software products ("Partner Contracts"). Revenues for coaching services and software products are generally recognized on a straight-line basis over the length of the contract. All other revenues under Partner Contracts, including speaking engagements, conferences and publications, are recognized at the time the goods or services are provided. Estimates of total engagement revenues and cost of services are monitored regularly during the term of the engagement. If our estimates indicate a potential loss, such loss is recognized in the period in which the loss first becomes probable and reasonably estimable.

We also generate revenues from software licenses for our revenue cycle management software and research administration and compliance software. Licenses for our revenue cycle management software are sold only as a component of our consulting projects, and the services we provide are essential to the functionality of the software. Therefore, revenues from these software licenses are recognized over the term of the related consulting services contract. License revenue from our research administration and compliance software is generally recognized in the month in which the software is delivered.

Time-and-expense billing arrangements require the client to pay based on the number of hours worked by our revenue-generating professionals at agreed upon rates. Time-and-expense arrangements also include certain speaking engagements, conferences, and publications purchased by our clients outside of Partner Contracts within our Culture and Organizational Excellence solution. We recognize revenues under time-and-expense arrangements as the related services or publications are provided, using the right to invoice practical expedient which allows us to recognize revenue in the amount that we have a right to invoice based on the number of hours worked and the agreed upon hourly rates or the value of the speaking engagements, conferences or publications purchased by our clients.

In performance-based billing arrangements, fees are tied to the attainment of contractually defined objectives. We enter into performance-based engagements in essentially two forms. First, we generally earn fees that are directly related to the savings formally acknowledged by the client as a result of adopting our recommendations for improving operational and cost effectiveness in the areas we review. Second, we have performance-based engagements in which we earn a success fee when and if certain predefined outcomes occur. We recognize revenue under performance-based billing arrangements using the following steps: 1) estimate variable consideration using a probability-weighted assessment of the fees to be earned, 2) apply a constraint to the estimated variable consideration to limit the amount that could be reversed when the uncertainty is resolved (the “constraint”), and 3) recognize revenue of estimated variable consideration, net of the constraint, based on work completed to-date versus our estimates of the total services to be provided under the engagement.

Clients that have purchased one of our software licenses can pay an annual fee for software support and maintenance. We also generate subscription revenue from our cloud-based analytic tools and solutions. Software support, maintenance and subscription revenues are recognized ratably over the support or subscription period. These fees are generally billed in advance and included in deferred revenues until recognized.

Provisions are recorded for the estimated realization adjustments on all engagements, including engagements for which fees are subject to review by the bankruptcy courts.

Expense reimbursements that are billable to clients are included in total revenues and reimbursable expenses. Under fixed-fee billing arrangements, we estimate the total amount of reimbursable expenses to be incurred over the course of the engagement and recognize the estimated amount as revenue using a proportionate performance approach, which is based on work completed to-date versus our estimates of the total services to be provided under the engagement. Under time-and-expense billing arrangements we recognize reimbursable expenses as revenue as the related services are provided, using the right to invoice practical expedient. Reimbursable expenses are recognized as expenses in the period in which the expense is incurred. Subcontractors that are billed to clients at cost are also included in reimbursable expenses. When billings do not specifically identify reimbursable expenses, we allocate the portion of the billings equivalent to these expenses to reimbursable expenses.

**Allowances for Doubtful Accounts and Unbilled Services**

We maintain allowances for doubtful accounts and for services performed but not yet billed based on several factors, including the estimated cash realization from amounts due from clients, an assessment of a client’s ability to make required payments, and the historical percentages of fee adjustments and write-offs by age of receivables and unbilled services. The allowances are assessed by management on a regular basis. These estimates may differ from actual results. If the financial condition of a client deteriorates in the future, impacting the client’s ability to make payments, an increase to our allowance might be required or our allowance may not be sufficient to cover actual write-offs.

We record the provision for doubtful accounts and unbilled services as a reduction in revenue to the extent the provision relates to fee adjustments and other discretionary pricing adjustments. To the extent the provision relates to a client’s inability to make required payments on accounts receivables, we record the provision to selling, general and administrative expenses.

**Business Combinations**

The assets acquired and liabilities assumed in a business combination, including identifiable intangible assets, are recorded at their estimated fair values as of the acquisition date. Goodwill is recorded as the excess of the fair value of consideration transferred, including any contingent consideration, over the fair value of the net assets acquired. We base the fair values of identifiable intangible assets on detailed valuations that require management to make significant judgments, estimates, and assumptions, such as the expected future cash flows to be derived from the intangible assets, discount rates that reflect the risk factors associated with future cash flows, and estimates of useful lives.

We measure and recognize contingent consideration at fair value as of the acquisition date. We estimate the fair value of contingent consideration based on either a probability-weighted assessment of the specific financial performance targets being achieved or a Monte Carlo simulation model, as appropriate. These fair value measurements require the use of significant judgments, estimates, and assumptions, including financial performance projections and discount rates. The fair value of the contingent consideration is reassessed quarterly based on assumptions used in our latest financial projections and input provided by practice leaders and management, with any change in the fair value estimate recorded in earnings in that period. Increases or decreases in the fair value of contingent consideration liabilities resulting from changes in the estimates or assumptions could materially impact the financial statements. See Note 3 "Acquisitions" within the notes to our consolidated financial statements for additional information regarding our acquisitions.

**Carrying Values of Goodwill and Other Intangibles Assets**

We test goodwill for impairment, at the reporting unit level, annually and whenever events or circumstances make it more likely than not that an impairment may have occurred. We perform our annual goodwill impairment test as of November 30 and monitor for interim triggering events on an ongoing basis. A reporting unit is an operating segment or one level below an operating segment (referred to as a component) to which goodwill is assigned when initially recorded. We assign goodwill to reporting units based on our integration plans and the expected synergies resulting from the acquisition. At the time of our November 30, 2019 annual goodwill impairment test, we had five reporting units with goodwill balances: Healthcare, Education, Business Advisory, Strategy and Innovation, and Life Sciences. The Business Advisory, Strategy and Innovation, and Life Sciences reporting units, along with the Enterprise Solutions and Analytics reporting unit which does not have a goodwill balance, make up our Business Advisory operating segment.

Under GAAP, we have the option to first assess qualitative factors to determine whether the existence of current events or circumstances would lead to a determination that it is more likely than not that the fair value of one of our reporting units is greater than its carrying value. If we determine it is more likely than not that the fair value of a reporting unit is greater than its carrying value, no further testing is necessary. However, if we conclude otherwise, then we are required to perform a quantitative impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying value of the reporting unit. If the fair value of the reporting unit is less than its carrying value, a non-cash impairment charge is recorded in an amount equal to that difference with the loss not to exceed the total amount of goodwill allocated to the reporting unit.

We have the option to bypass the qualitative assessment for any reporting unit and proceed directly to performing the quantitative goodwill impairment test.

For reporting units where we perform the quantitative test, we determine the fair value using a combination of the income approach and the market approach. For a company such as ours, the income and market approaches will generally provide the most reliable indications of fair value because the value of such companies is dependent on their ability to generate earnings.

The following is a discussion of our goodwill impairment analysis performed during 2019.

*2019 Annual Goodwill Impairment Analysis*

Pursuant to our policy, we performed our annual goodwill impairment test as of November 30, 2019 on our five reporting units with goodwill balances: Healthcare, Education, Business Advisory, Strategy and Innovation, and Life Sciences. We performed a qualitative assessment over the Healthcare, Education, Business Advisory, and Life Sciences reporting units to determine if it was more likely than not the respective fair values of these reporting units were less than their carrying amounts, including goodwill. We elected to bypass the qualitative assessment and performed a quantitative impairment test for the Strategy and Innovation reporting unit as the reporting unit is a relatively new business resulting from an acquisition in 2017 and also fell short of internal financial expectations in 2019.

For our qualitative assessment of the Healthcare, Education, Business Advisory and Life Sciences reporting units, we considered the most recent quantitative analysis performed for these reporting units, which was as of November 30, 2017, including the key assumptions used within that analysis, the indicated fair values, and the amount by which those fair values exceeded their carrying amounts. One of the key assumptions used within the prior quantitative analysis was our internal financial projections; therefore, we considered the actual performance of each reporting unit during 2019 and 2018 compared to the internal financial projections used, as well as specific outlooks for each reporting unit based on our most recent internal financial projections. We also considered the market-based valuation multiples used in the market approach within our prior quantitative analysis, which were derived from guideline companies, and noted that the valuation multiples generally increased compared to November 30, 2017. We also reviewed the current carrying value of each reporting unit in comparison to the carrying values as of the prior quantitative analysis. In addition, we considered various factors, including macroeconomic conditions, relevant industry and market trends for each reporting unit, and other entity-specific events, that could indicate a potential change in the fair value of our reporting units or the composition of their carrying values. Based on our assessments, we determined that it was more likely than not that the fair values of the Healthcare, Education, Business Advisory and Life Sciences reporting units exceeded their respective carrying amounts. As such, the goodwill for these reporting units was not considered impaired as of November 30, 2019, and a quantitative goodwill impairment analysis was not necessary.

The qualitative assessment of our reporting units requires us to make significant judgments, estimates, and assumptions. While we believe that the estimates and assumptions underlying our analysis are reasonable, there is no assurance that the actual future earnings or cash flows of our reporting units will be consistent with our projections. We will monitor any changes to our assumptions and will evaluate goodwill as deemed warranted during future periods. Any significant decline in our operations could result in non-cash goodwill impairment charges.

For the Strategy and Innovation reporting unit, we reviewed goodwill for impairment by comparing the fair value of the reporting unit to its carrying value, including goodwill. In estimating the fair value of the reporting unit, we relied on a combination of the income approach and the market approach utilizing the guideline company method, with a fifty-fifty weighting. Based on the results of the goodwill impairment test, we determined the fair value of the Strategy and Innovation reporting unit exceeded its carrying value by 41%. As such, we concluded that there was no indication of goodwill impairment for the reporting unit.

In the income approach used to calculate the fair value of the Strategy and Innovation reporting unit, we utilized a discounted cash flow analysis, which involves estimating the expected after-tax cash flows that will be generated by the reporting unit and then discounting those cash flows to present value reflecting the relevant risks associated with the reporting unit and the time value of money. This approach requires the use of significant estimates and assumptions, such as long-term projections of future cash flows, including estimates of revenues and operating margins; market conditions; tax rates; and discount rates reflecting the risk inherent in future cash flows. In estimating future cash flows, we relied on internally generated forecasts based on historical experience, current backlog, expected market demand, and other industry information, and assumed a long-term annual revenue growth rate of 3.0%. Our discounted cash flow analysis assumed a weighted average cost of capital discount rate of 14.0% for the Strategy and Innovation reporting unit.

In the market approach, we utilized the guideline company method, which involved calculating valuation multiples based on operating data from guideline publicly traded companies. Multiples derived from guideline companies provide an indication of how much a knowledgeable investor in the marketplace would be willing to pay for a company. For the Strategy and Innovation reporting unit, these multiples are evaluated and adjusted based on specific characteristics of the reporting unit relative to the selected guideline companies and applied to the reporting unit's operating data to arrive at an indication of value.

Determining the fair value of the Strategy and Innovation reporting unit requires us to make significant judgments, estimates, and assumptions. While we believe that the estimates and assumptions underlying our valuation methodology are reasonable, these estimates and assumptions could have a significant impact on whether or not a non-cash goodwill impairment charge is recognized and also the magnitude of any such charge. The results of an impairment analysis are as of a point in time. There is no assurance that the actual future earnings or cash flows of our reporting units will be consistent with our projections. We will monitor any changes to our assumptions and will evaluate goodwill as deemed warranted during future periods. Any significant decline in our operations could result in non-cash goodwill impairment charges.

The table below presents, based on the quantitative goodwill impairment test performed as of November 30, 2019, the decrease in the fair value of the Strategy and Innovation reporting unit given a 100 basis point increase in the assumed discount rate or a 100 basis point decrease in the assumed long-term annual revenue growth rate.

| | Discount rate increased by 100 bps | Long-term growth rate decreased by 100 bps |
|---|---|---|
| Strategy and Innovation: | | |
| Decrease in fair value | $ (5,600) | $ (3,600) |
| Percentage by which fair value exceeds carrying value | 35% | 37% |

The carrying values of goodwill for each of our reporting units as of December 31, 2019 are as follows (in thousands):

| Reporting Unit | Carrying Value of Goodwill |
|---|---|
| Healthcare | $ 428,729 |
| Education | 103,889 |
| Business Advisory | 16,094 |
| Strategy and Innovation | 87,410 |
| Life Sciences | 10,558 |
| Enterprise Solutions and Analytics | — |
| Total | $ 646,680 |

Intangible assets represent purchased assets that lack physical substance but can be distinguished from goodwill. Our intangible assets, net of accumulated amortization, totaled $31.6 million at December 31, 2019 and primarily consist of customer relationships, trade names, technology and software, non-competition agreements, and customer contracts, all of which were acquired through business combinations. We evaluate our intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. No material impairment charges for intangible assets were recorded in 2019.

**Income Taxes**

Our income tax expense, deferred tax assets and liabilities, and reserves for unrecognized tax benefits reflect management's best assessment of estimated future taxes to be paid. In determining our provision for income taxes on an interim basis, we estimate our annual effective tax rate based on information available at each interim period.

Deferred tax assets and liabilities are recorded for future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. These deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in management's opinion, it is more likely than not that some portion or the entire deferred tax asset will not be realized.

Our tax positions are subject to income tax audits by federal, state, local, and foreign tax authorities. A tax benefit from an uncertain position may be recognized in the financial statements only if it is more likely than not that the position is sustainable, based on its technical merits. We measure the tax benefit recognized as the largest amount of benefit which is more likely than not to be realized upon settlement with the taxing authority. The estimate of the potential outcome of any uncertain tax issue is subject to management's assessment of relevant risks, facts and circumstances existing at that time.

**NEW ACCOUNTING PRONOUNCEMENTS**

Refer to Note 2 “Summary of Significant Accounting Policies" within the notes to the consolidated financial statements for information on new accounting pronouncements.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are exposed to market risks primarily from changes in interest rates and changes in the market value of our investments.

***Market Risk and Interest Rate Risk***

Concurrent with the issuance of our Convertible Notes, we entered into separate convertible note hedge and warrant transactions. The convertible note hedge transactions were intended to reduce the potential future economic dilution associated with the conversion of the Convertible Notes and, combined with the warrants, effectively raised the price at which economic dilution would occur from the initial conversion price of approximately $79.89 to approximately $97.12 per share. Under the convertible note hedge transactions, we had the option to purchase a total of approximately 3.1 million shares of our common stock, which was the number of shares initially issuable upon conversion of the Convertible Notes in full, at a price of approximately $79.89, which corresponds to the initial conversion price of the Convertible Notes, subject to customary anti-dilution adjustments substantially similar to those in the Convertible Notes. The convertible note hedge transactions expired in the third quarter of 2019. Under the warrant transactions, the holders of the warrants have the option to purchase a total of approximately 3.1 million shares of our common stock at a price of approximately $97.12. If the average market value per share of our common stock for the reporting period exceeds the strike price of the warrants, the warrants will have a dilutive effect on our earnings per share. The warrants will expire incrementally on 100 different dates from January 6, 2020 to May 28, 2020 and are exercisable at each such expiry date. See Note 7 “Financing Arrangements” within the notes to the consolidated financial statements for additional information on our Convertible Notes, which matured on October 1, 2019.

We have exposure to changes in interest rates associated with borrowings under our bank credit facility, which has variable interest rates tied to LIBOR or an alternate base rate, at our option. At December 31, 2019, we had borrowings outstanding under the credit facility totaling $205.0 million that carried a weighted average interest rate of 3.0% including the impact of the interest rate swap described below. A hypothetical 100 basis point change in the interest rate would have a $1.6 million effect on our pretax income, on an annualized basis, including the effect of the interest rate swap. At December 31, 2018, our borrowings outstanding under the credit facility totaled $50.0 million which carried a weighted average interest rate of 3.7%, including the effect of the interest rate swap described below. As of December 31, 2018, these variable rate borrowings were fully hedged against changes in interest rates by the interest rate swap, which had a notional amount of $50.0 million as of December 31, 2018. A hypothetical 100 basis point change in the interest rate as of December 31, 2018, would have had no impact on our consolidated financial statements.

On June 22, 2017, we entered into a forward interest rate swap agreement effective August 31, 2017 and ending August 31, 2022, with a notional amount of $50.0 million. We entered into this derivative instrument to hedge against the interest rate risks of our variable-rate borrowings. Under the terms of the interest rate swap agreement, we receive from the counterparty interest on the notional amount based on one-month LIBOR and we pay to the counterparty a fixed rate of 1.900%.

We also have exposure to changes in interest rates associated with the promissory note assumed on June 30, 2017 in connection with our purchase of an aircraft, which has variable interest rates tied to LIBOR. At December 31, 2019, the outstanding principal amount of the promissory note was $3.9 million and carried an interest rate of 3.7%. A hypothetical 100 basis point change in this interest rate would not have a material effect on our pretax income. At December 31, 2018 the outstanding principal amount of the promissory note was $4.4 million and carried an interest rate of 4.3%. A hypothetical 100 basis point change in the interest rate as of December 31, 2018 would not have had a material effect on our pretax income.

We do not use derivative instruments for trading or other speculative purposes. From time to time, we invest excess cash in short-term marketable securities. These investments principally consist of overnight sweep accounts. Due to the short maturity of these investments, we have concluded that we do not have material market risk exposure.

We have a non-interest bearing convertible debt investment in Shorelight Holdings, LLC, a privately-held company, which we account for as an available-for-sale debt security. As such, the investment is carried at fair value with unrealized holding gains and losses excluded from earnings and reported in other comprehensive income. As of December 31, 2019, the fair value of the investment was $49.5 million, with a total cost basis of $27.9 million. At December 31, 2018, the fair value of the investment was $50.4 million, with a total cost basis of $27.9 million.

We have a preferred stock investment in Medically Home Group, Inc., a privately-held company, which we account for as an equity security without a readily determinable fair value using the measurement alternative. As such, the investment is carried at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment. Any unrealized holding gains and losses resulting from observable price changes are recorded in our consolidated statement of operations. As of December 31, 2019, the carrying value of the investment was $5.0 million. Following our purchase, there has been no impairment, nor any observable price changes to our investment. See Note 13 "Fair Value of Financial Instruments" for further information on our long-term investments.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The Company's Consolidated Financial Statements and supplementary data begin on page F-1 of this Annual Report on Form 10-K.

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

None.

## ITEM 9A. CONTROLS AND PROCEDURES.

### Evaluation of Disclosure Controls and Procedures

Our management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of December 31, 2019. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2019, our disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports we file or submit under the Exchange Act, and such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

### Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) for the Company. Internal control over financial reporting is a process designed under the supervision of the Company's Chief Executive Officer and Chief Financial Officer, and effected by the Company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

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

(ii) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(iii) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In connection with the preparation of this report, our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the internal control over financial reporting as of December 31, 2019 using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control – Integrated Framework* (2013). As a result of that evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2019.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2019 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing on page F-2 of this Annual Report on Form 10-K.

**Changes in Internal Control over Financial Reporting**

There has been no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended December 31, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## ITEM 9B. OTHER INFORMATION.

None.

# PART III

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

**Directors, Executive Officers, Promoters and Control Persons**

The information required by this item is incorporated by reference from portions of our definitive proxy statement for our annual meeting of stockholders to be filed with the SEC pursuant to Regulation 14A by April 29, 2020 (the "Proxy Statement") under "Nominees to Board of Directors," "Directors Not Standing For Election" and "Executive Officers."

**Compliance with Section 16(a) of the Exchange Act**

The information required by this item is incorporated by reference from a portion of the Proxy Statement under "Section 16(a) Beneficial Ownership Reporting Compliance."

**Code of Business Conduct and Ethics**

We have adopted a Code of Business Conduct and Ethics (the "Code") that is applicable to all of our employees, officers and directors. The Code is available on the Corporate Governance page of our website at ir.huronconsultinggroup.com. If we make any amendments to or grant any waivers from the Code which are required to be disclosed pursuant to the Securities Exchange Act of 1934, we will make such disclosures on our website.

**Corporate Governance**

The information required by this item is incorporated by reference from a portion of the Proxy Statement under "Board Meetings and Committees."

## ITEM 11. EXECUTIVE COMPENSATION.

**Executive Compensation**

The information required by this item is incorporated by reference from a portion of the Proxy Statement under "Executive Compensation."

**Compensation Committee Interlocks and Insider Participation**

The information required by this item is incorporated by reference from a portion of the Proxy Statement under "Compensation Committee Interlocks and Insider Participation."

**Compensation Committee Report**

The information required by this item is incorporated by reference from a portion of the Proxy Statement under "Compensation Committee Report."

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

**Securities Authorized for Issuance Under Equity Compensation Plans**

The following table summarizes information with respect to equity compensation plans approved by shareholders as of December 31, 2019. We do not have equity compensation plans that have not been approved by shareholders.

| Plan Category | Number of Shares to be Issued Upon Exercise of Outstanding Options | Weighted Average Exercise Price of Outstanding Options | Number of Shares Remaining Available for Future Issuance (excluding shares in 1st column) |
|---|---|---|---|
| Equity compensation plans approved by shareholders: | | | |
| 2004 Omnibus Stock Plan (1) | 74,608 | $ 29.74 | — |
| 2012 Omnibus Incentive Plan (2) | 31,785 | $ 39.19 | 1,073,349 |
| Stock Ownership Participation Program (3) | — | $ — | 33,497 |
| Equity compensation plans not approved by shareholders | N/A | N/A | N/A |
| Total | 106,393 | $ 32.57 | 1,106,846 |

(1) Our 2004 Omnibus Stock Plan was approved by the existing shareholders prior to our initial public offering. Upon adoption of the 2012 Omnibus Incentive Plan, we terminated the 2004 Omnibus Stock Plan with respect to future awards and no further awards will be granted under this plan.

(2) Our 2012 Omnibus Incentive Plan was approved by our shareholders at our annual meeting held on May 1, 2012. Subsequent to the initial approval and through December 31, 2019, our shareholders have approved amendments to the 2012 Omnibus Incentive Plan to increase the number of shares reserved for issuance by 2,254,000, in the aggregate.

(3) Our Stock Ownership Participation Program was approved by our shareholders at our annual meeting held on May 1, 2015.

**Security Ownership of Certain Beneficial Owners and Management**

The information required by this item is incorporated by reference from a portion of the Proxy Statement under "Stock Ownership of Certain Beneficial Owners and Management."

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

**Certain Relationships and Related Transactions**

The information required by this item is incorporated by reference from a portion of the Proxy Statement under "Certain Relationships and Related Transactions."

**Director Independence**

The information required by this item is incorporated by reference from portions of the Proxy Statement under "Nominees to Board of Directors," "Directors Not Standing For Election," and "Board Meetings and Committees."

## ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this item is incorporated by reference from a portion of the Proxy Statement under "Audit and Non-Audit Fees."

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

**(a) Documents filed as part of this Annual Report on Form 10-K.**

1. Financial Statements—Our independent registered public accounting firm's report and our Consolidated Financial Statements are listed below and begin on page F-1 of this Form 10-K.

   Report of Independent Registered Public Accounting Firm
   Consolidated Balance Sheets
   Consolidated Statements of Operations and Other Comprehensive Income
   Consolidated Statements of Stockholders' Equity
   Consolidated Statements of Cash Flows
   Notes to Consolidated Financial Statements

2. Financial Statement Schedules—The financial statement schedules required by this item are included in the Consolidated Financial Statements and accompanying notes.

3. Exhibit Index

| | | | | Incorporated by Reference | | | |
|---|---|---|---|---|---|---|---|
| **Exhibit Number** | **Exhibit Description** | **Filed herewith** | **Furnished herewith** | **Form** | **Period Ending** | **Exhibit** | **Filing Date** |
| 3.1 | Third Amended and Restated Certificate of Incorporation of Huron Consulting Group Inc. | | | 10-K | 12/31/2004 | 3.1 | 2/16/2005 |
| 3.2 | Amended and Restated Bylaws of Huron Consulting Group Inc. | | | 8-K | | 3.1 | 10/28/2015 |
| 4.1 | Specimen Stock Certificate. | | | S-1 (File No. 333-115434) | | 4.1 | 10/5/2004 |
| 4.2 | Description of Securities. | X | | | | | |
| 4.3 | Indenture (including Form of Note) with respect to the Company's 1.25% Convertible Senior Notes due 2019, dated as of September 10, 2014, between Huron Consulting Group Inc. and U.S. Bank National Association, as trustee. | | | 8-K | | 4.1 | 9/16/2014 |
| 10.1 | Office Lease, dated December 2003, between Union Tower, LLC and Huron Consulting Services LLC (formerly known as Huron Consulting Group LLC). | | | S-1 (File No. 333-115434) | | 10.1 | 10/5/2004 |
| 10.2* | Amended and Restated Huron Consulting Group Inc. 2004 Omnibus Stock Plan. | | | S-8 | | 10.1 | 5/5/2010 |
| 10.3* | Huron Consulting Group Inc. Deferred Compensation Plan as Amended and Restated effective January 1, 2009. | | | 10-K | 12/31/2008 | 10.12 | 2/24/2009 |
| 10.4* | Senior Management Agreement by and between Huron Consulting Group Inc. and John D. Kelly. | | | 8-K | | 10.1 | 1/6/2017 |
| 10.5* | Amended and Restated Senior Management Agreement by and between Huron Consulting Group Inc. and James H. Roth. | | | 8-K | | 10.2 | 1/6/2017 |
| 10.6* | Senior Management Agreement by and between Huron Consulting Group Inc. and C. Mark Hussey. | | | 8-K | | 10.3 | 1/6/2017 |
| 10.7* | Senior Management Agreement by and between Huron Consulting Group Inc. and Diane E. Ratekin. | | | 8-K | | 10.4 | 1/6/2017 |
| 10.8* | Transitional Retirement Agreement by and between Huron Consulting Group Inc. and Diane E. Ratekin. | | | 8-K | | 10.1 | 9/16/2019 |

| Exhibit Number | Exhibit Description | Filed herewith | Furnished herewith | Incorporated by Reference | | | |
|---|---|---|---|---|---|---|---|
| | | | | Form | Period Ending | Exhibit | Filing Date |
| 10.9 | First Amendment to Lease by and between Huron Consulting Services LLC and Union Tower, LLC, dated August 23, 2004. | | | 10-K | 12/31/2012 | 10.17 | 2/21/2013 |
| 10.10 | Second Amendment to Lease by and between Huron Consulting Services LLC and Union Tower, LLC, dated March 14, 2007. | | | 10-K | 12/31/2012 | 10.18 | 2/21/2013 |
| 10.11 | Third Amendment to Lease by and between Huron Consulting Services LLC and Union Tower, LLC, dated April 2, 2010. | | | 10-K | 12/31/2012 | 10.19 | 2/21/2013 |
| 10.12 | Fourth Amendment to Lease by and between Huron Consulting Services LLC and Union Tower, LLC, dated December 31, 2012. | | | 8-K | | 10.1 | 1/4/2013 |
| 10.13† | Fifth Amendment to Lease by and between Huron Consulting Services LLC and Union Tower, LLC, dated December 1, 2013. | X | | | | | |
| 10.14 | Sixth Amendment to Lease by and between Huron Consulting Services LLC and Onni Van Buren Chicago LLC, dated October 3, 2019. | | | 8-K | | 10.1 | 10/16/2019 |
| 10.15* | Form of the Huron Consulting Group Inc. 2012 Omnibus Incentive Plan Restricted Stock Agreement. | | | 10-K | 12/31/2012 | 10.20 | 2/21/2013 |
| 10.16 | Base Convertible Bond Hedge Transaction Confirmation, dated as of September 4, 2014, by and between Huron Consulting Group Inc. and Bank of America, N.A. | | | 8-K | | 10.2 | 9/5/2014 |
| 10.17 | Base Convertible Bond Hedge Transaction Confirmation, dated as of September 4, 2014, by and between Huron Consulting Group Inc. and J.P. Morgan Securities LLC, as an agent for JPMorgan Chase Bank, National Association, London Branch. | | | 8-K | | 10.3 | 9/5/2014 |
| 10.18 | Base Issuer Warrant Transaction Confirmation, dated as of September 4, 2014, by and between Huron Consulting Group Inc. and Bank of America, N.A. | | | 8-K | | 10.4 | 9/5/2014 |
| 10.19 | Base Issuer Warrant Transaction Confirmation, dated as of September 4, 2014, by and between Huron Consulting Group Inc. and J.P. Morgan Securities LLC, as an agent for JPMorgan Chase Bank, National Association, London Branch. | | | 8-K | | 10.5 | 9/5/2014 |
| 10.20 | Additional Convertible Bond Hedge Transaction Confirmation, dated as of September 10, 2014, by and between Huron Consulting Group Inc. and Bank of America, N.A. | | | 8-K | | 10.1 | 9/16/2014 |
| 10.21 | Additional Convertible Bond Hedge Transaction Confirmation, dated as of September 10, 2014, by and between Huron Consulting Group Inc. and J.P. Morgan Securities LLC, as an agent for JPMorgan Chase Bank, National Association, London Branch. | | | 8-K | | 10.2 | 9/16/2014 |
| 10.22 | Additional Issuer Warrant Transaction Confirmation, dated as of September 10, 2014, by and between Huron Consulting Group Inc. and Bank of America, N.A. | | | 8-K | | 10.3 | 9/16/2014 |
| 10.23 | Additional Issuer Warrant Transaction Confirmation, dated as of September 10, 2014, by and between Huron Consulting Group Inc. and J.P. Morgan Securities LLC, as an agent for JPMorgan Chase Bank, National Association, London Branch. | | | 8-K | | 10.4 | 9/16/2014 |

| Exhibit Number | Exhibit Description | Filed herewith | Furnished herewith | Incorporated by Reference Form | Period Ending | Exhibit | Filing Date |
|---|---|---|---|---|---|---|---|
| 10.24* | Form of the Huron Consulting Group Inc. 2012 Omnibus Incentive Plan Restricted Stock Agreement (Stock Ownership Participation Program). | | | 10-K | 12/31/2014 | 10.31 | 2/24/2015 |
| 10.25* | Form of the Huron Consulting Group Inc. 2012 Omnibus Incentive Plan Performance Stock Unit Agreement. | | | 10-K | 12/31/2014 | 10.32 | 2/24/2015 |
| 10.26* | Form of the Huron Consulting Group Inc. 2012 Omnibus Incentive Plan Stock Option Agreement. | | | 10-K | 12/31/2014 | 10.33 | 2/24/2015 |
| 10.27* | Form of the Huron Consulting Group Inc. 2012 Omnibus Incentive Plan NEO Performance Stock Unit Agreement. | | | 10-K | 12/31/2014 | 10.34 | 2/24/2015 |
| 10.28 | Second Amended and Restated Credit Agreement, dated as of March 31, 2015, among Huron Consulting Group Inc., as Borrower, certain subsidiaries as Guarantors, the Lenders Party Hereto and Bank of America, N.A., as Administrative Agent and Collateral Agent, JPMorgan Chase Bank, N.A., as Syndication Agent, PNC Bank, Bank of Montreal and Key Bank National Association as Co-Documentation Agents, and Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC, as Joint Lead Arrangers and Joint Book Managers. | | | 8-K | | 10.1 | 4/2/2015 |
| 10.29 | Second Amended and Restated Security Agreement, dated as of March 31, 2015. | | | 8-K | | 10.2 | 4/2/2015 |
| 10.30 | Second Amended and Restated Pledge Agreement, dated as of March 31, 2015. | | | 8-K | | 10.3 | 4/2/2015 |
| 10.31* | Huron Consulting Group Inc. Stock Ownership Participation Program. | | | DEF 14A | | Appendix A | 3/20/2015 |
| 10.32* | Huron Consulting Group Inc. 2012 Omnibus Incentive Plan, as amended and restated effective May 1, 2017. | | | DEF 14A | | Appendix A | 3/27/2017 |
| 10.33* | Amendment to the Huron Consulting Group Inc. Amended and Restated 2012 Omnibus Incentive Plan. | | | DEF 14A | | Appendix A | 3/22/2019 |
| 10.34* | Huron Consulting Group Inc. 2012 Omnibus Incentive Plan, as amended and restated effective February 13, 2020. | X | | | | | |
| 10.35 | Amendment No. 1 of the Second Amended and Restated Credit Agreement, dated as of February 28, 2017, by and among Huron Consulting Group Inc., as Borrower, certain subsidiaries, as Guarantors, and Bank of America, N.A., as Administrative Agent for and on behalf of the Lenders. | | | 8-K | | 10.1 | 3/6/2017 |
| 10.36 | Amendment No. 2 of the Second Amended and Restated Credit Agreement, dated as of October 24, 2017, by and among Huron Consulting Group Inc., as Borrower, certain subsidiaries, as Guarantors, and Bank of America, N.A., as Administrative Agent for and on behalf of the Lenders. | | | 10-Q | 9/30/2017 | 10.1 | 11/1/2017 |
| 10.37 | Amendment No. 3 of the Credit Agreement, dated as of March 23, 2018, by and among Huron Consulting Group Inc., as Borrower, certain subsidiaries, as Guarantors, and Bank of America, N.A., as Administrative Agent for and on behalf of the Lenders. | | | 8-K | | 10.1 | 3/29/2018 |

| Exhibit Number | Exhibit Description | Filed herewith | Furnished herewith | Incorporated by Reference Form | Period Ending | Exhibit | Filing Date |
|---|---|---|---|---|---|---|---|
| 10.38 | Amendment No. 4 of the Credit Agreement, the Pledge Agreement and the Security Agreement, dated as of September 27, 2019, by and among Huron Consulting Group Inc., as Borrower, certain subsidiaries, as Guarantors, and Bank of America, N.A., as Administrative Agent for and on behalf of the Lenders. | | | 8-K | | 10.1 | 10/3/2019 |
| 21.1 | List of Subsidiaries of Huron Consulting Group Inc. | X | | | | | |
| 23.1 | Consent of PricewaterhouseCoopers LLP. | X | | | | | |
| 31.1 | Certification of the Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | X | | | | | |
| 31.2 | Certification of the Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | X | | | | | |
| 32.1 | Certification of the Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | | X | | | | |
| 32.2 | Certification of the Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | | X | | | | |
| 101.INS | Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. | X | | | | | |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document | X | | | | | |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document | X | | | | | |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document | X | | | | | |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document | X | | | | | |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document | X | | | | | |
| 104 | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101) | X | | | | | |

* Indicates the exhibit is a management contract or compensatory plan or arrangement.

† Pursuant to Regulation S-K 601(b)(10)(iv), certain exhibits to this Exhibit have been omitted. The Company agrees to furnish supplementally to the Securities and Exchange Commission, upon its request, a copy of any or all omitted exhibits.

## ITEM 16. FORM 10-K SUMMARY

Not applicable.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Huron Consulting Group Inc.
(Registrant)

| Signature | Title | Date |
|---|---|---|
| /s/ JAMES H. ROTH<br>James H. Roth | Chief Executive Officer and Director | 2/25/2020 |

## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints James H. Roth, John D. Kelly, and Diane Ratekin, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with all and any other regulatory authority, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

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

| Signature | Title | Date |
|---|---|---|
| /s/ JAMES H. ROTH<br>James H. Roth | Chief Executive Officer and Director *(Principal Executive Officer)* | 2/25/2020 |
| /s/ JOHN F. MCCARTNEY<br>John F. McCartney | Non-Executive Chairman of the Board | 2/25/2020 |
| /s/ GEORGE E. MASSARO<br>George E. Massaro | Vice Chairman of the Board | 2/25/2020 |
| /s/ JOHN D. KELLY<br>John D. Kelly | Executive Vice President, Chief Financial Officer and Treasurer *(Principal Financial Officer)* | 2/25/2020 |
| /s/ ELLEN P. WONG<br>Ellen P. Wong | Chief Accounting Officer *(Principal Accounting Officer)* | 2/25/2020 |
| /s/ H. EUGENE LOCKHART<br>H. Eugene Lockhart | Director | 2/25/2020 |
| /s/ HUGH E. SAWYER<br>Hugh E. Sawyer | Director | 2/25/2020 |
| /s/ EKTA SINGH-BUSHELL<br>Ekta Singh-Bushell | Director | 2/25/2020 |
| /s/ DEBRA ZUMWALT<br>Debra Zumwalt | Director | 2/25/2020 |

**HURON CONSULTING GROUP INC.**

CONSOLIDATED FINANCIAL STATEMENTS

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## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Huron Consulting Group Inc.

***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Huron Consulting Group Inc. and its subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of operations and other comprehensive income (loss), of stockholders' equity and of cash flows for each of the three years in the period ended December 31, 2019, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

*Changes in Accounting Principles*

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for leases as of January 1, 2019 and the manner in which it accounts for revenue from contracts with customers as of January 1, 2018.

***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

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

***Definition and Limitations of Internal Control over Financial Reporting***

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

***Critical Audit Matters***

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters 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 matters below, providing a separate opinion on the critical audit matters or on the accounts or disclosures to which they relate.

*Revenue Recognition - Fixed-Fee and Healthcare Performance-Based Billing Arrangements*

As described in Notes 2 and 19 to the consolidated financial statements, in fixed-fee billing arrangements, which accounted for $401.9 million of revenues for the year ended December 31, 2019, the Company agrees to a pre-established fee in exchange for a predetermined set of professional services. As disclosed by management, under fixed-fee arrangements, revenues are recognized based upon work completed to date versus management's estimates of the total services to be provided under the engagement. Additionally, the Company's Healthcare practice enters into performance-based billing arrangements whereby fees are tied to the attainment of contractually defined objectives, as a result of adopting the Company's recommendations, which accounted for $71.1 million of revenues for the year ended December 31, 2019. Under performance-based billing arrangements, revenue is recognized based on an estimate of variable consideration and work completed to date versus the estimates of the total services to be provided under the engagement. Variable consideration is estimated based on a probability-weighted assessment of the fees to be earned, net of a constraint to limit the amount that could be reversed when the uncertainty is resolved.

The principal considerations for our determination that performing procedures relating to revenue recognition under fixed-fee and healthcare performance-based billing arrangements is a critical audit matter are there was significant judgment by management when developing their estimates of revenue to be recognized from these billing arrangements. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence related to management's significant assumptions, including work completed to date versus management's estimates of the total services to be provided for fixed-fee and performance-based billing arrangements, and the probability of attaining contractually defined objectives in performance-based billing arrangements.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process under fixed-fee and performance-based billing arrangements. These procedures also included, among others, testing the accuracy of the total contract amounts and evaluating the reasonableness of management's assumption of work completed to-date versus management's estimates of the total services to be provided by (i) inquiring with the Company's employees regarding the expected remaining efforts for a sample of engagements, (ii) evaluating trends in past performance, and (iii) evaluating performance to date. Additionally, for performance-based billing arrangements, procedures included, among others, (i) evaluating the reasonableness of management's assumption of the probability of attaining the contractually defined objectives by inquiring with the Company's employees regarding the expected remaining efforts and the probability weighting of variable consideration to be earned for a sample of engagements and by evaluating trends in past performance, (ii) evaluating the necessity of applying a constraint based upon consideration of the initial forecasts developed during project procurement, and (iii) evaluating performance to date towards the attainment of contractually defined objectives.

*Goodwill Impairment Assessment - Strategy and Innovation Reporting Unit*

As described in Notes 2 and 4 to the consolidated financial statements, the Company's consolidated goodwill balance was $646.7 million as of December 31, 2019, of which $87.4 million is attributed to the Strategy and Innovation reporting unit. Management conducts an annual goodwill impairment test as of November 30, and when events or circumstances indicate the fair value of a reporting unit may be below its carrying value. As disclosed by management, in performing the analysis, management first assesses qualitative factors to determine whether the existence of current events or circumstances would lead to a determination that it is more likely than not that the fair value of one of the reporting units is greater than its carrying value. If management determines it is more likely than not that the fair value of a reporting unit is greater than its carrying value, no further testing is necessary. However, if management concludes otherwise, a quantitative impairment test is performed by calculating the fair value of the reporting unit and comparing the fair value with the carrying value of the reporting unit, including goodwill. Fair value is estimated using a combination of the income approach, utilizing a discounted cash flow analysis, and the market approach, utilizing the guideline company method, with a fifty-fifty weighting. The determination of fair value using the income approach requires the use of significant estimates and assumptions, including long-term projections of future cash flows, estimated revenues, operating margin, market conditions, tax rates, and discount rates. The determination of fair value using the market approach requires the use of valuation multiples based on operating data from guideline publicly traded companies. If the fair value of the reporting unit is less than its carrying value, a non-cash impairment charge is recorded in an amount equal to that difference with the loss not to exceed the total amount of goodwill allocated to the reporting unit.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessment of the Strategy and Innovation reporting unit is a critical audit matter are there was significant judgment by management when developing the fair value measurement of the reporting unit. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence related to management's cash flow projections and significant assumptions, including estimated revenues, operating margin, discount rate, and market multiples. In addition, the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's annual goodwill impairment test, including controls over the determination of the fair value of the Strategy and Innovation reporting unit. These procedures also included, among others, testing management's process for developing the fair value estimate; evaluating the allocation of assets to the reporting unit; evaluating the appropriateness of the income and market approaches; testing the completeness, accuracy and relevance of underlying data used in the income approach; testing the reasonableness and accuracy of the underlying data used in the market approach; and evaluating the significant assumptions used by management, including estimated revenues, operating margin, discount rate, and market multiples. Evaluating management's assumptions related to estimated revenues, operating margin, discount rate, and market multiples involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the reporting unit, (ii) the actions necessary to achieve future forecasts, (iii) the consistency with external market and industry data, and (iv) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the discounted cash flow analysis and certain significant assumptions, including the discount rate, as well as the selection and calculation of market multiples.

/s/ PricewaterhouseCoopers LLP
Chicago, Illinois
February 25, 2020

We have served as the Company's auditor since 2002.

**HURON CONSULTING GROUP INC.**
**CONSOLIDATED BALANCE SHEETS**
**(In thousands, except share and per share amounts)**

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 11,604 | $ 33,107 |
| Receivables from clients, net | 116,571 | 109,677 |
| Unbilled services, net | 79,937 | 69,613 |
| Income tax receivable | 2,376 | 6,612 |
| Prepaid expenses and other current assets | 14,248 | 13,922 |
| Total current assets | 224,736 | 232,931 |
| Property and equipment, net | 38,413 | 40,374 |
| Deferred income taxes, net | 1,145 | 2,153 |
| Long-term investments | 54,541 | 50,429 |
| Operating lease right-of-use assets | 54,954 | — |
| Other non-current assets | 52,177 | 30,525 |
| Intangible assets, net | 31,625 | 47,857 |
| Goodwill | 646,680 | 645,263 |
| Total assets | $ 1,104,271 | $ 1,049,532 |
| **Liabilities and stockholders' equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 7,944 | $ 10,020 |
| Accrued expenses and other current liabilities | 18,554 | 17,207 |
| Accrued payroll and related benefits | 141,605 | 109,825 |
| Accrued contingent consideration for business acquisitions | — | 9,991 |
| Current maturities of long-term debt | 529 | 243,132 |
| Current maturities of operating lease liabilities | 7,469 | — |
| Deferred revenues | 28,443 | 28,130 |
| Total current liabilities | 204,544 | 418,305 |
| Non-current liabilities: | | |
| Deferred compensation and other liabilities | 28,635 | 20,875 |
| Accrued contingent consideration for business acquisitions, net of current portion | — | 1,450 |
| Long-term debt, net of current portion | 208,324 | 53,853 |
| Operating lease liabilities, net of current portion | 69,233 | — |
| Deferred lease incentives | — | 13,693 |
| Deferred income taxes, net | 8,070 | 732 |
| Total non-current liabilities | 314,262 | 90,603 |
| **Commitments and contingencies** | | |
| **Stockholders' equity** | | |
| Common stock; $0.01 par value; 500,000,000 shares authorized; 25,144,764 and 25,114,739 shares issued at December 31, 2019 and December 31, 2018, respectively | 247 | 244 |
| Treasury stock, at cost, 2,425,430 and 2,568,288 shares at December 31, 2019 and December 31, 2018, respectively | (128,348) | (124,794) |
| Additional paid-in capital | 460,781 | 452,573 |
| Retained earnings | 237,849 | 196,106 |
| Accumulated other comprehensive income | 14,936 | 16,495 |
| Total stockholders' equity | 585,465 | 540,624 |
| Total liabilities and stockholders' equity | $ 1,104,271 | $ 1,049,532 |

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

## HURON CONSULTING GROUP INC.
## CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME (LOSS)
## (In thousands, except per share amounts)

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2019** | **2018** | **2017** |
| **Revenues and reimbursable expenses:** | | | |
| Revenues | $ 876,757 | $ 795,125 | $ 732,570 |
| Reimbursable expenses | 88,717 | 82,874 | 75,175 |
| Total revenues and reimbursable expenses | 965,474 | 877,999 | 807,745 |
| **Direct costs and reimbursable expenses** (exclusive of depreciation and amortization shown in operating expenses): | | | |
| Direct costs | 575,602 | 521,537 | 454,806 |
| Amortization of intangible assets and software development costs | 5,375 | 4,247 | 10,932 |
| Reimbursable expenses | 88,696 | 82,923 | 75,436 |
| Total direct costs and reimbursable expenses | 669,673 | 608,707 | 541,174 |
| **Operating expenses and other losses (gains), net:** | | | |
| Selling, general and administrative expenses | 203,071 | 180,983 | 175,364 |
| Restructuring charges | 1,855 | 3,657 | 6,246 |
| Litigation and other losses (gains), net | (1,196) | (2,019) | 1,111 |
| Depreciation and amortization | 28,365 | 34,575 | 38,213 |
| Goodwill impairment charges | — | — | 253,093 |
| Total operating expenses and other losses (gains), net | 232,095 | 217,196 | 474,027 |
| Operating income (loss) | 63,706 | 52,096 | (207,456) |
| **Other income (expense), net:** | | | |
| Interest expense, net of interest income | (15,648) | (19,013) | (18,613) |
| Other income (expense), net | 4,433 | (7,862) | 3,565 |
| Total other expense, net | (11,215) | (26,875) | (15,048) |
| Income (loss) from continuing operations before taxes | 52,491 | 25,221 | (222,504) |
| Income tax expense (benefit) | 10,512 | 11,277 | (51,999) |
| Net income (loss) from continuing operations | 41,979 | 13,944 | (170,505) |
| Income (loss) from discontinued operations, net of tax | (236) | (298) | 388 |
| Net income (loss) | $ 41,743 | $ 13,646 | $ (170,117) |
| Net earnings (loss) per basic share: | | | |
| Net income (loss) from continuing operations | $ 1.91 | $ 0.64 | $ (7.95) |
| Income (loss) from discontinued operations, net of tax | (0.01) | (0.01) | 0.02 |
| Net income (loss) | $ 1.90 | $ 0.63 | $ (7.93) |
| Net earnings (loss) per diluted share: | | | |
| Net income (loss) from continuing operations | $ 1.87 | $ 0.63 | $ (7.95) |
| Income (loss) from discontinued operations, net of tax | (0.02) | (0.01) | 0.02 |
| Net income (loss) | $ 1.85 | $ 0.62 | $ (7.93) |
| Weighted average shares used in calculating earnings per share: | | | |
| Basic | 21,993 | 21,706 | 21,439 |
| Diluted | 22,507 | 22,058 | 21,439 |
| **Comprehensive income (loss):** | | | |
| Net income (loss) | $ 41,743 | $ 13,646 | $ (170,117) |
| Foreign currency translation adjustments, net of tax | 99 | (1,814) | 1,602 |
| Unrealized gain (loss) on investment, net of tax | (702) | 7,772 | 4,724 |
| Unrealized gain (loss) on cash flow hedging instruments, net of tax | (956) | 167 | 429 |
| Other comprehensive income (loss) | (1,559) | 6,125 | 6,755 |
| Comprehensive income (loss) | $ 40,184 | $ 19,771 | $ (163,362) |

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

**HURON CONSULTING GROUP INC.**
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**
**(In thousands, except share amounts)**

| | Common Stock | | Treasury Stock | | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Income | Stockholders' Equity |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | |
| **Balance at December 31, 2016** | 23,478,016 | $ 235 | (2,420,913) | $ (113,195) | $ 405,895 | $ 351,483 | $ 3,615 | $ 648,033 |
| Comprehensive income | | | | | | (170,117) | 6,755 | (163,362) |
| Issuance of common stock in connection with: | | | | | | | | |
| Restricted stock awards, net of cancellations | 399,248 | 4 | (58,211) | (3,953) | 3,949 | | | — |
| Business acquisition | 221,558 | 2 | | | 9,558 | | | 9,560 |
| Share-based compensation | | | | | 14,419 | | | 14,419 |
| Shares redeemed for employee tax withholdings | | | (112,011) | (4,846) | | | | (4,846) |
| Cumulative-effect adjustment from adoption of ASU 2016-09 | | | | | 435 | (435) | | — |
| Cumulative-effect adjustment from adoption of ASU 2018-02 | | | | | | (488) | | (488) |
| **Balance at December 31, 2017** | 24,098,822 | $ 241 | (2,591,135) | $ (121,994) | $ 434,256 | $ 180,443 | $ 10,370 | $ 503,316 |
| Comprehensive income | | | | | | 13,646 | 6,125 | 19,771 |
| Issuance of common stock in connection with: | | | | | | | | |
| Restricted stock awards, net of cancellations | 279,430 | 3 | 5,986 | 387 | (390) | | | — |
| Exercise of stock options | 40,000 | — | | | 937 | | | 937 |
| Share-based compensation | | | | | 17,770 | | | 17,770 |
| Shares redeemed for employee tax withholdings | | | (86,813) | (3,187) | | | | (3,187) |
| Cumulative-effect adjustment from adoption of ASU 2014-09 | | | | | | 2,017 | | 2,017 |
| **Balance at December 31, 2018** | 24,418,252 | $ 244 | (2,671,962) | $ (124,794) | $ 452,573 | $ 196,106 | $ 16,495 | $ 540,624 |
| Comprehensive income | | | | | | 41,743 | (1,559) | 40,184 |
| Issuance of common stock in connection with: | | | | | | | | |
| Restricted stock awards, net of cancellations | 347,589 | 4 | 20,171 | 1,828 | (1,832) | | | — |
| Exercise of stock options | 47,904 | 1 | | | 1,243 | | | 1,244 |
| Share-based compensation | | | | | 22,854 | | | 22,854 |
| Shares redeemed for employee tax withholdings | | | (111,511) | (5,382) | | | | (5,382) |
| Other capital contributions | | | | | 160 | | | 160 |
| Share repurchases | (210,437) | (2) | | | (14,217) | | | (14,219) |
| **Balance at December 31, 2019** | 24,603,308 | $ 247 | (2,763,302) | $ (128,348) | $ 460,781 | $ 237,849 | $ 14,936 | $ 585,465 |

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

## HURON CONSULTING GROUP INC.
## CONSOLIDATED STATEMENTS OF CASH FLOWS
## (In thousands)

| | Year Ended December 31, 2019 | 2018 | 2017 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Net income (loss) | $ 41,743 | $ 13,646 | $ (170,117) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | |
| Depreciation and amortization | 34,405 | 39,311 | 50,089 |
| Non-cash lease expense | 8,397 | — | — |
| Share-based compensation | 24,213 | 18,818 | 14,838 |
| Amortization of debt discount and issuance costs | 8,264 | 10,313 | 10,203 |
| Goodwill impairment charges | — | — | 253,093 |
| Allowances for doubtful accounts and unbilled services | 250 | 657 | 3,217 |
| Deferred income taxes | 8,795 | 10,717 | (53,753) |
| Loss (gain) on sale of businesses | — | 5,807 | (931) |
| Change in fair value of contingent consideration liabilities | (1,506) | 381 | 1,111 |
| Other, net | 16 | — | — |
| Changes in operating assets and liabilities, net of acquisitions and divestiture: | | | |
| (Increase) decrease in receivables from clients | (10,123) | (10,509) | 1,650 |
| (Increase) decrease in unbilled services | (10,269) | (11,094) | (4,332) |
| (Increase) decrease in current income tax receivable / payable, net | 4,442 | (2,607) | 210 |
| (Increase) decrease in other assets | (144) | (1,361) | (366) |
| Increase (decrease) in accounts payable and accrued liabilities | (6,884) | (8,212) | 3,732 |
| Increase (decrease) in accrued payroll and related benefits | 30,339 | 35,481 | (10,966) |
| Increase (decrease) in deferred revenues | 282 | 310 | 2,117 |
| Net cash provided by operating activities | 132,220 | 101,658 | 99,795 |
| **Cash flows from investing activities:** | | | |
| Purchases of property and equipment, net | (13,240) | (8,936) | (24,402) |
| Investment in life insurance policies | (4,703) | (2,037) | (1,826) |
| Distributions from life insurance policies | — | — | 2,889 |
| Purchases of businesses, net of cash acquired | (2,500) | (215) | (106,915) |
| Purchase of investment securities | (5,000) | — | — |
| Capitalization of internally developed software | (10,312) | (6,069) | (1,370) |
| Proceeds from note receivable | — | 1,040 | 1,177 |
| Proceeds from sale of property and equipment | 753 | — | — |
| Divestitures of businesses, net of cash sold | — | (2,345) | 1,499 |
| Net cash used in investing activities | (35,002) | (18,562) | (128,948) |
| **Cash flows from financing activities:** | | | |
| Proceeds from exercises of stock options | 1,244 | 937 | — |
| Shares redeemed for employee tax withholdings | (5,382) | (3,187) | (4,846) |
| Share repurchases | (12,985) | — | — |
| Proceeds from bank borrowings | 347,000 | 204,300 | 277,500 |
| Repayments of bank borrowings | (192,515) | (259,801) | (240,745) |
| Repayment of convertible notes | (250,000) | — | — |
| Payments for debt issuance costs | (1,524) | (1,385) | (408) |
| Payments for contingent consideration liabilities | (4,674) | (7,554) | (2,680) |
| Net cash provided by (used in) financing activities | (118,836) | (66,690) | 28,821 |
| Effect of exchange rate changes on cash | 115 | (208) | 214 |
| Net increase (decrease) in cash and cash equivalents | (21,503) | 16,198 | (118) |
| Cash and cash equivalents at beginning of the period | 33,107 | 16,909 | 17,027 |
| Cash and cash equivalents at end of the period | $ 11,604 | $ 33,107 | $ 16,909 |
| **Supplemental disclosure of cash flow information:** | | | |
| Non-cash investing and financing activities: | | | |
| Property and equipment expenditures and capitalized software included in accounts payable and accrued expenses | $ 2,600 | $ 2,358 | $ 1,567 |
| Promissory note assumed for purchase of property and equipment | $ — | $ — | $ 5,113 |
| Contingent consideration related to business acquisitions | $ — | $ 212 | $ 15,489 |
| Common stock issued related to business acquisition | $ — | $ — | $ 9,560 |
| Share repurchases included in accounts payable | $ 1,234 | $ — | $ — |
| Cash paid during the year for: | | | |
| Interest | $ 7,971 | $ 8,887 | $ 9,068 |
| Income taxes | $ 1,429 | $ 3,349 | $ 5,399 |

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

**1. Description of Business**

Huron is a global consultancy that collaborates with clients to drive strategic growth, ignite innovation and navigate constant change. Through a combination of strategy, expertise and creativity, we help clients accelerate operational, digital and cultural transformation, enabling the change they need to own their future. By embracing diverse perspectives, encouraging new ideas and challenging the status quo, we create sustainable results for the organizations we serve.

**2. Summary of Significant Accounting Policies**

**Basis of Presentation and Principles of Consolidation**

The accompanying consolidated financial statements reflect the financial position at December 31, 2019 and 2018, and the results of operations and cash flows for the years ended December 31, 2019, 2018, and 2017.

The consolidated financial statements include the accounts of Huron Consulting Group Inc. and its subsidiaries, all of which are wholly-owned. All intercompany balances and transactions have been eliminated in consolidation.

On January 1, 2019, we adopted Accounting Standard Update ("ASU") 2016-02, *Leases*. For additional information on the adoption of ASU 2016-02, refer to our leases policy and new accounting pronouncements below.

On January 1, 2018, we adopted ASU 2014-09, *Revenue from Contracts with Customers*, a new Topic, ASC 606, which superseded ASC 605, *Revenue Recognition*. The new revenue recognition standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. We adopted ASC 606 on a modified retrospective basis to all open contracts, as modified, as of that date. Adoption of the new standard resulted in changes to our accounting policy for revenue recognition, most notably for performance-based billing arrangements, and sales commissions. Adopting ASC 606 on a modified retrospective basis had no impact on our consolidated financial statements in the prior periods presented. Upon adoption, we recorded a $2.0 million cumulative-effect adjustment to record a net increase to retained earnings for the portion of performance-based billing arrangements that have been earned as of the adoption date but for which we had not recognized as revenue under previous revenue recognition guidance, the capitalization of sales commissions paid on open contracts as of the adoption date, and the related tax effects. Refer to our revenue recognition and capitalized sales commissions policies below for additional information.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts that are reported in the consolidated financial statements and accompanying disclosures. Actual results may differ from these estimates and assumptions.

**Revenue Recognition**

We generate substantially all of our revenues from providing professional services to our clients. We also generate revenues from software licenses; software support and maintenance and subscriptions to our cloud-based analytic tools and solutions; speaking engagements; conferences; and publications. A single contract could include one or multiple performance obligations. For those contracts that have multiple performance obligations, we allocate the total transaction price to each performance obligation based on its relative standalone selling price, which is determined based on our overall pricing objectives, taking into consideration market conditions and other factors.

Revenue is recognized when control of the goods and services provided are transferred to our customers and in an amount that reflects the consideration we expect to be entitled to in exchange for those goods and services using the following steps: 1) identify the contract, 2) identify the performance obligations, 3) determine the transaction price, 4) allocate the transaction price to the performance obligations in the contract, and 5) recognize revenue as or when we satisfy the performance obligations.

We typically satisfy our performance obligations for professional services over time as the related services are provided. The performance obligations related to software support and maintenance and subscriptions to our cloud-based analytic tools and solutions are typically satisfied evenly over the course of the service period. Other performance obligations, such as certain software licenses, speaking engagements, conferences, and publications, are satisfied at a point in time.

We generate our revenues under four types of billing arrangements: fixed-fee (including software license revenue); time-and-expense; performance-based; and software support, maintenance and subscriptions.

In fixed-fee billing arrangements, we agree to a pre-established fee in exchange for a predetermined set of professional services. We set the fees based on our estimates of the costs and timing for completing the engagements. We generally recognize revenues under fixed-fee billing arrangements using a proportionate performance approach, which is based on work completed to-date versus our estimates of the total services to be provided under the engagement. Contracts within our Culture and Organizational Excellence solution include fixed-fee partner contracts with multiple performance obligations, which primarily consist of coaching services, as well as speaking engagements, conferences, publications and software products ("Partner Contracts"). Revenues for coaching services and software products are generally recognized on a straight-line basis over the length of the contract. All other revenues under Partner Contracts, including speaking engagements, conferences and publications, are recognized at the time the goods or services are provided. Estimates of total engagement revenues and cost of services are monitored regularly during the term of the engagement. If our estimates indicate a potential loss, such loss is recognized in the period in which the loss first becomes probable and reasonably estimable.

We also generate revenues from software licenses for our revenue cycle management software and research administration and compliance software. Licenses for our revenue cycle management software are sold only as a component of our consulting projects, and the services we provide are essential to the functionality of the software. Therefore, revenues from these software licenses are recognized over the term of the related consulting services contract. License revenue from our research administration and compliance software is generally recognized in the month in which the software is delivered.

Time-and-expense billing arrangements require the client to pay based on the number of hours worked by our revenue-generating professionals at agreed upon rates. Time-and-expense arrangements also include certain speaking engagements, conferences, and publications purchased by our clients outside of Partner Contracts within our Culture and Organizational Excellence solution. We recognize revenues under time-and-expense arrangements as the related services or publications are provided, using the right to invoice practical expedient which allows us to recognize revenue in the amount that we have a right to invoice based on the number of hours worked and the agreed upon hourly rates or the value of the speaking engagements, conferences or publications purchased by our clients.

In performance-based billing arrangements, fees are tied to the attainment of contractually defined objectives. We enter into performance-based engagements in essentially two forms. First, we generally earn fees that are directly related to the savings formally acknowledged by the client as a result of adopting our recommendations for improving operational and cost effectiveness in the areas we review. Second, we have performance-based engagements in which we earn a success fee when and if certain predefined outcomes occur. We recognize revenue under performance-based billing arrangements using the following steps: 1) estimate variable consideration using a probability-weighted assessment of the fees to be earned, 2) apply a constraint to the estimated variable consideration to limit the amount that could be reversed when the uncertainty is resolved (the "constraint"), and 3) recognize revenue of estimated variable consideration, net of the constraint, based on work completed to-date versus our estimates of the total services to be provided under the engagement.

Clients that have purchased one of our software licenses can pay an annual fee for software support and maintenance. We also generate subscription revenue from our cloud-based analytic tools and solutions. Software support, maintenance and subscription revenues are recognized ratably over the support or subscription period. These fees are generally billed in advance and included in deferred revenues until recognized.

Provisions are recorded for the estimated realization adjustments on all engagements, including engagements for which fees are subject to review by the bankruptcy courts.

Expense reimbursements that are billable to clients are included in total revenues and reimbursable expenses. Under fixed-fee billing arrangements, we estimate the total amount of reimbursable expenses to be incurred over the course of the engagement and recognize the estimated amount as revenue using a proportionate performance approach, which is based on work completed to-date versus our estimates of the total services to be provided under the engagement. Under time-and-expense billing arrangements we recognize reimbursable expenses as revenue as the related services are provided, using the right to invoice practical expedient. Reimbursable expenses are recognized as expenses in the period in which the expense is incurred. Subcontractors that are billed to clients at cost are also included in reimbursable expenses. When billings do not specifically identify reimbursable expenses, we allocate the portion of the billings equivalent to these expenses to reimbursable expenses.

The payment terms and conditions in our customer contracts vary. Differences between the timing of billings and the recognition of revenue are recognized as either unbilled services or deferred revenues in the consolidated balance sheets. Revenues recognized for services performed but not yet billed to clients are recorded as unbilled services. Revenues recognized, but for which we are not yet entitled to bill because certain events, such as the completion of the measurement period or client approval, must occur, are recorded as contract assets and included within unbilled services. Client prepayments and retainers are classified as deferred revenues and recognized over future periods as earned in accordance with the applicable engagement agreement.

**Capitalized Sales Commissions**

Sales commissions earned by our sales professionals are considered incremental and recoverable costs of obtaining a contract with a customer. Sales commissions with an expected amortization period greater than one year are deferred and amortized on a straight-line basis over the period of the associated contract. We elected to apply the practical expedient to expense sales commissions as incurred when the expected amortization period is one year or less. Amortization expense is recorded to direct costs. During the years ended December 31, 2019 and 2018, we amortized $0.3 million and $0.2 million, respectively, of capitalized sales commissions. Unamortized sales commissions were $0.8 million and $0.4 million as of December 31, 2019 and 2018, respectively.

**Allowances for Doubtful Accounts and Unbilled Services**

We maintain allowances for doubtful accounts and for services performed but not yet billed based on several factors, including the estimated cash realization from amounts due from clients, an assessment of a client's ability to make required payments, and the historical percentages of fee adjustments and write-offs by age of receivables and unbilled services. The allowances are assessed by management on a regular basis. These estimates may differ from actual results. If the financial condition of a client deteriorates in the future, impacting the client's ability to make payments, an increase to our allowance might be required or our allowance may not be sufficient to cover actual write-offs.

We record the provision for doubtful accounts and unbilled services as a reduction in revenue to the extent the provision relates to fee adjustments and other discretionary pricing adjustments. To the extent the provision relates to a client's inability to make required payments on accounts receivables, we record the provision to selling, general and administrative expenses.

**Direct Costs and Reimbursable Expenses**

Direct costs and reimbursable expenses consist primarily of revenue-generating employee compensation and their related benefits and share-based compensation costs; as well as commissions, the cost of outside consultants or subcontractors assigned to revenue-generating activities, technology costs, other third-party costs directly attributable to our revenue-generating activities, and direct expenses to be reimbursed by clients. Direct costs and reimbursable expenses incurred on engagements are expensed in the period incurred.

**Cash and Cash Equivalents**

We consider all highly liquid investments, including overnight investments and commercial paper, with original maturities of three months or less to be cash equivalents.

**Concentrations of Credit Risk**

To the extent receivables from clients become delinquent, collection activities commence. No single client balance is considered large enough to pose a material credit risk. The allowances for doubtful accounts and unbilled services are based upon the expected ability to collect accounts receivable and bill and collect unbilled services. Management does not anticipate incurring losses on accounts receivable in excess of established allowances. See Note 19 "Segment Information" for concentration of accounts receivable and unbilled services.

We hold our cash in accounts at multiple third-party financial institutions. These deposits, at times, may exceed federally insured limits. We review the credit ratings of these financial institutions, regularly monitor the cash balances in these accounts, and adjust the balances as appropriate. However, these cash balances could be impacted if the underlying financial institutions fail or are subject to other adverse conditions in the financial markets.

**Long-term Investments**

Our long-term investments consist of our convertible debt investment in Shorelight Holdings, LLC ("Shorelight") and preferred stock investment in Medically Home Group, Inc. ("Medically Home").

We classified the convertible debt investment in Shorelight as available-for-sale at the time of purchase and reevaluate such classification as of each balance sheet date. The investment is carried at fair value with unrealized holding gains and losses reported in other comprehensive income. If the investment is in an unrealized loss position, we assess whether the investment is other-than-temporarily impaired. We consider impairments to be other-than-temporary if they are related to significant credit deterioration or if it is likely we will sell the security before the recovery of its cost basis. We have not identified any other-than-temporary impairments for our convertible debt investment. In the event there are realized gains and losses or declines in value judged to be other-than-temporary, we will record the amount in earnings.

We classified the preferred stock investment in Medically Home as an equity security without a readily determinable value at the time of purchase and reevaluate such classification as of each balance sheet date. We elected the measurement alternative to value this equity security without a readily determinable fair value. Under the measurement alternative, the investment is recorded at its cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment in Medically Home. Any unrealized holding gains and losses resulting from observable price changes are recorded in our consolidated statement of operations. Following our purchase, there has been no impairment, nor any observable price changes to our investment.

See Note 13 “Fair Value of Financial Instruments” for further information on our long-term investments.

**Fair Value of Financial Instruments**

See Note 13 “Fair Value of Financial Instruments” for the accounting policies used to measure the fair value of our financial assets and liabilities that are measured at fair value on a recurring basis.

**Property and Equipment**

Property and equipment are recorded at cost, less accumulated depreciation. Depreciation of property and equipment is computed on a straight-line basis over the estimated useful lives of the assets. Software, computers, and related equipment are depreciated over an estimated useful life of two to four years. Furniture and fixtures are depreciated over five years. Aircraft are depreciated over ten years. Leasehold improvements are amortized over the lesser of the estimated useful life of the asset or the initial term of the lease.

**Leases**

We determine if an arrangement contains a lease and the classification of such lease at inception. As of December 31, 2019, all of our material leases are classified as operating leases; we have not entered into any material finance leases. For all operating leases with an initial term greater than 12 months, we recognize an operating lease right-of-use ("ROU") asset and operating lease liability. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term.

Operating lease ROU assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the lease commencement date and provided by the administrative agent for our senior secured credit facility in determining the present value of lease payments. Operating lease ROU assets exclude lease incentives. We elected the practical expedient to combine lease and nonlease components. Certain lease agreements contain variable lease payments that do not depend on an index or rate. These variable lease payments are not included in the calculation of the operating lease ROU asset and operating lease liability; instead, they are expensed as incurred. Our leases may contain options to extend or terminate the lease, and we include these terms in our calculation of the operating lease ROU asset and operating lease liability when it is reasonably certain that we will exercise the option.

Operating lease expense is recognized on a straight-line basis over the lease term and recorded within selling, general and administrative expenses on our consolidated statement of operations. In accordance with our accounting policy for impairment of long-lived assets, operating lease ROU assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset group to which the operating lease ROU asset is assigned may not be recoverable. We evaluate the recoverability of the asset group based on forecasted undiscounted cash flows. See Note 5 "Leases" for additional information on our leases, including the lease impairment charges recorded in 2019.

**Software Development Costs**

We incur internal and external software development costs related to our cloud computing applications and software for internal use. We capitalize these software development costs incurred during the application development stage. Costs related to preliminary project activities and post implementation activities are expensed as incurred. Once the project is substantially complete and ready for its intended use these costs are amortized on a straight-line basis over the technology's estimated useful life. Acquired technology assets are initially recorded at fair value and amortized on a straight-line basis over the estimated useful life.

Development costs related to software products that will be sold, leased, or otherwise marketed are expensed until technological feasibility has been established. Thereafter and until the software is available for general release to customers, these software development costs are capitalized and subsequently reported at the lower of unamortized cost or net realizable value. These capitalized development costs are amortized in proportion to current and future revenue for each product with an annual minimum equal to the straight-line amortization over the remaining estimated economic life of the product. We did not capitalize any development costs for this type of software during 2019 or 2018.

We classify capitalized software development costs, which primarily relate to cloud computing applications and software for internal use, as other non-current assets on our consolidated balance sheet. As of December 31, 2019, gross capitalized software development costs and related accumulated amortization was $21.5 million and $5.9 million, respectively. As of December 31, 2018, gross capitalized software development costs and related accumulated amortization was $10.2 million and $2.9 million, respectively. During the years ended December 31, 2019, 2018, and 2017, we amortized $3.0 million, $1.4 million, and $0.8 million, respectively, of capitalized software development costs.

**Intangible Assets Other Than Goodwill**

Identifiable intangible assets are amortized over their expected useful lives using a method that reflects the economic benefit expected to be derived from the assets or on a straight-line basis. We evaluate the recoverability of intangible assets periodically by considering events or circumstances that may warrant revised estimates of useful lives or that indicate the asset may be impaired.

**Impairment of Long-Lived Assets**

Long-lived assets, including property and equipment, right-of-use assets, and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses, or a significant decline in forecasted operating results over an extended period of time. We evaluate the recoverability of long-lived assets based on forecasted undiscounted cash flows. See Note 5 "Leases" for information on our right-of-use asset impairment charges recorded in 2019. No material impairment charges for other long-lived assets were recorded in 2019, 2018, or 2017.

**Goodwill**

For acquisitions accounted for as a business combination, goodwill represents the excess of the cost over the fair value of the net assets acquired. We are required to test goodwill for impairment, at the reporting unit level, annually and when events or circumstances indicate the fair value of a reporting unit may be below its carrying value. We perform our annual goodwill impairment test as of November 30 and monitor for interim triggering events on an ongoing basis. A reporting unit is an operating segment or one level below an operating segment (referred to as a component) to which goodwill is assigned when initially recorded. We assign goodwill to reporting units based on our integration plans and the expected synergies resulting from the acquisition. We have six reporting units: Healthcare, Education, Business Advisory, Enterprise Solutions and Analytics, Strategy and Innovation, and Life Sciences. The Business Advisory, Enterprise Solutions and Analytics, Strategy and Innovation, and Life Sciences reporting units make up our Business Advisory operating segment.

Pursuant to our policy, we performed the annual goodwill impairment test as of November 30, 2019 and determined that no impairment of goodwill existed as of that date. Further, we evaluated whether any events have occurred, or any circumstances have changed since November 30, 2019 that would indicate goodwill may have become impaired since our annual impairment test. Based on our evaluation as of December 31, 2019, we determined that no indications of impairment have arisen since our annual goodwill impairment test.

**Business Combinations**

We use the acquisition method of accounting for business combinations. Each acquired company's operating results are included in our consolidated financial statements starting on the date of acquisition. The purchase price is equivalent to the fair value of consideration transferred. Tangible and identifiable intangible assets acquired and liabilities assumed are recorded at fair value as of the acquisition date. Goodwill is recognized for the excess of purchase price over the net fair value of tangible and intangible assets acquired and liabilities assumed. Contingent consideration, which is primarily based on the business achieving certain performance targets, is recognized at its fair value on the acquisition date, and changes in fair value are recognized in earnings until settled. Refer to Note 13 “Fair Value of Financial Instruments” for further information regarding our contingent acquisition liability balances.

**Income Taxes**

Current tax liabilities and assets are recognized for the estimated taxes payable or refundable, respectively, on the tax returns for the current year. We have elected to recognize the tax expense related to Global Intangible Low-Taxed Income ("GILTI") as a period expense in the period the tax is incurred. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. To the extent that deferred tax assets will not likely be recovered from future taxable income, a valuation allowance is established against such deferred tax assets. Refer to Note 17 "Income Taxes" for further information regarding incomes taxes.

**Share-Based Compensation**

Share-based compensation cost is measured based on the grant date fair value of the respective awards. We generally recognize share-based compensation ratably using the straight-line attribution method; however, for those awards with performance criteria and graded vesting features, we use the graded vesting attribution method. It is our policy to account for forfeitures as they occur.

**Sponsorship and Advertising Costs**

Sponsorship and advertising costs are expensed as incurred. Such expenses for the years ended December 31, 2019, 2018, and 2017 totaled $8.4 million, $7.9 million, and $6.6 million, respectively, and are a component of selling, general and administrative expenses on our consolidated statement of operations.

**Convertible Senior Notes**

In September 2014, we issued $250 million principal amount of 1.25% convertible senior notes due 2019 (the “Convertible Notes”) in a private offering. The Convertible Notes matured on October 1, 2019, and the outstanding principal and accrued interest were paid in full at that time. At issuance, we separated the Convertible Notes into liability and equity components. The carrying amount of the liability component was determined by measuring the fair value of a similar liability that does not have an associated convertible feature. The carrying value of the equity component representing the conversion option, which was recognized as a debt discount, was determined by deducting the fair value of the liability component from the proceeds of the Convertible Notes. The debt discount was amortized to interest expense using the effective interest method over the term of the Convertible Notes. The equity component was not remeasured as it continued to meet the conditions for equity classification. Refer to Note 7 “Financing Arrangements” for further information regarding the Convertible Notes.

**Debt Issuance Costs**

We amortize the costs we incur to obtain debt financing over the contractual life of the related debt using the effective interest method for non-revolving debt and the straight-line method for revolving debt. The amortization expense is included in interest expense, net of interest income in our statement of operations. Unamortized debt issuance costs attributable to our revolving credit facility are included as a component of other non-current assets. Unamortized debt issuance costs attributable to our Convertible Notes were recorded as a deduction from the carrying amount of the debt liability.

**Foreign Currency**

Assets and liabilities of foreign subsidiaries whose functional currency is not the United States Dollar (USD) are translated into the USD using the exchange rates in effect at period end. Revenue and expense items are translated using the average exchange rates for the period. Foreign currency translation adjustments are included in accumulated other comprehensive income, which is a component of stockholders' equity.

Foreign currency transaction gains and losses are included in other income, net on the consolidated statement of operations. We recognized $0.2 million of foreign currency transaction losses in 2019, $0.5 million of foreign currency transaction losses in 2018, and $0.4 million of foreign currency transaction gains in 2017.

**Segment Reporting**

Segments are defined as components of a company that engage in business activities from which they may earn revenues and incur expenses, and for which separate financial information is available and is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. Our chief operating decision maker manages the business under three operating segments, which are our reportable segments: Healthcare, Business Advisory, and Education.

(Tabular amounts in thousands, except per share amounts)

**New Accounting Pronouncements**

***Recently Adopted***

In March 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases*, as a new Topic, ASC 842, which superseded ASC Topic 840, *Leases*, and sets forth the principles for the recognition, measurement, presentation, and disclosure of leases for lessees and lessors. ASU 2016-02 requires lessees to classify leases as either finance or operating leases and to record on the balance sheet a right-of-use asset and a lease liability, equal to the present value of the remaining lease payments, for all leases with a term greater than 12 months regardless of the lease classification. The lease classification will determine whether the lease expense is recognized using an effective interest rate method or on a straight-line basis over the term of the lease. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method that allows entities to initially apply ASC 842 at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings on the adoption date. We adopted ASC 842 effective January 1, 2019 on a modified retrospective basis for existing leases using the transition method allowed by ASU 2018-11, which had no impact on our consolidated financial statements in the prior periods presented. The new lease standard had a material impact on our consolidated balance sheet upon adoption but did not impact our consolidated statement of operations. The most significant impact to our consolidated balance sheet is the recognition of ROU assets and lease liabilities for operating leases. The impact of the new lease standard on our consolidated balance sheet upon adoption follows:

| | As of December 31, 2018 | ASC 842 Adjustment | As of January 1, 2019 |
|---|---|---|---|
| **Assets** | | | |
| Operating lease right-of-use assets | $ — | $ 56,463 | $ 56,463 |
| | | | |
| **Liabilities** | | | |
| Accrued expenses and other current liabilities | $ 17,207 | $ (2,557) | $ 14,650 |
| Current maturities of operating lease liabilities | $ — | $ 10,537 | $ 10,537 |
| Deferred compensation and other liabilities | $ 20,875 | $ (536) | $ 20,339 |
| Deferred lease incentives | $ 13,693 | $ (13,693) | $ — |
| Operating lease liabilities, net of current portion | $ — | $ 62,712 | $ 62,712 |

In August 2018, the FASB issued ASU 2018-15, *Intangibles - Goodwill and Other - Internal Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. This update aligns the requirements for capitalizing implementation costs incurred in a cloud computing arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. Capitalized implementation costs are amortized on a straight-line basis generally over the term of the service contract with the amortization recognized in the same financial statement line item as the fees related to the service contract. ASU 2018-15 is effective beginning January 1, 2020, with early adoption permitted. We adopted this ASU in the third quarter of 2019 on a prospective basis. In 2019, we capitalized an immaterial amount of implementation costs for cloud computing arrangements that are service contracts. The future impact of adoption of this ASU on our consolidated financial statements will depend on the magnitude of implementation costs we may incur to implement cloud computing arrangements that are service contracts.

***Not Yet Adopted***

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement,* which modifies certain disclosure requirements related to fair value measurements. ASU 2018-13 will be effective for us beginning January 1, 2020. We do not expect this guidance to have an impact on the amounts reported on our consolidated financial statements, and we will update our disclosures within the notes to our consolidated financial statements as required by ASU 2018-13.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes.* ASU 2019-12 simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in ASC 740, *Income Taxes*, related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies other aspects of the accounting for franchise taxes and enacted changes in tax laws or tax rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. ASU 2019-12 will be effective for us beginning January 1, 2021, with early adoption permitted. We are currently evaluating the potential impact this guidance will have on our consolidated financial statements.

(Tabular amounts in thousands, except per share amounts)

## 3. Acquisitions

During the twelve months ended December 31, 2019 and 2018, we completed no acquisitions that were significant to our consolidated financial statements individually or in the aggregate.

**2017**

*Pope Woodhead and Associates Limited*

On January 9, 2017, we completed our acquisition of Pope Woodhead and Associates Limited ("Pope Woodhead"), a U.K.-based consulting firm providing market access capabilities to assist clients in developing value propositions for innovative medicines and technologies. The acquisition expands our life sciences strategy expertise and strengthens our ability to lead clients through complex payer and regulatory environments. Pope Woodhead's results of operations have been included in our consolidated financial statements and the results of operations of our Business Advisory segment from the date of acquisition.

*ADI Strategies, Inc.*

On April 1, 2017, we completed our acquisition of the international assets of ADI Strategies, Inc. ("ADI Strategies") in Dubai and India. We acquired the U.S. assets of ADI Strategies in the second quarter of 2016. ADI Strategies is a leading enterprise performance management, risk management and business intelligence firm. The international results of operations of ADI Strategies have been included in our consolidated financial statements and results of operations of the Business Advisory segment from the date of acquisition. During the second quarter of 2018, we sold our Middle East practice, which primarily consisted of the international assets of the ADI Strategies acquisition, to a former employee who was the practice leader of that business at the time.

The acquisitions of ADI Strategies and Pope Woodhead are not significant to our consolidated financial statements individually or in the aggregate as of and for the twelve months ended December 31, 2017.

*Innosight Holdings, LLC*

On March 1, 2017, we acquired 100% of the membership interests of Innosight Holdings, LLC ("Innosight"). Innosight is a growth strategy firm focused on helping companies navigate disruptive change and manage strategic transformation. Together with Innosight, we use our strategic, operational, and technology capabilities to help clients across multiple industries develop pioneering solutions to address disruption and achieve sustained growth.

The acquisition date fair value of the consideration transferred for Innosight was $113.6 million, which consisted of the following:

| **Fair value of consideration transferred** | **March 1, 2017** |
|---|---|
| Cash | $ 90,725 |
| Common stock | 9,560 |
| Contingent consideration liability | 12,050 |
| Net working capital adjustment | 1,272 |
| Total consideration transferred | $ 113,607 |

We funded the cash component of the purchase price with cash on hand and borrowings of $89.0 million under our senior secured credit facility. We issued 221,558 shares of our common stock as part of the consideration transferred, with an acquisition date fair value of $9.6 million based on our common stock's closing price of $43.15 on the date of acquisition. The contingent consideration liability of $12.1 million represents the acquisition date fair value of the contingent consideration arrangement, pursuant to which we may be required to pay additional consideration to the sellers if specific financial performance targets are met over a four-year term. The maximum amount of contingent consideration that may be paid is $35.0 million. See Note 13 "Fair Value of Financial Instruments" for additional information on the valuation of contingent consideration liabilities.

The acquisition was accounted for using the acquisition method of accounting. Tangible and identifiable intangible assets acquired and liabilities assumed were recorded at fair value as of the acquisition date.

(Tabular amounts in thousands, except per share amounts)

The following table summarizes the allocation of the purchase price to the fair value of assets acquired and liabilities assumed as of the acquisition date.

| | March 1, 2017 |
|---|---|
| **Assets acquired:** | |
| Accounts receivable | $ 7,752 |
| Unbilled services | 1,881 |
| Prepaid expenses and other current assets | 468 |
| Property and equipment | 419 |
| Intangible assets | 18,015 |
| **Liabilities assumed:** | |
| Accounts payable | 531 |
| Accrued expenses and other current liabilities | 894 |
| Accrued payroll and related benefits | 883 |
| Deferred revenues | 30 |
| Total identifiable net assets | 26,197 |
| Goodwill | 87,410 |
| Total purchase price | $ 113,607 |

The following table sets forth the components of identifiable intangible assets acquired and their estimated useful lives as of the acquisition date.

| | Fair Value | Useful Life in Years |
|---|---|---|
| Customer relationships | $ 9,500 | 6 |
| Trade name | 6,000 | 6 |
| Customer contracts | 1,000 | 1 |
| Non-compete agreements | 1,300 | 5 |
| Favorable lease contract | 215 | 1 |
| Total intangible assets subject to amortization | $ 18,015 | |

The weighted average amortization period for the identifiable intangible assets shown above is 5.6 years. Customer relationships and customer contracts represent the fair values of the underlying relationships and agreements with Innosight customers. The trade name represents the fair value of the brand and name recognition associated with the marketing of Innosight's service offerings. Non-compete agreements represent the value derived from preventing certain Innosight executives from entering into or starting a similar, competing business. The favorable lease contract represents the difference between the fair value and minimum lease obligations under the current outstanding lease. Goodwill is recognized for the excess of purchase price over the net fair value of assets acquired and liabilities assumed, and largely reflects the expanded market opportunities expected from combining the service offerings of Huron and Innosight, as well as the assembled workforce of Innosight. Goodwill recognized in conjunction with the acquisition of Innosight was recorded in the Business Advisory segment. Goodwill of $87.4 million is expected to be deductible for income tax purposes.

Innosight’s results of operations have been included in our consolidated statements of operations and results of operations of our Business Advisory segment from the date of acquisition. For the year ended December 31, 2017, revenues from Innosight were $34.3 million and operating loss was $0.9 million, which included $3.4 million of amortization expense for intangible assets acquired. In connection with the acquisition of Innosight, we incurred $1.7 million of transaction and acquisition-related expenses in 2017. These costs are recorded in selling, general and administrative expenses.

(Tabular amounts in thousands, except per share amounts)

The following unaudited supplemental pro forma information summarizes the combined results of operations of Huron and Innosight as though the companies were combined on January 1, 2016.

| | Year Ended December 31, 2017 |
|---|---|
| Revenues | $ 741,695 |
| Net income (loss) from continuing operations | $ (167,346) |
| Net income (loss) from continuing operations per share - basic | $ (7.79) |
| Net income (loss) from continuing operations per share - diluted | $ (7.79) |

The historical financial information has been adjusted to give effect to pro forma adjustments consisting of intangible asset amortization expense, acquisition-related costs, interest expense, and the related income tax effects. The unaudited pro forma information above includes adjustments to include additional expense of $0.6 million for the year ended December 31, 2017. Additionally, the historical financial information has been adjusted to give effect to the shares issued as consideration. All of these adjustments are based upon currently available information and certain assumptions. Therefore, the pro forma consolidated results are not necessarily indicative of what our consolidated results of operations actually would have been had we completed the acquisition on January 1, 2016. The historical results included in the pro forma consolidated results do not purport to project future results of operations of the combined companies nor do they reflect the expected realization of any cost savings or revenue synergies associated with the acquisition.

**4. Goodwill and Intangible Assets**

The table below sets forth the changes in the carrying amount of goodwill by reportable segment for the years ended December 31, 2019 and 2018.

| | Healthcare | Business Advisory | Education | Total |
|---|---|---|---|---|
| Balance as of December 31, 2017: | | | | |
| Goodwill | $ 636,810 | $ 302,187 | $ 102,829 | $ 1,041,826 |
| Accumulated impairment losses | (208,081) | (187,995) | — | (396,076) |
| **Goodwill, net as of December 31, 2017** | $ 428,729 | $ 114,192 | $ 102,829 | $ 645,750 |
| Goodwill recorded in connection with a business combination | — | 186 | — | 186 |
| Foreign currency translation | — | (673) | — | (673) |
| Balance as of December 31, 2018: | | | | |
| Goodwill | 636,810 | 301,700 | 102,829 | 1,041,339 |
| Accumulated impairment losses | (208,081) | (187,995) | — | (396,076) |
| **Goodwill, net as of December 31, 2018** | $ 428,729 | $ 113,705 | $ 102,829 | $ 645,263 |
| Goodwill recorded in connection with a business combination (1) | — | — | 1,060 | 1,060 |
| Foreign currency translation | — | 357 | — | 357 |
| Balance as of December 31, 2019: | | | | |
| Goodwill | 636,810 | 302,057 | 103,889 | 1,042,756 |
| Accumulated impairment losses | (208,081) | (187,995) | — | (396,076) |
| **Goodwill, net as of December 31, 2019:** | $ 428,729 | $ 114,062 | $ 103,889 | $ 646,680 |

(1) On September 30, 2019, we completed the acquisition of a business in our Education segment. The results of operations of the acquired business is included in our consolidated financial statements and results of operations of our Education segment from the date of acquisition. This acquisition is not significant to our consolidated financial statements.

**2019 Annual Goodwill Impairment Test**

Pursuant to our policy, we performed our annual goodwill impairment test as of November 30, 2019 on our five reporting units with goodwill balances: Healthcare, Education, Business Advisory, Strategy and Innovation, and Life Sciences. We performed a quantitative impairment test for Strategy and Innovation as the reporting unit is a relatively new business resulting from an acquisition in 2017 and also fell slightly short of internal financial expectations in 2019. We performed qualitative assessments over the Healthcare, Education, Business Advisory, and Life Sciences reporting units to determine if it was more likely than not the respective fair values of these reporting units were less than their carrying amounts, including goodwill.

For the Strategy and Innovation reporting unit, we reviewed goodwill for impairment by comparing the fair value of the reporting unit to its carrying value, including goodwill. In estimating the fair value of the reporting unit, we relied on a combination of the income approach and the market approach utilizing the guideline company method, with a fifty-fifty weighting. Based on the results of the goodwill impairment test, we determined the fair value of Strategy and Innovation reporting unit exceeded its carrying value by 41%. As such, we concluded that there is no indication of goodwill impairment for the reporting unit.

For our qualitative assessment of the Healthcare, Education, Business Advisory and Life Sciences reporting units, we considered the most recent quantitative analysis performed for these reporting units, which was as of November 30, 2017, including the key assumptions used within that analysis, the indicated fair values, and the amount by which those fair values exceeded their carrying amounts. One of the key assumptions used within the prior quantitative analysis was our internal financial projections; therefore, we considered the actual performance of each reporting unit during 2019 and 2018 compared to the internal financial projections used, as well as specific outlooks for each reporting unit based on our most recent internal financial projections. We also considered the market-based valuation multiples used in the market approach within our prior quantitative analysis, which were derived from guideline companies, and noted that the valuation multiples generally increased compared to November 30, 2017. We also reviewed the current carrying value of each reporting unit in comparison to the carrying values as of the prior quantitative analysis. In addition, we considered various factors, including macroeconomic conditions, relevant industry and market trends for each reporting unit, and other entity-specific events, that could indicate a potential change in the fair value of our reporting units or the composition of their carrying values. Based on our assessments, we determined that it was more likely than not that the fair values of the Healthcare, Education, Business Advisory and Life Sciences reporting units exceeded their respective carrying amounts. As such, the goodwill for these reporting units was not considered impaired as of November 30, 2019, and a quantitative goodwill impairment analysis was not necessary.

Further, we evaluated whether any events occurred or any circumstances changed since November 30, 2019 that would indicate goodwill may have become impaired since our annual impairment test. Based on our evaluation as of December 31, 2019, we determined that no indications of impairment arose since our annual goodwill impairment test.

The results of an impairment analysis are as of a point in time. There is no assurance that the actual future earnings or cash flows of our reporting units will be consistent with our projections. We will monitor any changes to our assumptions and will evaluate goodwill as deemed warranted during future periods. Any significant decline in our operations could result in non-cash goodwill impairment charges.

**2017 Goodwill Impairment Charges**

***Healthcare***

During the second quarter of 2017, we performed a goodwill impairment analysis for our Healthcare reporting unit as our Healthcare business was experiencing a prolonged period of declining revenues at the time, primarily driven by softness in our revenue cycle offering within our performance improvement solution. This softness was attributable to decreased demand for our services, the winding down of some of our larger projects, and a trend toward smaller projects, as well as fewer large integrated projects. Based on forecasts prepared in the second quarter of 2017 in connection with our quarterly forecasting cycle, we determined that the likely time frame to improve the financial results of this segment would take longer than originally anticipated. As such, we concluded, during the second quarter of 2017, that the fair value of the Healthcare reporting unit may no longer exceed its carrying value. In connection with the preparation of our financial statements for the quarter ended June 30, 2017, we performed an interim impairment test on the Healthcare reporting unit.

Our goodwill impairment test was performed by comparing the fair value of the Healthcare reporting unit to its carrying value and recognizing an impairment charge for the amount by which the carrying value exceeded the fair value. To estimate the fair value of the Healthcare reporting unit, we relied on a combination of the income approach and the market approach, utilizing the guideline company method, with a fifty-fifty weighting. Based on the estimated fair value of the Healthcare reporting unit, we recorded a $208.1 million non-cash pretax goodwill impairment charge in 2017 to reduce the carrying value of goodwill in our Healthcare reporting unit.

***Enterprise Solutions and Analytics***

Our Enterprise Solutions and Analytics reporting unit was established with the acquisition of Blue Stone International, LLC in 2013. Since that time, we completed five additional business acquisitions within the reporting unit, most recently the acquisitions of the U.S. assets and international assets of ADI Strategies in May 2016 and April 2017, respectively. We record the assets acquired and liabilities assumed in business combinations, including identifiable intangible assets, at their estimated fair values as of the acquisition date, and goodwill is recorded as the excess of the fair value of consideration transferred, including any contingent consideration, over the fair value of the net assets acquired. Therefore, the initial accounting for an acquisition results in its fair value equaling its carrying value. Due to this reporting unit's relatively low headroom, in the event that the financial performance of the reporting unit did not meet our expectations during 2017, we could be required to take a non-cash impairment charge as a result of any goodwill impairment test. During the first three quarters of 2017, the performance of Enterprise Solutions and Analytics continued to reasonably meet our expectations. However, both revenues and operating margin during the fourth quarter of 2017 fell short of our expectations resulting in a reduction in workforce within the reporting unit during that quarter. Further, in connection with our annual budget process for 2018, which coincided with our annual goodwill impairment test during the fourth quarter of 2017, we determined that the reporting unit's expected future revenue growth rates and operating margin would be lower than previously anticipated for this reporting unit. As a result, our goodwill impairment test indicated that the fair value of the Enterprise Solutions and Analytics reporting unit no longer exceeded its carrying value.

(Tabular amounts in thousands, except per share amounts)

Our goodwill impairment test was performed by comparing the fair value of the Enterprise Solutions and Analytics reporting unit to its carrying value and recognizing an impairment charge for the amount by which the carrying value exceeded the fair value. To estimate the fair value of the Enterprise Solutions and Analytics reporting unit, we relied on a combination of the income approach and the market approach, utilizing the guideline company method, with a fifty-fifty weighting. Based on the estimated fair value of the Enterprise Solutions and Analytics reporting unit, we recorded a $45.0 million non-cash pretax goodwill impairment charge to reduce the carrying value of this reporting unit's goodwill to zero.

**Intangible Assets**

Intangible assets as of December 31, 2019 and 2018 consisted of the following:

| | | As of December 31, | | | |
|---|---|---|---|---|---|
| | | 2019 | | 2018 | |
| | Useful Life in Years | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| Customer relationships | 3 to 13 | $ 87,577 | $ 61,882 | $ 98,235 | $ 60,462 |
| Trade names | 5 to 6 | 28,930 | 25,894 | 28,930 | 23,181 |
| Technology and software | 3 to 5 | 5,694 | 4,321 | 5,694 | 2,842 |
| Non-competition agreements | 5 | 2,220 | 1,447 | 3,650 | 2,241 |
| Customer contracts | 2 | 800 | 52 | — | — |
| Favorable lease contract | 3 | — | — | 720 | 646 |
| Total | | $ 125,221 | $ 93,596 | $ 137,229 | $ 89,372 |

Identifiable intangible assets with finite lives are amortized over their estimated useful lives. Customer relationships and customer contracts, as well as certain trade names and technology and software, are amortized on an accelerated basis to correspond to the cash flows expected to be derived from the assets. All other intangible assets with finite lives are amortized on a straight-line basis.

Intangible assets amortization expense was $17.8 million, $24.0 million, and $35.0 million for the years ended December 31, 2019, 2018, and 2017, respectively. The table below sets forth the estimated annual amortization expense for each of the five succeeding years for the intangible assets recorded as of December 31, 2019.

| Year Ending December 31, | Estimated Amortization Expense |
|---|---|
| 2020 | $ 12,638 |
| 2021 | $ 8,379 |
| 2022 | $ 6,111 |
| 2023 | $ 3,512 |
| 2024 | $ 741 |

Actual future amortization expense could differ from these estimated amounts as a result of future acquisitions, dispositions, and other factors.

**5. Leases**

We lease office space, data centers and certain equipment under operating leases expiring on various dates through 2029, with various renewal options that can extend the lease terms by one to ten years. Our operating leases include fixed payments plus, in some cases, scheduled base rent increases over the term of the lease. Certain leases require variable payments of real estate taxes, insurance and operating expenses. We exclude these variable payments from the measurements of our lease liabilities and expense them as incurred. We elected the practical expedient to combine lease and nonlease components. No lease agreements contain any residual value guarantees or material restrictive covenants. As of December 31, 2019, we have not entered into any material finance leases. We sublease certain office spaces to third parties resulting from restructuring activities in certain locations.

**(Tabular amounts in thousands, except per share amounts)**

Operating lease right-of-use ("ROU") assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset group to which the operating lease ROU asset is assigned may not be recoverable. First, we test the asset group for recoverability by comparing the undiscounted cash flows of the asset group, which include expected future lease and nonlease payments under the lease agreement offset by expected sublease income, to the carrying amount of the asset group. If the first step of the long-lived asset impairment test concludes that the carrying amount of the asset group is not recoverable, we perform the second step of the long-lived asset impairment test by comparing the fair value of the asset group to its carrying amount and recognizing a lease impairment charge for the amount by which the carrying amount exceeds the fair value. To estimate the fair value of the asset group, we rely on a discounted cash flow approach using market participant assumptions of the expected cash flows and discount rate. During 2019, we recorded $0.8 million of lease impairment charges for office spaces vacated during the year, of which $0.6 million was allocated to the operating lease ROU assets and $0.2 million was allocated to the leasehold improvements based on their relative carrying amounts. The $0.8 million lease impairment charge was recognized in restructuring charges on our consolidated statement of operations. See Note 11 "Restructuring Charges" for additional information on our restructuring activities.

In the fourth quarter of 2019, we entered into an amendment to the office lease agreement for our principal executive offices in Chicago, Illinois, which resulted in a non-cash gain on lease modification of $0.8 million. Among other items, this amendment i) extends the term of the lease from September 30, 2024 to September 30, 2029; ii) provides a renewal option to extend the lease for an additional five year period to September 30, 2034; iii) terminates the lease with respect to certain leased spaces previously vacated; iv) provides abatement of certain future base rent payments and our pro rata share of operating expenses and taxes; and v) provides a one-time cash payment from the lessor as an incentive.

Additional information on our operating leases as of December 31, 2019 follows.

| **Balance Sheet** | **December 31, 2019** |
|---|---|
| Operating lease right-of-use assets | $ 54,954 |
| | |
| Current maturities of operating lease liabilities | $ 7,469 |
| Operating lease liabilities, net of current portion | 69,233 |
| **Total lease liabilities** | $ 76,702 |

| **Lease Cost** | **Year Ended December 31, 2019** |
|---|---|
| Operating lease cost | $ 11,883 |
| Short-term leases (1) | 322 |
| Variable lease costs | 3,656 |
| Sublease income | (2,638) |
| **Net lease cost (2)(3)(4)** | $ 13,223 |

(1) Includes variable lease costs related to short-term leases.

(2) Net lease cost includes $0.4 million for the year ended December 31, 2019, recorded as restructuring charges as they relate to vacated office spaces. See Note 11 "Restructuring Charges" for additional information on our vacated office spaces.

(3) Net lease cost includes $0.3 million for the year ended December 31, 2019, related to vacated office spaces directly related to discontinued operations.

(4) Rent expense, including operating expenses, real estate taxes and insurance, recorded under ASC 840 for the years ended December 31, 2018 and 2017 was $15.1 million and $14.3 million, respectively.

(Tabular amounts in thousands, except per share amounts)

The table below summarizes the remaining expected lease payments under our operating leases as of December 31, 2019.

| Future Lease Payments | December 31, 2019 |
|---|---|
| 2020 | $ 9,772 |
| 2021 | 12,039 |
| 2022 | 11,502 |
| 2023 | 11,470 |
| 2024 | 10,893 |
| Thereafter | 35,211 |
| Total operating lease payments | $ 90,887 |
| Less: imputed interest | (14,185) |
| Present value of operating lease liabilities | $ 76,702 |

The table below summarizes the future minimum rental commitments, as defined by ASC 840, under our non-cancelable operating leases as of December 31, 2018.

| Lease Payments | December 31, 2018 (1) |
|---|---|
| 2019 | $ 13,701 |
| 2020 | 12,724 |
| 2021 | 11,590 |
| 2022 | 10,766 |
| 2023 | 10,707 |
| Thereafter | 27,033 |
| Total | $ 86,521 |

(1) As of December 31, 2018, the expected total future minimum sublease income to be received was $10.2 million.

| Other Information | Year Ended December 31, 2019 |
|---|---|
| Cash paid for operating lease liabilities | $ 13,902 |
| Operating lease right-of-use assets obtained in exchange for operating lease liabilities | $ 12,842 |
| | |
| Weighted average remaining lease term - operating leases | 7.7 years |
| Weighted average discount rate - operating leases | 4.3% |

(Tabular amounts in thousands, except per share amounts)

## 6. Property and Equipment, Net

Depreciation expense for property and equipment was $13.0 million, $13.4 million, and $13.3 million for the years ended December 31, 2019, 2018, and 2017, respectively. Property and equipment, net at December 31, 2019 and 2018 consisted of the following:

| | As of December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Computers, related equipment, and software | $ 50,251 | $ 53,116 |
| Leasehold improvements | 44,323 | 45,052 |
| Furniture and fixtures | 16,273 | 17,408 |
| Aircraft | 7,667 | 7,541 |
| Assets under construction | 250 | 250 |
| Property and equipment | 118,764 | 123,367 |
| Accumulated depreciation and amortization | (80,351) | (82,993) |
| Property and equipment, net | $ 38,413 | $ 40,374 |

## 7. Financing Arrangements

A summary of the carrying amounts of our debt follows:

| | As of December 31, | |
|---|---|---|
| | 2019 | 2018 |
| 1.25% convertible senior notes due 2019 | $ — | $ 242,617 |
| Senior secured credit facility | 205,000 | 50,000 |
| Promissory note due 2024 | 3,853 | 4,368 |
| Total long-term debt | $ 208,853 | $ 296,985 |
| Current maturities of long-term debt | (529) | (243,132) |
| Long-term debt, net of current portion | $ 208,324 | $ 53,853 |

Below is a summary of the scheduled remaining principal payments of our debt as of December 31, 2019.

| | Principal Payments of Long-Term Debt |
|---|---|
| 2020 | $ 529 |
| 2021 | $ 544 |
| 2022 | $ 559 |
| 2023 | $ 575 |
| 2024 | $ 206,646 |

### Convertible Notes

In September 2014, the Company issued $250 million principal amount of 1.25% convertible senior notes due 2019 (the "Convertible Notes") in a private offering. The Convertible Notes were governed by the terms of an indenture between the Company and U.S. Bank National Association, as Trustee (the "Indenture"). The Convertible Notes were senior unsecured obligations of the Company and paid interest semi-annually on April 1 and October 1 of each year at an annual rate of 1.25%. The Convertible Notes matured on October 1, 2019. Upon maturity, we refinanced $217.0 million of the principal amount of the outstanding Convertible Notes with the borrowing capacity available under our revolving credit facility and funded the remaining $33.0 million principal payment with cash on hand.

Prior to maturity, upon conversion, the Convertible Notes would have been settled, at our election, in cash, shares of the Company's common stock, or a combination of cash and shares of the Company's common stock. On October 1, 2019, one holder of the Convertible Notes converted their holding, which we settled in cash and resulted in an immaterial gain on conversion.

Upon issuance, we separated the Convertible Notes into liability and equity components. The carrying amount of the liability component was determined by measuring the fair value of a similar liability that does not have an associated convertible feature, assuming our nonconvertible debt borrowing rate. The carrying value of the equity component representing the conversion option, which was recognized as a debt discount, was determined by deducting the fair value of the liability component from the proceeds of the Convertible Notes. The debt discount was amortized to interest expense using an effective interest rate of 4.751% over the term of the Convertible Notes. The equity component was not remeasured as it continued to meet the conditions for equity classification.

(Tabular amounts in thousands, except per share amounts)

The transaction costs related to the issuance of the Convertible Notes were separated into liability and equity components based on their relative values, as determined above. Transaction costs attributable to the liability component were recorded as a deduction to the carrying amount of the liability and amortized to interest expense over the term of the Convertible Notes; and transaction costs attributable to the equity component were netted with the equity component of the Convertible Notes in stockholders' equity. Total debt issuance costs were approximately $7.3 million, of which $6.2 million was allocated to liability issuance costs and $1.1 million was allocated to equity issuance costs.

As of December 31, 2018, the Convertible Notes consisted of the following:

| | As of December 31, 2018 |
|---|---|
| Liability component: | |
| Proceeds | $ 250,000 |
| Less: debt discount, net of amortization | (6,436) |
| Less: debt issuance costs, net of amortization | (947) |
| Net carrying amount | $ 242,617 |
| Equity component [(1)] | $ 39,287 |

(1) Included in additional paid-in capital on the consolidated balance sheet.

The following table presents the amount of interest expense recognized related to the Convertible Notes for the periods presented.

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Contractual interest coupon | $ 2,344 | $ 3,125 | $ 3,125 |
| Amortization of debt discount | 6,436 | 8,232 | 7,851 |
| Amortization of debt issuance costs | 947 | 1,245 | 1,224 |
| Total interest expense | $ 9,727 | $ 12,602 | $ 12,200 |

In connection with the issuance of the Convertible Notes, we entered into convertible note hedge transactions and warrant transactions. The convertible note hedge transactions were intended to reduce the potential future economic dilution associated with the conversion of the Convertible Notes and, combined with the warrants, effectively raised the price at which economic dilution would occur from the initial conversion price of approximately $79.89 to approximately $97.12 per share. For purposes of the computation of diluted earnings per share in accordance with GAAP, dilution would occur when the average share price of our common stock for a given period exceeds the conversion price of the Convertible Notes, which initially is equal to approximately $79.89 per share. The convertible note hedge transactions and warrant transactions are discussed separately below.

- *Convertible Note Hedge Transactions*. In connection with the issuance of the Convertible Notes, the Company entered into convertible note hedge transactions whereby the Company had call options to purchase a total of approximately 3.1 million shares of the Company's common stock, which is the number of shares initially issuable upon conversion of the Convertible Notes in full, at a price of approximately $79.89, which corresponded to the initial conversion price of the Convertible Notes, subject to customary anti-dilution adjustments substantially similar to those in the Convertible Notes. The convertible note hedge transactions were exercisable upon conversion of the Convertible Notes and expired in the third quarter of 2019. We paid an aggregate amount of $42.1 million for the convertible note hedge transactions, which was recorded as additional paid-in capital on the consolidated balance sheet. The convertible note hedge transactions were separate transactions and were not part of the terms of the Convertible Notes.

- *Warrants.* In connection with the issuance of the Convertible Notes, the Company sold warrants whereby the holders of the warrants have the option to purchase a total of approximately 3.1 million shares of the Company's common stock at a strike price of approximately $97.12. The warrants will expire incrementally on 100 different dates from January 6, 2020 to May 28, 2020 and are exercisable at each such expiry date. If the average market value per share of our common stock for the reporting period exceeds the strike price of the warrants, the warrants will have a dilutive effect on our earnings per share. We received aggregate proceeds of $23.6 million from the sale of the warrants, which was recorded as additional paid-in capital on the consolidated balance sheets. The warrants are separate transactions and are not part of the terms of the Convertible Notes or the convertible note hedge transactions.

The Company recorded an initial deferred tax liability of $15.4 million in connection with the debt discount associated with the Convertible Notes and recorded an initial deferred tax asset of $16.5 million in connection with the convertible note hedge transactions. The deferred tax liability and deferred tax asset were included in deferred income taxes, net on the consolidated balance sheets.

**Senior Secured Credit Facility**

The Company has a $600 million senior secured revolving credit facility, subject to the terms of a Second Amended and Restated Credit Agreement dated as of March 31, 2015, as amended to date (as amended and modified the "Amended Credit Agreement"), that becomes due and payable in full upon maturity on September 27, 2024. The Amended Credit Agreement provides the option to increase the revolving credit facility or establish term loan facilities in an aggregate amount of up to $150 million, subject to customary conditions and the approval of any lender whose commitment would be increased, resulting in a maximum available principal amount under the Amended Credit Agreement of $750 million. The initial borrowings under the Amended Credit Agreement were used to refinance borrowings outstanding under a prior credit agreement, and future borrowings under the Amended Credit Agreement may be used for working capital, capital expenditures, acquisitions of businesses, share repurchases, and general corporate purposes.

Fees and interest on borrowings vary based on our Consolidated Leverage Ratio (as defined in the Amended Credit Agreement). At our option, borrowings under the Amended Credit Agreement will bear interest at one, two, three or six-month LIBOR or an alternate base rate, in each case plus the applicable margin. The applicable margin will fluctuate between 1.125% per annum and 1.875% per annum, in the case of LIBOR borrowings, or between 0.125% per annum and 0.875% per annum, in the case of base rate loans, based upon our Consolidated Leverage Ratio at such time.

Amounts borrowed under the Amended Credit Agreement may be prepaid at any time without premium or penalty. We are required to prepay the amounts outstanding under the Amended Credit Agreement in certain circumstances. In addition, we have the right to permanently reduce or terminate the unused portion of the commitments provided under the Amended Credit Agreement at any time.

The loans and obligations under the Amended Credit Agreement are secured pursuant to a Second Amended and Restated Security Agreement and a Second Amended and Restated Pledge Agreement (the “Pledge Agreement”) with Bank of America, N.A. as collateral agent, pursuant to which the Company and the subsidiary guarantors grant Bank of America, N.A., for the ratable benefit of the lenders under the Amended Credit Agreement, a first-priority lien, subject to permitted liens, on substantially all of the personal property assets of the Company and the subsidiary guarantors, and a pledge of 100% of the stock or other equity interests in all domestic subsidiaries and 65% of the stock or other equity interests in each “material first-tier foreign subsidiary” (as defined in the Pledge Agreement).

The Amended Credit Agreement contains usual and customary representations and warranties; affirmative and negative covenants, which include limitations on liens, investments, additional indebtedness, and restricted payments; and two quarterly financial covenants as follows: (i) a maximum Consolidated Leverage Ratio (defined as the ratio of debt to consolidated EBITDA) of 3.75 to 1.00; however the maximum permitted Consolidated Leverage Ratio will increase to 4.00 to 1.00 upon the occurrence of certain transactions, and (ii) a minimum Consolidated Interest Coverage Ratio (defined as the ratio of consolidated EBITDA to interest) of 3.50 to 1.00. Consolidated EBITDA for purposes of the financial covenants is calculated on a continuing operations basis and includes adjustments to add back non-cash goodwill impairment charges, share-based compensation costs, certain non-cash restructuring charges, pro forma historical EBITDA for businesses acquired, and other specified items in accordance with the Amended Credit Agreement. At December 31, 2019, we were in compliance with these financial covenants with a Consolidated Leverage Ratio of 1.64 to 1.00 and a Consolidated Interest Coverage Ratio of 15.29 to 1.00.

Borrowings outstanding under the Amended Credit Agreement at December 31, 2019 totaled $205.0 million. These borrowings carried a weighted average interest rate of 3.0%, including the impact of the interest rate swap described in Note 12 “Derivative Instruments and Hedging Activity." Borrowings outstanding under the Amended Credit Agreement at December 31, 2018 were $50.0 million and carried a weighted average interest rate of 3.7%, including the impact of the interest rate swap described in Note 12 "Derivative Instruments and Hedging Activity." The borrowing capacity under the revolving credit facility is reduced by any outstanding borrowings under the revolving credit facility and outstanding letters of credit. At December 31, 2019, we had outstanding letters of credit totaling $1.7 million, which are primarily used as security deposits for our office facilities. As of December 31, 2019, the unused borrowing capacity under the revolving credit facility was $393.3 million.

**Promissory Note due 2024**

In 2017, in conjunction with our purchase of an aircraft related to the acquisition of Innosight, we assumed, from the sellers of the aircraft, a promissory note with an outstanding principal balance of $5.1 million. The principal balance of the promissory note is subject to scheduled monthly principal payments until the maturity date of March 1, 2024, at which time a final payment of $1.5 million, plus any accrued and unpaid interest, will be due. Under the terms of the promissory note, we will pay interest on the outstanding principal amount at a rate of one month LIBOR plus 1.97% per annum. The obligations under the promissory note are secured pursuant to a Loan and Aircraft Security Agreement with Banc of America Leasing & Capital, LLC, which grants the lender a first priority security interest in the aircraft. At December 31, 2019, the outstanding principal amount of the promissory note was $3.9 million. As of December 31, 2019, the aircraft had a carrying amount of $5.1 million. At December 31, 2018, the outstanding principal amount of the promissory note was $4.4 million, and the aircraft had a carrying amount of $5.8 million.

## 8. Capital Structure

### Preferred Stock

We are authorized to issue up to 50,000,000 shares of preferred stock. Our certificate of incorporation authorizes our board of directors, without any further stockholder action or approval, to issue these shares in one or more classes or series, to establish from time to time the number of shares to be included in each class or series, and to fix the rights, preferences and privileges of the shares of each wholly unissued class or series and any of its qualifications, limitations or restrictions. As of December 31, 2019 and 2018, no such preferred stock has been approved or issued.

### Common Stock

We are authorized to issue up to 500,000,000 shares of common stock, par value $.01 per share. The holders of common stock are entitled to one vote for each share held of record on each matter submitted to a vote of stockholders. Subject to the rights and preferences of the holders of any series of preferred stock that may at the time be outstanding, holders of common stock are entitled to such dividends as our board of directors may declare. In the event of any liquidation, dissolution or winding-up of our affairs, after payment of all of our debts and liabilities and subject to the rights and preferences of the holders of any series of preferred stock that may at the time be outstanding, holders of common stock will be entitled to receive the distribution of any of our remaining assets.

## 9. Revenues

For the years ended December 31, 2019, 2018 and 2017 we recognized revenues of $876.8 million, $795.1 million, and $732.6 million, respectively. Of the $876.8 million recognized in 2019, we recognized revenues of $2.8 million from obligations satisfied, or partially satisfied, in prior periods due to the release of allowances on unbilled services as a result of securing contract amendments. During 2019, we recognized a $1.0 million decrease to revenues due to changes in the estimates of our variable consideration under performance-based billing arrangements. Of the $795.1 million recognized in 2018, we recognized revenues of $10.8 million from obligations satisfied, or partially satisfied, in prior periods, of which $7.2 million was due to changes in the estimates of our variable consideration under performance-based billing arrangements and $3.6 million was primarily due to the release of allowances on unbilled services due to securing contract amendments.

As of December 31, 2019, we had $90.1 million of remaining performance obligations under engagements with original expected durations greater than one year. These remaining performance obligations exclude obligations under contracts with an original expected duration of one year or less, variable consideration which has been excluded from the total transaction price due to the constraint, and performance obligations under time-and-expense engagements which are recognized in the amount invoiced. Of the $90.1 million of performance obligations, we expect to recognize approximately $58.1 million as revenue in 2020, $20.9 million in 2021, and the remaining $11.1 million thereafter. Actual revenue recognition could differ from these amounts as a result of changes in the estimated timing of work to be performed, adjustments to estimated variable consideration in performance-based arrangements, or other factors.

***Contract Assets and Liabilities***

The payment terms and conditions in our customer contracts vary. Differences between the timing of billings and the recognition of revenue are recognized as either unbilled services or deferred revenues in the consolidated balance sheets.

Unbilled services include revenues recognized for services performed but not yet billed to clients. Services performed that we are not yet entitled to bill because certain events must occur, such as the completion of the measurement period or client approval in performance-based engagements, are recorded as contract assets and included within unbilled services, net. The contract asset balance as of December 31, 2019 and 2018 was $12.6 million and $9.1 million, respectively. The $3.5 million increase primarily reflects timing differences between the completion of our performance obligations and the amounts billed or billable to clients in accordance with their contractual billing terms.

(Tabular amounts in thousands, except per share amounts)

Client prepayments and retainers are classified as deferred revenues and recognized over future periods in accordance with the applicable engagement agreement and our revenue recognition policy. Our deferred revenues balance as of December 31, 2019 and December 31, 2018 was $28.4 million and $28.1 million respectively. The $0.3 million increase primarily reflects timing differences between client payments in accordance with their contract terms and the completion of our performance obligations. For the year ended December 31, 2019, $22.8 million of revenues recognized were included in the deferred revenue balance as of December 31, 2018. For the year ended December 31, 2018, $23.5 million of revenues recognized were included in the deferred revenue balance as of December 31, 2017.

## 10. Earnings Per Share

Basic earnings per share excludes dilution and is computed by dividing net income by the weighted average number of common shares outstanding for the period, excluding unvested restricted common stock. Diluted earnings per share reflects the potential reduction in earnings per share that could occur if securities or other contracts to issue common stock were exercised or converted into common stock under the treasury stock method. Such securities or other contracts include unvested restricted stock awards, outstanding common stock options, convertible senior notes, and outstanding warrants, to the extent dilutive. In periods for which we report a net loss from continuing operations, diluted weighted average common shares outstanding excludes all potential common stock equivalents as their impact on diluted net loss from continuing operations per share would be anti-dilutive.

Earnings (loss) per share under the basic and diluted computations are as follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Net income (loss) from continuing operations | $ 41,979 | $ 13,944 | $ (170,505) |
| Income (loss) from discontinued operations, net of tax | (236) | (298) | 388 |
| Net income (loss) | $ 41,743 | $ 13,646 | $ (170,117) |
| | | | |
| Weighted average common shares outstanding—basic | 21,993 | 21,706 | 21,439 |
| Weighted average common stock equivalents | 514 | 352 | — |
| Weighted average common shares outstanding—diluted | 22,507 | 22,058 | 21,439 |
| | | | |
| Net earnings (loss) per basic share: | | | |
| Net income (loss) from continuing operations | $ 1.91 | $ 0.64 | $ (7.95) |
| Income (loss) from discontinued operations, net of tax | (0.01) | (0.01) | 0.02 |
| Net income (loss) | $ 1.90 | $ 0.63 | $ (7.93) |
| | | | |
| Net earnings (loss) per diluted share: | | | |
| Net income (loss) from continuing operations | $ 1.87 | $ 0.63 | $ (7.95) |
| Income (loss) from discontinued operations, net of tax | (0.02) | (0.01) | 0.02 |
| Net income (loss) | $ 1.85 | $ 0.62 | $ (7.93) |

The number of anti-dilutive securities excluded from the computation of the weighted average common stock equivalents presented above were as follows:

| | As of December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Unvested restricted stock awards | — | — | 636 |
| Outstanding common stock options | — | — | 194 |
| Convertible senior notes | — | 3,129 | 3,129 |
| Warrants related to the issuance of convertible senior notes | 3,129 | 3,129 | 3,129 |
| Total anti-dilutive securities | 3,129 | 6,258 | 7,088 |

See Note 7 “Financing Arrangements” for further information on the convertible senior notes and warrants related to the issuance of convertible notes.

We currently have a share repurchase program permitting us to repurchase up to $125 million of our common stock through October 31, 2020 (the "Share Repurchase Program"). The amount and timing of the repurchases will be determined by management and will depend on a variety of factors, including the trading price of our common stock, capacity under our credit facility, general market and business conditions, and applicable legal requirements. In 2019, we repurchased and retired 210,437 shares for $14.2 million, of which $1.2 million settled in the first quarter of 2020. All of the 210,437 shares repurchased and retired in 2019 were included as a reduction to our basic weighted average shares outstanding for the year ended December 31, 2019 based on the trade date of the share repurchase. No shares were repurchased under this program in 2018 or 2017. As of December 31, 2019, $20.9 million remains available for share repurchases.

## 11. Restructuring Charges

***2019***

In 2019, we incurred $1.9 million of pretax restructuring expense. This expense primarily consisted of the following charges:

*Severance* - We incurred $0.6 million of severance expense as a result of workforce reductions to better align resources with market demand and workforce reductions in our corporate operations.

Office exit costs - We incurred $1.2 million of office exit costs. During 2019, we exited a portion of our Lake Oswego, Oregon office resulting in a $0.7 million lease impairment charge on the related operating lease right-of-use asset and leasehold improvements and $0.2 million of accelerated depreciation on furniture and fixtures in that office. The lease impairment charge was recognized in accordance with ASC 842, *Leases*, which we adopted on a modified retrospective basis on January 1, 2019. See Note 2 "Summary of Significant Accounting Policies" for additional information on our adoption of ASC 842. See Note 5 "Leases" for additional information on the long-lived asset impairment test. Additionally, during 2019, we exited the remaining portion of our Middleton, Wisconsin office and an office in Houston, Texas, resulting in restructuring charges of $0.4 million and $0.1 million, respectively, which primarily consisted of accelerated depreciation on furniture and fixtures in those offices. During the fourth quarter of 2019, we entered into an amendment to the lease of our principal executive offices in Chicago, Illinois. Among other items, the amendment terminated the lease with respect to certain leased space which we previously vacated and currently sublease to a third-party. As a result of the amendment, we recognized a restructuring gain of $0.4 million. See Note 5 "Leases" for additional information on the amendment.

Of the $1.9 million pretax restructuring charge, $1.5 million related to our corporate operations, $0.3 million related to our Healthcare segment, and $0.1 million related to our Business Advisory segment.

***2018***

In 2018, we incurred $3.7 million of pretax restructuring expense. This expense primarily consisted of the following charges:

*Severance* - We incurred $2.1 million of severance expense as a result of workforce reductions to better align resources with market demand.

*Office exit costs* - We incurred $1.3 million of office exit costs. Of the $1.3 million, $0.8 million related to the accrual of remaining lease payments, net of estimated sublease income, accelerated depreciation on leasehold improvements, and moving expenses due to exiting a portion of our Middleton, Wisconsin office; $0.4 million related to updated lease assumptions, commission costs, and moving expenses for our San Francisco office vacated in 2017; and $0.1 million related to updated lease assumptions for our Chicago office consolidation. The office exit costs incurred in the 2018 were accounted for in accordance with ASC 840, *Leases.*

*Other* - We incurred $0.3 million related to the divestiture of our Middle East practice within the Business Advisory segment in the second quarter of 2018. During the second quarter of 2018, we sold our Middle East practice to a former employee who was the practice leader of that business at the time, and we recorded a $5.8 million loss which is included in other income (expense), net in our consolidated statements of operations.

Of the $3.7 million pretax restructuring charge, $1.1 million was related to our Healthcare segment, $1.0 million was related to our Business Advisory segment, and $1.6 million was related to our corporate operations.

***2017***

In 2017, we incurred $6.2 million of pretax restructuring expense. This expense primarily consisted of the following charges:

(Tabular amounts in thousands, except per share amounts)

*Severance* - We incurred $3.7 million of severance expense as a result of workforce reductions to better align resources with market demand and workforce reductions in our corporate operations.

*Office exit costs* - We incurred $2.4 million of office exit costs primarily related to the accrual of remaining lease obligations, net of estimated sublease income, due to relocating our San Francisco office to a smaller space and consolidating our Chicago and New York offices, and accelerated depreciation on leasehold improvements for our San Francisco office. The office exit costs incurred in the 2017 were accounted for in accordance with ASC 840, *Leases.*

Of the $6.2 million pretax restructuring charge, $2.1 million was related to our Healthcare segment, $1.1 million was related to our Business Advisory segment, and $2.9 million was related to our corporate operations.

The table below sets forth the changes in the carrying amount of our restructuring charge liability by restructuring type for the years ended December 31, 2019 and 2018.

| | Employee Costs | Office Space Reductions | Other | Total |
|---|---|---|---|---|
| **Balance as of December 31, 2017** | $ 1,267 | $ 4,247 | $ — | $ 5,514 |
| Additions (1) (2) | 2,102 | 677 | 191 | 2,970 |
| Payments | (2,879) | (3,284) | (191) | (6,354) |
| Adjustments (1) (2) | (47) | 828 | — | 781 |
| **Balance as of December 31, 2018** | 443 | 2,468 | — | 2,911 |
| Adoption of ASC 842 (3) | — | (1,119) | — | (1,119) |
| **Balance as of January 1, 2019** | 443 | 1,349 | — | 1,792 |
| Additions (2) | 636 | 9 | — | 645 |
| Payments | (995) | (383) | — | (1,378) |
| Adjustments (2) | (16) | (884) | — | (900) |
| **Balance as of December 31, 2019** | $ 68 | $ 91 | $ — | $ 159 |

(1) Additions and adjustments for the years ended December 31, 2019 and 2018 include restructuring charges of $0.1 million and $0.4 million, respectively related to office exit costs for vacated offices spaces directly related to discontinued operations.

(2) Additions and adjustments exclude non-cash items related to vacated office spaces, such as lease impairment charges and accelerated depreciation on fixed assets, which are recorded as restructuring charges on our consolidated statements of operations.

(3) Upon adoption of ASC 842 on January 1, 2019, we reclassified the restructuring charge liabilities, which represented the present value of remaining lease payments, net of estimated sublease income, for vacated office spaces from restructuring charge liabilities to operating lease right-of-use assets. See Note 2 "Summary of Significant Accounting Polices" for additional information on the impact of adoption.

The $0.1 million restructuring charge liability related to office space reductions at December 31, 2019 is included as a component of deferred compensation and other liabilities. The $0.1 million restructuring charge liability related to employee costs at December 31, 2019 is expected to be paid in the next 12 months and is included as a component of accrued payroll and related benefits.

### 12. Derivative Instruments and Hedging Activity

On June 22, 2017, we entered into a forward interest rate swap agreement effective August 31, 2017 and ending August 31, 2022, with a notional amount of $50.0 million. We entered into this derivative instrument to hedge against the interest rate risks of our variable-rate borrowings. Under the terms of the interest rate swap agreement, we receive from the counterparty interest on the notional amount based on one month LIBOR and we pay to the counterparty a fixed rate of 1.900%.

We recognize all derivative instruments as either assets or liabilities at fair value on the balance sheet. We have designated this derivative instrument as a cash flow hedge. Therefore, changes in the fair value of the derivative instrument are recorded to other comprehensive income ("OCI") to the extent effective and reclassified into interest expense upon settlement. As of December 31, 2019, it was anticipated that $0.1 million of the losses, net of tax, currently recorded in accumulated other comprehensive income will be reclassified into earnings within the next 12 months.

(Tabular amounts in thousands, except per share amounts)

The table below sets forth additional information relating to our interest rate swap designated as a cash flow hedging instrument as of December 31, 2019 and 2018.

| | Fair Value (Derivative Asset and Liability) As of December 31, | |
|---|---|---|
| **Balance Sheet Location** | **2019** | **2018** |
| Prepaid expenses and other current assets | $ — | $ 302 |
| Other non-current assets | $ — | $ 451 |
| Accrued expenses | $ 159 | $ — |
| Deferred compensation and other liabilities | $ 387 | $ — |

All of our derivative instruments are transacted under the International Swaps and Derivatives Association (ISDA) master agreements. These agreements permit the net settlement of amounts owed in the event of default and certain other termination events. Although netting is permitted, it is our policy to record all derivative assets and liabilities on a gross basis on our consolidated balance sheet.

We do not use derivative instruments for trading or other speculative purposes. Refer to Note 14 “Other Comprehensive Income (Loss)” for additional information on our derivative instrument.

### 13. Fair Value of Financial Instruments

Certain of our assets and liabilities are measured at fair value. Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value and requires companies to maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy consists of three levels based on the objectivity of the inputs as follows:

| | |
|---|---|
| Level 1 Inputs | Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. |
| Level 2 Inputs | Quoted prices in active markets for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means. |
| Level 3 Inputs | Unobservable inputs for the asset or liability, and include situations in which there is little, if any, market activity for the asset or liability. |

The tables below sets forth our fair value hierarchy for our financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2019 and 2018.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **December 31, 2019** | | | | |
| **Assets:** | | | | |
| Convertible debt investment | $ — | $ — | $ 49,542 | $ 49,542 |
| Deferred compensation assets | — | 27,445 | — | 27,445 |
| Total assets | $ — | $ 27,445 | $ 49,542 | $ 76,987 |
| **Liabilities:** | | | | |
| Interest rate swap | $ — | $ 546 | $ — | $ 546 |
| Total liabilities | $ — | $ 546 | $ — | $ 546 |

(Tabular amounts in thousands, except per share amounts)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **December 31, 2018** | | | | |
| **Assets:** | | | | |
| Interest rate swap | $ — | $ 753 | $ — | $ 753 |
| Convertible debt investment | — | — | 50,429 | 50,429 |
| Deferred compensation assets | — | 18,205 | — | 18,205 |
| Total assets | $ — | $ 18,958 | $ 50,429 | $ 69,387 |
| **Liabilities:** | | | | |
| Contingent consideration for business acquisitions | $ — | $ — | $ 11,441 | $ 11,441 |
| Total liabilities | $ — | $ — | $ 11,441 | $ 11,441 |

*Interest rate swap:* The fair value of our interest rate swap was derived using estimates to settle the interest rate swap agreement, which is based on the net present value of expected future cash flows on each leg of the swap utilizing market-based inputs and discount rates reflecting the risks involved.

*Convertible debt investment:* In 2014 and 2015, we invested $27.9 million, in the form of zero coupon convertible debt (the "initial convertible notes"), in Shorelight Holdings, LLC ("Shorelight"), the parent company of Shorelight, a U.S.-based company that partners with leading nonprofit universities to increase access to and retention of international students, boost institutional growth, and enhance an institution's global footprint. In the second quarter of 2019, we amended the initial investment to extend the maturity date by one year to July 1, 2021, unless converted earlier. In the first quarter of 2020, we invested an additional $13.0 million, in the form of 1.69% convertible debt with a senior liquidation preference to the initial convertible notes (the "additional convertible note"); and amended our initial convertible notes to extend the maturity date to January 17, 2024, which coincides with the maturity date of the additional convertible note.

To determine the appropriate accounting treatment for our investment, we performed a variable interest entity ("VIE") analysis and concluded that Shorelight does not meet the definition of a VIE. We also reviewed the characteristics of our investment to confirm that the convertible notes are not in-substance common stock that would warrant equity method accounting. After we reviewed all of the terms of the investment, we concluded the appropriate accounting treatment to be that of an available-for-sale debt security.

The investment is carried at fair value with unrealized holding gains and losses excluded from earnings and reported in other comprehensive income. We estimate the fair value of our investment using a scenario-based approach in the form of a hybrid analysis that consists of a Monte Carlo simulation model and an expected return analysis. The conclusion of value for our investment is based on the probability-weighted assessment of both scenarios. The hybrid analysis utilizes certain assumptions related to the assumed holding period, the applicable waterfall distribution at the end of the expected holding period based on the rights and privileges of the various instruments, cash flow projections discounted at the risk-adjusted rate, and the concluded equity volatility, all of which are Level 3 inputs. The valuation of our investment as of December 31, 2019 takes into consideration the equity value indication as well as the dilutive impact of the convertible debt issued by Shorelight in the first quarter of 2020, the terms of which were known or knowable as of December 31, 2019. The use of alternative estimates and assumptions could increase or decrease the estimated fair value of the investment, which would result in different impacts to our consolidated balance sheet and comprehensive income. Actual results may differ from our estimates. The fair value of the convertible debt investment is recorded in long-term investments on our consolidated balance sheets.

The table below sets forth the changes in the balance of the convertible debt investment for the years ended December 31, 2019 and 2018.

| | Convertible Debt Investment |
|---|---|
| Balance as of December 31, 2017 | $ 39,904 |
| Change in fair value of convertible debt investment | 10,525 |
| Balance as of December 31, 2018 | 50,429 |
| Change in fair value of convertible debt investment | (887) |
| Balance as of December 31, 2019 | $ 49,542 |

*Deferred compensation assets:* We have a non-qualified deferred compensation plan (the "Plan") for the members of our board of directors and a select group of our employees. The deferred compensation liability is funded by the Plan assets, which consist of life insurance policies maintained within a trust. The cash surrender value of the life insurance policies approximates fair value and is based on third-party broker statements which provide the fair value of the life insurance policies' underlying investments, which are Level 2 inputs. The cash surrender value of the life insurance policies is invested primarily in mutual funds. The Plan assets are included in other non-current assets on our consolidated balance sheets. Realized and unrealized gains (losses) from the deferred compensation assets are recorded to other income (expense), net in our consolidated statements of operations.

(Tabular amounts in thousands, except per share amounts)

*Contingent consideration for business acquisitions:* We estimate the fair value of acquisition-related contingent consideration using either a probability-weighted assessment of the specific financial performance targets being measured or a Monte Carlo simulation model, as appropriate. These fair value measurements are based on significant inputs not observable in the market and thus represent Level 3 inputs. The significant unobservable inputs used in the fair value measurements of our contingent consideration are our measures of the estimated payouts based on internally generated financial projections on a probability-weighted basis and discount rates, which typically reflect a risk-free rate. The fair value of the contingent consideration is reassessed quarterly based on assumptions used in our latest projections and input provided by practice leaders and management. Any change in the fair value estimate is recorded in our consolidated statement of operations for that period. The use of alternative estimates and assumptions could increase or decrease the estimated fair value of our contingent consideration liability, which would result in different impacts to our consolidated balance sheets and consolidated statements of operations. Actual results may differ from our estimates.

The table below sets forth the changes in the balance of the contingent consideration for business acquisitions for the years ended December 31, 2019 and 2018.

| | Contingent Consideration for Business Acquisitions |
|---|---|
| Balance as of December 31, 2017 | $ 22,828 |
| Acquisitions | 212 |
| Payments | (11,974) |
| Remeasurement of contingent consideration for business acquisitions | 381 |
| Unrealized gain due to foreign currency translation | (6) |
| Balance as of December 31, 2018 | 11,441 |
| Payments | (10,041) |
| Remeasurement of contingent consideration for business acquisitions | (1,506) |
| Unrealized loss due to foreign currency translation | 106 |
| Balance as of December 31, 2019 | $ — |

Financial assets and liabilities not recorded at fair value on a recurring basis are as follows:

*Preferred Stock Investment*

In the fourth quarter of 2019, we invested $5.0 million, in the form of preferred stock, in Medically Home Group, Inc. ("Medically Home"), a healthcare technology-enabled services company. To determine the appropriate accounting treatment for our investment, we performed a VIE analysis and concluded that Medically Home does not meet the definition of a VIE. We also reviewed the characteristics of our investment to confirm that the preferred stock is not in-substance common stock that would warrant equity method accounting. After we reviewed all of the terms of the investment, we concluded the appropriate accounting treatment for our investment in Medically Home to be that of an equity security with no readily determinable fair value. We elected to apply the measurement alternative at the time of the purchase and will continue to do so until the investment does not qualify to be so measured. Under the measurement alternative, the investment is carried at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment in Medically Home. On a quarterly basis, we review the information available to determine whether an orderly and observable transaction for the same or similar equity instrument occurred, and remeasure the fair value of the preferred stock using such identified transactions, with changes in the fair value recorded in consolidated statement of operations. Following our purchase, there has been no impairment, nor any observable price changes to our investment.

*Senior Secured Credit Facility*

The carrying value of our borrowings outstanding under our senior secured credit facility is stated at cost. Our carrying value approximates fair value, using Level 2 inputs, as the senior secured credit facility bears interest at variable rates based on current market rates as set forth in the Amended Credit Agreement. Refer to Note 7 “Financing Arrangements” for additional information on our senior secured credit facility.

(Tabular amounts in thousands, except per share amounts)

*Promissory Note due 2024*

The carrying value of our promissory note due 2024 is stated at cost. Our carrying value approximates fair value, using Level 2 inputs, as the promissory note bears interest at rates based on current market rates as set forth in the terms of the promissory note. Refer to Note 7 “Financing Arrangements” for additional information on our promissory note due 2024.

*Convertible Notes*

The carrying amount and estimated fair value of the Convertible Notes as of December 31, 2018 follows. The Convertible Notes matured on October 1, 2019.

| | December 31, 2018 | |
|---|---|---|
| | Carrying Amount | Estimated Fair Value |
| 1.25% convertible senior notes due 2019 | $ 242,617 | $ 242,940 |

The difference between the $250 million principal amount of the Convertible Notes and the carrying amount shown above represented the unamortized debt discount and issuance costs. As of December 31, 2018, the carrying value of the equity component of $39.3 million was unchanged from the date of issuance. Refer to Note 7 “Financing Arrangements” for additional information on our Convertible Notes. The estimated fair value of the Convertible Notes was determined based on the quoted bid price of the Convertible Notes in an over-the-counter market, which is a Level 2 input, on the last day of trading for the year ended December 31, 2018.

Cash and cash equivalents are stated at cost, which approximates fair market value. The carrying values of all other financial instruments not described above reasonably approximate fair market value due to the nature of the financial instruments and the short-term maturity of these items.

(Tabular amounts in thousands, except per share amounts)

### 14. Other Comprehensive Income (Loss)

The table below sets forth the components of accumulated other comprehensive income (loss), net of tax for the years ended December 31, 2019, 2018, and 2017.

| | Foreign Currency Translation | Available-for-Sale Investments | Cash Flow Hedges (1) | Total |
|---|---|---|---|---|
| **Balance as of December 31, 2016** | $ (453) | $ 4,088 | $ (20) | $ 3,615 |
| Foreign currency translation adjustment, net of tax of $0 | 1,602 | — | — | 1,602 |
| Unrealized gain on investments: | | | | |
| Change in fair value, net of tax of $(998) | — | 4,231 | — | 4,231 |
| Reclassification adjustment into retained earnings (2) | — | 493 | — | 493 |
| Unrealized gain (loss) on cash flow hedges: | | | | |
| Change in fair value, net of tax of $(106) | — | — | 366 | 366 |
| Reclassification adjustment into earnings, net of tax of $(46) | — | — | 69 | 69 |
| Reclassification adjustment into retained earnings (2) | — | — | (6) | (6) |
| **Balance as of December 31, 2017** | 1,149 | 8,812 | 409 | 10,370 |
| Foreign currency translation adjustment, net of tax of $0 | (1,814) | — | — | (1,814) |
| Unrealized gain on investments: | | | | |
| Change in fair value, net of tax of $(2,753) | — | 7,772 | — | 7,772 |
| Unrealized gain (loss) on cash flow hedges: | | | | |
| Change in fair value, net of tax of $(63) | — | — | 197 | 197 |
| Reclassification adjustment into earnings, net of tax of $(10) | — | — | (30) | (30) |
| **Balance as of December 31, 2018** | (665) | 16,584 | 576 | 16,495 |
| Foreign currency translation adjustment, net of tax of $0 | 99 | — | — | 99 |
| Unrealized gain (loss) on investments: | | | | |
| Change in fair value, net of tax of $185 | — | (702) | — | (702) |
| Unrealized gain (loss) on cash flow hedges: | | | | |
| Change in fair value, net of tax of $295 | — | — | (819) | (819) |
| Reclassification adjustment into earnings, net of tax of $48 | — | — | (137) | (137) |
| **Balance as of December 31, 2019** | $ (566) | $ 15,882 | $ (380) | $ 14,936 |

(1) The before tax amounts reclassified from accumulated other comprehensive income (loss) related to our cash flow hedges are recorded to interest expense, net of interest income.

(2) Upon adoption of ASU 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income,* we reclassified $0.5 million of stranded tax effects, which resulted from the enactment of the 2017 Tax Reform, from accumulated other comprehensive income to retained earnings.

### 15. Employee Benefit and Deferred Compensation Plans

We sponsor a qualified defined contribution 401(k) plan covering substantially all of our employees. Under the plan, employees are entitled to make pretax contributions and/or Roth post-tax contributions up to the annual maximums established by the Internal Revenue Service. We match an amount equal to the employees’ contributions up to 6% of the employees’ eligible earnings. Our matching contributions for the years ended December 31, 2019, 2018, and 2017 were $22.8 million, $20.8 million, and $20.0 million, respectively.

We have a non-qualified deferred compensation plan (the “Plan”) that is administered by our board of directors or a committee designated by the board of directors. Under the Plan, members of the board of directors and a select group of our employees may elect to defer the receipt of their director retainers and meeting fees or base salary and bonus, as applicable. Additionally, we may credit amounts to a participant’s deferred compensation account in accordance with employment or other agreements entered into between us and the participant. At our sole discretion, we may, but are not required to, credit any additional amount we desire to any participant's deferred compensation account. Amounts credited are subject to vesting schedules set forth in the Plan, employment agreement, or any other agreement entered into between us and the participant. The deferred compensation liability at December 31, 2019 and 2018 was $27.5 million and $18.4 million, respectively. This deferred compensation liability is funded by the Plan assets.

**16. Equity Incentive Plans**

In 2012, Huron adopted the 2012 Omnibus Incentive Plan (the “2012 Plan”)which replaced, on a prospective basis, our 2004 Omnibus Stock Plan (the "2004 Plan") such that future grants will be granted under the 2012 Plan and any outstanding awards granted under the 2004 Plan that are cancelled, expired, forfeited, settled in cash, or otherwise terminated without a delivery of shares to the participant will not become available for grant under the 2012 Plan. The 2012 Plan permits the grant of stock options, stock appreciation rights, restricted stock, performance shares and other share-based or cash-based awards valued in whole or in part by reference to, or otherwise based on, our common stock. Subsequent to the initial approval of the 2012 Plan and through December 31, 2019, our shareholders approved amendments to the 2012 Plan to increase the number of shares reserved for issuance by 2,254,000, in the aggregate. As of December 31, 2019, approximately 1.1 million shares remain available for issuance under the 2012 Plan.

On May 1, 2015, we adopted the Stock Ownership Participation Program (the “SOPP”), which is available to Huron employees below the managing director level who do not receive equity-based awards as part of their normal compensation plan. Under the SOPP, eligible employees may elect to use after-tax payroll deductions, or cash contributions, to purchase shares of the Company's common stock on certain designated purchase dates. Employees who purchase stock under the SOPP are granted restricted stock equal to 25% of their purchased shares. Vesting of the restricted stock is subject to both a time-based vesting schedule and a requirement that the purchased shares be held for a specified period. The initial number of shares available for issuance under the SOPP was 300,000. Prior to the adoption of the SOPP, the matching share grants and the employee purchased shares under the stock ownership participation program were governed by the 2012 Plan. As of December 31, 2019, less than 0.1 million shares remain available for issuance under the SOPP.

It has been our practice to issue shares of common stock upon exercise of stock options and granting of restricted stock from authorized but unissued shares, with the exception of the SOPP under which shares are issued from treasury stock. Certain grants of restricted stock under the 2012 Plan may be issued from treasury stock at the direction of the Compensation Committee.

Share-based awards outstanding under our 2012 Plan and our 2004 Plan provide for a retirement eligibility provision, under which eligible employees who have reached 62 years of age and have completed seven years of employment with Huron will continue vesting in their share-based awards after retirement, subject to certain conditions. This retirement eligibility provision also applies to future awards granted to eligible employees under the 2012 Plan. The Compensation Committee of the board of directors has the responsibility of interpreting the 2012 Plan and SOPP and determining all of the terms and conditions of awards made under the plans, including when the awards will become exercisable or otherwise vest.

Total share-based compensation cost recognized for the years ended December 31, 2019, 2018, and 2017 was $24.2 million, $18.8 million, and $14.8 million, respectively, with related income tax benefits of $5.3 million, $4.6 million, and $5.8 million, respectively. As of December 31, 2019, there was $26.2 million of total unrecognized compensation cost related to nonvested share-based awards. This cost is expected to be recognized over a weighted average period of 2.2 years.

**Restricted Stock Awards**

The grant date fair values of our restricted stock awards are measured based on the fair value of our common stock at grant date and amortized into expense over the service period. Subject to acceleration under certain conditions, the majority of our restricted stock vests annually over four years.

(Tabular amounts in thousands, except per share amounts)

The table below summarizes the restricted stock activity for the year ended December 31, 2019.

| | Number of Shares | | | Weighted Average Grant Date Fair Value (in dollars) |
|---|---|---|---|---|
| | 2012 Omnibus Incentive Plan | Stock Ownership Participation Program | Total | |
| Nonvested restricted stock at December 31, 2018 | 747 | 11 | 758 | $ 43.08 |
| Granted | 341 | 12 | 353 | $ 48.57 |
| Vested | (284) | (10) | (294) | $ 46.25 |
| Forfeited | (30) | (1) | (31) | $ 45.24 |
| Nonvested restricted stock at December 31, 2019 | 774 | 12 | 786 | $ 44.27 |

The aggregate fair value of restricted stock that vested during the years ended December 31, 2019, 2018, and 2017 was $14.5 million, $9.1 million, and $11.1 million, respectively. The weighted average grant date fair value per share of restricted stock granted during 2018 and 2017 was $38.45 and $42.11, respectively.

**Performance-based Share Awards**

During 2019, 2018, and 2017, the Company granted performance-based stock awards to our named executive officers and certain managing directors. The total number of shares earned by recipients of these awards is contingent upon meeting practice specific and Company-wide performance goals. Following the performance period, certain awards are subject to the completion of a service period, which is generally an additional two years. These earned awards vest on a graded vesting schedule over the service period. For certain performance awards, the recipients may earn additional shares of stock for performance achieved above the stated target. The grant date fair values of our performance-based share awards are measured based on the fair value of our common stock at grant date. Compensation cost is amortized into expense over the service period, including the performance period.

The table below summarizes the performance-based stock activity for the year ended December 31, 2019. All nonvested performance-based stock outstanding at December 31, 2019 and 2018 was granted under the 2012 Omnibus Incentive Plan.

| | Number of Shares | Weighted Average Grant Date Fair Value (in dollars) |
|---|---|---|
| Nonvested performance-based stock at December 31, 2018 | 436 | $ 36.81 |
| Granted (1) | 281 | $ 47.93 |
| Vested | (73) | $ 40.69 |
| Forfeited (2) | (144) | $ 36.06 |
| Nonvested performance-based stock at December 31, 2019 (3) | 500 | $ 42.72 |

(1) Shares granted in 2019 are presented at the stated target, which represents the base number of shares that could be earned. Actual shares earned may be below or, for certain grants, above the target based on the achievement of specific financial goals.

(2) Forfeited shares include shares forfeited as a result of not meeting the performance criteria of the award as well as shares forfeited upon termination.

(3) Of the 500,000 nonvested performance-based shares outstanding as of December 31, 2019, 403,794 shares were unearned and subject to achievement of specific financial goals. Once earned, the awards will be subject to time-based vesting according to the terms of the award. Based on 2019 financial results, approximately 110,936 of the 403,794 unearned shares will be forfeited in the first quarter of 2020.

The aggregate fair value of performance-based stock that vested during the years ended December 31, 2019, 2018, and 2017 was $3.4 million, $1.5 million, and $3.6 million, respectively. The weighted average grant date fair value per share of performance-based stock granted during 2018 and 2017 was $35.25 and $42.75, respectively.

**Stock Options**

Prior to 2014, the Company granted stock option awards to certain named executive officers. No stock option awards were granted in 2019, 2018, or 2017. The exercise prices of stock options are equal to the fair value of a share of common stock on the date of grant. Subject to acceleration under certain conditions, our stock options vest annually over four years. All stock options have a 10-year contractual term.

Stock option activity for the year ended December 31, 2019 was as follows:

| | Number of Options (in thousands) | Weighted Average Exercise Price (in dollars) | Weighted Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value (in millions) |
|---|---|---|---|---|
| Outstanding at December 31, 2018 | 154 | $ 30.52 | 2.5 | $ 3.2 |
| Granted | — | | | |
| Exercised | (48) | $ 25.97 | | $ 1.6 |
| Forfeited or expired | — | | | |
| Outstanding at December 31, 2019 (1) | 106 | $ 32.57 | 1.9 | $ 3.8 |
| Exercisable at December 31, 2019 | 106 | $ 32.57 | 1.9 | $ 3.8 |

(1) Of the 106,000 outstanding options, approximately 74,000 were granted under the 2004 Omnibus Stock Plan, and the remaining 32,000 options were granted under the 2012 Omnibus Incentive Plan.

The aggregate intrinsic value of options exercised during 2018 was $0.8 million. No options were exercised in 2017.

**17. Income Taxes**

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act (“2017 Tax Reform”), a tax reform bill which, among other items, reduced the corporate federal income tax rate from 35% to 21% and moved from a worldwide tax system to a territorial system. As a result of the enactment of this legislation during the fourth quarter of 2017, we estimated the remeasurement of our net deferred taxes based on the new lower tax rate, as well as provided for additional one-time income tax expense estimates primarily related to the transition tax on accumulated foreign earnings and elimination of foreign tax credits for dividends that are subject to the 100 percent exemption in our consolidated financial statements as of and for the year ended December 31, 2017. In 2017 and the first nine months of 2018, we recorded provisional amounts for certain enactment-date effects of 2017 Tax Reform by applying the guidance in Staff Accounting Bulletin (“SAB”) No. 118 because we had not yet completed our enactment-date accounting for these effects.

During the fourth quarter of 2018, we completed our accounting for all of the enactment-date income tax effects of 2017 Tax Reform. For the year ended December 31, 2018, we recorded tax expense of $2.2 million related to establishing a valuation allowance for foreign tax credits, a tax benefit of $0.6 million related to the U.S. federal return to provision adjustments for the remeasurement of our net deferred taxes based on the new lower rate and tax expense of $0.2 million related to withholding tax on outside basis differences due to our change in assertion for permanent reinvestment. These amounts are recorded as a component of income tax expense from continuing operations.

2017 Tax Reform subjects a US shareholder to tax on Global Intangible Low-Taxed Income (GILTI) earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740, No. 5, *Accounting for Global Intangible Low-Taxed Income*, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or to provide for the tax expense related to GILTI in the year the tax is incurred. We have elected to recognize the tax on GILTI as a period expense in the period the tax is incurred.

(Tabular amounts in thousands, except per share amounts)

The income tax expense for continuing operations for the years ended December 31, 2019, 2018, and 2017 consists of the following:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| **Current:** | | | |
| Federal | $ 125 | $ (1,611) | $ (635) |
| State | 2,014 | 286 | 545 |
| Foreign | (422) | 1,885 | 2,040 |
| Total current | 1,717 | 560 | 1,950 |
| **Deferred:** | | | |
| Federal | 7,467 | 9,742 | (46,103) |
| State | 1,610 | 2,008 | (6,576) |
| Foreign | (282) | (1,033) | (1,270) |
| Total deferred | 8,795 | 10,717 | (53,949) |
| Income tax expense for continuing operations | $ 10,512 | $ 11,277 | $ (51,999) |

The components of income from continuing operations before taxes were as follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| U.S. | $ 53,898 | $ 17,025 | $ (221,137) |
| Foreign | (1,407) | 8,196 | (1,367) |
| Total | $ 52,491 | $ 25,221 | $ (222,504) |

A reconciliation of the U.S. statutory income tax rate to our effective tax rate for continuing operations is as follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Percent of pretax income from continuing operations: | | | |
| At U.S. statutory tax rate | 21.0% | 21.0% | 35.0% |
| State income taxes, net of federal benefit | 6.1 | 7.2 | 2.7 |
| Disallowed executive compensation | 2.0 | 2.5 | — |
| Meals and entertainment | 1.6 | 2.0 | (0.3) |
| Tax credits | (3.1) | (1.4) | 0.2 |
| Valuation allowance | (2.9) | 6.9 | (0.2) |
| Realized investment (gains) losses | (1.8) | 1.3 | 0.4 |
| Net tax benefit related to “check-the-box” election | (1.4) | — | 1.2 |
| Stock-based compensation | (1.1) | 4.9 | (0.8) |
| Foreign source income | (0.5) | (1.7) | 0.1 |
| Change in fair value of contingent consideration liabilities | — | 2.4 | — |
| Global intangible low-taxed income | — | 2.1 | — |
| Transition tax on accumulated foreign earnings, net of credits | — | 0.8 | (0.3) |
| U.S. federal rate change | — | (2.3) | (3.4) |
| Goodwill impairment charges | — | — | (10.2) |
| Other | 0.1 | (1.0) | (1.0) |
| Effective income tax rate for continuing operations | 20.0% | 44.7% | 23.4% |

The effective tax rate for discontinued operations in 2019 was 26.0%, based on a tax benefit of $0.1 million and pretax loss from discontinued operations of $0.3 million, and was higher than the statutory tax rate primarily due to state income taxes. The effective tax rate for discontinued operations in 2018 was 26.7%, based on tax expense of $0.1 million and a pretax loss from discontinued operations of $0.4 million, and was higher than the statutory tax rate primarily due to state income taxes. The effective tax rate for discontinued operations in

(Tabular amounts in thousands, except per share amounts)

2017 was 60.0%, based on tax expense of $0.6 million and a pretax income from discontinued operations of $1.0 million, and was higher than the statutory tax rate primarily due the settlement of foreign tax audits.

The net deferred tax liabilities for continuing operations at December 31, 2019 and 2018 consisted of the following:

| | As of December 31, | |
|---|---|---|
| | 2019 | 2018 |
| Deferred tax assets: | | |
| Operating lease liabilities | $ 20,541 | $ — |
| Accrued payroll and other liabilities | 12,289 | 6,737 |
| Share-based compensation | 6,970 | 6,150 |
| Tax credits | 465 | 3,548 |
| Net operating loss carryforwards | 280 | 2,247 |
| Deferred lease incentives | — | 4,100 |
| Restructuring charge liability | — | 639 |
| Other | 1,451 | 1,466 |
| Total deferred tax assets | 41,996 | 24,887 |
| Valuation allowance | (1,016) | (3,143) |
| Net deferred tax assets | 40,980 | 21,744 |
| Deferred tax liabilities: | | |
| Intangibles and goodwill | (16,421) | (6,665) |
| Operating lease right-of-use assets | (14,675) | — |
| Convertible debt investment | (5,608) | (5,934) |
| Software development costs | (4,496) | (1,655) |
| Property and equipment | (4,039) | (3,604) |
| Prepaid expenses | (2,183) | (1,794) |
| Other | (483) | (671) |
| Total deferred tax liabilities | (47,905) | (20,323) |
| Net deferred tax asset (liability) for continuing operations | $ (6,925) | $ 1,421 |

As of December 31, 2019 and 2018, we had valuation allowances of $1.0 million and $3.1 million, respectively, primarily due to uncertainties relating to the ability to realize deferred tax assets recorded for foreign losses and tax credits. The decrease in valuation allowances in 2019 primarily related to a decrease in the valuation allowance for foreign tax credits.

We have federal and state tax credit carryforwards of $0.5 million which will begin to expire in 2020, if not utilized. We also have foreign net operating losses of $0.3 million, which carryforward indefinitely. We have no federal or state net operating loss carryforwards as of December 31, 2019.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution.

(Tabular amounts in thousands, except per share amounts)

A reconciliation of our beginning and ending amount of unrecognized tax benefits is as follows:

| | Unrecognized Tax Benefits |
|---|---|
| Balance at January 1, 2017 | $ 3,340 |
| Decrease due to lapse of statute of limitations | (2,410) |
| Decrease based on tax positions related to prior years | (117) |
| Balance at December 31, 2017 | 813 |
| Additions based on tax positions related to prior years | 115 |
| Decrease due to lapse of statute of limitations | (28) |
| Balance at December 31, 2018 | 900 |
| Decrease due to settlements of prior year tax positions | (115) |
| Decrease due to lapse of statute of limitations | (735) |
| Balance at December 31, 2019 | $ 50 |

As of December 31, 2019, we had $0.1 million of unrecognized tax benefits which would affect the effective tax rate of continuing operations if recognized.

As of December 31, 2019 and 2018, we had less than $0.1 million and $0.1 million accrued for the potential payment of interest and penalties. Accrued interest and penalties are recorded as a component of provision for income taxes on our consolidated statement of operations.

We file income tax returns with federal, state, local and foreign jurisdictions. Tax years 2016 through 2018 are subject to future examinations by federal tax authorities. Tax years 2013 through 2018 are subject to future examinations by state and local tax authorities. Our foreign income tax filings are subject to future examinations by the local foreign tax authorities for tax years 2014 through 2018. Currently, we are not under audit by any tax authority.

## 18. Commitments, Contingencies and Guarantees

### Lease Commitments

We lease office space, data centers and certain equipment under non-cancelable operating lease arrangements expiring on various dates through 2029, with various renewal options. Office facilities under operating leases include fixed payments plus, in some cases, scheduled base rent increases over the term of the lease. Certain leases require variable payments of real estate taxes, insurance and operating expenses. See Note 5 "Leases" for additional information on our leases, including the remaining expected lease payments under our operating leases as of December 31, 2019.

### Litigation

During the year ended December 31, 2019, we recorded a $0.4 million litigation loss accrual related to a legal claim that was subsequently settled during the first quarter of 2020. During the year ended December 31, 2018, we reached a settlement agreement related to Huron's claim in a class action lawsuit, resulting in a gain of $2.5 million. These items are recorded in litigation and other losses (gains), net on our consolidated statement of operations.

From time to time, we are involved in legal proceedings and litigation arising in the ordinary course of business. As of the date of this Annual Report on Form 10-K, we are not a party to any litigation or legal proceeding that, in the current opinion of management, could have a material adverse effect on our financial position or results of operations. However, due to the risks and uncertainties inherent in legal proceedings, actual results could differ from current expected results.

### Guarantees

Guarantees in the form of letters of credit totaling $1.7 million and $1.6 million were outstanding at December 31, 2019 and 2018, respectively, primarily to support certain office lease obligations.

In connection with certain business acquisitions, we may be required to pay post-closing consideration to the sellers if specific financial performance targets are met over a number of years as specified in the related purchase agreements. As of December 31, 2019, the estimated fair value of our outstanding contingent consideration liability was zero. As of December 31, 2018, the total estimated fair value of our contingent consideration liabilities was $11.4 million.

To the extent permitted by law, our bylaws and articles of incorporation require that we indemnify our officers and directors against judgments, fines and amounts paid in settlement, including attorneys' fees, incurred in connection with civil or criminal action or proceedings, as it relates to their services to us if such person acted in good faith. Although there is no limit on the amount of indemnification, we may have recourse against our insurance carrier for certain payments made.

**19. Segment Information**

Segments are defined as components of a company that engage in business activities from which they may earn revenues and incur expenses, and for which separate financial information is available and is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. Our chief operating decision maker, who is our chief executive officer, manages the business under three operating segments, which are our reportable segments: Healthcare, Business Advisory, and Education.

- **Healthcare**

  Our Healthcare segment has a depth of expertise in financial and operational improvement, care transformation, culture and organizational excellence, strategy, and technology and analytics. We serve national and regional hospitals, integrated health systems, academic medical centers, community hospitals, and medical groups. Our solutions help clients evolve and adapt to the rapidly changing healthcare environment and achieve growth, optimize performance, enhance profitability, improve quality and clinical outcomes, align leaders, improve organizational culture, and drive physician, patient, and employee engagement across the enterprise to deliver better consumer outcomes.

  We help organizations transform and innovate their delivery model to focus on patient wellness by improving quality outcomes, minimizing care variation and fundamentally improving patient and population health. Our consultants collaborate with clients to help build and sustain today's business to invest in the future by reducing complexity, improving operational efficiency and growing market share. We enable the healthcare of the future by identifying, integrating and optimizing digital and technology investments to collect data that transforms care delivery and improves patient outcomes. We also develop future leaders capable of driving meaningful cultural and organizational change and who transform the consumer experience.

- **Business Advisory**

  Our Business Advisory segment provides services to large and middle market organizations, lending institutions, law firms, investment banks, private equity firms, and not-for-profit organizations, including higher education and healthcare institutions. We assist clients in a broad range of industries and across the spectrum from healthy, well-capitalized companies to organizations in transition, as well as creditors, equity owners, and other key constituents. Our Enterprise Solutions and Analytics experts advise, deliver, and optimize technology and analytic solutions that enable organizations to manage and optimize their financial performance, operational efficiency, and client or stakeholder experience. Our Business Advisory experts resolve complex business issues and enhance client enterprise value through a suite of services including capital advisory, transaction advisory, operational improvement, restructuring and turnaround, valuation, and dispute advisory. Our Strategy and Innovation professionals collaborate with clients across a range of industries to identify new growth opportunities, build new ventures and capabilities, and accelerate organizational change. Our Life Sciences professionals provide strategic solutions to help pharmaceutical, medical device, and biotechnology companies deliver more value to patients, payers, and providers, and comply with regulations.

- **Education**

  Our Education segment provides consulting and technology solutions to higher education institutions and academic medical centers. We collaborate with clients to address challenges relating to business and technology strategy, financial and operational excellence, student success, research administration, and regulatory compliance. Our research enterprise solutions assist clients in identifying and implementing institutional research strategy, optimizing clinical research operations, improving financial management and cost reimbursement, improving service to faculty, and mitigating risk compliance. Our technology strategy, enterprise applications, and analytic solutions transform and optimize operations, deliver time and cost savings, and enhance the student experience. Our institutional strategy, budgeting and financial management, and business operations align missions with business priorities, improve quality, and reduce costs institution-wide. Our student solutions improve attraction, retention and graduation rates, increase student satisfaction and help generate quality outcomes.

(Tabular amounts in thousands, except per share amounts)

Segment operating income consists of the revenues generated by a segment, less the direct costs of revenue and selling, general and administrative expenses that are incurred directly by the segment. Unallocated corporate costs include costs related to administrative functions that are performed in a centralized manner that are not attributable to a particular segment. These administrative function costs include costs for corporate office support, office facility costs, costs relating to accounting and finance, human resources, legal, marketing, information technology, and company-wide business development functions, as well as costs related to overall corporate management.

The tables below set forth information about our operating segments for the years ended December 31, 2019, 2018, and 2017, along with the items necessary to reconcile the segment information to the totals reported in the accompanying consolidated financial statements. We do not present financial information by geographic area because our international operations are immaterial.

| | Year Ended December 31, 2019 | Year Ended December 31, 2018 | Year Ended December 31, 2017 |
|---|---|---|---|
| **Healthcare:** | | | |
| Revenues | $ 399,221 | $ 364,763 | $ 356,909 |
| Operating income | $ 125,724 | $ 108,060 | $ 118,761 |
| Segment operating income as a percentage of segment revenues | 31.5% | 29.6% | 33.3% |
| **Business Advisory:** | | | |
| Revenues | $ 252,508 | $ 236,185 | $ 207,753 |
| Operating income | $ 49,695 | $ 50,625 | $ 46,600 |
| Segment operating income as a percentage of segment revenues | 19.7% | 21.4% | 22.4% |
| **Education:** | | | |
| Revenues | $ 225,028 | $ 194,177 | $ 167,908 |
| Operating income | $ 55,741 | $ 48,243 | $ 40,318 |
| Segment operating income as a percentage of segment revenues | 24.8% | 24.8% | 24.0% |
| **Total Company:** | | | |
| Revenues | $ 876,757 | $ 795,125 | $ 732,570 |
| Reimbursable expenses | 88,717 | 82,874 | 75,175 |
| Total revenues and reimbursable expenses | $ 965,474 | $ 877,999 | $ 807,745 |
| | | | |
| Segment operating income | $ 231,160 | $ 206,928 | $ 205,679 |
| Items not allocated at the segment level: | | | |
| Other operating expenses | 140,285 | 122,276 | 120,718 |
| Litigation and other losses (gains), net | (1,196) | (2,019) | 1,111 |
| Depreciation and amortization | 28,365 | 34,575 | 38,213 |
| Goodwill impairment charges (1) | — | — | 253,093 |
| Other expense, net | 11,215 | 26,875 | 15,048 |
| Income (loss) from continuing operations before taxes | $ 52,491 | $ 25,221 | $ (222,504) |

(1) The goodwill impairment charges are not allocated at the segment level because the underlying goodwill asset is reflective of our corporate investment in the segments. We do not include the impact of goodwill impairment charges in our evaluation of segment performance.

(Tabular amounts in thousands, except per share amounts)

| Segment Assets: | As of December 31, 2019 | 2018 | 2017 |
|---|---|---|---|
| Healthcare | $ 73,019 | $ 65,133 | $ 70,097 |
| Business Advisory | 59,315 | 59,017 | 58,217 |
| Education | 38,881 | 26,990 | 31,367 |
| Unallocated assets (1) | 933,056 | 898,392 | 877,247 |
| Total assets | $ 1,104,271 | $ 1,049,532 | $ 1,036,928 |

(1) Unallocated assets include goodwill and intangible assets and our long-term investments, as management does not evaluate these items at the segment level when assessing segment performance or allocating resources. Refer to Note 4 “Goodwill and Intangible Assets" and Note 13 "Fair Value of Financial Instruments" for further information on these assets.

The following table illustrates the disaggregation of revenues by billing arrangements, employee types, and timing of revenue recognition, including a reconciliation of the disaggregated revenues to revenues from our three operating segments for the year ended December 31, 2019 and 2018.

| | Year Ended December 31, 2019 | | | |
|---|---|---|---|---|
| | Healthcare | Business Advisory | Education | Total |
| *Billing Arrangements* | | | | |
| Fixed-fee | $ 249,479 | $ 100,635 | $ 51,826 | $ 401,940 |
| Time and expense | 55,204 | 139,610 | 154,893 | 349,707 |
| Performance-based | 71,051 | 6,856 | — | 77,907 |
| Software support, maintenance and subscriptions | 23,487 | 5,407 | 18,309 | 47,203 |
| **Total** | $ 399,221 | $ 252,508 | $ 225,028 | $ 876,757 |
| | | | | |
| *Employee Type (1)* | | | | |
| Revenue generated by full-time billable consultants | $ 280,915 | $ 243,350 | $ 195,844 | $ 720,109 |
| Revenue generated by full-time equivalents | 118,306 | 9,158 | 29,184 | 156,648 |
| **Total** | $ 399,221 | $ 252,508 | $ 225,028 | $ 876,757 |
| | | | | |
| *Timing of Revenue Recognition* | | | | |
| Revenue recognized over time | $ 390,884 | $ 252,508 | $ 223,673 | $ 867,065 |
| Revenue recognized at a point in time | 8,337 | — | 1,355 | 9,692 |
| **Total** | $ 399,221 | $ 252,508 | $ 225,028 | $ 876,757 |

(Tabular amounts in thousands, except per share amounts)

| | Year Ended December 31, 2018 | | | |
|---|---|---|---|---|
| | Healthcare | Business Advisory | Education | Total |
| *Billing Arrangements* | | | | |
| Fixed-fee | $ 239,263 | $ 98,119 | $ 39,586 | $ 376,968 |
| Time and expense | 58,377 | 128,583 | 140,824 | 327,784 |
| Performance-based | 42,684 | 5,405 | — | 48,089 |
| Software support, maintenance and subscriptions | 24,439 | 4,078 | 13,767 | 42,284 |
| **Total** | $ 364,763 | $ 236,185 | $ 194,177 | $ 795,125 |
| | | | | |
| *Employee Type* (1) | | | | |
| Revenue generated by full-time billable consultants | $ 247,416 | $ 225,335 | $ 170,496 | $ 643,247 |
| Revenue generated by full-time equivalents | 117,347 | 10,850 | 23,681 | 151,878 |
| **Total** | $ 364,763 | $ 236,185 | $ 194,177 | $ 795,125 |
| | | | | |
| *Timing of Revenue Recognition* | | | | |
| Revenue recognized over time | $ 356,826 | $ 236,185 | $ 190,526 | $ 783,537 |
| Revenue recognized at a point in time | 7,937 | — | 3,651 | 11,588 |
| **Total** | $ 364,763 | $ 236,185 | $ 194,177 | $ 795,125 |

(1) Full-time billable consultants consist of our full-time professionals who provide consulting services to our clients and are billable to our clients based on the number of hours worked. Full-time equivalent professionals consist of our coaches and their support staff within our Culture and Organizational Excellence solution, consultants who work variable schedules as needed by our clients, employees who provide managed services in our Healthcare segment, and full-time employees who provide software support and maintenance services to our clients.

For the years ended December 31, 2019, 2018, and 2017, substantially all of our revenues and long-lived assets were attributed to or located in the United States.

At December 31, 2019 and 2018, no single client accounted for greater than 10% of our combined receivables and unbilled services balances. During the years ended December 31, 2019, 2018, and 2017, no single client generated greater than 10% of our consolidated revenues.

**20. Valuation and Qualifying Accounts**

The table below sets forth the changes in the carrying amount of our allowances for doubtful accounts and unbilled services and valuation allowance for deferred tax assets for the years ended December 31, 2019, 2018, and 2017.

| | Beginning balance | Additions (1) | Deductions | Ending balance |
|---|---|---|---|---|
| Year ended December 31, 2017: | | | | |
| Allowances for doubtful accounts and unbilled services | $ 21,259 | 43,888 | 40,648 | $ 24,499 |
| Valuation allowance for deferred tax assets | $ 626 | 793 | 172 | $ 1,247 |
| Year ended December 31, 2018: | | | | |
| Allowances for doubtful accounts and unbilled services | $ 24,499 | 49,390 | 51,648 | $ 22,241 |
| Valuation allowance for deferred tax assets | $ 1,247 | 2,314 | 418 | $ 3,143 |
| Year ended December 31, 2019: | | | | |
| Allowances for doubtful accounts and unbilled services | $ 22,241 | 69,979 | 73,552 | $ 18,668 |
| Valuation allowance for deferred tax assets | $ 3,143 | 1 | 2,128 | $ 1,016 |

(1) Additions to allowances for doubtful accounts and unbilled services are charged to revenues to the extent the provision relates to fee adjustments and other discretionary pricing adjustments. To the extent the provision relates to a client's inability to make required payments on accounts receivables, the provision is charged to operating expenses. Additions also include allowances acquired in business acquisitions, which were not material in any period presented.

(Tabular amounts in thousands, except per share amounts)

## 21. Selected Quarterly Financial Data (Unaudited)

| | Quarter Ended | | | |
|---|---|---|---|---|
| **2019** | **Mar. 31** | **Jun. 30** | **Sep. 30** | **Dec. 31** |
| Revenues | $ 204,445 | $ 220,754 | $ 219,289 | $ 232,269 |
| Reimbursable expenses | 18,617 | 23,534 | 23,636 | 22,930 |
| Total revenues and reimbursable expenses | 223,062 | 244,288 | 242,925 | 255,199 |
| Gross profit | 65,496 | 77,832 | 75,158 | 77,315 |
| Operating income | 6,756 | 17,875 | 20,576 | 18,499 |
| Net income from continuing operations | 3,350 | 10,569 | 13,706 | 14,354 |
| Loss from discontinued operations, net of tax | (46) | (97) | (52) | (41) |
| Net income | 3,304 | 10,472 | 13,654 | 14,313 |
| Net earnings per basic share: | | | | |
| Net income from continuing operations | $ 0.15 | $ 0.48 | $ 0.62 | $ 0.65 |
| Loss from discontinued operations, net of tax | — | — | — | — |
| Net income | $ 0.15 | $ 0.48 | $ 0.62 | $ 0.65 |
| Net earnings per diluted share: | | | | |
| Net income from continuing operations | $ 0.15 | $ 0.47 | $ 0.61 | $ 0.63 |
| Loss from discontinued operations, net of tax | — | — | — | — |
| Net income | $ 0.15 | $ 0.47 | $ 0.61 | $ 0.63 |
| Weighted average shares used in calculating earnings per share: | | | | |
| Basic | 21,868 | 21,997 | 22,052 | 22,051 |
| Diluted | 22,311 | 22,400 | 22,561 | 22,676 |

| | Quarter Ended | | | |
|---|---|---|---|---|
| **2018** | **Mar. 31** | **Jun. 30** | **Sep. 30** | **Dec. 31** |
| Revenues | $ 193,679 | $ 197,544 | $ 198,448 | $ 205,454 |
| Reimbursable expenses | 17,619 | 20,733 | 21,296 | 23,226 |
| Total revenues and reimbursable expenses | 211,298 | 218,277 | 219,744 | 228,680 |
| Gross profit | 59,745 | 68,820 | 68,893 | 71,834 |
| Operating income | 2,322 | 19,138 | 13,561 | 17,075 |
| Net income (loss) from continuing operations | (3,222) | 5,862 | 8,249 | 3,055 |
| Income (loss) from discontinued operations, net of tax | (42) | (490) | 228 | 6 |
| Net income (loss) | (3,264) | 5,372 | 8,477 | 3,061 |
| Net earnings (loss) per basic share: | | | | |
| Net income (loss) from continuing operations | $ (0.15) | $ 0.27 | $ 0.38 | $ 0.14 |
| Income (loss) from discontinued operations, net of tax | — | (0.02) | 0.01 | — |
| Net income (loss) | $ (0.15) | $ 0.25 | $ 0.39 | $ 0.14 |
| Net earnings (loss) per diluted share: | | | | |
| Net income (loss) from continuing operations | $ (0.15) | $ 0.27 | $ 0.37 | $ 0.14 |
| Income (loss) from discontinued operations, net of tax | — | (0.02) | 0.01 | — |
| Net income (loss) | $ (0.15) | $ 0.25 | $ 0.38 | $ 0.14 |
| Weighted average shares used in calculating earnings per share: | | | | |
| Basic | 21,592 | 21,709 | 21,745 | 21,774 |
| Diluted | 21,592 | 21,918 | 22,110 | 22,294 |

**Exhibit 4.2**

**Description of Huron Consulting Group Inc.'s Securities Registered Pursuant To Section 12 of the Securities Exchange Act Of 1934**

The following description sets forth certain material terms and provisions of the securities of Huron Consulting Group Inc. ("we," "us" or "our") that are registered under Section 12 of the Securities Exchange Act of 1934, as amended. This description also summarizes relevant provisions of Delaware law. The following summary does not purport to be complete and is subject to, and is qualified in its entirety by, the provisions of our certificate of incorporation and bylaws, copies of which are incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part, and by the applicable provisions of Delaware law.

Our authorized capital stock consists of 500,000,000 shares of common stock, par value $0.01 per share; and 50,000,000 shares of preferred stock.

Our common stock is quoted on the NASDAQ Global Select Market under the symbol "HURN."

**Common Stock**

**Voting**

The holders of our common stock are entitled to one vote for each share held of record on each matter submitted to a vote of stockholders, including the election of directors, and do not have any right to cumulate votes in the election of directors.

**Dividends**

Subject to the rights and preferences of the holders of any series of preferred stock which may at the time be outstanding, holders of our common stock are entitled to such dividends as our board of directors may declare out of funds legally available.

**Liquidation Rights**

In the event of any liquidation, dissolution or winding-up of our affairs, after payment of all of our debts and liabilities and subject to the rights and preferences of the holders of any series of our preferred stock, the holders of our common stock will be entitled to receive the distribution of any of our remaining assets.

**Other Matters**

Holders of our common stock have no conversion, preemptive or other subscription rights and there are no redemption rights or sinking fund provisions with respect to the common stock. All outstanding shares of our common stock are validly issued, fully paid and non-assessable.

**Preferred Stock**

Our certificate of incorporation authorizes our board, without any further stockholder action or approval, to issue preferred stock in one or more classes or series, to establish from time to time the number of shares to be included in each class or series and to fix the rights, preferences and privileges of the shares of each wholly unissued class or series and any of its qualifications, limitations or restrictions. Our board may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of our common stock.

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

Provisions of our certificate of incorporation and bylaws, which are summarized below, may be deemed to have an anti-takeover effect and may delay, defer or prevent a tender offer or takeover attempt that a stockholder might consider in such stockholder's best interest, including those attempts that might result in a premium over the market price for the shares held by stockholders.

**Classified Board of Directors**

Our certificate of incorporation provides for a board of directors divided into three classes, with one class to be elected each year to serve for a three-year term. The provision for a classified board will have the effect of making it more difficult for stockholders to change the composition of our board.

**Number of Directors; Removal for Cause; Filling Vacancies**

Our certificate of incorporation and our bylaws provide that our board of directors will consist of not less than five nor more than fifteen members, the exact number of which will be fixed from time to time by our board.

Under the General Corporation Law of the State of Delaware, or the DGCL, unless otherwise provided in our certificate of incorporation, directors serving on a classified board may be removed by the stockholders only for cause. Our certificate of incorporation provides that directors may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least two-thirds of the voting power of the issued and outstanding shares of our capital stock entitled to vote in an election of directors. Our certificate of incorporation and bylaws also provide that any newly created directorships on our board may be filled by a majority of the board then in office, provided that a quorum is present, and any other vacancy occurring on the board may be filled by a majority of the board then in office, even if less than a quorum, or by a sole remaining director. Any director elected in accordance with the preceding sentence will hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director's successor shall have been elected and qualified. No decrease in the number of directors constituting the board of directors shall have the effect of removing or shortening the term of any incumbent director.

The director removal and vacancy provisions will make it more difficult for a stockholder to remove incumbent directors and simultaneously gain control of the board by filling vacancies created by such removal with its own nominees.

**Special Meetings of Stockholders**

Our certificate of incorporation and bylaws deny stockholders the right to call a special meeting of stockholders. Our certificate of incorporation and bylaws provide that a special meeting of stockholders may be called only by a majority of our entire board of directors, the chairman of our board or our President.

**Stockholder Action by Written Consent**

Our certificate of incorporation requires all stockholder actions to be taken by a vote of the stockholders at an annual or special meeting, and denies the ability of stockholders to act by written consent without a meeting.

**Third Amended and Restated Certificate of Incorporation and Bylaws**

The DGCL provides generally that the affirmative vote of a majority of the outstanding shares entitled to vote is required to amend or repeal a corporation's certificate of incorporation or bylaws, unless the certificate of incorporation requires a greater percentage. Our certificate of incorporation generally requires the approval of the holders of at least two-thirds of the voting power of the issued and outstanding shares of our capital stock entitled to vote in connection with the election of directors to amend any provisions of our certificate of incorporation. Our certificate of incorporation and bylaws provide that the holders of at least two-thirds of the voting power of the issued and outstanding shares of our capital stock entitled to vote in connection with the election of directors have the power to amend or repeal our bylaws. In addition, our certificate of incorporation grants our board of directors the authority to amend and repeal our bylaws without a stockholder vote in any manner not inconsistent with the laws of the State of Delaware or our certificate of incorporation.

**Limitations on Liability and Indemnification of Directors and Officers**

We have adopted provisions in our certificate of incorporation that limit or eliminate the personal liability of our directors to the maximum extent permitted by the DGCL. The DGCL expressly permits a corporation to provide that its directors will not be liable for monetary damages for a breach of their fiduciary duties as directors, except for liability:

- for any breach of the director's duty of loyalty to us or our stockholders;
- for any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- under Section 174 of the DGCL (relating to unlawful stock repurchases, redemptions or other distributions or payment of dividends); or
- for any transaction from which the director derived an improper personal benefit.

These limitations of liability do not generally affect the availability of equitable remedies such as injunctive relief or rescission. Our certificate of incorporation and bylaws also authorize us to indemnify our officers, directors and other agents to the fullest extent permitted under the DGCL and we may advance expenses to our directors, officers and employees in connection with a legal proceeding, subject to limited exceptions.

As permitted by the DGCL, our certificate of incorporation and bylaws provide that:

- we must indemnify our board members and officers to the fullest extent permitted by the DGCL, subject to limited exceptions; and
- we may purchase and maintain insurance on behalf of our current or former board members, officers, employees or agents against any liability asserted against them and incurred by them in any such capacity, or arising out of their status as such.

We may enter into separate indemnification agreements with each of our board members and officers that may be broader than the specific indemnification provisions contained in the DGCL. These indemnification agreements may require us, among other things, to indemnify our board members and officers against liabilities that may arise by reason of their status or service as board members and officers, other than liabilities arising from willful misconduct. These indemnification agreements may also require us to advance any expenses incurred by the board members and officers as a result of any proceeding against them as to which they could be indemnified and to obtain directors' and officers' insurance if available on reasonable terms.

The limited liability and indemnification provisions in our certificate of incorporation and bylaws and in any indemnification agreements we enter into may discourage stockholders from bringing a lawsuit against our board members for breach of their fiduciary duties and may reduce the likelihood of derivative litigation against our board members and officers, even though a derivative action, if successful, might otherwise benefit us and our stockholders.

**EXHIBIT 21.1**

**LIST OF SUBSIDIARIES OF HURON CONSULTING GROUP INC.**
**(as of December 31, 2019)**

| Name | Jurisdiction of Organization |
|---|---|
| Huron Consulting Group Holdings LLC | Delaware |
| Huron Consulting Services LLC | Delaware |
| Huron Consulting South East Asia PTE. LTD. | Singapore |
| Huron Consulting Saudi Limited | Saudi Arabia |
| Huron Saudi Limited | Saudi Arabia |
| Huron Management Services LLC | Delaware |
| Huron Demand LLC | Delaware |
| Conseillers Huron Canada Limitée | Canada |
| Huron Technologies Inc. | Delaware |
| Huron Transaction Advisory LLC | Delaware |
| Studer Holdings, Inc. | Delaware |
| The Studer Group, LLC | Florida |
| Huron Eurasia India Private Limited | India |
| Pope Woodhead and Associates | England and Wales |
| Innosight Holdings, LLC | Delaware |
| Innosight International, LLC | Delaware |
| Innosight Consulting Asia Pacific PTE. LTD. | Singapore |
| Innosight Consulting SARL | Switzerland |
| Innosight Consulting, LLC | Delaware |
| Huron Aviation One LLC | Delaware |
| Huron Aviation Two LLC | Delaware |
| Huron Managed Services LLC | Delaware |

**EXHIBIT 23.1**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-119697, 333-137107, 333-166542, 333-181445, 333-196397, 333-204353, 333-218108, and 333-231566) of Huron Consulting Group Inc. of our report dated February 25, 2020 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Chicago, Illinois
February 25, 2020

**EXHIBIT 31.1**

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER,
PURSUANT TO RULE 13a-14(a)/15d-14(a), AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James H. Roth, certify that:

1. I have reviewed this Annual Report on Form 10-K of Huron Consulting Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2020

By: /S/ JAMES H. ROTH

James H. Roth

Chief Executive Officer

**EXHIBIT 31.2**

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER,
PURSUANT TO RULE 13a-14(a)/15d-14(a), AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John D. Kelly, certify that:

1. I have reviewed this Annual Report on Form 10-K of Huron Consulting Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2020

By: /S/ JOHN D. KELLY

John D. Kelly

Executive Vice President,
Chief Financial Officer and Treasurer

**EXHIBIT 32.1**

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER,
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Huron Consulting Group Inc. (the "Company") on Form 10-K for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James H. Roth, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: February 25, 2020

By: /s/ JAMES H. ROTH
James H. Roth
Chief Executive Officer

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

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Form 10-K and shall not be considered filed as part of the Form 10-K.

**EXHIBIT 32.2**

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER,
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Huron Consulting Group Inc. (the "Company") on Form 10-K for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John D. Kelly, Executive Vice President, Chief Financial Officer and Treasurer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: February 25, 2020

By: /s/ John D. Kelly

John D. Kelly

Executive Vice President,
Chief Financial Officer and Treasurer

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

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Form 10-K and shall not be considered filed as part of the Form 10-K.

# Company Information

**Corporate Office**
Huron Consulting Group Inc.
550 W. Van Buren Street
Chicago, IL 60607
312-583-8700
www.huronconsultinggroup.com

**Media Contact**
Sarah K. McHugh
Director, External Communications
312-880-2624
smchugh@huronconsultinggroup.com

**Investor Relations**
John D. Kelly
Executive Vice President,
Chief Financial Officer
and Treasurer
312-583-8722
investor@huronconsultinggroup.com

**Corporate Secretary**
Diane E. Ratekin
Executive Vice President,
General Counsel and
Corporate Secretary
312-880-3131
corporatesecretary@
huronconsultinggroup.com

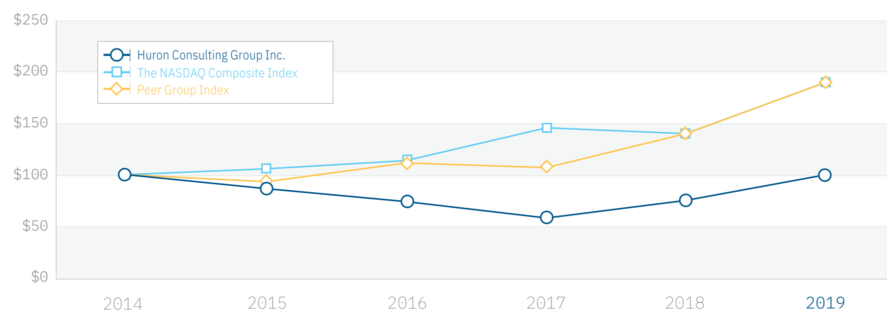
**Transfer Agent**
Computershare
P.O. BOX 505000
Louisville, KY 40233-5000
312-588-4990
www.computershare.com/investor

**Stock Market Information**
Common Stock is traded on
the NASDAQ Global Select Market
under the symbol HURN

**Independent Accountants**
PricewaterhouseCoopers LLP
One North Wacker Drive
Chicago, IL 60606

**Annual Meeting of Stockholders**
11:00 a.m. CDT, Friday, May 8, 2020
Huron Consulting Group Inc.
550 W. Van Buren Street, Suite 1700
Chicago, IL 60607

**Stock Performance**




**Value of Investment**

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | % return |
|---|---|---|---|---|---|---|---|
| Huron Consulting Group Inc. | $100.00 | $86.85 | $74.06 | $59.15 | $75.03 | $100.48 | 0% |
| The NASDAQ Composite Index | $100.00 | $105.73 | $113.66 | $145.76 | $140.10 | $189.45 | 89% |
| Peer Group Index | $100.00 | $93.32 | $111.77 | $107.07 | $139.82 | $189.05 | 89% |

The above graph and table compare the cumulative total shareholder return on our common stock from December 31, 2014 through December 31, 2019, against the cumulative total shareholder return of The NASDAQ Composite Index and the stocks making up an industry peer group. The peer group is comprised of the following companies: CRA International, Inc., FTI Consulting, Inc., ICF International, Inc., Premier, Inc. and Resources Connection, Inc. The graph and table assume a $100 investment in Huron Consulting Group Inc. common stock, The NASDAQ Composite Index, and an index of our peer group on December 31, 2014, and any dividends are assumed to be reinvested.

**Form 10-K**
**Huron Consulting Group Inc. will provide to any investor, without charge, a copy of its annual report (which includes the Company's Annual Report on Form 10-K as filed with the United States Securities and Exchange Commission). Copies of all the exhibits as filed with the Securities and Exchange Commission will also be provided without charge upon specific request. Requests can be made via the Company's website at www.huronconsultinggroup.com.**

**Forward-Looking Statements**
Statements in this Annual Report that are not historical in nature, including those concerning the Company's current expectations about its future requirements and needs, are "forward-looking" statements as defined in Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the Private Securities Litigation Reform Act of 1995. Forward-looking statements are identified by words such as "may," "should," "expects," "provides," "anticipates," "assumes," "can," "will," "meets," "could," "likely," "intends," "might," "predicts," "seeks," "would," "believes," "estimates," "plans," "continues," "guidance," or "outlook," or similar expressions. These forward-looking statements reflect our current expectations about our future requirements and needs, results, levels of activity, performance, or achievements. Some of the factors that could cause actual results to differ materially from the forward-looking statements contained herein include, without limitation: failure to achieve expected utilization rates, billing rates, and the number of revenue-generating professionals; inability to expand or adjust our service offerings in response to market demands; our dependence on renewal of client-based services; dependence on new business and retention of current clients and qualified personnel; failure to maintain third-party provider relationships and strategic alliances; inability to license technology to and from third parties; the impairment of goodwill; various factors related to income and other taxes; difficulties in successfully integrating the businesses we acquire and achieving expected benefits from such acquisitions; risks relating to privacy, information security, and related laws and standards; and a general downturn in market conditions. These forward-looking statements involve known and unknown risks, uncertainties, and other factors, including, among others, those described under Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019, that may cause actual results, levels of activity, performance or achievements to be materially different from any anticipated results, levels of activity, performance, or achievements expressed or implied by these forward-looking statements. We disclaim any obligation to update or revise any forward-looking statements as a result of new information or future events, or for any other reason.

HURON

huronconsultinggroup.com

LinkedIn.com/company/HuronConsulting

Facebook.com/HuronConsulting

Twitter.com/Huron