

INTUIT INC
Form 10-K
September 12, 2014
Tables of Contents

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

FORM 10-K

☒ Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended July 31, 2014

OR

☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number 0-21180

INTUIT INC.

(Exact name of registrant as specified in its charter)

Delaware

(State of incorporation)

77-0034661

(IRS Employer Identification No.)

2700 Coast Avenue, Mountain View, CA 94043

(Address of principal executive offices, including zip code)

(650) 944-6000

(Registrant's telephone number, including area code)

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

Title of Each Class

Common Stock, \$0.01 par value

Name of Exchange on Which Registered

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 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

Edgar Filing: INTUIT INC - Form 10-K

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 and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a smaller reporting company)

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

The aggregate market value of Intuit Inc. outstanding common stock held by non-affiliates of Intuit as of January 31, 2014, the last business day of our most recently completed second fiscal quarter, based on the closing price of \$73.25 reported by the NASDAQ Global Select Market on that date, was \$19.8 billion.

There were 285,540,169 shares of Intuit voting common stock outstanding as of August 29, 2014.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its Annual Meeting of Stockholders to be held on January 22, 2015 are incorporated by reference in Part III of this Annual Report on Form 10-K.

Tables of Contents

INTUIT INC.
FISCAL 2014 FORM 10-K

INDEX

Item	Page
------	------

PART I

<u>ITEM 1: Business</u>	<u>3</u>
<u>ITEM 1A: Risk Factors</u>	<u>15</u>
<u>ITEM 1B: Unresolved Staff Comments</u>	<u>26</u>
<u>ITEM 2: Properties</u>	<u>26</u>
<u>ITEM 3: Legal Proceedings</u>	<u>26</u>
<u>ITEM 4: Mine Safety Disclosures</u>	<u>26</u>

PART II

<u>ITEM 5: Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>27</u>
<u>ITEM 6: Selected Financial Data</u>	<u>30</u>
<u>ITEM 7: Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>31</u>
<u>ITEM 7A: Quantitative and Qualitative Disclosures About Market Risk</u>	<u>46</u>
<u>ITEM 8: Financial Statements and Supplementary Data</u>	<u>48</u>
<u>ITEM 9: Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>91</u>
<u>ITEM 9A: Controls and Procedures</u>	<u>91</u>
<u>ITEM 9B: Other Information</u>	<u>91</u>

PART III

<u>ITEM 10: Directors, Executive Officers and Corporate Governance</u>	<u>92</u>
<u>ITEM 11: Executive Compensation</u>	<u>94</u>
<u>ITEM 12: Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>94</u>
<u>ITEM 13: Certain Relationships and Related Transactions, and Director Independence</u>	<u>94</u>
<u>ITEM 14: Principal Accountant Fees and Services</u>	<u>94</u>

PART IV

<u>Exhibits and Financial Statement Schedules</u>	<u>94</u>
---	-----------

ITEM

15:

Signatures

95

EX-10.34
EX-10.75
EX-10.83
EX-10.88
EX-10.97
EX-10.103
EX-10.106
EX-10.107
EX-21.01
EX-23.01
EX-31.01
EX-31.02
EX-32.01
EX-32.02
EX-101.INS XBRL Instance Document
EX-101.SCH XBRL Taxonomy Extension Schema
EX-101.CAL XBRL Taxonomy Extension Calculation Linkbase
EX-101.LAB XBRL Taxonomy Extensions Label Linkbase
EX-101.PRE XBRL Taxonomy Extension Presentation Linkbase
EX-101.DEF XBRL Taxonomy Extension Definition Linkbase

Intuit, the Intuit logo, QuickBooks, TurboTax, Lacerte, ProSeries, Quicken and Mint, among others, are registered trademarks and/or registered service marks of Intuit Inc., or one of its subsidiaries, in the United States and other countries. Other parties' marks are the property of their respective owners.

Tables of Contents

This Annual Report on Form 10-K contains forward-looking statements that involve risks and uncertainties. Please see the section entitled “Forward-Looking Statements and Risk Factors” in Item 1A of this Report for important information to consider when evaluating these statements.

PART I

ITEM 1 BUSINESS

CORPORATE BACKGROUND

General

Intuit Inc. creates business and financial management solutions that help simplify the business of life for small businesses, consumers, and accounting professionals. With flagship products and services that include QuickBooks, TurboTax, Quicken and Mint, we help customers solve important business and financial management problems such as running a small business, paying bills, filing income taxes, and managing personal finances. ProSeries and Lacerte are Intuit’s leading tax preparation offerings for professional accountants. We had revenue of \$4.5 billion in our fiscal year ended July 31, 2014, with approximately 8,000 employees in major offices in the United States, Canada, India, the United Kingdom, Singapore, Australia, and other locations at that time.

Intuit was incorporated in California in March 1984. We reincorporated in Delaware and completed our initial public offering in March 1993. Our principal executive offices are located at 2700 Coast Avenue, Mountain View, California, 94043, and our main telephone number is 650-944-6000. Our corporate website, www.intuit.com, provides materials for investors and information relating to Intuit’s corporate governance. The content on any website referred to in this filing is not incorporated by reference into this filing unless expressly noted otherwise. When we refer to “we,” “our” or “Intuit” in this Annual Report on Form 10-K, we mean the current Delaware corporation (Intuit Inc.) and its California predecessor, as well as all of our consolidated subsidiaries.

Available Information

We file reports required of public companies with the Securities and Exchange Commission (SEC). These include annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other reports, and amendments to these reports. The public may read and copy the materials we file with or furnish to the SEC at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. We make available free of charge on the Investor Relations section of our corporate website all of the reports we file with or furnish to the SEC as soon as reasonably practicable after the reports are filed or furnished. Copies of this Annual Report on Form 10-K may also be obtained without charge by contacting Investor Relations, Intuit Inc., P.O. Box 7850, Mountain View, California 94039-7850 or by calling 650-944-6000.

BUSINESS OVERVIEW

Intuit’s Mission

We seek to be a premier innovative growth company that improves our customers' financial lives so profoundly they can't imagine going back to the old way.

Our customers include consumers and small businesses, and the accounting professionals who serve and advise them. We help simplify the business of life in four ways:

- ♣Improving financial strength – Helping consumers make and save money and small businesses to grow and profit.
- ♣Increasing productivity – Turning drudgery into time for what matters most.
- ♣Maintaining compliance – Helping customers comply with regulations.
- ♣Building confidence – Sharing the wisdom and experience of others.

Tables of Contents

As emerging technology and market trends change the way people live and work, we change, too. We've adapted our product line, moving from the desktop to the Internet and mobile devices. By offering many services online, we're connecting customers to our solutions and with each other in ways that add more value to our products and services.

Our growth strategy is described below and focuses on two key outcomes:

- To be the operating system behind small business success.
- To do the nations' taxes in the United States and Canada.

We apply this vision globally, helping our customers expand their business to domestic and global markets, creating and selling our own products internationally, and extending our recruiting efforts to new countries to find best-in-class talent.

Our Business Portfolio

We organize our businesses into three reportable segments – Small Business, Consumer, and Professional Tax.

Small Business: This segment includes the following offerings, all targeting the small business market.

• QuickBooks financial and business management online services and desktop software for small businesses and the accounting professionals who serve small businesses.

• Small business payroll and employee management products and services.

• Payment processing services for small businesses, including merchant services such as credit and debit card processing; Web-based transaction processing services for online merchants; secure online payments for small businesses and their customers through the Intuit Payment Network; and GoPayment mobile payment processing services.

• Demandforce, which provides online marketing and customer communication solutions for small businesses.

Consumer: This segment includes two product lines – Consumer Tax and Consumer Ecosystem – both of which target consumers.

• Consumer Tax includes TurboTax income tax preparation products and services.

• Consumer Ecosystem includes our personal finance offerings, Quicken, Mint, and Check.

Professional Tax: This segment targets professional accountants and includes Lacerte, ProSeries, and Intuit Tax Online professional tax products and services.

Our Growth Strategy

Based on our assessment of key technology and demographic trends – an increasingly borderless world, the prevalence of mobile devices, and the scalability of the cloud – we see significant opportunities to drive future growth by continuing to solve the unmet needs of small businesses, consumers, and accounting professionals. Our evolving growth strategy includes three key elements:

Focus on the product – we call it “Delivering awesome product experiences.” Computing devices are moving to the palm of our hands in the form of tablets and smart phones. Therefore, we are increasingly focused on reimagining our products with a mobile-first, and in some cases mobile-only, design. Our TurboTax solutions, for example, let customers prepare and file their entire tax returns online, via tablet, mobile phone or desktop computer. We also believe that a key factor in growing our customer base is delivering an amazing first-use experience so our customers can get the value they expect from our offerings as quickly and easily as possible.

Creating network effect platforms – we call it “Enabling the contributions of others.” We expect to solve problems faster and more efficiently for our growing customer base by moving to more open platforms with application programming interfaces that enable the contributions of end users and third-party developers. One example of this is QuickBooks

Online, which allows small business customers all over the world to localize, configure, and add value to the offering.

Leveraging our data for our customers' benefit – we call it “Using data to create delight.” Our customers generate valuable data that we seek to appropriately use to deliver better products and breakthrough benefits by eliminating the need to enter data, helping them make better decisions, and improving transactions and interactions.

Tables of Contents

This strategy recognizes the emergence and influence of the digital generation, the increasing relevance of social networks, and customers' growing reliance on the Internet, mobile devices and information-based technology to manage important financial tasks. It also acknowledges the potential of new market opportunities around the world. The result is a global market that is shifting from traditional services that are paper-based, human-produced, and brick-and-mortar bound, to one where people understand, demand, and embrace the benefits of connected services.

We continue to make significant progress in this environment. Connected services (total service and other revenue) generated \$3.0 billion or 66 percent of our total revenue in fiscal 2014, compared with about 50 percent of our total revenue six years ago.

Summary

As the way we live and work evolves, we adapt our strategy to meet and lead these changes. Yet our commitment remains consistent: developing an ecosystem of innovative products and services that are so convenient and easy to use that customers actively recommend them to others. It's been our success formula for more than 30 years as we've worked to solve people's important business and financial management problems. And we'll maintain that commitment as we continue to evolve, working to help people solve each other's problems, connecting people to people and to solutions, wherever they are, whenever they want them, and on any device they choose.

PRODUCTS AND SERVICES

During fiscal 2014 we offered our products and services in the three segments described in "Business Overview" above. The following table shows the classes of similar products or services that accounted for 10% or more of total net revenue within the last three fiscal years.

	Fiscal 2014		Fiscal 2013		Fiscal 2012	
Small Business segment	50	%	49	%	47	%
Consumer Tax product line	37	%	37	%	39	%
Professional Tax segment	9	%	10	%	10	%

Our products and services are described below. International total net revenue was approximately 5% of consolidated total net revenue for fiscal 2014, fiscal 2013, and fiscal 2012. See Item 1A, "Risk Factors and Forward-Looking Statements - Our international operations are subject to increased risks which may harm our business, operating results, and financial condition," for a discussion of risks relating to our international operations.

For financial information about our segments, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 and Note 14 to the financial statements in Item 8 of this Annual Report.

Small Business

Our Small Business segment includes online ecosystem and desktop ecosystem solutions that allow small businesses and the accounting professionals who serve them to save time and grow their businesses.

Small Business Online Ecosystem Solutions

QuickBooks Online. Our QuickBooks product line brings bookkeeping capabilities and business management tools to small business users and accounting professionals in an easy-to-use design that does not require them to be familiar with debit and credit accounting. Our online offerings for small businesses include QuickBooks Simple Start Online, which provides accounting functionality suitable for very small, less complex businesses. QuickBooks Online Essentials and QuickBooks Online Plus provide online accounting functionality suitable for progressively larger businesses. All three offerings allow multiple users to access the application from any location via the Internet using connected devices such as personal computers, tablets, or smartphones.

Our online offering for accounting professionals is QuickBooks Online Accountant, which provides the tools and file-sharing capabilities needed to efficiently complete bookkeeping and financial reporting tasks. Our QuickBooks Cloud ProAdvisor

Tables of Contents

Program is a subscription-based membership for professional accountants that provides Quickbooks Online Accountant and QuickBooks Online Payroll services, technical support, training, product certification, access to marketing tools, and discounts on Intuit products and services purchased on behalf of clients.

Online Payroll Solutions. Our QuickBooks Online Payroll service is for use with our QuickBooks Online offerings. QuickBooks Online Payroll is sold on a subscription basis and includes online payroll processing, direct deposit of employee paychecks, payroll reports, electronic payment of federal and state payroll taxes, and electronic filing of federal and state payroll tax forms.

Intuit Online Payroll provides small business payroll services that do not require the use of QuickBooks. This offering is sold on a subscription basis and includes online payroll tax calculation, direct deposit of employee paychecks, payroll reports, electronic payment of federal and state payroll taxes, and federal and state payroll tax forms. We also offer an Intuit Online Payroll mobile app for smartphones.

Intuit Full Service Payroll is also sold on a subscription basis and provides comprehensive payroll services to customers who prefer not to perform payroll tasks themselves. Intuit Full Service Payroll does not require the use of QuickBooks and includes processing of payrolls based on information submitted online by the payroll customer, direct deposit of employee paychecks, electronic payment of federal and state payroll taxes, electronic filing of federal and state payroll tax forms, and preparation and issuance of year end W-2 forms.

In addition, we offer employee management solutions that include Snap Payroll, a free app that allows small businesses to calculate payroll taxes from an iPhone, and ViewMyPaycheck, a Web app that allows employees of QuickBooks Online Payroll employers to view and print their paychecks and year end W-2 forms. We also offer workers' compensation administration to small business employers for additional fees.

Online Payments Solutions. We offer a full range of merchant services to small businesses that include credit card, debit card, electronic benefits, and gift card processing services; check verification, check guarantee, and electronic check conversion, including automated clearing house (ACH) and Check 21 capabilities; and Web-based transaction processing services for online merchants. In addition to transaction processing services, we provide a full range of support for our clients that includes customer service, merchant and consumer collections, chargeback and retrieval support, and fraud and loss prevention screening.

As members of the Intuit Payment Network, small businesses can send secure online payments to their vendors and receive them from their customers, from bank account to bank account, eliminating the need for paper checks.

GoPayment allows users to accept credit card payments using a smartphone or tablet device. They can enter the credit card information manually or use a card swiper that attaches to the phone to capture the information. They can also send electronic receipts to their customers via e-mail or text message.

Demandforce. Our Demandforce offerings help small businesses communicate with their customers, build their online reputations, and leverage a network of local businesses for more effective online marketing. Features include integrated scheduling; e-mail, text message, and postcard appointment reminders and confirmations; electronic marketing offers and newsletters; online customer reviews and referrals; and tools for tracking and measuring the effectiveness of electronic marketing efforts.

QuickBase. Our QuickBase offering is a software as a service platform that allows users to select ready-made online workgroup applications or create custom solutions for their businesses. The most common solutions include project collaboration, sales team management, and employee management. QuickBase customers pay a monthly or annual subscription fee that varies based on the number of users and the amount of data and file storage they need.

Intuit Partner Platform. The Intuit Partner Platform provides the tools developers need to create Web and mobile applications that add value to QuickBooks. The platform allows developers to build applications that integrate with QuickBooks data and solve the unique needs of our customers. Developers can create applications on the Intuit Partner Platform using any development platform they choose, and must pass a standards and security check before offering their programs to customers. All applications are available through the Intuit App Center at apps.com. Here QuickBooks users can find, buy and use applications connected to the platform. A growing number of companies offer applications built for the platform, including Square, Bill.com, and Salesforce.com.

Tables of Contents

Small Business Desktop Ecosystem Solutions

QuickBooks. Our desktop software offerings include QuickBooks Pro and QuickBooks Pro for Mac, which provide accounting functionality for small businesses, and QuickBooks Premier, which provides small businesses with advanced accounting functionality and business planning tools. QuickBooks Pro Plus and QuickBooks Premier Plus are subscription versions of these offerings. QuickBooks Enterprise Solutions is designed for larger businesses. Our Premier and Enterprise products also come in a range of industry-specific editions, including Contractor, Manufacturing and Wholesale, Nonprofit, Professional Services, and Retail.

Our offerings for accounting professionals include QuickBooks Accountant desktop software and QuickBooks Accountant Plus subscriptions. They provide the tools and file-sharing capabilities needed to efficiently complete bookkeeping and financial reporting tasks. Our QuickBooks ProAdvisor Program is a subscription-based membership for professional accountants that provides QuickBooks Accountant and QuickBooks Payroll software, technical support, training, product certification, access to marketing tools, and discounts on Intuit products and services purchased on behalf of clients.

Desktop Payroll Solutions. QuickBooks Payroll is a family of products sold on a subscription basis to small businesses that use QuickBooks desktop software and prepare their own payroll or want some assistance with preparing their payroll. It is also sold to accountants who use QuickBooks desktop software and help their clients manage their payrolls. The product family includes:

- QuickBooks Basic Payroll, which provides payroll tax tables and payroll reports;
- QuickBooks Enhanced Payroll, which provides payroll tax tables, payroll reports, federal and state payroll tax forms, and eFile & Pay for federal and state payroll taxes; and
- QuickBooks Enhanced Payroll for Accountants, which has several accountant-specific features in addition to the features in QuickBooks Enhanced Payroll.

We also offer QuickBooks Assisted Payroll, through which we provide the back-end aspects of payroll processing, including tax payments and filings, for customers who process their payrolls using QuickBooks desktop software. Direct deposit is available with each of these offerings for an additional fee.

Desktop Payments Solutions. We offer a full range of merchant services to small businesses that include credit card, debit card, electronic benefits, and gift card processing services; check verification, check guarantee, and electronic check conversion, including automated clearing house (ACH) and Check 21 capabilities. In addition to transaction processing services, we provide a full range of support for our clients that includes customer service, merchant and consumer collections, chargeback and retrieval support, and fraud and loss prevention screening.

We also offer Basic, Pro, and Multi-Store versions of QuickBooks Point of Sale, which helps retailers process sales using barcodes, track inventory and customer purchases, and integrates with QuickBooks financial software. The Pro version has advanced inventory and employee commission tracking capabilities. The Multi-Store version provides all of the features of the Pro version and the ability to manage up to 20 stores from a single office. We sell these software products with or without the accompanying hardware and technical support.

QuickBooks Technical Support. We offer several technical support options to all of our QuickBooks customers. These include support plans that are sold separately and priced based on the length of the plan. We also offer a limited amount of free technical support assistance to customers, a free self-help information section on our QuickBooks.com website and free access to the QuickBooks Community, an online forum where QuickBooks users can share information with each other.

Financial Supplies. We offer a range of financial supplies designed for small businesses and individuals that use QuickBooks and Quicken. These include standard paper checks and Secure Plus checks with CheckLock™ fraud protection features; envelopes, invoices and deposit slips; and business identity products such as business cards and stationery. We also offer tax forms, tax return presentation folders and other supplies for professional tax preparers.

Tables of Contents

Consumer

Our Consumer segment includes our Consumer Tax and Consumer Ecosystem product lines.

Consumer Tax

Our TurboTax products and services are designed to enable individuals to prepare and file their own federal and state personal income tax returns quickly and accurately. They are designed to be easy to use, yet sophisticated enough for complex tax returns. Some of these offerings are available on mobile devices such as smartphones and tablets.

Tax Return Preparation Offerings. For the 2013 tax season we offered a range of software products and services that included online and desktop versions of TurboTax Basic, for simple returns; TurboTax Deluxe, for taxpayers who itemize deductions; TurboTax Premier, for taxpayers who own investments or rental property; and TurboTax Home and Business, for small business owners. We also offered TurboTax Free Edition online for the simplest returns; TurboTax for the Tablet; and SnapTax, an application that allows users with simple federal and state returns to prepare and electronically file them from their smartphones. We also offered live tax advice from U.S.-based tax professionals to TurboTax customers during the 2013 tax season. All of these offerings are subject to change for the 2014 tax season. TurboTax Live Community is an online forum where participants can learn from and share information with other users while preparing their income tax returns.

Electronic Filing and Other Services. Our desktop, online, and mobile tax preparation customers can electronically file their federal and state income tax returns through our electronic filing center. For the 2013 tax season our online tax preparation and filing services were offered through the websites of thousands of financial institutions, electronic retailers, and other online merchants, and on Yahoo!® Finance Tax Center, MSN Money® Tax Center, and AOL Tax Center. Financial institutions can offer our online tax preparation and filing services to their customers through a link to TurboTax Online or through TurboTax for Online Banking, which provides functionality that is integrated with their online banking services. For the 2013 tax season we also offered TurboTax customers the option to receive their income tax refunds on a prepaid debit card that we provided through a partner.

Intuit Tax Freedom Project. Under the Intuit Tax Freedom Project, we provide online federal and state income tax return preparation and electronic filing services at no charge to eligible taxpayers. For the 2013 tax season we provided approximately 1.2 million free federal returns under this initiative. We are a member of the Free File Alliance, a consortium of private sector companies that has entered into an agreement with the federal government to provide free online federal tax preparation and filing services to eligible taxpayers. See also “Competition – Consumer Segment” later in this Item 1 for more information on the Free File Alliance.

Consumer Ecosystem

Our personal finance offerings help users organize, understand, and manage their personal finances. These offerings include Quicken, Mint, and Check.

Quicken. Our Quicken line of desktop software products allow customers to reconcile bank accounts, pay bills, record credit card and other transactions, and track investments, mortgages, and other assets and liabilities. Quicken also allows customers to flag their tax-related financial transactions and download that information into our TurboTax consumer tax return preparation software. We offer Quicken Starter Edition and Quicken Deluxe as well as Quicken Premier, which offers more robust investment and tax planning tools; Quicken Home and Business, which allows customers to manage both personal and small business finances in one application; Quicken Essentials for Mac; and a Quicken mobile application that is accessible from smartphones and tablets.

Mint. Our Mint personal finance service is free to users and shows them all of their financial accounts in one online location, provides tools that help them set up budgets and monitor spending, identifies money-saving ideas, and provides step-by-step guidance and advice on achieving their financial goals. We also offer a Mint application that is accessible from smartphones.

Check. Our Check mobile application automates and consolidates the bill payment process in one place, reducing complexity for consumers. Check customers can monitor bills and accounts, receive alerts when bills are due or funds are low, and pay bills automatically.

Tables of Contents

Professional Tax

Our tax offerings for accounting professionals are Lacerte, ProSeries, and Intuit Tax Online. Lacerte software is designed for full-service accounting firms that prepare the most complex returns. We offer two versions of our ProSeries software: ProSeries Professional Edition, designed for year-round tax practices that prepare moderately complex tax returns; and ProSeries Basic Edition, designed for the needs of smaller and seasonal tax practices. Intuit Tax Online is designed for year-round tax practices that prepare moderately complex tax returns and want the advantages of an online offering. Accounting professionals license these tax products for a flat fee for unlimited use, or use them to print or electronically file tax returns on a “pay-per-return” basis. Accountants and tax preparers using Lacerte, ProSeries, and Intuit Tax Online can file their clients’ tax returns using our electronic filing services.

PRODUCT DEVELOPMENT

Since the markets for software and related services are characterized by rapid technological change, shifting customer needs and frequent new product introductions and enhancements, a continuous high level of investment is required to innovate and quickly develop new products and services as well as enhance existing offerings. Our product development efforts are becoming more important than ever as we pursue our connected services strategy, which reflects a world where people and businesses are increasingly connected by technology and expect access to services at any time in any place.

We develop many of our products and services internally. We have a number of United States and foreign patents and pending applications that relate to various aspects of our products and technology. We supplement our internal development efforts by acquiring or licensing products and technology from third parties, and establishing other relationships that enable us to enhance or expand our offerings more rapidly. We expect to expand our third party technology relationships as we continue to pursue our connected services strategy.

Our traditional desktop software products – QuickBooks, TurboTax, Lacerte, ProSeries, and Quicken – tend to have predictable annual development and product release cycles. We also develop innovative new offerings such as SnapTax, Snap Payroll, GoPayment, Mint Mobile, and other mobile applications for which development cycles are often more rapid. Developing consumer and professional tax software and services presents unique challenges because of the demanding development cycle required to accurately incorporate federal and state tax law and tax form changes within a rigid timetable. The development timing for our small business payroll and merchant payment processing services offerings varies with business needs and regulatory requirements and the length of the development cycle depends on the scope and complexity of each project.

We continue to make substantial investments in research and development, and we expect to focus our future research and development efforts on enhancing existing products and services and on developing new products and services, including new mobile and global offerings. We also expect to continue to focus significant research and development efforts on ongoing projects to update the technology platforms for several of our offerings. Our research and development expenses were \$758 million or 17% of total net revenue in fiscal 2014; \$685 million or 17% of total net revenue in fiscal 2013; and \$618 million or 16% of total net revenue in fiscal 2012.

SEASONALITY

Historically, our QuickBooks, Consumer Tax, and Professional Tax offerings have been highly seasonal. Revenue from our QuickBooks desktop software products has tended to be highest during our second and third fiscal quarters. Sales of income tax preparation products and services are heavily concentrated from November through April. In our Consumer Tax business, a greater proportion of our revenue has shifted to later in this seasonal period due in part to the growth in sales of TurboTax Online, for which we recognize revenue when tax returns are printed or electronically filed. The seasonality of our Consumer Tax and Professional Tax revenue is also affected by the timing of the availability of tax forms from taxing agencies and the ability of those agencies to receive electronic tax return submissions. Delays in the availability of tax forms or the ability of taxing agencies to receive submissions can cause revenue to shift between our fiscal quarters. These seasonal patterns mean that our total net revenue is usually highest during our second quarter ending January 31 and third quarter ending April 30. We typically report losses in our first quarter ending October 31 and fourth quarter ending July 31. During these quarters, revenue from our tax businesses is minimal while core operating expenses such as research and development continue at relatively consistent levels.

Tables of Contents

In August 2014 we announced that we will begin delivering ongoing releases for our future desktop offerings in order to continuously improve the product experience, accommodate operating system updates, and provide access to connected services. This decision will affect the timing of revenue recognition for future sales of our QuickBooks and Quicken desktop products, where revenue will be recognized over approximately three years, and our Professional Tax solutions, where more revenue will be recognized later in the tax year. We expect the seasonality of our Small Business and Professional Tax offerings to be partially mitigated by this change beginning in fiscal 2015.

MARKETING, SALES AND DISTRIBUTION CHANNELS

Markets

Our primary target customers are small businesses, consumers, and accounting professionals. The markets in which we compete have always been characterized by rapid technological change, shifting customer needs, and frequent new product introductions and enhancements by competitors. Over the past several years, the widespread availability of the Internet, mobile devices, and the explosion of social media have accelerated the pace of change and revolutionized the way that customers learn about, evaluate, and purchase products and services.

Real-time, personalized online and mobile shopping experiences are rapidly becoming the standard. In addition, many customers now begin shopping in one channel and ultimately purchase in another. This creates a need for integrated, multi-channel, shop-and-buy experiences. Market and industry changes quickly make existing products and services obsolete. Our success depends on our ability to respond rapidly to these changes with new business models, updated competitive strategies, new or enhanced products and services, alternative distribution methods and other changes in the way we do business.

Marketing Programs

To sell our products and services to small businesses, consumers, and accounting professionals, we use a variety of traditional and innovative marketing programs to generate software orders, stimulate demand, and generally maintain and increase customer awareness of our product portfolio. These programs include: Web marketing and targeted advertising, such as search engine optimization and purchasing key words from major search engine companies; placing and promoting our mobile applications in proprietary online stores; direct-response mail and e-mail campaigns; telephone solicitations; newspaper, magazine, billboard, radio and television advertising; social media campaigns; and coordinated promotional offers with major retailers. We also use workflow-integrated, in-product discovery in some of our software products to market other related products and services, including third-party products and services. In addition, we create marketing campaigns that attract new users through free promotional offerings that are designed to ultimately convert them to paying customers.

Sales and Distribution Channels

Multi-Channel Shop-and-Buy Experiences. Our consumer and small business customers increasingly use the Internet and mobile devices, such as smartphones and tablets, to research products and services. Some customers buy and use our products and services entirely online or through their mobile devices. Others purchase desktop products and services using the Internet. Still others make their final decision at a retail location. We coordinate our websites, promotions, and retail displays to support this integrated, multi-channel, shop-and-buy model.

Direct Sales Channel. We sell many of our products and services for small businesses, consumers, and accounting professionals directly through our websites and call centers. Telesales continues to be an effective channel for serving customers that want live help to select the products and services that are right for their needs.

Retail Channel. We sell our QuickBooks, TurboTax, and Quicken desktop software as well as payroll services and merchant credit card payment processing services at retail locations across the United States. We sell these products and services directly and through distributors to office supply superstores, warehouse clubs, consumer electronics retailers, general mass merchandisers, online retailers, and catalogs. In Canada and other international markets we also rely on distributors and other third parties who sell products into the retail channel. The retail channel provides broad customer reach through retailer-sponsored advertising and exposure to retail foot traffic. This channel also gives us the opportunity to communicate our products, services and messages through multiple touch points and allows us to serve our customers at relatively modest cost.

Online Mobile Application Stores. We distribute many of our offerings for mobile devices through proprietary online stores that provide applications for specific devices. These include the Apple App Store, which provides apps for the Apple iPhone and iPad, and Google's Play Store, which provides apps for Android-compatible smartphones and tablets.

Tables of Contents

Other Channels. We have strategies to address the alliance partner, solution provider, and personal computer hardware manufacturer channels. We sell our consumer and small business products and services through selected alliance partners, primarily banks, credit unions, and securities and investment firms. These alliance partners help us reach new customers at the point of transaction and drive growth and market share by extending our online reach. Solution providers combine our products and services with value-added marketing, sales, and technical expertise to deliver a complete solution at the local level. Relationships with selected personal computer hardware manufacturers help us attract new customers for our core software offerings. As we expand our mobile and global offerings, we expect that strategic partnerships will become increasingly important to our business.

COMPETITION

Overview

We face intense competition in all of our businesses, both domestically and internationally. Competitive interest and expertise in many of the markets we serve have grown markedly over the past few years and we expect this trend to continue. Some of our existing competitors have significantly greater financial, technical, and marketing resources than we do. In addition, the competitive landscape can shift rapidly as new companies enter markets in which we compete. This is particularly true for online and mobile products and services, where the barriers to entry are lower than they are for desktop software products and services. To attract customers, many online and mobile competitors are offering free or low-priced entry-level products which we must take into account in our pricing strategies.

Our most obvious competition comes from other companies that offer technology solutions similar to ours. However, for many of our products and services, other important competitive alternatives for customers are third party service providers such as professional accountants and seasonal assisted tax preparation businesses. Manual tools and processes, or general-purpose software, are also important competitive alternatives.

Competition Specific to Segments

Small Business Segment. Our QuickBooks desktop product is the leading small business financial management software in the U.S. retail channel. Our small business products and services face competitive challenges from companies such as The Sage Group plc, which offers software and associated services that directly target small business customers. Increasingly, our small business products and services also face competition from newer online accounting offerings from companies such as Xero, free or low-cost online accounting offerings, and free online banking and bill payment services offered by financial institutions and others. In our payroll business we compete directly with Automatic Data Processing, Inc. (ADP), Paychex, and many other companies with payroll offerings, including online payroll offerings. In our merchant services business we compete directly with large financial institutions such as Wells Fargo, JP Morgan Chase, and Bank of America and with many payment processors, including First Data Corporation, Elavon, Global Payments, FIS-Certegy, PayPal, and Square.

Consumer Segment. In our Consumer Tax business, our future growth depends on our ability to attract new customers to the self-preparation tax category from tax stores and other seasonal assisted tax preparers. In the private sector we face intense competition from H&R Block, which provides assisted tax preparation services in its stores and a competing software offering called H&R Block At Home. We also face competition from several other large assisted tax preparation service providers, from a myriad of small seasonal tax preparers, and from numerous online self-preparation offerings, including 2nd Story Software's TaxACT. These competing offerings subject us to significant price pressure.

We also face competitive challenges in our Consumer Tax business from publicly funded government entities that offer electronic tax preparation and filing services at no cost to individual taxpayers. We are a member of the Free File Alliance, a consortium of private sector companies that has entered into an agreement with the federal government. Under this agreement, the member companies provide online federal tax preparation and filing services at no cost to eligible federal taxpayers, and the federal government has agreed not to provide a competing service. Approximately 23 states have also adopted Free File Alliance public-private agreements while approximately 19 other states offer some form of direct government tax preparation and filing services free to qualified taxpayers. We continue to actively work with others in the private and public sectors to advance the goals of the Free File Alliance policy initiative and to support successful public-private partnerships. However, future administrative, regulatory, or legislative activity in this area could harm our Consumer Tax business.

Tables of Contents

In our Consumer Ecosystem business, we face competition from newer online and mobile personal finance offerings as well as from traditional financial institutions. Some of these newer competitors are solving specific consumer tasks, such as budgeting and credit scores, while online and mobile-only banks are offering alternatives to traditional banking. Traditional financial institutions continue to offer bill payment and personal finance solutions.

Professional Tax Segment. Our Lacerte professional tax offerings face competition from competitively-priced tax and accounting solutions that include integration with non-tax functionality. These include CCH's ProSystems fx Office Suite and Thomson Reuters' CS Professional Suite and GoSystems Tax. Our ProSeries professional tax offerings face competition from CCH's ATX and TaxWise offerings. We also face growing competition from online tax and accounting offerings, which may be marketed more effectively or have lower pricing than our offerings for accounting professionals.

Competitive Factors

We believe the most important competitive factors for our core offerings – QuickBooks, TurboTax, Lacerte, ProSeries, and Quicken – are ease of use, product features, size of the installed customer base, brand name recognition, value proposition, cost, reliability, and product and support quality. Access to distribution channels is also important for our QuickBooks, TurboTax, and Quicken software products. In addition, support from accounting professionals and the ability for customers to upgrade within product families as their businesses grow are significant competitive factors for our QuickBooks products. Productivity is an important competitive factor for the full-service accounting firms to which we market our Lacerte software products. We believe we compete effectively on these factors as our QuickBooks, TurboTax, and Quicken products are the leading products in the U.S. retail sales channel for their respective categories.

For our service offerings such as small business payroll and merchant payment processing, we believe the most important competitive factors are functionality, ease of use, high availability, the integration of these products with related software, brand name recognition, effective distribution, quality of support, and cost.

CUSTOMER SERVICE AND TECHNICAL SUPPORT

We provide customer service and technical support by telephone, e-mail, online chat, text messaging, online communities, and our customer service and technical support websites. We have full-time and outsourced customer service and technical support staffs. We supplement these staffs with seasonal employees and additional outsourcing during periods of peak call volumes, such as during the tax return filing season or following a major product launch. We outsource to several firms domestically and internationally. Most of our internationally outsourced consumer and small business customer service and technical support personnel are currently located in India and the Philippines.

We offer free self-help information through our technical support websites for our QuickBooks, TurboTax, Professional Tax, and Quicken software products. Customers can use our websites to find answers to commonly asked questions and check on the status of orders. Under certain paid support plans, customers can also use our websites to receive product updates electronically. Support alternatives and fees vary by product. We sponsor online user communities such as Intuit Community for small businesses and accounting professionals, and TurboTax Live Community, where consumers can share knowledge and product advice with each other. We also offer live tax advice from U.S.-based tax professionals to TurboTax users.

MANUFACTURING AND DISTRIBUTION

Online Products and Services

Intuit's data centers house most of the systems, networks and databases required to operate and deliver our online products and services. These include QuickBooks Online, online payroll services, merchant payment processing services, online customer marketing and communication services for small businesses, TurboTax Online, Intuit Tax Online, consumer and professional electronic tax filing services, and Mint. Through our data centers, we connect customers to our products and services and store customer and business information. As our businesses continue to move toward delivering more online and mobile products and services in conjunction with our connected services strategy, we expect that our infrastructure will become even more critical to our business in the future.

Our primary data centers are a facility we own in Washington state and a co-located data center in Nevada. We also have a number of other data centers that are primarily located in the western United States and Canada. We continue to execute on a multi-year plan to transition to fewer data centers in more geographically diverse locations. In addition, we have an enterprise agreement with Amazon Web Services and over time will be hosting an increasing number of our applications and services in their secure online environment.

Desktop Software and Supplies

The key processes in manufacturing desktop software are manufacturing compact discs (CDs) and digital video discs (DVDs), printing boxes and related materials, and assembling and shipping the final products.

For retail manufacturing, we have an agreement with Arvato Digital Services, Inc. (ADiS), a division of Bertelsmann AG, under which ADiS provides a majority of the manufacturing volume for our launches of QuickBooks, TurboTax and Quicken, as well as for day-to-day replenishment after product launches. ADiS has operations in multiple locations that can provide

Tables of Contents

redundancy if necessary. We also have an agreement with JVC America Inc. under which JVC provides outsourced manufacturing volume for these launches and for day-to-day replenishment.

For retail distribution, we have an agreement with ADiS under which ADiS handles all logistics services. Our retail product launches are operationally complex. Our model for product delivery for retail launches and replenishment is a hybrid of direct to store deliveries and shipments to central warehouse locations. This allows improved inventory management by our retailers. We also ship products for many of our smaller retail customers through distributors.

ADiS also provides most of the manufacturing volume and distribution services for our direct desktop software orders. We have an exclusive agreement with Harland Clarke, a division of M&F Worldwide Corporation, to fulfill orders for all of our printed checks and most other products for our financial supplies business.

We have multiple sources for all of our raw materials and availability has historically not been a significant problem for us. We continue to see consolidation among CD/DVD suppliers and reduced demand overall for this media type. As a result, we believe CD/DVD media may become more difficult to obtain in the next three to five years.

Prior to major product releases for our core desktop software products we tend to have significant levels of backlog, but at other times backlog is minimal and we typically ship products within a few days of receiving an order. Because of this fluctuation in backlog, we believe that backlog is not a reliable predictor of our future core desktop software sales.

PRIVACY AND SECURITY OF CUSTOMER INFORMATION AND TRANSACTIONS

We are subject to various federal, state and international laws and regulations and to financial institution and healthcare provider requirements relating to the privacy and security of customer and employee personal information. We are also subject to laws and regulations that apply to the Internet, behavioral tracking, mobile applications, telemarketing, e-mail activities, data hosting and retention, financial and health information, and credit reporting. Additional laws in all of these areas are likely to be passed in the future, which could result in significant limitations on or changes to the ways in which we can collect, use, host, store or transmit the personal information and data of our customers or employees, communicate with our customers, and deliver products and services, or may significantly increase our compliance costs. As our business expands to new industry segments and new uses of data that are regulated for privacy and security, or to countries outside the United States that have strict data protections laws, our compliance requirements and costs will increase.

Through a Master Privacy Policy Framework designed to be consistent with globally recognized privacy principles, we comply with United States federal and other country guidelines and practices to help ensure that customers and employees are aware of, and can control, how we use information about them. Our primary websites and online products, such as Intuit.com, QuickBooks and TurboTax, have been certified by TRUSTe, an independent organization that operates a website and online product privacy certification program representing industry standard practices to address users' and regulators' concerns about online privacy. We also use privacy statements to provide notice to customers of our privacy practices, as well as provide them the opportunity to furnish instructions with respect to use of their personal information. We participate in industry groups whose purpose is to develop or influence industry best practices, and to influence public policy for privacy and security.

To address security concerns, we use security safeguards to help protect the systems and the information customers give to us from loss, misuse and unauthorized alteration. Whenever customers transmit sensitive information, such as a credit card number or tax return data, through one of our websites or products, we use industry standards to encrypt the data as it is transmitted to us. We work to protect our systems from unauthorized internal or external access using

numerous commercially available computer security products as well as internally developed security procedures and practices.

Tables of Contents

GOVERNMENT REGULATION

Our Consumer Tax and Professional Tax businesses are subject to federal and state government requirements, including regulations related to the electronic filing of tax returns, the provision of tax preparer assistance, and the use and disclosure of customer information. In addition, we offer certain other products and services, such as small business payroll and merchant payment processing services, which are subject to special regulatory requirements. As we expand our products and services, both domestically and internationally, we may become subject to additional government regulation. Further, regulators may adopt new laws or regulations or their interpretation of existing laws or regulations may differ from ours. These increased regulatory requirements could impose significant limitations on our business and increase our cost of compliance.

We are subject to federal and state laws and government regulations concerning employee safety and health and environmental matters. The Occupational Safety and Health Administration, the Environmental Protection Agency, and other federal and state agencies have the authority to put regulations in place that may have an impact on our operations.

INTELLECTUAL PROPERTY

Our success depends on the proprietary technology embodied in our offerings. We protect this proprietary technology by relying on a variety of intellectual property mechanisms, including copyright, patent, trade secret and trademark laws, restrictions on disclosure and other methods. For example, we regularly file applications for patents, copyrights and trademarks and service marks in order to protect intellectual property that we believe is important to our business. We hold a growing patent portfolio that we believe is important to Intuit's overall competitive advantage, although we are not materially dependent on any one patent or particular group of patents in our portfolio at this time. We also have a number of registered trademarks that include Intuit, QuickBooks, TurboTax, Lacerte, ProSeries, Quicken, and Mint. We have registered these and other trademarks and service marks in the United States and, depending on the relevance of each brand to other markets, in many foreign countries. Most registrations can be renewed perpetually at 10-year intervals. We also license intellectual property from third parties for use in our products.

Although our portfolio of patents is growing, the patents that have been issued to us could be determined to be invalid and may not be enforceable against competitive products in every jurisdiction. In addition, third parties have asserted and may, in the future, assert infringement claims against us and our customers. These claims and any litigation may result in invalidation of our proprietary rights or a finding of infringement along with an assessment of damages. Litigation, even if without merit, could result in substantial costs and diversion of resources and management attention. In addition, third party licenses may not continue to be available to us on commercially acceptable terms, or at all.

EMPLOYEES

As of July 31, 2014, we had approximately 8,000 full-time employees in major offices in the United States, Canada, India, the United Kingdom and other locations. We also employ a significant number of seasonal and contract employees during the second and third quarters of our fiscal years to support our consumer tax customers. For example, at the peak of the 2013 tax season we employed approximately 750 seasonal employees. We believe our future success and growth will depend on our ability to attract and retain qualified employees in all areas of our business. We do not currently have any collective bargaining agreements with our employees, and we believe employee relations are generally good. Although we have employment-related agreements with a number of key employees, these agreements do not guarantee continued service. We believe we offer competitive compensation and

a good working environment. We were named one of Fortune magazine's "100 Best Companies to Work For" in each of the last thirteen years. However, we face intense competition for qualified employees, and we expect to face continuing challenges in recruiting and retention.

Tables of Contents

ITEM 1A RISK FACTORS

Forward-Looking Statements and Risk Factors

This Annual Report on Form 10-K contains forward-looking statements. All statements in this report, other than statements that are purely historical, are forward-looking statements. Words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “forecast,” “estimate,” “seek,” and similar expressions also identify forward-looking statements. In this report, forward-looking statements include, without limitation, the following:

- our expectations and beliefs regarding future conduct and growth of the business;
- our beliefs and expectations regarding seasonality, competition and other trends that affect our business;
- our expectation that we will solve problems faster and more efficiently for our growing base of customers by moving to more open platforms with application programming interfaces that enable the contributions of end users and third party developers;
- our expectation that we will invest significant resources in our product development, marketing and sales capabilities;
- our expectation that we will continue to invest significant management attention and resources in our information technology infrastructure and in our privacy and security capabilities;
- our expectation that we will generate significant cash from operations;
- our expectations regarding the development of future products, services, business models and technology platforms and our research and development efforts;
- the assumptions underlying our critical accounting policies and estimates, including our estimates regarding product rebate and return reserves; the collectability of accounts receivable; stock volatility and other assumptions used to estimate the fair value of share-based compensation; the fair value of goodwill; and expected future amortization of acquired intangible assets;
- our belief that the investments we hold are not other-than-temporarily impaired;
- our belief that our exposure to currency exchange fluctuation risk will not be significant in the future;
- our assessments and estimates that determine our effective tax rate;
- our belief that our income tax valuation allowance is sufficient;
- our belief that it is not reasonably possible that there will be a significant increase or decrease in our unrecognized tax benefits over the next 12 months;
- our belief that we will not need funds generated from foreign operations to fund our domestic operations;
- our belief that our cash and cash equivalents, investments and cash generated from operations will be sufficient to meet our seasonal working capital needs, capital expenditure requirements, contractual obligations, debt service requirements and other liquidity requirements associated with our operations for at least the next 12 months;
- our belief that our facilities are suitable and adequate for our near-term needs and that we will be able to locate additional facilities as needed;
- our expectation that we will return excess cash generated by operations to our stockholders through repurchases of our common stock and the payment of cash dividends;
- our assessments and beliefs regarding the future outcome of pending legal proceedings and the liability, if any, that Intuit may incur as a result of those proceedings.

We caution investors that forward-looking statements are only predictions based on our current expectations about future events and are not guarantees of future performance. We encourage you to read carefully all information provided in this report and in our other filings with the SEC before deciding to invest in our stock or to maintain or change your investment. These forward-looking statements are based on information as of the filing date of this Annual Report, and we undertake no obligation to revise or update any forward-looking statement for any reason.

Because forward-looking statements involve risks and uncertainties, there are important factors that may cause actual results to differ materially from those contained in the forward-looking statements. These factors include the

following:

15

Tables of Contents

We face intense competitive pressures that may harm our operating results.

We face intense competition in all of our businesses, and we expect competition to remain intense in the future. Our competitors and potential competitors range from large and established entities to emerging start-ups. Our competitors may introduce superior products and services, reduce prices, have greater technical, marketing and other resources, have greater name recognition, have larger installed bases of customers, have well-established relationships with our current and potential customers, advertise aggressively or beat us to market with new products and services. In addition, we may face competition from existing companies, with large established consumer user-bases and broad-based platforms, who may change or expand the focus of their business strategies and marketing to target our customers, including small businesses and tax customers. We also face intensified competition from providers of free accounting, tax, payments, and other financial services. In order to compete, we have also introduced free offerings in several categories, but we may not be able to attract customers or effectively monetize all of these offerings, and customers who have formerly paid for Intuit's products and services may elect to use free offerings instead. These competitive factors may diminish our revenue and profitability, and harm our ability to acquire and retain customers.

Our consumer tax business also faces significant competition from the public sector, where we face the risk of federal and state taxing authorities developing software or other systems to facilitate tax return preparation and electronic filing at no charge to taxpayers. These or similar programs may be introduced or expanded in the future, which may cause us to lose customers and revenue. Although the Free File Alliance has kept the federal government from being a direct competitor to Intuit's tax offerings, it has fostered additional online competition and may cause us to lose significant revenue opportunities. The current agreement with the Free File Alliance is scheduled to expire in October 2015. We anticipate that governmental encroachment at both the federal and state levels may present a continued competitive threat to our business for the foreseeable future.

Future revenue growth depends upon our ability to adapt to technological change and successfully introduce new and enhanced products, services and business models.

The software as a service, desktop software and mobile technology industries are characterized by rapidly changing technology, evolving industry standards and frequent new product introductions. As we continue to grow our software as a service, mobile and other offerings, we must continue to innovate and develop new products and features to meet changing customer needs and attract and retain talented software developers. We need to continue to develop our skills, tools and capabilities to capitalize on existing and emerging technologies, which require us to devote significant resources.

A number of our businesses also derive a significant amount of their revenue from one-time upfront license fees and rely on customer upgrades and service offerings to generate a significant portion of their revenues. In addition, our consumer and professional tax businesses depend significantly on revenue from customers who return each year to use our updated tax preparation and filing software and services. As our existing products mature, encouraging customers to purchase product upgrades becomes more challenging unless new product releases provide features and functionality that have meaningful incremental value. If we are not able to develop and clearly demonstrate the value of new or upgraded products or services to our customers, our revenues may be harmed. In addition, as we continue to introduce and expand our new business models, including offerings that are subscription-based or that are free to end users, we may be unsuccessful in monetizing or increasing customer adoption of these offerings.

The number of people who access products and services through devices other than personal computers, including mobile phones, smartphones, and handheld computers such as tablets, continues to increase. We have devoted significant resources to develop products and services for users of these alternative devices, but the versions of our products and services developed for these devices may not be compelling to users. Even if we are able to attract new users through these mobile offerings, the amount of revenue that we derive per user from mobile offerings may be less

than the revenue that we have historically derived from users of personal computers. As new devices and new platforms are continually being released, it is difficult to predict the problems we may encounter in developing versions of our products and services for use on these alternative devices and we may need to devote significant resources to the creation, support, and maintenance of such offerings. If we are slow to develop products and technologies that are compatible with these alternative devices, or if our competitors are able to achieve those results more quickly than us, we will fail to capture a significant share of an increasingly important portion of the market for online services, which could adversely affect our business.

In some cases, we may expend a significant amount of resources and management attention on offerings that do not ultimately succeed in their markets. We have encountered difficulty in launching new products and services in the past. If we misjudge customer needs in the future, our new products and services may not succeed and our revenues and earnings may be harmed. We have also invested, and in the future expect to invest, in new business models, geographies, strategies and initiatives. Such endeavors may involve significant risks and uncertainties, including distraction of management from current operations,

Tables of Contents

expenses associated with the initiatives and inadequate return on investments. Because these new initiatives are inherently risky, they may not be successful and may harm our financial condition and operating results.

Business interruption or failure of our information technology and communication systems may impair the availability of our products and services, which may damage our reputation and harm our future financial results.

As we continue to transition our business to more connected services, we become more dependent on the continuing operation and availability of our information technology and communication systems and those of our external service providers, including, for example, third party Internet-based or "cloud" computing services. We do not have redundancy for all of our systems, many of our critical applications reside in only one of our data centers, and our disaster recovery planning may not account for all eventualities. We also do not maintain real-time back-up of all our data, and in the event of significant system disruption we may experience loss of data or processing capabilities, which may cause us to lose customers and may materially harm our reputation and our operating results. In addition, we are in the process of updating our customer facing applications and the supporting information technology infrastructure to meet our customers' expectations for continuous service availability. Any difficulties in upgrading these applications or infrastructure or failure of our systems or those of our third-party service providers may result in interruptions in our service, which may reduce our revenues and profits, cause us to lose customers and damage our reputation. Any prolonged interruptions at any time may result in lost customers, additional refunds of customer charges, negative publicity and increased operating costs, any of which may significantly harm our business, financial condition and results of operations.

We are in the process of migrating our applications and infrastructure to new data centers and to third party hosted environments. If we do not execute the transition to these new environments in an effective manner, we may experience unplanned service disruptions or unforeseen increases in costs which may harm our operating results and our business.

Our business operations, data centers, information technology and communications systems are vulnerable to damage or interruption from natural disasters, human error, malicious attacks, fire, power loss, telecommunications failures, computer viruses, computer denial of service attacks, terrorist attacks and other events beyond our control. The majority of our research and development activities, our corporate headquarters, our principal information technology systems, and other critical business operations are located near major seismic faults. We do not carry earthquake insurance for direct quake-related losses. Our future financial results may be materially harmed in the event of a major earthquake or other natural or man-made disaster.

We rely on internal systems and external systems maintained by manufacturers, distributors and other service providers to take and fulfill customer orders, handle customer service requests and host certain online activities. Any interruption or failure of our internal or external systems may prevent us or our service providers from accepting and fulfilling customer orders or cause company and customer data to be unintentionally disclosed. Our continuing efforts to upgrade and expand our network security and other information systems as well as our high-availability capabilities may be costly, and problems with the design or implementation of system enhancements may harm our business and our results of operations.

We host, collect, use and retain sensitive and personal customer information and data. A security breach resulting in third party access to this information and data could materially disrupt our businesses, result in the disclosure of confidential information, significantly damage our reputation and cause material losses.

We host, collect, use and retain large amounts of sensitive and personal customer information and data, including credit card numbers, tax return information, bank account numbers and passwords, personal and business financial data and transactions, social security numbers, healthcare information and payroll information. In addition, we collect

and maintain sensitive and personal information of our employees in the ordinary course of our business. The volume of sensitive and personal information that we collect has been increasing and will continue to increase as we further transition our businesses to connected services. We and our vendors use commercially available security technologies to protect this information and data, and we also use security and business controls to limit access to and use of such sensitive and personal customer information and data. However, a major breach of our security measures or those of third parties that provide hosting services or have access to our sensitive and personal customer information may have serious negative consequences for our businesses, including possible fines, penalties and damages, reduced customer demand for our services, material harm to our reputation and brands, further regulation and oversight by federal or state agencies, and loss of our ability to provide financial transaction services or accept and process customer credit card orders or tax returns.

From time to time, we detect, or receive notices from customers or public or private agencies that they have detected, vulnerabilities in our servers, our software or third-party software components that are distributed with our products. The existence of vulnerabilities, even if they do not result in a security breach, may harm customer confidence and require substantial resources to address, and we may not be able to discover or remediate such security vulnerabilities before they are

Tables of Contents

exploited. In addition, our technologies, systems, and networks and our customers' devices have been subject to, and are likely to continue to be the target of, cyber attacks, computer viruses, worms, phishing attacks, malicious software programs and other information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of our customers' sensitive and personal information and data, or otherwise disrupt our or our customers' or other third parties' business operations. Although this is an industry-wide problem that affects software across platforms, it is increasingly affecting our offerings because cybercriminals tend to focus their efforts on well-known offerings that are popular among customers, and we expect them to continue to do so. If these cybercriminals are able to circumvent our security measures, or if we are unable to detect an intrusion into our systems and contain such intrusion in a reasonable amount of time, our customers' sensitive and personal information and data may be compromised.

In addition, our employees, contractors, temporary and seasonal employees may have access to sensitive and personal information of our customers and employees. While we conduct background checks of our employees and these other individuals and limit access to systems and data, it is possible that one or more of these individuals may circumvent these controls, resulting in a security breach. In addition, we rely on third party vendors to host certain of our sensitive and personal information and data. While we conduct due diligence on these third party partners with respect to their security and business controls, we may not have the ability to effectively monitor or oversee the implementation of these controls measures, and, in any event, individuals or third parties may be able to circumvent and/or exploit vulnerabilities that may exist in these security and business controls, resulting in a loss of sensitive and personal customer or employee information and data.

If we are unable to develop, manage and maintain critical third party business relationships, our business may be adversely affected.

Our growth is dependent on the strength of our business relationships and our ability to continue to develop, maintain and leverage new and existing relationships. We rely on various third party partners, including software and service providers, suppliers, vendors, manufacturers, distributors, contractors, financial institutions, core processors, licensing partners and development partners, among others, in many areas of our business in order to deliver our offerings and operate our business. We also rely on third parties to support the operation of our business by maintaining our physical facilities, equipment, power systems and infrastructure. In certain instances, these third party relationships are sole source or limited source relationships and can be difficult to replace or substitute depending on the level of integration of the third party's products or services into, or with, our offerings and/or the general availability of such third party's products and services. In addition, there may be few or no alternative third party providers or vendors in the market. Further, there can be no assurance that we will be able to adequately retain third party contractors engaged to help us operate our business. The failure of third parties to provide acceptable and high quality products, services and technologies or to update their products, services and technologies may result in a disruption to our business operations and our customers, which may reduce our revenues and profits, cause us to lose customers and damage our reputation. Alternative arrangements and services may not be available to us on commercially reasonable terms or we may experience business interruptions upon a transition to an alternative partner.

In particular, we have relationships with banks, credit unions and other financial institutions that support certain critical services we offer to our customers. If macroeconomic conditions or other factors cause any of these institutions to fail, consolidate, stop providing certain services or institute cost-cutting efforts, our business and financial results may suffer and we may be unable to offer those services to our customers.

We have also started to increasingly utilize the distribution platforms of third parties like Apple's App Store and Google's Play Store for the distribution of certain of our product offerings. Although we benefit from the strong brand recognition and large user base of these distribution platforms to attract new customers, the platform owners have wide discretion to change the pricing structure, terms of service and other policies with respect to us and other

developers. Any adverse changes by these third parties could adversely affect our financial results.

Increased government regulation of our businesses may harm our operating results.

Many of our businesses are regulated under federal, state and local laws, including our tax, accounting professionals, payroll and payments businesses. There have been significant new regulations and heightened focus by the government on many of these areas, as well as in areas such as insurance and healthcare (including, for example, the Affordable Care Act) and the collection, use and security of user data. As we expand our products and services and revise our business models, both domestically and internationally, we may become subject to additional government regulation or increased regulatory scrutiny. Further, regulators may adopt new laws or regulations or their interpretation of existing laws or regulations may differ from ours as well as the laws of other jurisdictions in which we operate. These regulatory requirements could impose significant limitations, require changes to our business, require notification to customers or employees of a security breach, restrict our use of personal information, or cause changes in customer purchasing behavior which may make our business more costly, less

Tables of Contents

efficient or impossible to conduct, and may require us to modify our current or future products or services, which may harm our future financial results. In particular, as our business continues to expand to new industry segments that may be more highly regulated for privacy and data security, and to countries outside the United States that have more strict data protection laws, our compliance requirements and costs may increase. We have incurred – and may continue to incur – significant expenses to comply with mandatory privacy and security standards and protocols imposed by law, regulation, industry standards or contractual obligations.

The tax preparation industry continues to receive heightened attention from federal and state governments. New legislation, regulation, public policy considerations, litigation by the government or private entities, or new interpretations of existing laws may result in greater oversight of the tax preparation industry, restrict the types of products and services that we can offer or the prices we can charge, or otherwise cause us to change the way we operate our tax businesses or offer our tax products and services. We may not be able to respond quickly to such regulatory, legislative and other developments, and these changes may in turn increase our cost of doing business and limit our revenue opportunities. In addition, if our practices are not consistent with new interpretations of existing laws, we may become subject to lawsuits, penalties, and other liabilities that did not previously apply. We are also required to comply with a variety of state revenue agency standards in order to successfully operate our tax preparation and electronic filing services. Changes in state-imposed requirements by one or more of the states, including the required use of specific technologies or technology standards, may significantly increase the costs of providing those services to our customers and may prevent us from delivering a quality product to our customers in a timely manner.

If we fail to process transactions effectively or fail to adequately protect against disputed or potential fraudulent activities, our revenue and earnings may be harmed.

Our operations process a significant volume and dollar value of transactions on a daily basis, especially in our payroll and payments businesses. Due to the size and volume of transactions that we handle, effective processing systems and controls are essential to ensure that transactions are handled appropriately. Despite our efforts, it is possible that we may make errors or that funds may be misappropriated due to fraud. The systems supporting our business are comprised of multiple technology platforms that are difficult to scale. If we are unable to effectively manage our systems and processes we may be unable to process customer data in an accurate, reliable and timely manner, which may harm our business. In our payments processing service business if merchants for whom we process payment transactions are unable to pay refunds due to their customers in connection with disputed or fraudulent merchant transactions, we may be required to pay those amounts and our payments may exceed the amount of the customer reserves we have established to make such payments.

The online tax preparation, payroll administration and online payments industries have been experiencing an increasing amount of fraudulent activities by third parties. Although we do not believe that any of this activity is uniquely targeted at our business, this type of fraudulent activity may adversely impact our own operations in our consumer tax, payroll, and payments businesses. In addition to any direct damages and potential fines that may result from such fraud, which may be substantial, a loss of confidence in our controls may seriously harm our business and damage our brand. As fraud detection and prevention abilities improve across the various industries in which we operate, we may implement risk control mechanisms that could make it more difficult for legitimate customers to obtain and use our products as well as prevent the sale of our products to those parties seeking to facilitate fraudulent activity, which could result in lost revenue and negatively impact our operating results.

Third parties claiming that we infringe their proprietary rights may cause us to incur significant legal expenses and prevent us from selling our products.

We may become increasingly subject to infringement claims, including patent, copyright, trade secret, and trademark infringement claims. Litigation may be necessary to determine the validity and scope of the intellectual property rights of others. We have received a number of allegations of intellectual property infringement claims in the past and expect to receive more claims in the future based on allegations that our offerings infringe upon the intellectual property held by third parties. Some of these claims are the subject of pending litigation against us and against some of our customers. These claims may involve patent holding companies or other adverse intellectual property owners who have no relevant product revenues of their own, and against whom our own intellectual property may provide little or no deterrence. The ultimate outcome of any allegation is uncertain and, regardless of outcome, any such claim, with or without merit, may be time consuming to defend, result in costly litigation, divert management's time and attention from our business, require us to stop selling, delay shipping or redesign our products, or require us to pay monetary damages for royalty or licensing fees, or to satisfy indemnification obligations that we have with some of our customers. Our failure to obtain necessary license or other rights, or litigation arising out of intellectual property claims may harm our business.

Tables of Contents

We rely on third party intellectual property in our products and services.

Many of our products and services include intellectual property of third parties, which we license under agreements that may need to be renewed or renegotiated from time to time. We may not be able to obtain licenses to these third party technologies or content on reasonable terms, or at all. If we are unable to obtain the rights necessary to use this intellectual property in our products and services, we may not be able to sell the affected offerings and customers who are currently using the affected product may be disrupted, which may in turn harm our future financial results, damage our brand, and result in customer loss. Also, we and our customers have been and may continue to be subject to infringement claims as a result of the third party intellectual property incorporated in to our offerings. Although we try to mitigate this risk and we may not be ultimately liable for any potential infringement, pending claims require us to use significant resources, require management attention and could result in loss of customers.

Some of our offerings include third-party software that is licensed under so-called “open source” licenses, some of which may include a requirement that, under certain circumstances, we make available, or grant licenses to, any modifications or derivative works we create based upon the open source software. Although we have established internal review and approval processes to mitigate these risks, we may not be sure that all open source software is submitted for approval prior to use in our products. Many of the risks associated with usage of open source may not be eliminated, and may, if not properly addressed, harm our business.

Our intellectual property rights are valuable, and any inability to protect them could reduce the value of our products, services, and brand.

Our patents, trademarks, trade secrets, copyrights and other intellectual property rights are important assets for us. We aggressively protect our intellectual property rights by relying on federal, state and common law rights in the U.S. and internationally, as well as a variety of administrative procedures. We also rely on contractual restrictions to protect our proprietary rights in products and services. The efforts that we take to protect our proprietary rights may not always be sufficient or effective. Protecting our intellectual property rights is costly and time consuming and may not be successful in every location. Any significant impairment of our intellectual property rights could harm our business, our brand and our ability to compete.

Policing unauthorized use and copying of our products is difficult, expensive, and time consuming. Current U.S. laws that prohibit copying give us only limited practical protection from software piracy and the laws of many other countries provide very little protection. We frequently encounter unauthorized copies of our software being sold through online marketplaces. Although we continue to evaluate and put in place technology solutions to attempt to lessen the impact of piracy and engage in efforts to educate consumers and public policy leaders on these issues and cooperate with industry groups in their efforts to combat piracy, we expect piracy to be a persistent problem that results in lost revenues and increased expenses.

Because competition for our key employees is intense, we may not be able to attract, retain and develop the highly skilled employees we need to support our planned growth.

Much of our future success depends on the continued service and availability of skilled personnel, including members of our executive team, and those in technical, marketing and staff positions. Experienced personnel in the software, mobile technologies, data science, data security, and software as a service industries are in high demand and competition for their talents is intense, especially in California and India, where the majority of our employees are located. Also, as we strive to continue to adapt to technological change and introduce new and enhanced products and business models, we must be able to secure, maintain and develop the right quality and quantity of engaged and committed talent. Although we strive to be an employer of choice, we may not be able to continue to successfully attract, retain and develop key personnel which may cause our business to suffer.

As our product and service offerings become more tightly integrated, we may be required to recognize the related revenue over relatively longer periods of time.

Our expanding range of products and services, and the combinations in which we offer them, generate different revenue streams than our traditional desktop software businesses, and the accounting policies that apply to revenue from these offerings are complex. For example, as we offer more online services bundled with software products, we may be required to defer a higher percentage of our software product revenue into future fiscal periods. In addition, as we offer more services on a subscription basis, we recognize revenue from those services over the periods in which the services are provided. This may result in significant shifts of revenue from quarter to quarter, or from one fiscal year to the next.

Tables of Contents

The nature of our products and services necessitates timely product launches and if we experience significant product quality problems or delays, it may harm our revenue, earnings and reputation.

All of our tax products and many of our non-tax products have rigid development timetables that increase the risk of errors in our products and the risk of launch delays. Our tax preparation software product development cycle is particularly challenging due to the need to incorporate unpredictable tax law and tax form changes each year and because our customers expect high levels of accuracy and a timely launch of these products to prepare and file their taxes by the tax filing deadline. Due to the complexity of our products and the condensed development cycles under which we operate, our products sometimes contain glitches that may unexpectedly interfere with the operation of the software. The complexity of our products may also make it difficult for us to consistently deliver offerings that contain the features, functionality and level of accuracy that our customers expect. When we encounter problems we may be required to modify our code, distribute patches to customers who have already purchased the product and recall or repackaging existing product inventory in our distribution channels. If we encounter development challenges or discover errors in our products late in our development cycle it may cause us to delay our product launch date. Any major defects or launch delays may lead to loss of customers and revenue, negative publicity, customer and employee dissatisfaction, reduced retailer shelf space and promotions, and increased operating expenses, such as inventory replacement costs, legal fees or payments resulting from our commitment to reimburse penalties and interest paid by customers due solely to calculation errors in our consumer tax preparation products.

Our businesses are highly seasonal and our quarterly results could fluctuate significantly.

Historically, several of our businesses have been highly seasonal and this has caused significant fluctuations in our quarterly financial results. Due to the timing of annual product releases, revenue from our QuickBooks desktop software products has tended to be highest during our second and third fiscal quarters. Sales of income tax preparation products and services are heavily concentrated from November through April. These seasonal patterns mean that our total revenue is usually highest during the second and third fiscal quarters ending January 31 and April 30. We typically experience lower revenues, and operating losses, in the first and fourth fiscal quarters ending October 31 and July 31. Although in the longer term we expect the seasonality of certain of our businesses to diminish due to our decision to deliver ongoing releases for our future desktop offerings and due to increasing customer preference for online and subscription versions of our offerings, we expect the seasonality of certain other businesses, particularly our consumer tax business, to continue. In the near term we expect the seasonality of our overall business to continue. Our financial results may also fluctuate from quarter to quarter and year to year due to a variety of factors, including factors that may affect the timing of revenue recognition. These include changes to our offerings that result in the inclusion or exclusion of ongoing services; changes in product pricing strategies or product sales mix; the timing of the availability of federal and state tax forms from taxing agencies and the ability of those agencies to receive electronic tax return submissions; changes in consumer behavior; and the timing of our discontinuation of support for older product offerings. Other factors that may affect our quarterly or annual financial results include the timing of acquisitions, divestitures, and goodwill and acquired intangible asset impairment charges. Any fluctuations in our operating results may adversely affect our stock price.

We are frequently a party to litigation and regulatory inquiries which could result in an unfavorable outcome and have an adverse effect on our business, financial condition, results of operation and cash flows.

We are subject to various legal proceedings, claims and regulatory inquiries that have arisen out of the ordinary conduct of our business and are not yet resolved and additional claims and inquiries may arise in the future. The number and significance of these claims and inquiries have increased as our businesses have evolved. Any proceedings, claims or inquiries initiated by or against us, whether successful or not, may be time consuming; result in costly litigation, damage awards, consent decrees, injunctive relief or increased costs of business; require us to change our business practices or products; require significant amounts of management time; result in diversion of significant

operations resources; or otherwise harm our business and future financial results.

Adverse global economic conditions could harm our business and financial condition.

The onset or continuation of adverse macroeconomic developments could negatively affect our business and financial condition. Adverse global economic events have caused, and could, in the future, cause disruptions and volatility in global financial markets and increased rates of default and bankruptcy, and could impact consumer and small business spending. In particular, because the majority of our revenue is derived from sales within the U.S., economic conditions in the U.S. have an even greater impact on us than companies with a more diverse international presence. Challenging economic times could cause potential new customers not to purchase or to delay purchasing of our products and services, and could cause our existing customers to discontinue purchasing or delay upgrades of our existing products and services, thereby negatively impacting our revenues and future financial results. Decreased consumer spending levels could also reduce credit and debit card transaction processing volumes causing reductions in our payments revenue. Poor economic conditions and high unemployment have

Tables of Contents

caused, and could in the future cause, a significant decrease in the number of tax returns filed, which may have a significant effect on the number of tax returns we prepare and file. In addition, weakness in the end-user consumer and small business markets could negatively affect the cash flow of our distributors and resellers who could, in turn, delay paying their obligations to us, which could increase our credit risk exposure and cause delays in our recognition of revenue or future sales to these customers. Any of these events could harm our business and our future financial results.

We regularly invest resources to update and improve our internal information technology systems and software platforms. Should our investments not succeed, or if delays or other issues with new or existing internal technology systems and software platforms disrupt our operations, our business could be harmed.

We rely on our network and data center infrastructure and internal technology systems for many of our development, marketing, operational, support, sales, accounting and financial reporting activities. We are continually investing resources to update and improve these systems and environments in order to meet existing, as well as the growing and changing requirements of our business and customers. If we experience prolonged delays or unforeseen difficulties in updating and upgrading our systems and architecture, we may experience outages and may not be able to deliver certain offerings and develop new offerings and enhancements that we need to remain competitive. Such improvements and upgrades are often complex, costly and time consuming. In addition such improvements can be challenging to integrate with our existing technology systems, or may uncover problems with our existing technology systems. Unsuccessful implementation of hardware or software updates and improvements could result in outages, disruption in our business operations, loss of revenue or damage to our reputation.

Our international operations are subject to increased risks which may harm our business, operating results, and financial condition.

In addition to uncertainty about our ability to generate revenues from our foreign operations and expand into international markets, there are risks inherent in doing business internationally, including:

- trade barriers and changes in trade regulations;
- difficulties in developing, staffing, and simultaneously managing a large number of varying foreign operations as a result of distance, language, and cultural differences;
- stringent local labor laws and regulations;
- credit risk and higher levels of payment fraud;
- profit repatriation restrictions, and foreign currency exchange restrictions;
- political or social unrest, economic instability, repression, or human rights issues;
- geopolitical events, including natural disasters, acts of war and terrorism;
- import or export regulations;
- compliance with U.S. laws such as the Foreign Corrupt Practices Act, and local laws prohibiting corrupt payments to government officials;
- antitrust and competition regulations;
- potentially adverse tax developments;
- economic uncertainties relating to European sovereign and other debt;
- different, uncertain or more stringent user protection, data protection, privacy and other laws; and
- risks related to other government regulation or required compliance with local laws.

Violations of the complex foreign and U.S. laws and regulations that apply to our international operations may result in fines, criminal actions or sanctions against us, our officers or our employees, prohibitions on the conduct of our business and damage to our reputation. Although we have implemented policies and procedures designed to promote compliance with these laws, there can be no assurance that our employees, contractors or agents will not violate our

policies. These risks inherent in our international operations and expansion increase our costs of doing business internationally and may result in harm to our business, operating results, and financial condition.

Tables of Contents

If actual product returns exceed returns reserves our future financial results may be harmed.

We ship more desktop software products to our distributors and retailers than we expect them to sell, in order to reduce the risk that distributors or retailers may run out of products. This is particularly true for our Consumer Tax products, which have a short selling season and for which returns occur primarily in our fiscal third and fourth quarters. Like many software companies that sell their products through distributors and retailers, we have historically accepted significant product returns. We establish reserves against revenue for product returns in our financial statements based on estimated returns and we closely monitor product sales and inventory in the retail channel in an effort to maintain adequate reserves. In the past, returns have not differed significantly from these reserves. However, if we experience actual returns that significantly exceed reserves, it may result in lower net revenue.

Unanticipated changes in our income tax rates may affect our future financial results.

Our future effective income tax rates may be favorably or unfavorably affected by unanticipated changes in the valuation of our deferred tax assets and liabilities, or by changes in tax laws or their interpretation. In addition, we are subject to the continuous examination of our income tax returns by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. These continuous examinations may result in unforeseen tax-related liabilities, which may harm our future financial results.

Amortization of acquired intangible assets and impairment charges may cause significant fluctuation in our net income.

Our acquisitions have resulted in significant expenses, including amortization and impairment of acquired technology and other acquired intangible assets, and impairment of goodwill. Total costs and expenses in these categories were approximately \$46 million in fiscal 2014, \$99 million in fiscal 2013, and \$33 million in fiscal 2012. Although under current accounting rules goodwill is not amortized, we may incur impairment charges related to the goodwill already recorded and to goodwill arising out of future acquisitions. We test the impairment of goodwill annually in our fourth fiscal quarter or more frequently if indicators of impairment arise. The timing of the formal annual test may result in charges to our statement of operations in our fourth fiscal quarter that may not have been reasonably foreseen in prior periods. The total costs and expenses for fiscal 2013 included a goodwill and intangible asset impairment charges of \$46 million that reduced the carrying value of our Intuit Health goodwill and intangible assets to zero. We completed the sale of that business in the first quarter of fiscal 2014. At July 31, 2014, we had \$1.6 billion in goodwill and \$199 million in net acquired intangible assets on our balance sheet, both of which may be subject to impairment charges in the future. New acquisitions, and any impairment of the value of acquired intangible assets, may have a significant negative impact on our future financial results.

Our acquisition and divestiture activities may disrupt our ongoing business, may involve increased expenses and may present risks not contemplated at the time of the transactions.

We have acquired and may continue to acquire companies, products and technologies that complement our strategic direction. Acquisitions involve significant risks and uncertainties, including:

- inability to successfully integrate the acquired technology and operations into our business and maintain uniform standards, controls, policies, and procedures;
- inability to realize synergies expected to result from an acquisition;
- disruption of our ongoing business and distraction of management;
- challenges retaining the key employees, customers, resellers and other business partners of the acquired operation;
- the internal control environment of an acquired entity may not be consistent with our standards and may require significant time and resources to improve;

- unidentified issues not discovered in our due diligence process, including product or service quality issues, intellectual property issues and legal contingencies;
- failure to successfully further develop an acquired business or technology and any resulting impairment of amounts currently capitalized as intangible assets;
- in the case of foreign acquisitions and investments, the impact of particular economic, tax, currency, political, legal and regulatory risks associated with specific countries.

Tables of Contents

We have divested and may in the future divest certain assets or businesses that no longer fit with our strategic direction or growth targets. Divestitures involve significant risks and uncertainties, including:

- inability to find potential buyers on favorable terms;
- failure to effectively transfer liabilities, contracts, facilities and employees to buyers;
- requirements that we retain or indemnify buyers against certain liabilities and obligations in connection with any such divestiture;
- the possibility that we will become subject to third-party claims arising out of such divestiture;
- challenges in identifying and separating the intellectual properties to be divested from the intellectual properties that we wish to retain;
- inability to reduce fixed costs previously associated with the divested assets or business;
- challenges in collecting the proceeds from any divestiture;
- disruption of our ongoing business and distraction of management;
- loss of key employees who leave the Company as a result of a divestiture;
- if customers or partners of the divested business do not receive the same level of service from the new owners, our other businesses may be adversely affected, to the extent that these customers or partners also purchase other products offered by us or otherwise conduct business with our retained business.

Because acquisitions and divestitures are inherently risky, our transactions may not be successful and may, in some cases, harm our operating results or financial condition. Although we typically fund our acquisitions through cash available from operations, if we were to use debt to fund acquisitions or for other purposes, our interest expense and leverage would increase significantly, and if we were to issue equity securities as consideration in an acquisition, current shareholders' percentage ownership and earnings per share would be diluted.

We have \$500 million in debt outstanding and may incur other debt in the future, which may adversely affect our financial condition and future financial results.

In fiscal 2007 we issued \$500 million in senior unsecured notes due in March 2012 and \$500 million in senior unsecured notes due in March 2017. We repaid the March 2012 notes when they became due using cash from operations. As the March 2017 debt matures, we will have to expend significant resources to either repay or refinance these notes. If we decide to refinance the notes, we may be required to do so on different or less favorable terms or we may be unable to refinance the notes at all, both of which may adversely affect our financial condition.

We have also entered into a \$500 million five-year revolving credit facility. Although we have no current plans to request any advances under this credit facility, we may use the proceeds of any future borrowing for general corporate purposes, including future acquisitions.

This debt may adversely affect our financial condition and future financial results by, among other things:

- increasing our vulnerability to downturns in our business, to competitive pressures and to adverse economic and industry conditions;
- requiring the dedication of a portion of our expected cash from operations to service our indebtedness, thereby reducing the amount of expected cash flow available for other purposes, including capital expenditures and acquisitions; and
- limiting our flexibility in planning for, or reacting to, changes in our businesses and our industries.

Our current revolving credit facility imposes restrictions on us, including restrictions on our ability to create liens on our assets and the ability of our subsidiaries to incur indebtedness, and require us to maintain compliance with specified financial ratios. Our ability to comply with these ratios may be affected by events beyond our control. In addition, our short- and long-term debt includes covenants that may adversely affect our ability to incur certain liens or engage in certain types of sale and leaseback transactions. If we breach any of the covenants under our short- and

long-term debt or our revolving credit facility and do not obtain a waiver from the lenders, then, subject to applicable cure periods, any outstanding indebtedness may be declared immediately due and payable.

Tables of Contents

In addition, changes by any rating agency to our credit rating may negatively impact the value and liquidity of both our debt and equity securities. If our credit ratings are downgraded or other negative action is taken, the interest rate payable by us under our revolving credit facility may increase. In addition, any downgrades in our credit ratings may affect our ability to obtain additional financing in the future and may affect the terms of any such financing.

We are subject to risks associated with information disseminated through our services.

The laws relating to the liability of online services companies for information such as online content disseminated through their services are subject to frequent challenges. In spite of settled law in the U.S., claims are made against online services companies by parties who disagree with the content. Where our online content is accessed on the internet outside of the U.S., challenges may be brought under foreign laws which do not provide the same protections for online services companies as in the U.S. These challenges in either U.S. or foreign jurisdictions may rise to legal claims alleging defamation, libel, invasion of privacy, negligence, copyright or trademark infringement, or other theories based on the nature and content of the materials disseminated through the services. Certain of our services include content generated by users of our online services. Although this content is not generated by us, claims of defamation or other injury may be made against us for that content. Any costs incurred as a result of this potential liability may harm our business.

Our stock price may be volatile and your investment could lose value.

Our stock price is subject to changes in recommendations or earnings estimates by financial analysts, changes in investors' or analysts' valuation measures for our stock, our credit ratings and market trends unrelated to our performance. Furthermore, speculation in the press or investment community about our strategic position, financial condition, results of operations, business or security of our products, can cause changes in our stock price. These factors, as well as general economic and political conditions and the timing of announcements in the public market regarding new products, product enhancements or technological advances by our competitors or us, and any announcements by us of acquisitions, major transactions, or management changes may adversely affect our stock price. Further, any changes in the amounts or frequency of share repurchases or dividends may also adversely affect our stock price. A significant drop in our stock price could expose us to the risk of securities class actions lawsuits, which may result in substantial costs and divert management's attention and resources, which may adversely affect our business.

Our business depends on our strong reputation and the value of our brands.

Developing and maintaining awareness of our brands is critical to achieving widespread acceptance of our existing and future products and services and is an important element in attracting new customers. Adverse publicity (whether or not justified) relating to events or activities attributed to us, our employees or agents may tarnish our reputation and reduce the value of our brands. Damage to our reputation and loss of brand equity may reduce demand for our products and services and thus have an adverse effect on our future financial results, as well as require additional resources to rebuild our reputation and restore the value of the brands.

Tables of Contents

ITEM 1B

UNRESOLVED STAFF COMMENTS

None.

ITEM 2

PROPERTIES

Our principal locations, their purposes and the expiration dates for the leases on facilities at those locations as of July 31, 2014 are shown in the table below. We have renewal options on many of our leases.

Location	Purpose	Approximate Square Feet	Principal Lease Expiration Dates
Mountain View and Menlo Park, California	Corporate headquarters and principal offices for Small Business segment and Consumer Ecosystem business	889,000	2024 - 2026
San Diego, California	Principal offices for Consumer Tax business	466,000	2017
Bangalore, India	Principal offices for Intuit India	359,000	2015 - 2022
Quincy, Washington	Primary data center	240,000	Owned
Woodland Hills, California	Principal offices for Small Business payment solutions business	168,000	2018
Plano, Texas	Principal offices for Professional Tax segment and data center	166,000	2026

We own buildings comprising approximately 192,000 square feet of the total square feet shown in the table above for our Mountain View and Menlo Park, California headquarters facility. We also lease or own facilities in a number of smaller domestic locations and internationally in Canada, the United Kingdom, Singapore, Australia, and several other locations. We believe our facilities are suitable and adequate for our current and near-term needs, and that we will be able to locate additional facilities as needed. See Note 9 to the financial statements in Item 8 of this Annual Report for more information about our lease commitments.

ITEM 3

LEGAL PROCEEDINGS

Intuit is subject to certain routine legal proceedings, as well as demands, claims and threatened litigation, that arise in the normal course of our business, including assertions that we may be infringing patents or other intellectual property rights of others. We currently believe that, in addition to any amounts accrued, the amount of potential losses, if any, for any pending claims of any type (either alone or combined) will not have a material impact on our consolidated financial statements. The ultimate outcome of any litigation is uncertain and, regardless of outcome, litigation can have an adverse impact on Intuit because of defense costs, negative publicity, diversion of management resources and other factors. Our failure to obtain necessary license or other rights, or litigation arising out of intellectual property claims could adversely affect our business.

ITEM 4
MINE SAFETY DISCLOSURES

None.

Tables of Contents

PART II

ITEM 5

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

Market Information for Common Stock

Intuit's common stock is quoted on the NASDAQ Global Select Market under the symbol "INTU." The following table shows the range of high and low sale prices reported on the NASDAQ Global Select Market for the periods indicated. The closing price of Intuit's common stock on August 29, 2014 was \$83.18.

	High	Low
Fiscal year ended July 31, 2013		
First quarter	\$61.70	\$57.09
Second quarter	64.47	57.60
Third quarter	68.41	55.54
Fourth quarter	65.73	56.74
Fiscal year ended July 31, 2014		
First quarter	\$71.97	\$61.50
Second quarter	77.78	70.81
Third quarter	82.40	69.02
Fourth quarter	83.54	73.50

Stockholders

As of August 29, 2014 we had approximately 540 record holders and approximately 119,000 beneficial holders of our common stock.

Dividends

Prior to fiscal 2012, Intuit paid no cash dividends on its common stock. We declared and paid quarterly cash dividends that totaled \$0.60 per share of outstanding common stock or \$178 million during fiscal 2012; \$0.68 per share of outstanding common stock or \$203 million during fiscal 2013; and \$0.76 per share of outstanding common stock or \$220 million during fiscal 2014. In August 2014 our Board of Directors declared a quarterly cash dividend of \$0.25 per share of outstanding common stock payable on October 20, 2014 to stockholders of record at the close of business on October 10, 2014. We currently expect to continue to pay comparable cash dividends on a quarterly basis in the future; however, future declarations of dividends and the establishment of future record dates and payment dates are subject to the final determination of our Board of Directors.

Recent Sales of Unregistered Securities

None.

Tables of Contents

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Stock repurchase activity during the three months ended July 31, 2014 was as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans
May 1, 2014 through May 31, 2014	882,343	\$76.29	882,343	\$1,955,231,114
June 1, 2014 through June 30, 2014	1,077,843	\$78.99	1,077,843	\$1,870,088,800
July 1, 2014 through July 31, 2014	—	\$—	—	\$1,870,088,800
Total	1,960,186	\$77.78	1,960,186	

Note: All of the shares purchased as part of publicly announced plans during the three months ended July 31, 2014 were purchased under a plan we announced on August 19, 2013 under which we are authorized to repurchase up to \$2 billion of our common stock from time to time over a four-year period ending on August 19, 2017. At July 31, 2014, authorization from our Board of Directors to expend up to \$1.9 billion remained available under that plan.

Tables of Contents

Company Stock Price Performance

The graph below compares the cumulative total stockholder return on Intuit common stock for the last five full fiscal years with the cumulative total returns on the S&P 500 Index and the Morgan Stanley Technology Index for the same period. The graph assumes that \$100 was invested in Intuit common stock and in each of the other indices on July 31, 2009 and that all dividends were reinvested. Intuit did not pay cash dividends prior to fiscal 2012. The comparisons in the graph below are based on historical data – with Intuit common stock prices based on the closing price on the dates indicated – and are not intended to forecast the possible future performance of Intuit’s common stock.

	July 31, 2009	July 31, 2010	July 31, 2011	July 31, 2012	July 31, 2013	July 31, 2014
Intuit Inc.	\$100.00	\$133.84	\$157.24	\$197.53	\$220.00	\$285.04
S&P 500	\$100.00	\$113.83	\$136.21	\$148.64	\$185.80	\$217.28
Morgan Stanley Technology Index	\$100.00	\$113.68	\$139.39	\$155.12	\$164.45	\$210.75

Tables of Contents

ITEM 6

SELECTED FINANCIAL DATA

The following tables show Intuit's selected financial information for the past five fiscal years. The comparability of the information is affected by a variety of factors, including acquisitions and divestitures of businesses, issuance and repayment of long-term debt, share-based compensation expense, amortization of acquired technology and other acquired intangible assets, repurchases of common stock under our stock repurchase programs, and the payment of cash dividends.

In fiscal 2007 we issued \$1 billion in senior notes and in fiscal 2012 we repaid \$500 million of those notes when they became due using cash from operations. In fiscal 2010 through fiscal 2014 we acquired several companies, including PayCycle, Inc., Mint Software Inc., Demandforce, Inc., and Check Inc. We have included the results of operations for each of them in our consolidated results of operations from their respective dates of acquisition.

We sold our Intuit Real Estate Solutions business in fiscal 2010. In fiscal 2013 we completed the sale of our Intuit Websites business and in fiscal 2014 we completed the sales of our Intuit Financial Services and Intuit Health businesses. We accounted for all of these businesses as discontinued operations and have therefore reclassified our statements of operations for all periods presented below to reflect them as such. We have also reclassified our balance sheets for all periods presented below to reflect Intuit Financial Services as discontinued operations. The net assets of Intuit Real Estate Solutions, Intuit Websites, and Intuit Health were not significant, so we have not reclassified our balance sheets for any period presented below to reflect them as discontinued operations.

To better understand the information in these tables, investors should read "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this Annual Report, and the financial statements and related notes in Item 8 of this Annual Report, especially Note 7, "Discontinued Operations."

Consolidated Statement of Operations Data (In millions, except per share amounts)	Fiscal 2014	2013	2012	2011	2010
Total net revenue	\$4,506	\$4,171	\$3,808	\$3,449	\$3,091
Total costs and expenses	3,192	2,938	2,640	2,367	2,161
Operating income from continuing operations	1,314	1,233	1,168	1,082	930
Total share-based compensation expense included in total costs and expenses	204	184	159	144	126
Net income from continuing operations	861	823	764	688	579
Net income (loss) from discontinued operations	46	35	28	(54)	(5)
Net income	907	858	792	634	574
Net income per common share:					
Basic net income per share from continuing operations	\$3.02	\$2.78	\$2.58	\$2.24	\$1.83
Basic net income (loss) per share from discontinued operations	0.16	0.11	0.09	(0.18)	(0.01)
Basic net income per share	\$3.18	\$2.89	\$2.67	\$2.06	\$1.82
Diluted net income per share from continuing operations	\$2.96	\$2.72	\$2.51	\$2.17	\$1.78
Diluted net income(loss) per share from discontinued operations	0.16	0.11	0.09	(0.17)	(0.01)

Edgar Filing: INTUIT INC - Form 10-K

Diluted net income per share	\$3.12	\$2.83	\$2.60	\$2.00	\$1.77
Dividends declared per common share	\$0.76	\$0.68	\$0.60	\$—	\$—

30

Tables of Contents

Consolidated Balance Sheet Data (In millions)	At July 31,				
	2014	2013	2012	2011	2010
Cash, cash equivalents and investments	\$1,914	\$1,661	\$744	\$1,421	\$1,622
Long-term investments	31	83	75	63	91
Working capital	1,200	1,116	258	449	1,074
Total assets	5,201	5,486	4,684	5,110	5,198
Current portion of long-term debt	—	—	—	500	—
Long-term debt	499	499	499	499	998
Other long-term obligations	203	167	166	175	143
Total stockholders' equity	3,078	3,531	2,744	2,616	2,821

ITEM 7

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) includes the following sections:

- Executive Overview that discusses at a high level our operating results and some of the trends that affect our business.
- Critical Accounting Policies and Estimates that we believe are important to understanding the assumptions and judgments underlying our financial statements.

- Results of Operations that includes a more detailed discussion of our revenue and expenses.

- Liquidity and Capital Resources which discusses key aspects of our statements of cash flows, changes in our balance sheets and our financial commitments.

You should note that this MD&A discussion contains forward-looking statements that involve risks and uncertainties. Please see the section entitled "Forward-Looking Statements and Risk Factors" at the beginning of Item 1A for important information to consider when evaluating such statements.

You should read this MD&A in conjunction with the financial statements and related notes in Item 8 of this Annual Report. In fiscal 2014 we acquired Check Inc. and in fiscal 2012 we acquired Demandforce, Inc. We have included their results of operations in our consolidated results of operations from the dates of acquisition.

In fiscal 2013 we completed the sale of our Intuit Websites business and in fiscal 2014 we completed the sales of our Intuit Financial Services (IFS) and Intuit Health businesses. We accounted for all of these businesses as discontinued operations and have therefore reclassified our statements of operations for all periods presented to reflect them as such. We have also reclassified our balance sheets for all periods presented to reflect IFS as discontinued operations. The net assets of Intuit Websites and Intuit Health were not significant, so we have not reclassified our balance sheets for any period presented to reflect them as discontinued operations. Because the cash flows of our Intuit Websites, IFS, and Intuit Health discontinued operations were not material for any period presented, we have not segregated the cash flows of those businesses from continuing operations on our statements of cash flows. See "Results of Operations – Non-Operating Income and Expense – Discontinued Operations" later in this Item 7 for more information. Unless otherwise noted, the following discussion pertains to our continuing operations.

Executive Overview

This overview provides a high level discussion of our operating results and some of the trends that affect our business. We believe that an understanding of these trends is important in order to understand our financial results for fiscal

2014 as well as our future prospects. This summary is not intended to be exhaustive, nor is it intended to be a substitute for the detailed discussion and analysis provided elsewhere in this Annual Report on Form 10-K.

Tables of Contents

Industry Trends and Seasonality

The industry in which we operate is dynamic and highly competitive, and we expect it to remain so in the future. The markets for software and related services, especially highly-available connected services, are characterized by rapid technological change, shifting customer needs, and frequent new product introductions and enhancements.

Competitive interest and expertise in many of the markets we serve have grown markedly over the past few years and we expect this trend to continue. There are also large, cloud-based service companies who innovate quickly and serve small businesses and consumers. While today our competition with such companies may be limited, as we and those companies grow, our competition with them may increase. In recent years the widespread availability of the Internet, the emergence of mobile devices, and the explosion of social media have accelerated the pace of change and revolutionized the way that people throughout the world manage important financial tasks. The result is a global market that is shifting from traditional services that are paper-based, human-produced, and brick-and-mortar bound, to one where people understand, demand, and embrace the benefits of connected services. This trend toward connected services is the primary driver of the strategies in all of our businesses.

Historically, our QuickBooks, Consumer Tax, and Professional Tax offerings have been highly seasonal. Revenue from our QuickBooks software products have tended to be highest during our second and third fiscal quarters. Sales of income tax preparation products and services are heavily concentrated from November through April. In our Consumer Tax business, a greater proportion of our revenue has shifted to later in this seasonal period due in part to the growth in sales of TurboTax Online, for which we recognize revenue when tax returns are printed or electronically filed. The seasonality of our Consumer Tax and Professional Tax revenue is also affected by the timing of the availability of tax forms from taxing agencies and the ability of those agencies to receive electronic tax return submissions. Delays in the availability of tax forms or the ability of taxing agencies to receive submissions can cause revenue to shift between our fiscal quarters. These seasonal patterns mean that our total net revenue is usually highest during our second quarter ending January 31 and third quarter ending April 30. We typically report losses in our first quarter ending October 31 and fourth quarter ending July 31. During these quarters, revenue from our tax businesses is minimal while core operating expenses such as research and development continue at relatively consistent levels.

In August 2014 we announced that we will begin delivering ongoing releases for our future desktop offerings in order to improve the product experience, accommodate operating system updates, and provide access to connected services. We believe that providing more frequent releases will create a better experience for customers who choose our desktop offerings, as well as a more seamless transition to our online offerings in the future. This decision will affect the timing of revenue recognition for future sales of our QuickBooks and Quicken desktop products, where revenue will be recognized over approximately three years, and our Professional Tax solutions, where more revenue will be recognized later in the tax year. As a result of this decision, in fiscal 2015 we expect to defer approximately \$400 million in revenue to future periods. We expect the seasonality of our Small Business and Professional Tax offerings to be partially mitigated by this change beginning in fiscal 2015.

Key Challenges and Risks

Our growth strategy depends upon our ability to initiate and embrace disruptive technology trends, to enter new markets, and to drive broad adoption of the products and services we develop and market. Our future growth also increasingly depends on the strength of our third-party business relationships and our ability to continue to develop, maintain and strengthen new and existing relationships. To remain competitive and continue to grow, we are investing significant resources in our product development, marketing, and sales capabilities, and we expect to continue to do so in the future.

As we continue transitioning to offer more connected services, the ongoing operation and availability of our information technology and communication systems and those of our external service providers is becoming increasingly important. Because we help customers manage their financial lives, we face risks associated with the hosting, collection, use and retention of personal customer information and data. We are investing significant management attention and resources in our information technology infrastructure and in our privacy and security

capabilities, and we expect to continue to do so in the future.

For a complete discussion of the most significant risks and uncertainties affecting our business, please see “Forward-Looking Statements and Risk Factors” in Item 1A of this Report.

Overview of Financial Results

The most important financial indicators that we use to assess our business are revenue growth for the company as a whole, for each reportable segment, and for product lines within each reportable segment; operating income growth and operating income margins for the company as a whole and for each reportable segment; earnings per share; and cash flow from operations. We also track certain non-financial drivers of revenue growth and, when material, identify them in the applicable discussions of segment results below. These non-financial drivers include, for example, customer growth and retention for all of our

Tables of Contents

businesses, annualized recurring revenue (ARR) for our Small Business Online Ecosystem, and transaction volume for our payment processing business. We define ARR as four times the most recent fiscal quarter revenue for our online small business offerings, including QuickBooks Online, online payroll, online payments, Demandforce, and QuickBase. Total credit and debit card transaction volume correlates strongly with the macroeconomic environment and is one of the key drivers of revenue growth in our payment processing business. Customers for our connected services offerings have generally grown faster than those for our traditional desktop software offerings, reflecting our strategic focus on connected services over the past few years. Connected services generated \$3.0 billion or 66% of our total revenue in fiscal 2014, compared with 50% of our total revenue six years ago. We expect connected services revenue as a percentage of our total revenue to continue to grow in the future.

Total net revenue for fiscal 2014 was \$4.5 billion, an increase of 8% compared with fiscal 2013. Our Small Business and Consumer segments were the key drivers of revenue growth. Revenue in our Small Business segment increased 10% compared with fiscal 2013 due to growth in connected services offerings. Revenue in our Consumer segment increased 7% compared with fiscal 2013 due to 10% growth in paid federal TurboTax units, partially offset by changes in product mix.

Operating income from continuing operations increased 7% in fiscal 2014 compared with fiscal 2013 due to higher revenue partially offset by higher costs and expenses. Operating expenses were higher due to increases in staffing expenses and, to a lesser extent, to increases in expenses for marketing programs and share-based compensation. Net income from continuing operations increased 5% in fiscal 2014 compared with fiscal 2013 due to the increase in operating income and a gain on the sale of an equity investment, partially offset by a higher effective tax rate in the fiscal 2014 period. Diluted net income per share from continuing operations for fiscal 2014 increased 9% to \$2.96 as a result of the increase in net income and the decline in weighted average diluted common shares compared with fiscal 2013.

We ended fiscal 2014 with cash, cash equivalents and investments totaling \$1.9 billion. In fiscal 2014 we generated cash from operations, from the sale of our Intuit Financial Services business and, to a lesser extent, from the issuance of common stock under employee stock plans. During the same period we used cash for the repurchase of shares of our common stock under our stock repurchase programs, acquisitions of businesses, the payment of cash dividends, and capital expenditures. At July 31, 2014, we had authorization from our Board of Directors to expend up to an additional \$1.9 billion for stock repurchases through August 19, 2017.

Critical Accounting Policies and Estimates

In preparing our consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP), we are required to make estimates, assumptions, and judgments that can have a significant impact on our net revenue, operating income or loss and net income or loss, as well as on the value of certain assets and liabilities on our balance sheet. We believe that the estimates, assumptions, and judgments involved in the following accounting policies have the greatest potential impact on our consolidated financial statements, so we consider these to be our critical accounting policies:

• Revenue Recognition

• Business Combinations

• Goodwill, Acquired Intangible Assets, and Other Long-Lived Assets – Impairment Assessments

• Accounting for Share-Based Compensation Plans

• Legal Contingencies

• Accounting for Income Taxes – Estimates of Deferred Taxes, Valuation Allowances, and Uncertain Tax Positions

Our senior management has reviewed the development and selection of these critical accounting policies and their disclosure in this Annual Report on Form 10-K with the Audit and Risk Committee of our Board of Directors.

Revenue Recognition

We derive revenue from the sale of software subscriptions, hosted services, packaged software products, financial supplies, technical support plans, transaction fees, merchant services hardware, and multiple element arrangements that may include a combination of these items. We follow the appropriate revenue recognition rules for each type of revenue. For additional information, see “Revenue Recognition” in Note 1 to the financial statements in Item 8 of this Annual Report. We generally recognize revenue when persuasive evidence of an arrangement exists, we have delivered the product or performed the service, the fee is fixed or determinable and collectibility is probable. However, determining whether and when some of these criteria have been satisfied often involves exercising judgment and using estimates that can have a significant impact on the timing and

Tables of Contents

amount of revenue we report. For example, for multiple element arrangements containing only software and software-related elements, we must exercise judgment and use estimates in order to (1) allocate the total price among the various elements we must deliver; (2) determine whether undelivered services are essential to the functionality of the delivered products and services; (3) determine whether vendor-specific evidence of fair value exists for each undelivered element; and (4) determine whether and when each element has been delivered. For multiple element arrangements containing non-software elements, we must exercise judgment and use estimates in order to (1) determine whether and when each element has been delivered; (2) determine the fair value of each element using the selling price hierarchy of vendor-specific evidence (VSOE) of fair value if available, third-party evidence (TPE) if VSOE is not available, and estimated selling price (ESP) if neither VSOE nor TPE is available; and (3) allocate the total price among the various elements based on the relative selling price method. If we were to change any of these judgments or estimates, it could cause a material increase or decrease in the amount of revenue that we report in a particular period. Amounts for fees collected or invoiced and due relating to arrangements where revenue cannot be recognized are reflected on our balance sheet as deferred revenue and recognized when the applicable revenue recognition criteria are satisfied.

In connection with the sale of certain products, we provide a limited amount of free technical support assistance to customers. We do not defer the recognition of any revenue associated with sales of these products since the cost of providing this free technical support is insignificant. The technical support is generally provided within one year after the associated revenue is recognized and free product enhancements are minimal and infrequent. We accrue the estimated cost of providing this free support upon product shipment.

Business Combinations

As described in “Description of Business and Summary of Significant Accounting Policies — Business Combinations,” in Note 1 to the financial statements in Item 8 of this Annual Report, under the acquisition method of accounting we generally recognize the identifiable assets acquired, the liabilities assumed, and any noncontrolling interests in an acquiree at their fair values as of the date of acquisition. We measure goodwill as the excess of consideration transferred, which we also measure at fair value, over the net of the acquisition date fair values of the identifiable assets acquired and liabilities assumed. The acquisition method of accounting requires us to exercise judgment and make significant estimates and assumptions regarding the fair values of the elements of a business combination as of the date of acquisition, including the fair values of identifiable intangible assets, deferred tax asset valuation allowances, liabilities related to uncertain tax positions, and contingencies. This method also requires us to refine these estimates over a one-year measurement period to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. If we are required to retroactively adjust provisional amounts that we have recorded for the fair values of assets and liabilities in connection with acquisitions, these adjustments could materially decrease our operating income and net income and result in lower asset values on our balance sheet.

Significant estimates and assumptions that we must make in estimating the fair value of acquired technology, customer lists, and other identifiable intangible assets include future cash flows that we expect to generate from the acquired assets. If the subsequent actual results and updated projections of the underlying business activity change compared with the assumptions and projections used to develop these values, we could record impairment charges. In addition, we have estimated the economic lives of certain acquired assets and these lives are used to calculate depreciation and amortization expense. If our estimates of the economic lives change, depreciation or amortization expenses could be accelerated or slowed.

Goodwill, Acquired Intangible Assets and Other Long-Lived Assets – Impairment Assessments

We estimate the fair value of acquired intangible assets and other long-lived assets that have finite useful lives whenever an event or change in circumstances indicates that the carrying value of the asset may not be recoverable. We test for potential impairment of goodwill and other intangible assets that have indefinite useful lives annually in our fourth fiscal quarter or whenever indicators of impairment arise. The timing of the annual test may result in charges to our statement of operations in our fourth fiscal quarter that could not have been reasonably foreseen in prior periods.

As described in “Description of Business and Summary of Significant Accounting Policies – Goodwill, Acquired Intangible Assets and Other Long-Lived Assets,” in Note 1 to the financial statements in Item 8 of this Annual Report, in order to estimate the fair value of goodwill we use a weighted combination of a discounted cash flow model (known as the income approach) and comparisons to publicly traded companies engaged in similar businesses (known as the market approach). The income approach requires us to use a number of assumptions, including market factors specific to the business, the amount and timing of estimated future cash flows to be generated by the business over an extended period of time, long-term growth rates for the business, and a rate of return that considers the relative risk of achieving the cash flows and the time value of money. We evaluate cash flows at the reporting unit level. Although the assumptions we use in our discounted cash flow model are

Tables of Contents

consistent with the assumptions we use to generate our internal strategic plans and forecasts, significant judgment is required to estimate the amount and timing of future cash flows from each reporting unit and the relative risk of achieving those cash flows. When using the market approach, we make judgments about the comparability of publicly traded companies engaged in similar businesses. We base our judgments on factors such as size, growth rates, profitability, risk, and return on investment. We also make judgments when adjusting market multiples of revenue, operating income, and earnings for these companies to reflect their relative similarity to our own businesses. We had a total of \$1.6 billion in goodwill on our balance sheet at July 31, 2014. See Note 5 to the financial statements in Item 8 of this Annual Report for a summary of goodwill by reportable segment.

We estimate the recoverability of acquired intangible assets and other long-lived assets that have finite useful lives by comparing the carrying amount of the asset to the future undiscounted cash flows that we expect the asset to generate. In order to estimate the fair value of those assets, we estimate the present value of future cash flows from those assets. The key assumptions that we use in our discounted cash flow model are the amount and timing of estimated future cash flows to be generated by the asset over an extended period of time and a rate of return that considers the relative risk of achieving the cash flows and the time value of money. Significant judgment is required to estimate the amount and timing of future cash flows and the relative risk of achieving those cash flows. We also make judgments about the remaining useful lives of acquired intangible assets and other long-lived assets that have finite lives. We had a total of \$199 million in net acquired intangible assets on our balance sheet at July 31, 2014.

Assumptions and estimates about future values and remaining useful lives are complex and often subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our internal forecasts. For example, if our future operating results do not meet current forecasts or if we experience a sustained decline in our market capitalization that is determined to be indicative of a reduction in fair value of one or more of our reporting units, we may be required to record future impairment charges for goodwill and acquired intangible assets. Impairment charges could materially decrease our future net income and result in lower asset values on our balance sheet.

During the fourth quarters of fiscal 2014, fiscal 2013, and fiscal 2012 we performed our annual goodwill impairment tests. Using the methodology described in “Description of Business and Summary of Significant Accounting Policies – Goodwill, Acquired Intangible Assets and Other Long-Lived Assets,” in Note 1 to the financial statements in Part 8 of this Annual Report, we determined that the estimated fair values of all of our reporting units exceeded their carrying values and that they were not impaired. In addition, during this analysis we concluded that the estimated fair values of all of our reporting units substantially exceeded their carrying values.

In March 2013 the largest customer for our Intuit Health business acquired a company that offered similar solutions and competed with us directly in that market space. As a result, we performed an interim impairment test of goodwill and acquired intangible assets during the third quarter of fiscal 2013. We concluded that the carrying amounts of goodwill and certain definite-lived acquired intangible assets associated with our Intuit Health business were impaired and recorded an impairment charge of approximately \$46 million that reduced the carrying value of those assets to zero. See “Fair Value Measurements – Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis,” in Note 2 to the financial statements in Item 8 of this Annual Report for more information. In the fourth quarter of fiscal 2013 management approved a plan to sell our Intuit Health business and we accounted for it as discontinued operations. In the first quarter of fiscal 2014 we completed the sale for cash consideration that was not significant. Intuit Health was part of our former Other Businesses reportable segment.

Accounting for Share-Based Compensation Plans

At July 31, 2014, there was \$455 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under all equity compensation plans which we will amortize to expense in the

future. Total unrecognized compensation cost will be adjusted for future changes in estimated forfeitures. We expect to recognize that cost over a weighted average vesting period of 2.4 years.

We use a lattice binomial model and the assumptions described in Note 11 to the financial statements in Item 8 of this Annual Report to estimate the fair value of stock options granted. We estimate the expected term of options granted based on implied exercise patterns using a binomial model. We estimate the volatility of our common stock at the date of grant based on the implied volatility of publicly traded one-year and two-year options on our common stock. Our decision to use implied volatility is based upon the availability of actively traded options on our common stock and our assessment that implied volatility is more representative of future stock price trends than historical volatility. We base the risk-free interest rate that we use in our option valuation model on the implied yield in effect at the time of option grant on constant maturity U.S. Treasury issues with equivalent remaining terms. We use an annualized expected dividend yield in our option valuation model. We estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates.

Tables of Contents

We use historical data to estimate pre-vesting option forfeitures and record share-based compensation expense only for those awards that are expected to vest. We amortize the fair value of options on a straight-line basis over the requisite service periods of the awards, which are generally the vesting periods. We may elect to use different assumptions under our option valuation model in the future, which could materially affect our net income or loss and net income or loss per share.

Restricted stock units (RSUs) granted typically vest based on continued service. We value these time-based RSUs at the date of grant using the intrinsic value method, adjusted for estimated forfeitures. We amortize the fair value of time-based RSUs on a straight-line basis adjusted for estimated forfeitures over the service period. Certain RSUs granted to senior management vest based on the achievement of pre-established performance or market goals. We estimate the fair value of performance-based RSUs at the date of grant using the intrinsic value method and the probability that the specified performance criteria will be met, adjusted for estimated forfeitures. Each quarter we update our assessment of the probability that the specified performance criteria will be achieved and adjust our estimate of the fair value of the performance-based RSUs if necessary. We amortize the fair values of performance-based RSUs over the requisite service period adjusted for estimated forfeitures for each separately vesting tranche of the award. We estimate the fair value of market-based RSUs at the date of grant using a Monte Carlo valuation methodology and amortize those fair values over the requisite service period adjusted for estimated forfeitures for each separately vesting tranche of the award. The Monte Carlo methodology that we use to estimate the fair value of market-based RSUs at the date of grant incorporates into the valuation the possibility that the market condition may not be satisfied. Provided that the requisite service is rendered, the total fair value of the market-based RSUs at the date of grant must be recognized as compensation expense even if the market condition is not achieved. However, the number of shares that ultimately vest can vary significantly with the performance of the specified market criteria. All of the RSUs we grant have dividend rights that are subject to the same vesting requirements as the underlying equity awards, so we do not adjust the intrinsic (market) value of our RSUs for dividends. See Note 11 to the financial statements in Item 8 of this Annual Report for more information.

Legal Contingencies

We are subject to certain legal proceedings, as well as demands, claims and threatened litigation that arise in the normal course of our business. We review the status of each significant matter quarterly and assess our potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we record a liability and an expense for the estimated loss. If we determine that a loss is possible and the range of the loss can be reasonably determined, then we disclose the range of the possible loss. Significant judgment is required in the determination of whether a potential loss is probable, reasonably possible, or remote as well as in the determination of whether a potential exposure is reasonably estimable. Our accruals are based on the best information available at the time. As additional information becomes available, we reassess the potential liability related to our pending claims and litigation and may revise our estimates. Potential legal liabilities and the revision of estimates of potential legal liabilities could have a material impact on our financial position and results of operations.

Accounting for Income Taxes – Estimates of Deferred Taxes, Valuation Allowances, and Uncertain Tax Positions

We estimate our income taxes based on the various jurisdictions where we conduct business. Significant judgment is required in determining our worldwide income tax provision. The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax rules and the potential for future adjustment of our uncertain tax positions by the United States Internal Revenue Service or other taxing jurisdictions. We estimate our current tax liability and assess temporary differences that result from differing treatments of certain items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which we show on our balance sheet. We must then assess the likelihood that our deferred tax assets will be realized. To the extent we believe that realization is not

likely, we establish a valuation allowance. When we establish a valuation allowance or increase this allowance in an accounting period, we record a corresponding tax expense in our statement of operations.

At July 31, 2014, we had net deferred tax assets of \$72 million which included a valuation allowance of \$24 million for loss and tax credit carryforwards related to state tax credits, state capital and operating losses, and foreign losses. We recorded the valuation allowance to reflect uncertainties about whether we will be able to utilize some of our deferred tax assets before they expire. While we believe our current valuation allowance is sufficient, we could in the future be required to increase the valuation allowance to take into account additional deferred tax assets that we may be unable to realize. We assess the need for an adjustment to the valuation allowance on a quarterly basis. The assessment is based on our estimates of future sources of taxable income for the jurisdictions in which we operate and the periods over which our deferred tax assets will be realizable. See Note 10 to the financial statements in Item 8 of this Annual Report for more information.

Tables of Contents

We recognize and measure benefits for uncertain tax positions using a two-step approach. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained upon audit, including resolution of any related appeals or litigation processes. For tax positions that are more likely than not of being sustained upon audit, the second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. Significant judgment is required to evaluate uncertain tax positions. We evaluate our uncertain tax positions on a quarterly basis. Our evaluations are based upon a number of factors, including changes in facts or circumstances, changes in tax law, correspondence with tax authorities during the course of audits and effective settlement of audit issues. Changes in the recognition or measurement of uncertain tax positions could result in material increases or decreases in our income tax expense in the period in which we make the change, which could have a material impact on our effective tax rate and operating results.

Results of Operations

Financial Overview

(Dollars in millions, except per share amounts)	Fiscal 2014	Fiscal 2013	Fiscal 2012	2014-2013 % Change	2013-2012 % Change
Total net revenue	\$4,506	\$4,171	\$3,808	8	% 10
Operating income from continuing operations	1,314	1,233	1,168	7	% 6
Net income from continuing operations	861	823	764	5	% 8
Diluted net income per share from continuing operations	\$2.96	\$2.72	\$2.51	9	% 8

Fiscal 2014 Compared with Fiscal 2013

Total net revenue increased \$335 million or 8% in fiscal 2014 compared with fiscal 2013, driven by revenue growth in our Small Business and Consumer segments. Revenue in our Small Business segment was up 10%. Continued growth in revenue for QuickBooks Online, QuickBooks Enterprise Solutions, and QuickBooks Plus subscription offerings was partially offset by lower QuickBooks desktop license revenue. Revenue growth for our small business payroll solutions was driven by 25% growth in online payroll subscribers and price increases for desktop payroll customers. Revenue in our Consumer segment increased 7% due to 10% growth in paid federal TurboTax units, partially offset by changes in product mix. Revenue in our Professional Tax segment revenue increased 4% due to price increases and new customer growth for our higher-priced offerings.

Operating income from continuing operations increased 7% in fiscal 2014 compared with fiscal 2013 due to the increase in revenue described above partially offset by higher costs and operating expenses. Total operating expenses were \$163 million higher in the fiscal 2014 period, including about \$134 million for higher staffing expenses, about \$22 million for higher marketing program expenses, and about \$18 million for higher share-based compensation expenses. See “Cost of Revenue” and “Operating Expenses” later in this Item 7 for more information.

Net income from continuing operations increased 5% in fiscal 2014 compared with fiscal 2013 due to the increase in operating income and a \$21 million gain on the sale of an equity investment, partially offset by a higher effective tax rate in the fiscal 2014 period. See “Non-Operating Income and Expenses – Income Taxes” later in this Item 7 for more information. Diluted net income per share from continuing operations for fiscal 2014 increased 9% to \$2.96 as a result of the increase in net income and the decline in weighted average diluted common shares compared with fiscal 2013.

Fiscal 2013 Compared with Fiscal 2012

Total net revenue increased \$363 million or 10% in fiscal 2013 compared with fiscal 2012, driven by revenue growth in our Small Business and Consumer segments. Revenue in our Small Business segment was up 16%, or 12%

excluding revenue from Demandforce, which we acquired in May 2012. Higher organic revenue in this segment was driven by continuing growth in QuickBooks Online, small business payroll, and small business payments revenue. In our Consumer segment, revenue increased 4% due to 4% growth in paid federal TurboTax units. Revenue in our Professional Tax segment increased 5% due to customer growth and price increases.

Operating income from continuing operations increased 6% in fiscal 2013 compared with fiscal 2012 due to the increase in revenue described above partially offset by higher costs and operating expenses. Total operating expenses were \$306 million

Tables of Contents

higher in the fiscal 2013 period, including about \$100 million for higher staffing expenses, about \$60 million for higher advertising and other marketing program expenses, and about \$23 million for higher share-based compensation expenses. See “Cost of Revenue” and “Operating Expenses” later in this Item 7 for more information.

Net income from continuing operations increased 8% in fiscal 2013 compared with fiscal 2012 due to higher operating income and lower interest expense due to the repayment of debt in March 2012. Diluted net income per share from continuing operations for fiscal 2013 increased 8% to \$2.72, in line with the increase in net income compared with fiscal 2012.

Segment Results

The information below is organized in accordance with our three reportable segments. All of our segments operate primarily in the United States and sell primarily to customers in the United States. International total net revenue was approximately 5% of consolidated total net revenue for all periods presented.

Segment operating income is segment net revenue less segment cost of revenue and operating expenses. Segment expenses do not include certain costs, such as corporate selling and marketing, product development, and general and administrative expenses and share-based compensation expenses, which are not allocated to specific segments. These unallocated costs totaled \$890 million in fiscal 2014, \$809 million in fiscal 2013, and \$724 million in fiscal 2012. Unallocated costs increased in fiscal 2014 compared with fiscal 2013 and in fiscal 2013 compared with fiscal 2012 due to increases in corporate product development and selling and marketing expenses in support of the growth of our businesses and to a lesser extent due to increases in share-based compensation expenses. Segment expenses also do not include amortization of acquired technology, amortization of other acquired intangible assets, and goodwill and intangible asset impairment charges. See Note 14 to the financial statements in Item 8 of this Annual Report for reconciliations of total segment operating income to consolidated operating income from continuing operations for each fiscal year presented.

We calculate revenue growth rates and segment operating margin figures using dollars in thousands. Those results may vary slightly from figures calculated using the dollars in millions presented.

Small Business

(Dollars in millions)	Fiscal 2014	Fiscal 2013	Fiscal 2012	2014-2013 % Change	2013-2012 % Change
Product revenue	\$851	\$849	\$811		
Service and other revenue	1,402	1,208	968		
Total segment revenue	\$2,253	\$2,057	\$1,779	10	% 16
% of total revenue	50	% 49	% 47	%	
Segment operating income	\$843	\$800	\$712	5	% 13
% of related revenue	37	% 39	% 40	%	

Service and other revenue in our Small Business segment is derived primarily from QuickBooks Online and QuickBooks Online Accountant, our hosted financial and business management offerings; QuickBooks Pro Plus, QuickBooks Premier Plus, and QuickBooks Accountant Plus, our subscription offerings; QuickBooks technical support plans; small business payroll services, including Quickbooks Online Payroll, Intuit Online Payroll, Intuit Full Service Payroll, and QuickBooks Assisted Payroll; payment processing services for small businesses; Demandforce; and QuickBase. Product revenue in our Small Business segment is derived primarily from QuickBooks desktop software products, including QuickBooks Pro, QuickBooks Premier, QuickBooks Accountant, and QuickBooks Enterprise Solutions; QuickBooks Basic Payroll and QuickBooks Enhanced Payroll; QuickBooks Point of Sale solutions; ProAdvisor Program subscriptions for the accounting professionals who serve small businesses; and

financial supplies.

As part of our connected services strategy, over the past several quarters we have been focusing Small Business segment resources on the enhancement and marketing of our QuickBooks Online and QuickBooks desktop subscription offerings. As a result, QuickBooks desktop license units and revenue have been declining as more customers choose our hosted and subscription offerings and we expect this trend to continue. In our payments business we have recently begun focusing resources on core offerings for QuickBooks merchants in support of our small business ecosystem approach. Over the next few quarters we anticipate declining revenue for certain non-QuickBooks payments offerings that may slow overall revenue growth in our payments business.

Tables of Contents

Fiscal 2014 Compared with Fiscal 2013

Small Business segment total net revenue increased \$196 million or 10% in fiscal 2014 compared with fiscal 2013. Customer acquisition in our Small Business Online Ecosystem continued to drive Small Business segment revenue growth in fiscal 2014. QuickBooks Online customers grew 40%, online payroll customers grew 25%, and active online payments customers grew 4%. Online payments charge volume was 24% higher in fiscal 2014 compared with fiscal 2013. Annualized recurring revenue (ARR) for our Small Business Online Ecosystem grew 34% in fiscal 2014 compared with fiscal 2013. In our Small Business Desktop Ecosystem, revenue from QuickBooks desktop software licenses declined 9% on 10% lower unit sales while revenue from QuickBooks Enterprise Solutions grew 25% and revenue from QuickBooks Plus subscriptions grew 16% in fiscal 2014. Revenue for certain non-core payments offerings was lower in fiscal 2014.

Small Business segment operating income as a percentage of related revenue decreased in fiscal 2014 compared with fiscal 2013. The increase in segment revenue described above was partially offset by \$73 million in higher staffing expenses due to an increase in headcount and \$35 million in higher advertising and other marketing program expenses.

Fiscal 2013 Compared with Fiscal 2012

Small Business segment total net revenue increased \$278 million or 16% in fiscal 2013 compared with fiscal 2012. When adjusted to exclude revenue from Demandforce, which we acquired in May 2012, Small Business segment revenue was 12% higher in fiscal 2013. Customer acquisition in our Small Business Online Ecosystem drove organic Small Business segment revenue growth in fiscal 2013. QuickBooks Online customers grew 28%, online payroll customers grew 18%, and active online payments customers grew 21%. Online payments charge volume was 37% higher in fiscal 2013 compared with fiscal 2012. In our Small Business Desktop Ecosystem, revenue from QuickBooks desktop software licenses was flat on 6% lower unit sales while revenue from QuickBooks Enterprise Solutions grew 10% and revenue from QuickBooks Plus subscriptions more than doubled in fiscal 2013. Small Business segment operating income as a percentage of related revenue decreased slightly in fiscal 2013 compared with fiscal 2012. The increase in segment revenue described above was partially offset by higher segment costs and expenses that included costs and expenses for Demandforce. Fiscal 2013 staffing expenses were about \$100 million higher, driven by an increase in headcount. Advertising and other marketing program expenses also increased.

Consumer

(Dollars in millions)	Fiscal 2014	Fiscal 2013	Fiscal 2012	2014-2013 % Change	2013-2012 % Change
Product revenue	\$309	\$324	\$334		
Service and other revenue	1,522	1,384	1,307		
Total segment revenue	\$1,831	\$1,708	\$1,641	7	4
% of total revenue	41	% 41	% 43	%	%
Segment operating income	\$1,139	\$1,035	\$965	10	7
% of related revenue	62	% 61	% 59	%	%

Our Consumer segment includes our Consumer Tax and Consumer Ecosystem product lines. Consumer Tax service and other revenue is derived primarily from TurboTax Online tax return preparation services and electronic tax filing services.

Consumer Tax product revenue is derived primarily from TurboTax desktop tax return preparation software.

Consumer Ecosystem product revenue is derived primarily from Quicken desktop personal finance software products.

Consumer Ecosystem service and other revenue is derived primarily from mobile and online consumer finance offerings as well as from online lead generation fees from our Mint personal finance offerings.

Tables of Contents

Fiscal 2014 Compared with Fiscal 2013

Consumer segment total net revenue increased \$123 million or 7% in fiscal 2014 compared with fiscal 2013 due to 10% growth in paid federal TurboTax units, partially offset by changes in product mix. Online federal units represented approximately 80% of total federal TurboTax units for the 2013 tax season, up from approximately 78% for the 2012 tax season.

Consumer segment operating income as a percentage of related revenue increased slightly in fiscal 2014 compared with fiscal 2013 due to the higher revenue described above and lower expenses for advertising and other marketing programs in fiscal 2014.

Fiscal 2013 Compared with Fiscal 2012

Consumer segment total net revenue increased \$67 million or 4% in fiscal 2013 compared with fiscal 2012 due to 4% growth in paid federal TurboTax units. Online federal units represented approximately 78% of total federal TurboTax units for the 2012 tax season, up slightly from approximately 77% for the 2011 tax season.

Consumer segment operating income as a percentage of related revenue increased in fiscal 2013 compared with fiscal 2012 due to the higher revenue described above partially offset by slightly higher costs and expenses. Higher expenses for advertising and other marketing programs were nearly offset by lower costs for refund debit card processing and data center hosting costs in our Consumer Tax business. Debit card processing costs were lower because we offered that program through a partner in fiscal 2013 rather than managing it internally, as we did in fiscal 2012.

Professional Tax

(Dollars in millions)	Fiscal 2014	Fiscal 2013	Fiscal 2012	2014-2013 % Change	2013-2012 % Change
Product revenue	\$362	\$342	\$334		
Service and other revenue	60	64	54		
Total segment revenue	\$422	\$406	\$388	4	5
% of total revenue	9	10	10	%	%
Segment operating income	\$268	\$260	\$248	4	4
% of related revenue	64	64	64	%	%

Professional Tax segment product revenue is derived primarily from ProSeries and Lacerte professional tax preparation software products. Professional Tax service and other revenue is derived primarily from Intuit Tax Online tax return preparation services, electronic tax filing services, bank product transmission services, and training services.

Fiscal 2014 Compared with Fiscal 2013

Professional Tax segment total net revenue increased \$16 million or 4% in fiscal 2014 compared with fiscal 2013 due to price increases and new customer growth for our higher-priced offerings.

Professional Tax segment operating income as a percentage of related revenue was flat in fiscal 2014 compared with fiscal 2013 because costs and expenses grew in proportion to revenue.

Fiscal 2013 Compared with Fiscal 2012

Professional Tax segment total net revenue increased \$18 million or 5% in fiscal 2013 compared with fiscal 2012 due to customer growth and price increases.

Professional Tax segment operating income as a percentage of related revenue was flat in fiscal 2013 compared with fiscal 2012 because costs and expenses grew in proportion to revenue.

Tables of Contents

Cost of Revenue

(Dollars in millions)	Fiscal 2014	% of Related Revenue	Fiscal 2013	% of Related Revenue	Fiscal 2012	% of Related Revenue
Cost of product revenue	\$141	9 %	\$130	9 %	\$146	10 %
Cost of service and other revenue	501	17 %	429	16 %	429	18 %
Amortization of acquired technology	26	n/a	18	n/a	10	n/a
Total cost of revenue	\$668	15 %	\$577	14 %	\$585	15 %

Our cost of revenue has three components: (1) cost of product revenue, which includes the direct costs of manufacturing and shipping or electronically downloading our desktop software products; (2) cost of service and other revenue, which reflects direct costs associated with providing services, including data center costs related to delivering online services; and (3) amortization of acquired technology, which represents the cost of amortizing developed technologies that we have obtained through acquisitions over their useful lives.

Fiscal 2014 Compared with Fiscal 2013

Cost of service and other revenue as a percentage of service and other revenue increased slightly in fiscal 2014 compared with fiscal 2013 due to higher customer care costs in our payments business, partially offset by growth in our TurboTax Online, QuickBooks Online, and online payroll offerings. Online revenues have relatively lower costs of revenue compared with our other service offerings.

Fiscal 2013 Compared with Fiscal 2012

Cost of product revenue as a percentage of product revenue decreased slightly in fiscal 2013 compared with fiscal 2012 due to favorable product mix. Cost of service and other revenue as a percentage of service and other revenue decreased in fiscal 2013 compared with fiscal 2012 due to growth in our TurboTax Online, QuickBooks Online, and online payroll offerings and to lower refund debit card processing and data center hosting costs. Online revenues have relatively lower costs of revenue compared with our other service offerings.

Operating Expenses

(Dollars in millions)	Fiscal 2014	% of Total Net Revenue	Fiscal 2013	% of Total Net Revenue	Fiscal 2012	% of Total Net Revenue
Selling and marketing	\$1,281	29 %	\$1,219	29 %	\$1,033	27 %
Research and development	758	17 %	685	17 %	618	16 %
General and administrative	465	10 %	422	10 %	381	10 %
Amortization of other purchased intangible assets	20	— %	35	1 %	23	1 %
Total operating expenses	\$2,524	56 %	\$2,361	57 %	\$2,055	54 %

Fiscal 2014 Compared with Fiscal 2013

Total operating expenses as a percentage of total net revenue decreased slightly to 56% in fiscal 2014 from 57% in fiscal 2013. Revenue grew \$335 million and total operating expenses increased \$163 million in fiscal 2014. Operating expenses increased about \$134 million for staffing expenses associated with higher headcount, about \$22 million for marketing programs in our QuickBooks and Consumer Tax businesses, and about \$18 million for share-based

compensation expenses. Share-based compensation expenses have been increasing over time because the market price of our common stock has generally been increasing and because our grants have been transitioning away from stock options and toward restricted stock units, which have a higher grant date fair value than stock options.

Tables of Contents

Fiscal 2013 Compared with Fiscal 2012

Total operating expenses as a percentage of total net revenue increased to 57% in fiscal 2013 from 54% in fiscal 2012. Revenue grew \$363 million and total operating expenses increased \$306 million in fiscal 2013. The increase in operating expenses included the addition of operating expenses for Demandforce, which we acquired in May 2012. Operating expenses increased about \$100 million for staffing expenses associated with higher headcount, about \$60 million for advertising and other marketing programs in our QuickBooks and Consumer Tax businesses, and about \$23 million for higher share-based compensation expenses. Share-based compensation expenses have been increasing over time because the market price of our common stock has generally been increasing and because our grants have been transitioning away from stock options and toward restricted stock units, which have a higher grant date fair value than stock options.

Non-Operating Income and Expenses

Interest Expense

In March 2007 we issued five-year and ten-year senior unsecured notes totaling \$1 billion. In March 2012 we repaid \$500 million of those senior notes when they became due using cash from operations. Interest expense of \$31 million in fiscal 2014, \$30 million in fiscal 2013, and \$50 million in fiscal 2012 consisted primarily of interest on these senior notes. See Note 9 to the financial statements in Item 8 of this Annual Report for more information.

Interest and Other Income

(In millions)	Fiscal 2014	Fiscal 2013	Fiscal 2012
Interest income	\$6	\$3	\$9
Net gains on executive deferred compensation plan assets	6	7	—
Gain on sale of available-for-sale equity security	21	—	—
Gain on disposition of stock warrants	—	—	10
Other	(2)	(3)	1
Total interest and other income, net	\$31	\$7	\$20

Interest and other income, net consists primarily of interest income and net gains and losses on executive deferred compensation plan assets. Higher average invested balances and slightly higher average interest rates resulted in higher interest income in fiscal 2014 compared with fiscal 2013. Lower average interest rates and stable average invested balances resulted in lower interest income in fiscal 2013 compared with fiscal 2012. In accordance with authoritative guidance, we record gains and losses associated with executive deferred compensation plan assets in interest and other income and gains and losses associated with the related liabilities in operating expenses. The total amounts recorded in operating expenses for each period are approximately equal to the total amounts recorded in interest and other income in those periods.

In the fourth quarter of fiscal 2014 we sold our available-for-sale equity security for \$26 million and recorded the gain of \$21 million in interest and other income on our statement of operations. See Note 3 to the financial statements in Item 8 of this Annual Report for more information.

In connection with our acquisition of Digital Insight Corporation in fiscal 2007, we acquired stock warrants for a privately held company. During fiscal 2012 that company was acquired and we recorded a gain of approximately \$10 million on the disposition of the warrants in interest and other income on our statement of operations.

Income Taxes

Effective Tax Rate

Our effective tax rates for fiscal 2014, fiscal 2013, and fiscal 2012 were approximately 34%, 32%, and 33%. The differences between these rates and the federal statutory rate of 35% were primarily related to the tax benefit received from the domestic production activities deduction and the federal research and experimentation credit, partially offset by state income taxes. See Note 10 to the financial statements in Item 8 of this Annual Report for more information about our effective tax rates.

Tables of Contents

Net Deferred Tax Assets

At July 31, 2014, we had net deferred tax assets of \$72 million which included a valuation allowance of \$24 million for loss and tax credit carryforwards related state tax credits, state capital and operating losses, and foreign losses. We recorded the valuation allowance to reflect uncertainties about whether we will be able to utilize some of our deferred tax assets before they expire. While we believe our current valuation allowance is sufficient, we could in the future be required to increase the valuation allowance to take into account additional deferred tax assets that we may be unable to realize. We assess the need for an adjustment to the valuation allowance on a quarterly basis. The assessment is based on our estimates of future sources of taxable income for the jurisdictions in which we operate and the periods over which our deferred tax assets will be realizable. See Note 10 to the financial statements in Item 8 of this Annual Report for more information.

We provide U.S. federal income taxes on the earnings of foreign subsidiaries unless the subsidiaries' earnings are intended to be indefinitely reinvested in our international operations. To the extent that foreign earnings previously treated as indefinitely reinvested are repatriated, the related U.S. tax liability may, subject to certain limitations, be reduced by any foreign income taxes paid on these earnings. At July 31, 2014, the cumulative amount of earnings upon which U.S. income taxes had not been provided was approximately \$48 million. The unrecognized deferred tax liability for these earnings was approximately \$7 million.

Discontinued Operations

In the first quarter of fiscal 2013 we completed the sale of our Intuit Websites business for approximately \$60 million in cash and recorded a gain on disposal of approximately \$32 million, net of income taxes. We completed the sale of our Intuit Financial Services business in the first quarter of fiscal 2014 for approximately \$1.025 billion in cash and recorded a gain on disposal of approximately \$36 million, net of income taxes. In the first quarter of fiscal 2014 we also completed the sale of our Intuit Health business for cash consideration that was not significant and recorded a \$4 million pre-tax loss on disposal that was more than offset by a related income tax benefit of approximately \$14 million, resulting in a net gain on disposal of approximately \$10 million. We have reclassified our statements of operations for all periods presented to reflect these three businesses as discontinued operations. See Note 7 to the financial statements in Item 8 of this Annual Report for a more complete description of these discontinued operations and the impact that they have had on our statements of operations for the fiscal periods presented.

Liquidity and Capital Resources

Overview

At July 31, 2014, our cash, cash equivalents and investments totaled \$1.9 billion, an increase of \$253 million from July 31, 2013 due to the factors described in “Statements of Cash Flows” below. Our primary source of liquidity has been cash from operations, which entails the collection of accounts receivable for products and services. Our primary uses of cash have been for research and development programs, selling and marketing activities, capital projects, acquisitions of businesses, debt service costs, repurchases of our common stock under our stock repurchase programs, and the payment of cash dividends. As discussed in “Executive Overview – Industry Trends and Seasonality” earlier in this Item 7, our business is subject to significant seasonality. The balance of our cash, cash equivalents and investments generally fluctuates with that seasonal pattern. We believe the seasonality of our business is likely to continue in the future.

The following table summarizes selected measures of our liquidity and capital resources at the dates indicated:

Edgar Filing: INTUIT INC - Form 10-K

(Dollars in millions)	July 31, 2014	July 31, 2013	\$ Change	% Change	
Cash, cash equivalents and investments	\$1,914	\$1,661	\$253	15	%
Long-term investments	31	83	(52)	(63)	)%
Long-term debt	499	499	—	—	%
Working capital	1,200	1,116	84	8	%
Ratio of current assets to current liabilities	1.8 : 1	1.9 : 1			

Tables of Contents

We have historically generated significant cash from operations and we expect to continue to do so during fiscal 2015. Since our operations are primarily domestic, approximately 90% of our cash, cash equivalents and investments at July 31, 2014 were located in the U.S. and none of those funds were restricted. Our only significant debt consists of \$500 million in senior unsecured notes due in March 2017. We also have an unused \$500 million unsecured revolving line of credit facility available to us for general corporate purposes, including future acquisitions.

We evaluate, on an ongoing basis, the merits of acquiring technology or businesses, or establishing strategic relationships with and investing in other companies. Our strong liquidity profile enables us to respond nimbly to these kinds of opportunities.

Based on past performance and current expectations, we believe that our cash and cash equivalents, investments, and cash generated from operations will be sufficient to meet anticipated seasonal working capital needs, capital expenditure requirements, contractual obligations, commitments, debt service requirements, and other liquidity requirements associated with our operations for at least the next 12 months. We expect to return excess cash generated by operations to our stockholders through repurchases of our common stock and payment of cash dividends, after taking into account our operating and strategic cash needs.

Statements of Cash Flows

The following table summarizes selected items from our statements of cash flows for fiscal 2014, fiscal 2013, and fiscal 2012. See the financial statements in Item 8 of this Annual Report for complete statements of cash flows for those periods.

(Dollars in millions)	Fiscal 2014	Fiscal 2013	Fiscal 2012
Net cash provided by (used in):			
Operating activities	\$1,446	\$1,366	\$1,246
Investing activities	(49)	(485)	(225)
Financing activities	(1,551)	(262)	(1,344)
Effect of exchange rate changes on cash	(6)	(3)	(6)
Increase (decrease) in cash and cash equivalents	\$(160)	\$616	\$(329)

During fiscal 2014 we generated \$1.4 billion in cash from operations and \$1.0 billion from the sale of our Intuit Financial Services business. We also received \$165 million in cash from the issuance of common stock under employee stock plans. During the same period we used \$1.6 billion in cash for the repurchase of shares of our common stock under our stock repurchase programs, \$471 million for the acquisition of businesses (primarily Check), \$421 million for net purchases of investments, \$220 million for the payment of cash dividends, and \$186 million for capital expenditures. Over the next five fiscal years, we expect to invest a total of over \$250 million in capital improvements to expand our headquarters campus in Mountain View, California.

During fiscal 2013 we generated \$1.4 billion in cash from operations. We also received \$165 million in cash from the issuance of common stock under employee stock plans. During the same period we used \$308 million in cash for net purchases of investments, \$292 million for the repurchase of shares of our common stock under our stock repurchase programs, \$203 million for the payment of cash dividends, and \$195 million for capital expenditures.

During fiscal 2012 we generated \$1.2 billion in cash from operations. We also received \$349 million in cash from net sales of investments and \$164 million from the issuance of common stock under employee stock plans. During the same period we used \$900 million in cash for the repurchase of shares of our common stock under our stock repurchase programs, \$500 million to repay senior notes that became due in March 2012, \$392 million for the acquisition of businesses (primarily Demandforce), \$178 million for the payment of cash dividends, and \$186 million for capital expenditures.

Stock Repurchase Programs and Dividends on Common Stock

As described in Note 11 to the financial statements in Item 8 of this Annual Report, during fiscal 2014, fiscal 2013, and fiscal 2012 we continued to repurchase shares of our common stock under a series of repurchase programs that our Board of Directors has authorized. At July 31, 2014, we had authorization from our Board of Directors to expend up to an additional \$1.9 billion for stock repurchases through August 19, 2017.

During fiscal 2014 and 2013 we also continued to pay quarterly cash dividends on shares of our outstanding common stock. In August 2014 our Board of Directors declared a quarterly cash dividend of \$0.25 per share of outstanding common stock

Tables of Contents

payable on October 20, 2014 to stockholders of records at the close of business on October 10, 2014. We currently expect to continue paying comparable cash dividends on a quarterly basis; however, future declarations of dividends and the establishment of future record dates and payment dates are subject to the final determination of our Board of Directors.

Business Combinations

On June 16, 2014 we acquired all of the outstanding equity interests of Check Inc. for total cash and other consideration of approximately \$369 million. The \$369 million included approximately \$27 million for the fair value of assumed equity awards that is being charged to expense over service periods of up to four years. Check provides a mobile bill payment application for consumers and became part of our Consumer segment. We have included the results of operations for Check in our consolidated results of operations from the date of acquisition. Their results of operations for periods prior to the date of acquisition were not material when compared with our consolidated results of operations. See Note 6 to the financial statements in Item 8 of this Annual Report for more information.

On May 18, 2012 we acquired all of the outstanding equity interests of Demandforce, Inc. for total cash and other consideration of approximately \$449 million. The \$449 million included approximately \$44 million for the fair value of assumed equity awards that is being charged to expense over service periods of up to four years. Demandforce is a provider of online marketing and customer communication solutions for small businesses and became part of our Small Business segment. We have included the results of operations for Demandforce in our consolidated results of operations from the date of acquisition. Their results of operations for periods prior to the date of acquisition were not material when compared with our consolidated results of operations. See Note 6 to the financial statements in Item 8 of this Annual Report for more information.

Commitments for Senior Unsecured Notes

On March 12, 2007 we issued \$500 million of 5.40% senior unsecured notes due on March 15, 2012 (the 2012 Notes) and \$500 million of 5.75% senior unsecured notes due on March 15, 2017 (the 2017 Notes). We repaid the 2012 Notes when they became due using cash from operations. The 2017 Notes are redeemable by Intuit at any time, subject to a make-whole premium. Interest is payable semiannually on March 15 and September 15. At July 31, 2014, our maximum commitment for interest payments under the 2017 Notes was \$86 million. See Note 9 to the financial statements in Item 8 of this Annual Report for more information.

Unsecured Revolving Credit Facility

On February 17, 2012 we entered into an agreement with certain institutional lenders for a \$500 million unsecured revolving credit facility that will expire on February 17, 2017. See Note 8 to the financial statements in Item 8 of this Annual Report for a description of the key terms of this agreement, including the covenants. We remained in compliance with these covenants at all times during the quarter ended July 31, 2014. We may use amounts borrowed under this credit facility for general corporate purposes, including future acquisitions. To date we have not borrowed under the credit facility. We monitor counterparty risk associated with the institutional lenders that are providing the credit facility. We currently believe that the credit facility will be available to us should we choose to borrow under it.

Cash Held by Foreign Subsidiaries

Our cash, cash equivalents and investments totaled \$1.9 billion at July 31, 2014. Of this amount, approximately 10% was held by our foreign subsidiaries and subject to repatriation tax considerations. These foreign funds were located primarily in Canada, and to a lesser extent in India, Singapore, the United Kingdom, Israel, and Australia. We intend to permanently reinvest a significant portion of our earnings from foreign operations, and we currently do not

anticipate that we will need funds generated from foreign operations to fund our domestic operations. In the event that funds from foreign operations are needed to fund operations in the United States, if U.S. taxes have not been previously provided on the related earnings we would provide for and pay additional U.S. taxes at the time we change our intention with regard to the reinvestment of those earnings.

Off-Balance Sheet Arrangements

At July 31, 2014, we did not have any significant off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K.

Tables of Contents

Contractual Obligations

The following table summarizes our known contractual obligations to make future payments at July 31, 2014:

	Payments Due by Period				Total
	Less than 1 year	1-3 years	3-5 years	More than 5 years	
(In millions)					
Amounts due under executive deferred compensation plan	\$63	\$—	\$—	\$—	\$63
Senior unsecured notes	—	500	—	—	500
Interest and fees due on long-term obligations	29	58	—	—	87
License fee payable (1)	10	20	20	—	50
Operating leases (2)	72	138	100	260	570
Purchase obligations (3)	30	28	61	1	120
Total contractual obligations (4)	\$204	\$744	\$181	\$261	\$1,390

(1) In May 2009 we entered into an agreement to license certain technology for \$20 million in cash and \$100 million payable over ten fiscal years. See Note 9 to the financial statements in Item 8 of this Annual Report for more information.

(2) Includes operating leases for facilities and equipment. We had no significant capital leases at July 31, 2014.

(3) Represents agreements to purchase products and services that are enforceable, legally binding and specify terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the payments.

(4) Other long-term obligations on our balance sheet at July 31, 2014 included non-current income tax liabilities of \$32 million which related primarily to unrecognized tax benefits. We have not included this amount in the table above because we cannot make a reasonably reliable estimate regarding the timing of settlements with taxing authorities, if any.

Recent Accounting Pronouncements

For a description of recent accounting pronouncements and the potential impact of these pronouncements on our consolidated financial statements, see "Recent Accounting Pronouncements" in Note 1 to the financial statements in Item 8 of this Annual Report.

ITEM 7A

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Investment Portfolio

We actively monitor market conditions and developments specific to the securities in which we invest. We believe that we take a conservative approach to investing our funds in that we invest only in highly-rated securities and diversify our portfolio of investments. While we believe we take prudent measures to mitigate investment related risks, such risks cannot be fully eliminated because of market circumstances that are outside our control.

Our investments consist of instruments that meet quality standards that are consistent with our investment policy. This policy specifies that, except for direct obligations of the United States government, securities issued by agencies of the United States government, and money market funds, we diversify our investments by limiting our holdings with any individual issuer. We do not hold derivative financial instruments or European sovereign debt in our portfolio of investments. See Note 3 to the financial statements in Item 8 of this Annual Report for a summary of the amortized cost and fair value of our investments by type of issue.

Tables of Contents

The following table presents our portfolio of cash equivalents and available-for-sale debt securities as of July 31, 2014 by stated maturity. The table is classified by the original maturity date listed on the security and includes cash equivalents, which consist primarily of money market funds. At July 31, 2014, the weighted average tax adjusted interest rate earned on our money market accounts was 0.05% and the weighted average tax adjusted interest rate earned on our investments was 0.37%.

(In millions)	Years Ending July 31,						Total
	2015	2016	2017	2018	2019	2020 and Thereafter	
Cash equivalents	\$652	\$—	\$—	\$—	\$—	\$—	\$652
Investments	363	443	303	12	4	84	1,209
Long-term investments	—	—	—	—	—	21	21
Total	\$1,015	\$443	\$303	\$12	\$4	\$105	\$1,882

Interest Rate Risk

Our cash equivalents and investments are subject to market risk due to changes in interest rates. Interest rate movements affect the interest income we earn on cash equivalents and investments and the value of those investments. Should the Federal Reserve Target Rate increase by 25 basis points from the level of July 31, 2014, the value of our investments would decrease by approximately \$4 million. Should the Federal Reserve Target Rate increase by 100 basis points from the level of July 31, 2014, the value of our investments would decrease by approximately \$15 million.

We are also exposed to the impact of changes in interest rates as they affect our \$500 million revolving credit facility. Advances under the credit facility accrue interest at rates that are equal to JP Morgan's alternate base rate plus a margin that ranges from 0.0% to 0.5% or the London InterBank Offered Rate (LIBOR) plus a margin that ranges from 0.9% to 1.5%, in both cases based on our senior debt ratings. Consequently, our interest expense would fluctuate with changes in the general level of these interest rates if we were to borrow any amounts under the credit facility. At July 31, 2014, no amounts were outstanding under the credit facility.

On March 12, 2007 we issued \$500 million of 5.75% senior unsecured notes due on March 15, 2017. We carry these senior notes at face value less unamortized discount on our balance sheets. Since these senior notes bear interest at fixed rates, we have no financial statement risk associated with changes in interest rates. However, the fair value of these notes fluctuates when interest rates change. See Note 2 and Note 9 to the financial statements in Item 8 of this Annual Report for more information.

Impact of Foreign Currency Rate Changes

The functional currencies of our international operating subsidiaries are generally the local currencies. We translate the assets and liabilities of our foreign subsidiaries at the exchange rates in effect on the balance sheet date. We translate their revenue, costs and expenses at the average rates of exchange in effect during the period. We include translation gains and losses in the stockholders' equity section of our balance sheets. We include net gains and losses resulting from foreign exchange transactions in interest and other income in our statements of operations.

Since we translate foreign currencies (primarily Canadian dollars, Indian rupees, Singapore dollars, British pounds, and Australian dollars) into U.S dollars for financial reporting purposes, currency fluctuations can have an impact on our financial results. The historical impact of currency fluctuations has generally been immaterial. We believe that our exposure to currency exchange fluctuation risk is not significant primarily because our global subsidiaries invoice

customers and satisfy their financial obligations almost exclusively in their local currencies. Although the impact of currency fluctuations on our financial results has generally been immaterial in the past and we believe that for the reasons cited above currency fluctuations will not be significant in the future, there can be no guarantee that the impact of currency fluctuations will not be material in the future. As of July 31, 2014, we did not engage in foreign currency hedging activities.

Tables of Contents

ITEM 8

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

1. INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

The following financial statements are filed as part of this Report:

<u>Reports of Independent Registered Public Accounting Firm</u>	Page <u>49</u>
<u>Consolidated Statements of Operations for each of the three years in the period ended July 31, 2014</u>	<u>51</u>
<u>Consolidated Statements of Comprehensive Income for each of the three years in the period ended July 31, 2014</u>	<u>52</u>
<u>Consolidated Balance Sheets as of July 31, 2014 and 2013</u>	<u>53</u>
<u>Consolidated Statements of Stockholders' Equity for each of the three years in the period ended July 31, 2014</u>	<u>54</u>
<u>Consolidated Statements of Cash Flows for each of the three years in the period ended July 31, 2014</u>	<u>55</u>
<u>Notes to Consolidated Financial Statements</u>	<u>57</u>

2. INDEX TO FINANCIAL STATEMENT SCHEDULES

The following financial statement schedule is filed as part of this Report and should be read in conjunction with the Consolidated Financial Statements:

Schedule	Page
<u>II Valuation and Qualifying Accounts</u>	<u>89</u>

All other schedules not listed above have been omitted because they are inapplicable or are not required.

Tables of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Intuit Inc.

We have audited the accompanying consolidated balance sheets of Intuit Inc. as of July 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended July 31, 2014. Our audits also included the financial statement schedule listed in Part II, Item 8. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Intuit Inc. at July 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended July 31, 2014, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Intuit Inc.'s internal control over financial reporting as of July 31, 2014, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated September 12, 2014 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

San Jose, California
September 12, 2014

Tables of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Intuit Inc.

We have audited Intuit Inc.'s internal control over financial reporting as of July 31, 2014, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). Intuit Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

In our opinion, Intuit Inc. maintained, in all material respects, effective internal control over financial reporting as of July 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Intuit Inc. as of July 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended July 31, 2014 of Intuit Inc. and our report dated September 12, 2014 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

San Jose, California

September 12, 2014

50

Tables of Contents

INTUIT INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share amounts)	Twelve Months Ended July 31,		
	2014	2013	2012
Net revenue:			
Product	\$1,522	\$1,515	\$1,479
Service and other	2,984	2,656	2,329
Total net revenue	4,506	4,171	3,808
Costs and expenses:			
Cost of revenue:			
Cost of product revenue	141	130	146
Cost of service and other revenue	501	429	429
Amortization of acquired technology	26	18	10
Selling and marketing	1,281	1,219	1,033
Research and development	758	685	618
General and administrative	465	422	381
Amortization of other acquired intangible assets	20	35	23
Total costs and expenses	3,192	2,938	2,640
Operating income from continuing operations	1,314	1,233	1,168
Interest expense	(31)	(30)	(50)
Interest and other income, net	31	7	20
Income from continuing operations before income taxes	1,314	1,210	1,138
Income tax provision	453	387	374
Net income from continuing operations	861	823	764
Net income from discontinued operations	46	35	28
Net income	\$907	\$858	\$792
Basic net income per share from continuing operations	\$3.02	\$2.78	\$2.58
Basic net income per share from discontinued operations	0.16	0.11	0.09
Basic net income per share	\$3.18	\$2.89	\$2.67
Shares used in basic per share calculations	285	297	296
Diluted net income per share from continuing operations	\$2.96	\$2.72	\$2.51
Diluted net income per share from discontinued operations	0.16	0.11	0.09
Diluted net income per share	\$3.12	\$2.83	\$2.60
Shares used in diluted per share calculations	291	303	305
Dividends declared per common share	\$0.76	\$0.68	\$0.60

See accompanying notes.

Tables of Contents

INTUIT INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)	Twelve Months Ended July 31,		
	2014	2013	2012
Net income	\$907	\$858	\$792
Other comprehensive income (loss), net of income taxes:			
Unrealized gains (losses) on available-for-sale debt securities	1	(1	) (1
Unrealized gains (losses) on available-for-sale equity security	(5	) —	18
Realized gain reclassified to net income (1)	(13	) —	—
Foreign currency translation losses	(5	) (4	) (7
Total other comprehensive income (loss), net	(22	) (5	) 10
Comprehensive income	\$885	\$853	\$802

(1) Includes \$21 million of realized gain on available-for-sale equity security reclassified into interest and other income, net on the consolidated statements of operations and \$8 million of related income taxes.

See accompanying notes.

Tables of Contents

INTUIT INC.

CONSOLIDATED BALANCE SHEETS

	July 31, 2014	2013
(Dollars in millions, except par value; shares in thousands)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$849	\$1,009
Investments	1,065	652
Accounts receivable, net of allowance for doubtful accounts of \$43 and \$38	134	130
Income taxes receivable	35	62
Deferred income taxes	133	166
Prepaid expenses and other current assets	116	98
Current assets of discontinued operations	—	44
Current assets before funds held for customers	2,332	2,161
Funds held for customers	289	235
Total current assets	2,621	2,396
Long-term investments	31	83
Property and equipment, net	606	555
Goodwill	1,635	1,246
Acquired intangible assets, net	199	149
Other assets	109	102
Long-term assets of discontinued operations	—	955
Total assets	\$5,201	\$5,486
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$161	\$137
Accrued compensation and related liabilities	278	218
Deferred revenue	526	495
Other current liabilities	167	156
Current liabilities of discontinued operations	—	39
Current liabilities before customer fund deposits	1,132	1,045
Customer fund deposits	289	235
Total current liabilities	1,421	1,280
Long-term debt	499	499
Other long-term obligations	203	167
Long-term obligations of discontinued operations	—	9
Total liabilities	2,123	1,955
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value		
Authorized - 1,345 shares total; 145 shares designated Series A; 250 shares designated Series B Junior Participating	—	—
Issued and outstanding - None		
Common stock, \$0.01 par value		
Authorized - 750,000 shares	3	3
Outstanding - 284,950 shares at July 31, 2014 and 299,503 shares at July 31, 2013		
Additional paid-in capital	3,558	3,198
Treasury stock, at cost	(6,430)	(4,952)
Accumulated other comprehensive income (loss)	(2)	20

Edgar Filing: INTUIT INC - Form 10-K

Retained earnings	5,949	5,262
Total stockholders' equity	3,078	3,531
Total liabilities and stockholders' equity	\$5,201	\$5,486

See accompanying notes.

53

Tables of Contents

INTUIT INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional	Treasury	Accumulated	Retained	Total
(Dollars in millions, shares in thousands)	Shares	Amount	Paid-In Capital	Stock	Other Comprehensive Income (Loss)	Earnings	Stockholders' Equity
Balance at July 31, 2011	300,597	\$ 3	\$ 2,883	\$(4,316)	\$ 15	\$4,031	\$ 2,616
Comprehensive income	—	—	—	—	10	792	802
Issuance of treasury stock under employee stock plans	11,556	—	(108)	) 305	—	(33)	) 164
Stock repurchases under stock repurchase programs	(16,864)	—	—	(900)	—	—	(900)
Cash dividends declared (\$0.60 per share)	—	—	—	—	—	(178)	(178)
Tax benefit from share-based compensation plans	—	—	71	—	—	—	71
Share-based compensation expense	—	—	169	—	—	—	169
Balance at July 31, 2012	295,289	3	3,015	(4,911)	25	4,612	2,744
Comprehensive income	—	—	—	—	(5)	) 858	853
Issuance of treasury stock under employee stock plans	9,034	—	(81)	) 251	—	(5)	) 165
Stock repurchases under stock repurchase programs	(4,820)	—	—	(292)	—	—	(292)
Cash dividends declared (\$0.68 per share)	—	—	—	—	—	(203)	(203)
Tax benefit from share-based compensation plans	—	—	69	—	—	—	69
Share-based compensation expense	—	—	195	—	—	—	195
Balance at July 31, 2013	299,503	3	3,198	(4,952)	20	5,262	3,531
Comprehensive income	—	—	—	—	(22)	) 907	885
Issuance of stock under employee stock plans	7,914	—	74	99	—	—	173
Stock repurchases under stock repurchase programs	(22,467)	—	—	(1,577)	—	—	(1,577)
Cash dividends declared (\$0.76 per share)	—	—	—	—	—	(220)	(220)
Tax benefit from share-based compensation plans	—	—	82	—	—	—	82
Share-based compensation expense	—	—	204	—	—	—	204
Balance at July 31, 2014	284,950	\$ 3	\$ 3,558	\$(6,430)	\$ (2)	) \$5,949	\$ 3,078

See accompanying notes.

Tables of Contents

INTUIT INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)	Twelve Months Ended July 31,			
	2014	2013	2012	
Cash flows from operating activities:				
Net income	\$907	\$858	\$792	
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	144	166	171	
Amortization of acquired intangible assets	53	66	71	
Goodwill and intangible asset impairment charge	—	46	—	
Share-based compensation expense	204	195	169	
Pre-tax gain on sale of discontinued operations (1)	(40	) (53	) —	
Net realized gain on sale of available-for-sale equity securities	(21	) —	—	
Deferred income taxes	93	13	(62	)
Tax benefit from share-based compensation plans	82	69	71	
Excess tax benefit from share-based compensation plans	(82	) (69	) (70	)
Other	24	19	11	
Total adjustments	457	452	361	
Changes in operating assets and liabilities:				
Accounts receivable	(5	) 12	(10	)
Income taxes receivable	27	(9	) 19	
Prepaid expenses and other assets	(14	) (33	) 12	
Accounts payable	15	4	19	
Accrued compensation and related liabilities	43	8	17	
Deferred revenue	15	62	38	
Other liabilities	1	12	(2	)
Total changes in operating assets and liabilities	82	56	93	
Net cash provided by operating activities	1,446	1,366	1,246	
Cash flows from investing activities:				
Purchases of available-for-sale debt securities	(1,334	) (869	) (669	)
Sales of available-for-sale debt securities	346	333	840	
Maturities of available-for-sale debt securities	567	228	178	
Net change in money market funds and other cash equivalents held to satisfy customer fund obligations	(54	) 55	124	
Net change in customer fund deposits	54	(55	) (124	)
Proceeds from the sale of available-for-sale equity securities	26	—	—	
Purchases of property and equipment	(104	) (129	) (135	)
Capitalization of internal use software	(82	) (66	) (51	)
Acquisitions of businesses, net of cash acquired	(471	) (17	) (392	)
Acquisitions of intangible assets	(15	) (14	) (10	)
Proceeds from divestiture of businesses	1,025	60	—	
Other	(7	) (11	) 14	
Net cash used in investing activities	(49	) (485	) (225	)
Cash flows from financing activities:				
Repayment of debt	—	—	(500	)
Net proceeds from issuance of stock under employee stock plans	165	165	164	

Tables of Contents

(In millions)	Twelve Months Ended July 31,		
	2014	2013	2012
Purchases of treasury stock	(1,577)	(292)	(900)
Cash dividends paid to stockholders	(220)	(203)	(178)
Excess tax benefit from share-based compensation plans	82	69	70
Other	(1)	(1)	—
Net cash used in financing activities	(1,551)	(262)	(1,344)
Effect of exchange rates on cash and cash equivalents	(6)	(3)	(6)
Net increase (decrease) in cash and cash equivalents	(160)	616	(329)
Cash and cash equivalents at beginning of period	1,009	393	722
Cash and cash equivalents at end of period	\$849	\$1,009	\$393
Supplemental disclosure of cash flow information:			
Interest paid	\$32	\$33	\$60
Income taxes paid	\$240	\$309	\$312

(1) Because the cash flows of our Intuit Financial Services, Intuit Health, and Intuit Websites discontinued operations were not material for any period presented, we have not segregated the cash flows of those businesses on these statements of cash flows. We have presented the effect of the pre-tax gains on the disposals on these statements of cash flows. See Note 7, “Discontinued Operations,” for more information.

See accompanying notes.

Tables of Contents

INTUIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

Intuit Inc. provides business and financial management solutions for small businesses, consumers, and accounting professionals. With flagship products and services that include QuickBooks, TurboTax, Quicken and Mint, we help customers solve important business and financial management problems such as running a small business, paying bills, filing income taxes, and managing personal finances. ProSeries and Lacerte are Intuit's tax preparation offerings for professional accountants. Incorporated in 1984 and headquartered in Mountain View, California, we sell our products and services primarily in the United States.

Basis of Presentation

These consolidated financial statements include the financial statements of Intuit and its wholly owned subsidiaries. We have eliminated all significant intercompany balances and transactions in consolidation. We have reclassified certain amounts previously reported in our financial statements to conform to the current presentation, including amounts related to discontinued operations and reportable segments. See Note 7, "Discontinued Operations," and Note 14, "Segment Information," for more information.

In fiscal 2014 we acquired Check Inc. and in fiscal 2012 we acquired Demandforce, Inc. We have included the results of operations for these companies in our consolidated results of operations from the dates of acquisition. See Note 6, "Business Combinations," for more information.

As discussed in Note 7, in September 2012 we sold our Intuit Websites business. In August 2013 we sold our Intuit Financial Services (IFS) business and our Intuit Health business. We have reclassified our statements of operations for all periods presented to reflect these three businesses as discontinued operations. We have also reclassified our balance sheets for all periods presented to reflect IFS as discontinued operations. The net assets of Intuit Websites and Intuit Health were not significant, so we have not reclassified our balance sheets to present them as discontinued operations. Because the cash flows of our Intuit Websites, IFS, and Intuit Health discontinued operations were not material for any period presented, we have not segregated the cash flows of those businesses on our statements of cash flows. Unless noted otherwise, discussions in these notes pertain to our continuing operations.

Seasonality

Historically, our QuickBooks, Consumer Tax, and Professional Tax offerings have been highly seasonal. Revenue from our QuickBooks software products has tended to be highest during our second and third fiscal quarters. Sales of income tax preparation products and services are heavily concentrated in the period from November through April. These seasonal patterns mean that our total net revenue is usually highest during our second quarter ending January 31 and third quarter ending April 30. We typically report losses in our first quarter ending October 31 and fourth quarter ending July 31. During these quarters, revenue from our tax businesses is minimal while core operating expenses such as research and development continue at relatively consistent levels.

Use of Estimates

In preparing our consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP), we make certain estimates and assumptions that affect the amounts reported in our financial statements and the disclosures made in the accompanying notes. For example, we use estimates in determining the appropriate levels of reserves for product returns and rebates, the collectibility of accounts receivable, the appropriate levels of various accruals including accruals for litigation contingencies, the amount of our worldwide tax provision, and the realizability of deferred tax assets. We also use estimates in determining the remaining economic lives and carrying values of acquired intangible assets, property and equipment, and other long-lived assets. In addition, we use assumptions to estimate the fair value of reporting units and share-based compensation. Despite our intention to establish accurate estimates and use reasonable assumptions, actual results may differ from our estimates.

Tables of Contents

Revenue Recognition

We derive revenue from the sale of software subscriptions, hosted services, packaged software products, financial supplies, technical support plans, transaction fees, merchant services hardware, and multiple element arrangements that may include a combination of these items. We recognize revenue when all four revenue recognition criteria have been met: persuasive evidence of an arrangement exists, we have delivered the product or performed the service, the fee is fixed or determinable, and collectibility is probable. Determining whether and when these criteria have been satisfied involves exercising judgment and using estimates and assumptions that can have a significant impact on the timing and amount of revenue that we recognize.

In some situations, we receive advance payments from our customers. We defer revenue associated with these advance payments and the relative fair value of undelivered elements under multiple element arrangements until we ship the products or perform the services.

We account for cash consideration (such as sales incentives) that we give to our customers or resellers as a reduction of revenue rather than as an operating expense unless we receive a benefit that we can identify and for which we can reasonably estimate the fair value.

Product Revenue

We recognize revenue from the sale of our packaged software products, financial supplies such as printed check stock, and merchant services hardware such as retail point-of-sale equipment and credit card readers for mobile phones, when legal title transfers. This is generally when our customers download products from the Web, when we ship the products or, in the case of certain agreements, when products are delivered to retailers. We sell some of our QuickBooks, TurboTax and Quicken desktop software products on consignment to certain retailers. We recognize revenue for these consignment transactions only when the end-user sale has occurred. For software products that are sold on a subscription basis and include periodic updates, we recognize revenue ratably over the term of the contract. We record product revenue net of our sales tax obligations.

We reduce product revenue from distributors and retailers for estimated returns that are based on historical returns experience and other factors, such as the volume and price mix of products in the retail channel, return rates for prior releases of the product, trends in retailer inventory and economic trends that might impact customer demand for our products (including the competitive environment and the timing of new releases of our product). We also reduce product revenue for the estimated redemption of rebates on certain current product sales. Our estimated reserves for distributor and retailer sales incentive rebates are based on distributors' and retailers' actual performance against the terms and conditions of rebate programs. Our reserves for end user rebates are estimated based on the terms and conditions of the specific promotional rebate program, actual sales during the promotion and historical redemption trends by product and by type of promotional program.

Service and Other Revenue

Our service revenue consists primarily of hosted services such as QuickBooks Online and TurboTax Online, payroll services, electronic merchant payment processing services, and electronic tax filing services. Our service revenue also includes QuickBooks technical support plans in our Small Business segment.

We recognize revenue from hosted services as the services are performed, provided we have no other remaining obligations to these customers. We generally require customers to remit payroll tax funds to us in advance of the payroll date via electronic funds transfer. We include in total net revenue the interest that we earn on these funds between the time that we collect them from customers and the time that we remit them to outside parties. Service

revenue for electronic payment processing services that we provide to merchants is recorded net of interchange fees charged by credit card associations.

We offer several QuickBooks technical support plans and recognize support revenue over the life of the plans.

Other revenue consists primarily of revenue from revenue-sharing and royalty arrangements with third-party partners. We typically recognize this revenue as earned based upon reporting provided to us by our partners.

Multiple Element Arrangements

We enter into multiple element revenue arrangements in which a customer may purchase a combination of software, upgrades, hosted services, technical support, and hardware.

Tables of Contents

Multiple Element Arrangements That Contain Software and Software-Related Elements

For multiple element arrangements that contain only software and software-related elements, such as QuickBooks desktop software and paid technical support plans, we allocate and defer revenue for the undelivered elements based on their vendor-specific objective evidence of fair value (VSOE). VSOE is the price charged when that element is sold separately. In situations where VSOE exists for all elements (delivered and undelivered), we allocate the total revenue to be earned under the arrangement among the various elements, based on their relative fair value. For arrangements where VSOE exists only for the undelivered elements, we defer the full fair value of the undelivered elements and recognize the difference between the total arrangement fee and the amount deferred for the undelivered items as revenue. If VSOE does not exist for an undelivered service element, we recognize the revenue from the entire arrangement as the services are delivered. If VSOE does not exist for undelivered elements that are specified products or features, we defer revenue until the earlier of the delivery of all elements or the point at which we determine VSOE for these undelivered elements.

We recognize revenue related to the delivered products or services only if: (1) the above revenue recognition criteria are met; (2) any undelivered products or services are not essential to the functionality of the delivered products and services; (3) payment for the delivered products or services is not contingent upon delivery of the remaining products or services; and (4) we have an enforceable claim to receive the amount due in the event that we do not deliver the undelivered products or services.

Multiple Element Arrangements That Contain Non-Software Elements

For multiple element arrangements that contain non-software elements such as hosted services or credit card readers for mobile phones, we: (1) determine whether and when each element has been delivered; (2) determine the fair value of each element using the selling price hierarchy of vendor-specific evidence (VSOE) of fair value if available, third-party evidence (TPE) if VSOE is not available, and estimated selling price (ESP) if neither VSOE nor TPE is available; and (3) allocate the total price among the various elements using the relative selling price method. Once we have allocated the total price among the various elements, we recognize revenue when the revenue recognition criteria described above are met for each element.

VSOE generally exists when we sell the deliverable separately and we are normally able to establish VSOE for all deliverables in these multiple element arrangements; however, in certain limited instances VSOE cannot be established. This may be because we do not sell the element separately, do not price products or services within a narrow range, or have a limited sales history. When VSOE cannot be established, we attempt to establish selling price for each element based on TPE. TPE is determined based on competitor prices for similar deliverables when sold separately. When we are unable to establish selling price using VSOE or TPE, we use ESP in our allocation of arrangement consideration. ESP is the estimated price at which we would sell a product or service if it were sold on a stand-alone basis. We determine ESP for a product or service by considering multiple factors including, but not limited to, pricing practices, market conditions, competitive landscape, type of customer, geographies, stage of product lifecycle, internal costs, and gross margin objectives. Significant pricing practices that we take into consideration include historic contractually stated prices, volume discounts where applicable, and our price lists. The determination of ESP is made through consultation with and formal approval by management, taking into consideration our overall go-to-market strategy.

Shipping and Handling

We record the amounts we charge our customers for the shipping and handling of our software products as product revenue and we record the related costs as cost of product revenue in our statements of operations.

Customer Service and Technical Support

We include the costs of providing customer service under paid technical support contracts and software subscriptions on the cost of service and other revenue line in our statements of operations. We include customer service and free technical support costs in selling and marketing expense in our statements of operations. Customer service and technical support costs include costs associated with performing order processing, answering customer inquiries by telephone and through websites, e-mail and other electronic means, and providing free technical support assistance to customers. In connection with the sale of certain products, we provide a limited amount of free technical support assistance to customers. We do not defer the recognition of any revenue associated with sales of these products, since the cost of providing this free technical support is insignificant. The technical support is generally provided within one year after the associated revenue is recognized and free product enhancements are minimal and infrequent. We accrue the estimated cost of providing this free support upon product shipment.

Tables of Contents

Software Development Costs

We expense software development costs as we incur them until technological feasibility has been established, at which time those costs are capitalized until the product is available for general release to customers. To date, our software has been available for general release concurrent with the establishment of technological feasibility and, accordingly, we have not capitalized any development costs. Costs we incur to enhance our existing products or after the general release of the service using the product are expensed in the period they are incurred and included in research and development expense in our statements of operations.

Internal Use Software

We capitalize costs related to computer software obtained or developed for internal use. Software obtained for internal use has generally been enterprise-level business and finance software that we customize to meet our specific operational needs. Software developed for internal use has generally been used to deliver hosted services to our customers. Costs incurred in the application development phase are capitalized and amortized over their useful lives, which are generally three to five years.

Advertising

We expense all advertising costs as we incur them to selling and marketing expense in our statements of operations. We recorded advertising expense of approximately \$175 million for the twelve months ended July 31, 2014, \$186 million for the twelve months ended July 31, 2013, and \$150 million for the twelve months ended July 31, 2012.

Leases

We review all leases for capital or operating classification at their inception. We use our incremental borrowing rate in the assessment of lease classification and define the initial lease term to include the construction build-out period but to exclude lease extension periods. We conduct our operations primarily under operating leases. For leases that contain rent escalations, we record the total rent payable during the lease term, as defined above, on a straight-line basis over the term of the lease. We record the difference between the rent paid and the straight-line rent in a deferred rent account in other current liabilities or other long-term obligations, as appropriate, on our balance sheets.

We record landlord allowances as deferred rent liabilities in other current liabilities or other long-term obligations, as appropriate, on our balance sheets. We record landlord cash incentives as operating activity on our statements of cash flows. We record other landlord allowances as non-cash investing and financing activities on our statements of cash flows. We classify the amortization of landlord allowances as a reduction of occupancy expense in our statements of operations.

Capitalization of Interest Expense

We capitalize interest on capital projects, including facilities build-out projects and internal use computer software projects. Capitalization commences with the first expenditure for the project and continues until the project is substantially complete and ready for its intended use. We amortize capitalized interest to depreciation expense using the straight-line method over the same lives as the related assets. Capitalized interest was not significant for any period presented.

Foreign Currency

The functional currencies of our international operating subsidiaries are generally the local currencies. We translate the assets and liabilities of our foreign subsidiaries at the exchange rates in effect on the balance sheet date. We translate their revenue, costs and expenses at the average rates of exchange in effect during the period. We include translation gains and losses in the stockholders' equity section of our balance sheets. We include net gains and losses resulting from foreign exchange transactions in interest and other income in our statements of operations. Translation gains and losses and transaction gains and losses were not significant for any period presented.

Income Taxes

We estimate our income taxes based on the various jurisdictions where we conduct business. Significant judgment is required in determining our worldwide income tax provision. We estimate our current tax liability and assess temporary differences that result from differing treatments of certain items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which we show on our balance sheet. We must then assess the likelihood that our deferred tax assets will be realized. To the extent we believe that realization is not likely, we establish a valuation allowance. When we establish a valuation allowance or increase this allowance in an accounting period, we record a corresponding income tax expense in our statement of operations.

Tables of Contents

We review the need for a valuation allowance to reflect uncertainties about whether we will be able to utilize some of our deferred tax assets before they expire. The valuation allowance analysis is based on our estimates of taxable income for the jurisdictions in which we operate and the periods over which our deferred tax assets will be realizable. While we have considered future taxable income in assessing the need for a valuation allowance for the periods presented, we could be required to record a valuation allowance to take into account additional deferred tax assets that we may be unable to realize. An increase in the valuation allowance would have an adverse impact, which could be material, on our income tax provision and net income in the period in which we record the increase.

We recognize and measure benefits for uncertain tax positions using a two-step approach. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained upon audit, including resolution of any related appeals or litigation processes. For tax positions that are more likely than not of being sustained upon audit, the second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. Significant judgment is required to evaluate uncertain tax positions. We evaluate our uncertain tax positions on a quarterly basis. Our evaluations are based upon a number of factors, including changes in facts or circumstances, changes in tax law, correspondence with tax authorities during the course of audits and effective settlement of audit issues. Changes in the recognition or measurement of uncertain tax positions could result in material increases or decreases in our income tax expense in the period in which we make the change, which could have a material impact on our effective tax rate and operating results.

A description of our accounting policies associated with tax-related contingencies and valuation allowances assumed as part of a business combination is provided under “Business Combinations” below.

Computation of Net Income (Loss) Per Share

We compute basic net income or loss per share using the weighted average number of common shares outstanding during the period. We compute diluted net income per share using the weighted average number of common shares and dilutive potential common shares outstanding during the period. Dilutive potential common shares consist of the shares issuable upon the exercise of stock options and upon the vesting of restricted stock units (RSUs) under the treasury stock method.

We include stock options with combined exercise prices, unrecognized compensation expense and tax benefits that are less than the average market price for our common stock, and RSUs with combined unrecognized compensation expense and tax benefits that are less than the average market price for our common stock, in the calculation of diluted net income per share. We exclude stock options with combined exercise prices, unrecognized compensation expense and tax benefits that are greater than the average market price for our common stock, and RSUs with combined unrecognized compensation expense and tax benefits that are greater than the average market price for our common stock, from the calculation of diluted net income per share because their effect is anti-dilutive. Under the treasury stock method, the amount that must be paid to exercise stock options, the amount of compensation expense for future service that we have not yet recognized for stock options and RSUs, and the amount of tax benefits that will be recorded in additional paid-in capital when the awards become deductible are assumed to be used to repurchase shares.

All of the RSUs we grant have dividend rights. Since the dividend rights are subject to the same vesting requirements as the underlying equity awards they are considered a contingent transfer of value. Consequently, the RSUs are not considered participating securities and we do not present them separately in earnings per share.

Tables of Contents

The following table presents the composition of shares used in the computation of basic and diluted net income per share for the periods indicated.

(In millions, except per share amounts)	Twelve Months Ended July 31,		
	2014	2013	2012
Numerator:			
Net income from continuing operations	\$861	\$823	\$764
Net income from discontinued operations	46	35	28
Net income	\$907	\$858	\$792
Denominator:			
Shares used in basic per share amounts:			
Weighted average common shares outstanding	285	297	296
Shares used in diluted per share amounts:			
Weighted average common shares outstanding	285	297	296
Dilutive common equivalent shares from stock options and restricted stock awards	6	6	9
Dilutive weighted average common shares outstanding	291	303	305
Basic and diluted net income per share:			
Basic net income per share from continuing operations	\$3.02	\$2.78	\$2.58
Basic net income per share from discontinued operations	0.16	0.11	0.09
Basic net income per share	\$3.18	\$2.89	\$2.67
Diluted net income per share from continuing operations	\$2.96	\$2.72	\$2.51
Diluted net income per share from discontinued operations	0.16	0.11	0.09
Diluted net income per share	\$3.12	\$2.83	\$2.60
Weighted average stock options and restricted stock units excluded from calculation due to anti-dilutive effect	—	3	3

Cash Equivalents and Investments

We consider highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents. Cash equivalents consist primarily of AAA-rated money market funds in all periods presented. Investments consist of available-for-sale investment-grade debt securities that we carry at fair value. Long-term investments at July 31, 2014 consisted of municipal auction rate securities that we carry at fair value. Long-term investments at July 31, 2013 consisted of municipal auction rate securities and an available-for-sale corporate equity investment that we carried at fair value. We sold this equity investment in the fourth quarter of fiscal 2014. See Note 3, "Cash and Cash Equivalents, Investments and Funds Held For Customers," for more information. Except for direct obligations of the United States government, securities issued by agencies of the United States government, and money market funds, we diversify our investments by limiting our holdings with any individual issuer.

We use the specific identification method to compute gains and losses on investments. We record unrealized gains and losses on investments, net of tax, in accumulated other comprehensive income in the stockholders' equity section of our balance sheets and reflect unrealized gain and loss activity in other comprehensive income on our statement of comprehensive income. We generally classify available-for-sale debt securities as current assets based upon our ability and intent to use any and all of these securities as necessary to satisfy the significant short-term liquidity requirements that may arise from the highly seasonal nature of our businesses. Because of our significant business seasonality, stock repurchase programs, and acquisition opportunities, cash flow requirements may fluctuate

dramatically from quarter to quarter and require us to use a significant amount of the investments we hold as available-for-sale securities.

Accounts Receivable and Allowances for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount and are not interest bearing. We maintain an allowance for doubtful accounts to reserve for potentially uncollectible receivables. We review our accounts receivable by aging category to identify significant customers or invoices with known disputes or collectibility issues. For those invoices not specifically identified as

Tables of Contents

uncollectible, we provide an allowance based on the age of the receivable. In determining the amount of the allowance, we make judgments about the creditworthiness of significant customers based on ongoing credit evaluations. We also consider our historical level of credit losses and current economic trends that might impact the level of future credit losses. When we determine that amounts are uncollectible we write them off against the allowance.

Funds Held for Customers and Customer Fund Deposits

Funds held for customers represent cash held on behalf of our customers that is invested in cash and cash equivalents and investment grade available-for-sale debt securities. Customer fund deposits consist of amounts we owe on behalf of our customers, such as direct deposit payroll funds and payroll taxes.

Property and Equipment

Property and equipment is stated at the lower of cost or realizable value, net of accumulated depreciation. We calculate depreciation using the straight-line method over the estimated useful lives of the assets, which range from two to 30 years. We amortize leasehold improvements using the straight-line method over the lesser of their estimated useful lives or remaining lease terms. We include the amortization of assets that are recorded under capital leases in depreciation expense. We review property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We did not record any significant property impairment charges during the twelve months ended July 31, 2014, 2013, or 2012.

Business Combinations

The acquisition method of accounting for business combinations requires us to use significant estimates and assumptions, including fair value estimates, as of the business combination date and to refine those estimates as necessary during the measurement period (defined as the period, not to exceed one year, in which we may adjust the provisional amounts recognized for a business combination).

Under the acquisition method of accounting we recognize separately from goodwill the identifiable assets acquired, the liabilities assumed, and any noncontrolling interests in an acquiree, generally at the acquisition date fair value. We measure goodwill as of the acquisition date as the excess of consideration transferred, which we also measure at fair value, over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed. Costs that we incur to complete the business combination such as investment banking, legal and other professional fees are not considered part of consideration and we charge them to general and administrative expense as they are incurred. Under the acquisition method we also account for acquired company restructuring activities that we initiate separately from the business combination.

Should the initial accounting for a business combination be incomplete by the end of a reporting period that falls within the measurement period, we report provisional amounts in our financial statements. During the measurement period, we adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date and we record those adjustments to our financial statements. We apply those measurement period adjustments that we determine to be significant retrospectively to comparative information in our financial statements, including adjustments to depreciation and amortization expense.

Under the acquisition method of accounting for business combinations, if we identify changes to acquired deferred tax asset valuation allowances or liabilities related to uncertain tax positions during the measurement period and they relate to new information obtained about facts and circumstances that existed as of the acquisition date, those changes

are considered a measurement period adjustment and we record the offset to goodwill. We record all other changes to deferred tax asset valuation allowances and liabilities related to uncertain tax positions in current period income tax expense. This accounting applies to all of our acquisitions regardless of acquisition date.

Goodwill, Acquired Intangible Assets and Other Long-Lived Assets

Goodwill

We record goodwill when the fair value of consideration transferred in a business combination exceeds the fair value of the identifiable assets acquired and liabilities assumed. Goodwill and other intangible assets that have indefinite useful lives are not amortized, but we test them for impairment annually during our fourth fiscal quarter and whenever an event or change in circumstances indicates that the carrying value of the asset may not be recoverable.

For goodwill, we perform a two-step impairment test. In the first step, we compare the fair value of each reporting unit to its carrying value. In accordance with authoritative guidance, we define fair value as the price that would be received from the sale

Tables of Contents

of an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. We consider and use all valuation methods that are appropriate in estimating the fair value of our reporting units and generally use a weighted combination of income and market approaches. Under the income approach, we estimate the fair value of each reporting unit based on the present value of future cash flows. We use a number of assumptions in our discounted cash flow model, including market factors specific to the business, the amount and timing of estimated future cash flows to be generated by the business over an extended period of time, long-term growth rates for the business, and a rate of return that considers the relative risk of achieving the cash flows and the time value of money. Under the market approach, we estimate the fair value of each reporting unit based on market multiples of revenue, operating income, and earnings for comparable publicly traded companies engaged in similar businesses. If the estimated fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired and no further analysis is required.

If the carrying value of the net assets assigned to a reporting unit exceeds the estimated fair value of the unit, we perform the second step of the impairment test. In this step we allocate the fair value of the reporting unit calculated in step one to all of the assets and liabilities of that unit, as if we had just acquired the reporting unit in a business combination. The excess of the fair value of the reporting unit over the total amount allocated to the assets and liabilities represents the implied fair value of goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, we would record an impairment loss equal to the difference. See Note 2, "Fair Value Measurements - Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis," for a discussion of the goodwill impairment charges that we recorded for the twelve months ended July 31, 2013.

Acquired Intangible Assets and Other Long-Lived Assets

We generally record acquired intangible assets that have finite useful lives, such as acquired technology, in connection with business combinations. We amortize the cost of acquired intangible assets on a straight-line basis over their estimated useful lives, which range from one to nine years. We review intangible assets that have finite useful lives and other long-lived assets whenever an event or change in circumstances indicates that the carrying value of the asset may not be recoverable. We estimate the recoverability of these assets by comparing the carrying amount of the asset to the future undiscounted cash flows that we expect the asset to generate. We estimate the fair value of assets that have finite useful lives based on the present value of future cash flows for those assets. If the carrying value of an asset with a finite life exceeds its estimated fair value, we would record an impairment loss equal to the difference. See Note 2, "Fair Value Measurements - Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis," for a discussion of the acquired intangible asset impairment charges that we recorded for the twelve months ended July 31, 2013.

Share-Based Compensation Plans

We estimate the fair value of stock options granted using a lattice binomial model and a multiple option award approach. We use historical data to estimate pre-vesting option forfeitures and record share-based compensation expense only for those awards that are expected to vest. We amortize the fair value of stock options on a straight-line basis over the requisite service periods of the awards, which are generally the vesting periods.

Restricted stock units (RSUs) granted typically vest based on continued service. We value these time-based RSUs at the date of grant using the intrinsic value method, adjusted for estimated forfeitures. We amortize the fair value of time-based RSUs on a straight-line basis adjusted for estimated forfeitures over the service period. Certain RSUs granted to senior management vest based on the achievement of pre-established performance or market goals. We estimate the fair value of performance-based RSUs at the date of grant using the intrinsic value method and the probability that the specified performance criteria would be met, adjusted for estimated forfeitures. Each quarter we update our assessment of the probability that the specified performance criteria will be achieved and adjust our

estimate of the fair value of the performance-based RSUs if necessary. We amortize the fair values of performance-based RSUs over the requisite service period adjusted for estimated forfeitures for each separately vesting tranche of the award. We estimate the fair value of market-based RSUs at the date of grant using a Monte Carlo valuation methodology and amortize those fair values over the requisite service period adjusted for estimated forfeitures for each separately vesting tranche of the award. The Monte Carlo methodology that we use to estimate the fair value of market-based RSUs at the date of grant incorporates into the valuation the possibility that the market condition may not be satisfied. Provided that the requisite service is rendered, the total fair value of the market-based RSUs at the date of grant must be recognized as compensation expense even if the market condition is not achieved. However, the number of shares that ultimately vest can vary significantly with the performance of the specified market criteria. All of the RSUs we grant have dividend rights that are subject to the same vesting requirements as the underlying equity awards, so we do not adjust the intrinsic (market) value of our RSUs for dividends.

Tables of Contents

See Note 11, “Stockholders' Equity,” for a description of our share-based compensation plans and more information on the assumptions we use to calculate the fair value of share-based compensation.

Concentration of Credit Risk and Significant Customers and Suppliers

We operate in markets that are highly competitive and rapidly changing. Significant technological changes, shifting customer needs, the emergence of competitive products or services with new capabilities and other factors could negatively impact our operating results.

We are also subject to risks related to changes in the value of our significant balance of investments. Our portfolio of investments consists of investment-grade securities. Except for direct obligations of the United States government, securities issued by agencies of the United States government and money market funds, we diversify our investments by limiting our holdings with any individual issuer.

We sell a significant portion of our products through third-party retailers and distributors. As a result, we face risks related to the collectibility of our accounts receivable. To appropriately manage this risk, we perform ongoing evaluations of customer credit and limit the amount of credit extended as we deem appropriate, but generally do not require collateral. We maintain reserves for estimated credit losses and these losses have historically been within our expectations. However, since we cannot predict future changes in the financial stability of our customers, we cannot guarantee that our reserves will continue to be adequate. No customer accounted for 10% or more of total net revenue for the twelve months ended July 31, 2014, 2013 or 2012, nor did any customer account for 10% or more of total accounts receivable at July 31, 2014 or 2013.

We rely primarily on one third-party vendor to perform the manufacturing and distribution functions for our retail desktop software products. We also have a key single-source vendor that prints and fulfills orders for most of our financial supplies business. While we believe that relying on key vendors improves the efficiency and reliability of our business operations, relying on any one vendor for a significant aspect of our business can have a significant negative impact on our revenue and profitability if that vendor fails to perform at acceptable service levels for any reason, including financial difficulties of the vendor.

Recent Accounting Pronouncements

ASU 2014-08, “Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity”

In April 2014 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-08, “Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.” This update raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures for discontinued operations and disposals that do not meet the definition of a discontinued operation. ASU 2014-08 is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2014, which means that it will be effective for us in the first quarter of our fiscal year beginning August 1, 2015. We are currently evaluating the impact of our pending adoption of ASU 2014-08 on our consolidated financial statements.

ASU 2014-09, “Revenue from Contracts with Customers (Topic 606)”

In May 2014 the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606).” This update supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, it is possible that more judgment and estimates may be required within the revenue recognition process than is required under present U.S. GAAP. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and

allocating the transaction price to each separate performance obligation. The new standard also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. ASU 2014-09 is effective for reporting periods beginning after December 15, 2016, which means that it will be effective for us in the first quarter of our fiscal year beginning August 1, 2017. Early adoption is not permitted under U.S. GAAP. ASU 2014-09 allows adoption using either of two methods: (i) retrospective to each prior reporting period presented, with the option to elect certain practical expedients; or (ii) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures. We are currently evaluating the impact of our pending adoption of ASU 2014-09 on our consolidated financial statements.

Tables of Contents

2. Fair Value Measurements

Fair Value Hierarchy

The authoritative guidance defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. When determining fair value, we consider the principal or most advantageous market for an asset or liability and assumptions that market participants would use when pricing the asset or liability. In addition, we consider and use all valuation methods that are appropriate in estimating the fair value of an asset or liability.

The authoritative guidance establishes a fair value hierarchy that is based on the extent and level of judgment used to estimate the fair value of assets and liabilities. In general, the authoritative guidance requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. An asset or liability's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the measurement of its fair value. The three levels of input defined by the authoritative guidance are as follows:

Level 1 uses unadjusted quoted prices that are available in active markets for identical assets or liabilities.

Level 2 uses inputs other than quoted prices included in Level 1 that are either directly or indirectly observable through correlation with market data. These include 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; and inputs to valuation models or other pricing methodologies that do not require significant judgment because the inputs used in the model, such as interest rates and volatility, can be corroborated by readily observable market data for substantially the full term of the assets or liabilities.

Level 3 uses one or more unobservable inputs that are supported by little or no market activity and that are significant to the determination of fair value. Level 3 assets and liabilities include those whose fair values are determined using pricing models, discounted cash flow methodologies or similar valuation techniques and significant management judgment or estimation.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table summarizes financial assets and financial liabilities that we measured at fair value on a recurring basis at the dates indicated, classified in accordance with the fair value hierarchy described above.

(In millions)	At July 31, 2014				At July 31, 2013			
	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value
Assets:								
Cash equivalents, primarily money market funds	\$652	\$—	\$—	\$652	\$917	\$—	\$—	\$917
Available-for-sale debt securities:								
Municipal bonds	—	701	—	701	—	489	—	489
Municipal auction rate securities	—	—	21	21	—	—	33	33
Corporate notes	—	466	—	466	—	269	—	269
U.S. agency securities	—	42	—	42	—	69	—	69
Available-for-sale corporate equity securities	—	—	—	—	33	—	—	33
Total available-for-sale securities	—	1,209	21	1,230	33	827	33	893

Edgar Filing: INTUIT INC - Form 10-K

Total assets measured at fair value on a recurring basis	\$652	\$1,209	\$21	\$1,882	\$950	\$827	\$33	\$1,810
Liabilities:								
Senior notes (1)	\$—	\$556	\$—	\$556	\$—	\$560	\$—	\$560

(1) Carrying value on our balance sheets at July 31, 2014 was \$499 million and at July 31, 2013 was \$499 million. See Note 9.

Tables of Contents

The following table summarizes our cash equivalents and available-for-sale debt and equity securities by balance sheet classification and level in the fair value hierarchy at the dates shown:

(In millions)	At July 31, 2014				At July 31, 2013			
	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value
Cash equivalents:								
In cash and cash equivalents	\$507	\$—	\$—	\$507	\$857	\$—	\$—	\$857
In funds held for customers	145	—	—	145	60	—	—	60
Total cash and cash equivalents	\$652	\$—	\$—	\$652	\$917	\$—	\$—	\$917
Available-for-sale securities:								
In investments	\$—	\$1,065	\$—	\$1,065	\$—	\$652	\$—	\$652
In funds held for customers	—	144	—	144	—	175	—	175
In long-term investments	—	—	21	21	33	—	33	66
Total available-for-sale securities	\$—	\$1,209	\$21	\$1,230	\$33	\$827	\$33	\$893

We value our Level 1 assets, consisting primarily of money market funds, using quoted prices in active markets for identical instruments. Financial assets whose fair values we measure on a recurring basis using Level 2 inputs consist of municipal bonds, corporate notes and U.S. agency securities. We measure the fair values of these assets with the help of a pricing service that either provides quoted market prices in active markets for identical or similar securities or uses observable inputs for their pricing without applying significant adjustments. Our fair value processes include controls that are designed to ensure that we record appropriate fair values for our Level 2 investments. These controls include comparison to pricing provided by a secondary pricing service or investment manager, validation of pricing sources and models, review of key model inputs, analysis of period-over-period price fluctuations, and independent recalculation of prices where appropriate.

Financial liabilities whose fair values we measure using Level 2 inputs consist of debt. See Note 9, “Long-Term Obligations and Commitments,” for more information. We measure the fair value of our senior notes based on their trading prices and the interest rates we could obtain for other borrowings with similar terms.

Financial assets whose fair values we measure using significant unobservable (Level 3) inputs consist of municipal auction rate securities that are no longer liquid. We estimate the fair values of these auction rate securities using a discounted cash flow model. Using our discounted cash flow model, we determined that the fair values of the municipal auction rate securities we held at July 31, 2014, 2013, and 2012 were approximately equal to their par values and as a result we recorded no decrease in their fair values during the twelve months then ended. During the twelve months ended July 31, 2014, \$12 million of these securities were redeemed by the issuers at par, leaving a remaining balance of \$21 million at July 31, 2014. We continued to classify them as long-term investments based on the maturities of the underlying securities at that date. We do not intend to sell our municipal auction rate securities and it is not more likely than not that we will be required to sell them before recovery at par, which may be at maturity.

There were no transfers between Level 1, Level 2, and Level 3 of the fair value hierarchy during the twelve months ended July 31, 2014, 2013 or 2012.

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

Assets measured at fair value on a non-recurring basis include reporting units measured at fair value in a goodwill impairment test. Estimates of fair value for reporting units fall under Level 3 of the fair value hierarchy.

During the fourth quarters of fiscal 2014, fiscal 2013, and fiscal 2012 we performed our annual goodwill impairment tests. Using the methodology described in Note 1, we determined that the estimated fair values of all of our reporting units exceeded their carrying values and that they were not impaired.

In March 2013 the largest customer for our Intuit Health business acquired a company that offers similar solutions and competes with us directly in that market space. As a result, we performed an interim impairment test of goodwill and acquired intangible assets during the third quarter of fiscal 2013. We concluded that the carrying amounts of goodwill and certain definite-lived acquired intangible assets associated with our Intuit Health business were impaired and recorded an impairment charge of \$46 million that reduced the carrying value of those assets to zero. For goodwill, the amount of the impairment charge was determined by comparing the carrying value of goodwill assigned to the reporting unit with the implied fair value of

Tables of Contents

the goodwill. We used a weighted combination of a discounted cash flow model (income approach) and comparisons to publicly traded companies engaged in similar businesses (market approach) to estimate the fair value of our Intuit Health reporting unit. Key assumptions that we used in the income approach included the amount and timing of estimated future cash flows to be generated by the business over an extended period of time, long-term growth rates for the business, and a rate of return that considered the relative risk of achieving the cash flows and the time value of money. For the market approach, we estimated the fair value of the reporting unit based on market multiples of revenue, operating income, and earnings for comparable publicly traded companies engaged in similar businesses. For those acquired intangible assets where the unamortized balances exceeded the undiscounted future net cash flows, we measured the amount of the impairment by calculating the amount by which the carrying values exceeded the estimated fair values, which were based on projected discounted future net cash flows. We believe that the assumptions used to determine the impairment amounts for the goodwill and acquired intangible assets for this business unit are reasonable. In the fourth quarter of fiscal 2013 management approved a plan to sell our Intuit Health business, which was part of our former Other Businesses segment. On August 19, 2013 we completed the sale for cash consideration that was not significant.

3. Cash and Cash Equivalents, Investments and Funds Held for Customers

The following table summarizes our cash and cash equivalents, investments and funds held for customers by balance sheet classification at the dates indicated.

(In millions)	July 31, 2014		July 31, 2013	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Classification on balance sheets:				
Cash and cash equivalents	\$849	\$849	\$1,009	\$1,009
Investments	1,064	1,065	653	652
Funds held for customers	289	289	235	235
Long-term investments	31	31	54	83
Total cash and cash equivalents, investments and funds held for customers	\$2,233	\$2,234	\$1,951	\$1,979

The following table summarizes our cash and cash equivalents, investments and funds held for customers by investment category at the dates indicated. See Note 2 for more information on our municipal auction rate securities.

(In millions)	July 31, 2014		July 31, 2013	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Type of issue:				
Total cash and cash equivalents	\$994	\$994	\$1,069	\$1,069
Available-for-sale debt securities:				
Municipal bonds	700	701	489	489
Municipal auction rate securities	21	21	33	33
Corporate notes	466	466	269	269
U.S. agency securities	42	42	69	69
Total available-for-sale debt securities	1,229	1,230	860	860
Available-for-sale corporate equity securities	—	—	5	33
Other long-term investments	10	10	17	17

Edgar Filing: INTUIT INC - Form 10-K

Total cash and cash equivalents, investments and funds held for customers	\$2,233	\$2,234	\$1,951	\$1,979
---	---------	---------	---------	---------

We include realized gains and losses on our available-for-sale debt and equity securities in interest and other income, net in our statements of operations. Gross realized gains and losses on our available-for-sale debt securities for the twelve months ended July 31, 2014, 2013 and 2012 were not significant.

Tables of Contents

We accumulate unrealized gains and losses on our available-for-sale debt and equity securities, net of tax, in accumulated other comprehensive income in the stockholders' equity section of our balance sheets. Gross unrealized gains and losses on our available-for-sale debt securities at July 31, 2014 and July 31, 2013 were not significant.

At July 31, 2013, the cumulative gross unrealized gain on our available-for-sale corporate equity security was approximately \$28 million. In the fourth quarter of fiscal 2014, we sold this security for \$26 million and recorded the gain of \$21 million in interest and other income in our statement of operations.

We periodically review our investment portfolios to determine if any investment is other-than-temporarily impaired due to changes in credit risk or other potential valuation concerns. We believe that the investments that we held at July 31, 2014 were not other-than-temporarily impaired. Unrealized losses on available-for-sale debt securities at July 31, 2014 were not significant and are due to changes in interest rates, including market credit spreads, and not due to increased credit risks associated with specific securities. We do not intend to sell these investments and it is not more likely than not that we will be required to sell them before recovery at par, which may be at maturity.

The following table summarizes our available-for-sale debt securities classified by the stated maturity date of the security at the dates indicated.

(In millions)	July 31, 2014		July 31, 2013	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	\$363	\$363	\$234	\$235
Due within two years	443	443	245	245
Due within three years	303	303	211	210
Due after three years	120	121	170	170
Total available-for-sale debt securities	\$1,229	\$1,230	\$860	\$860

Available-for-sale debt securities due after three years in the table above include our municipal auction rate securities. See Note 2, "Fair Value Measurements," for more information. All of the remaining securities in that category had interest reset dates or mandatory call dates within three years of the dates indicated in the table.

4. Property and Equipment

Property and equipment consisted of the following at the dates indicated:

(Dollars in millions)	Life in Years	July 31,	
		2014	2013
Equipment	3-5	\$402	\$388
Computer software	3-6	509	489
Furniture and fixtures	5	72	72
Leasehold improvements	2-16	282	262
Land	NA	6	6
Buildings	5-30	192	191
Capital in progress	NA	130	92
		1,593	1,500
Less accumulated depreciation and amortization		(987)	(945)
Total property and equipment, net		\$606	\$555

NA = Not Applicable

Capital in progress at July 31, 2014 and July 31, 2013 consisted primarily of costs related to internal use software projects and land that we have purchased adjacent to our headquarters campus in Mountain View, California that contains buildings that we are in the process of demolishing and reconstructing. As discussed in Note 1, "Description of Business and Summary of

69

Tables of Contents

Significant Accounting Policies – Internal Use Software,” we capitalize costs related to the development of computer software for internal use. We capitalized internal use software costs totaling \$82 million for the twelve months ended July 31, 2014; \$66 million for the twelve months ended July 31, 2013; and \$51 million for the twelve months ended July 31, 2012. These amounts included capitalized labor costs of \$48 million, \$56 million and \$30 million. Costs related to internal use software projects are included in the capital in progress category of property and equipment until project completion, at which time they are transferred to the computer software category.

5. Goodwill and Acquired Intangible Assets

We have reclassified our balance sheets to reflect the net assets of Intuit Financial Services as discontinued operations for all periods presented. Consequently, the goodwill and intangible assets of IFS are not included in the tables below. Because the net assets of our Intuit Health and Intuit Websites discontinued operations were not material for any period presented, we have not reclassified our balance sheets to reflect them as discontinued operations. Consequently, balances and activity relating to the goodwill and intangible assets of those businesses are included in the tables below. See Note 7, “Discontinued Operations,” for more information.

Goodwill

Changes in the carrying value of goodwill by reportable segment during the twelve months ended July 31, 2014 and July 31, 2013 were as shown in the following table. Our reportable segments are described in Note 14, “Segment Information.”

(In millions)	Balance July 31, 2012	Goodwill Acquired/ Adjusted	Goodwill Impairment Charges	Balance July 31, 2013	Goodwill Acquired/ Adjusted	Balance July 31, 2014
Small Business	\$957	\$(2)	—	\$955	\$96	\$1,051
Consumer	198	—	—	198	293	491
Professional Tax	93	—	—	93	—	93
Goodwill for Intuit Health discontinued operations	38	—	(38)	—	—	—
Totals	\$1,286	\$(2)	\$(38)	\$1,246	\$389	\$1,635

We had no accumulated goodwill impairment losses for our continuing operations at July 31, 2012. See Note 2, “Fair Value Measurements – Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis,” for a description of the goodwill impairment charge we recorded in fiscal 2013 for our Intuit Health reporting unit, which was classified as a discontinued operation in the fourth quarter of fiscal 2013. The increase in goodwill in our Consumer segment during the twelve months ended July 31, 2014 was due to the acquisition of Check Inc. See Note 6, “Business Combinations,” for more information. The increase in goodwill in our Small Business segment during the twelve months ended July 31, 2014 was due to a number of small acquisitions, none of which were individually significant.

Tables of Contents

Acquired Intangible Assets

The following table shows the cost, accumulated amortization and weighted average life in years for our acquired intangible assets at the dates indicated.

(Dollars in millions)	Customer Lists	Purchased Technology	Trade Names and Logos	Covenants Not to Compete or Sue	Total
At July 31, 2014:					
Cost	\$318	\$366	\$33	\$34	\$751
Accumulated amortization	(261)	(242)	(23)	(26)	(552)
Acquired intangible assets, net	\$57	\$124	\$10	\$8	\$199
Weighted average life in years	6	5	6	8	6
At July 31, 2013:					
Cost	\$306	\$277	\$32	\$33	\$648
Accumulated amortization	(249)	(207)	(20)	(23)	(499)
Acquired intangible assets, net	\$57	\$70	\$12	\$10	\$149
Weighted average life in years	7	6	6	9	7

The increase in total intangible assets during the twelve months ended July 31, 2014 was primarily due to the acquisition of Check Inc. See Note 6, "Business Combinations," for more information.

The following table shows the expected future amortization expense for our acquired intangible assets at July 31, 2014. Amortization of purchased technology is charged to cost of service and other revenue and to amortization of acquired technology in our statements of operations. Amortization of other acquired intangible assets such as customer lists is charged to amortization of other acquired intangible assets in our statements of operations. If impairment events occur, they could accelerate the timing of acquired intangible asset charges.

(In millions)	Expected Future Amortization Expense
Twelve months ending July 31,	
2015	\$ 67
2016	55
2017	36
2018	25
2019	15
Thereafter	1
Total expected future amortization expense	\$ 199

6. Business Combinations

Check Inc.

On June 16, 2014 we acquired all of the outstanding equity interests of Check Inc. for total cash and other consideration of approximately \$369 million. The \$369 million included total purchase consideration of approximately \$342 million and \$27 million for the fair value of assumed equity awards that is being charged to expense over service periods of up to four years. Check provides a mobile application that automates and consolidates the bill payment process in one place, reducing complexity for consumers. Check became part of our Consumer segment. We acquired Check to accelerate our ability to offer mobile bill payment services and create opportunities to retain, attract, and serve additional customers. We have included the

Tables of Contents

results of operations for Check in our consolidated results of operations from the date of acquisition. Their results of operations for periods prior to the date of acquisition were not material when compared with our consolidated results of operations.

Under the acquisition method of accounting we allocated the fair value of the total purchase consideration of \$342 million to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values on the date of acquisition. The fair values assigned to the identifiable intangible assets acquired were based on estimates and assumptions determined by management. We recorded the excess of consideration over the aggregate fair values as goodwill. Using information available at the time the acquisition closed, we allocated approximately \$14 million of the consideration to net tangible assets and approximately \$35 million of the consideration to identified intangible assets. We recorded the excess consideration of approximately \$293 million as goodwill, none of which is deductible for income tax purposes. The identified intangible assets are being amortized over a weighted average life of five years.

Demandforce, Inc.

On May 18, 2012 we acquired all of the outstanding equity interests of Demandforce, Inc. for total cash and other consideration of approximately \$449 million. The \$449 million included approximately \$44 million for the fair value of assumed equity awards that is being charged to expense over service periods of up to four years. Demandforce is a provider of online marketing and customer communication solutions for small businesses and became part of our Small Business segment. We acquired Demandforce to expand our online small business offerings in support of our connected services strategy. We have included the results of operations for Demandforce in our consolidated results of operations from the date of acquisition. Their results of operations for periods prior to the date of acquisition were not material when compared with our consolidated results of operations.

Under the acquisition method of accounting we allocated the fair value of the total consideration transferred to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values on the date of acquisition. The fair values assigned to the identifiable intangible assets acquired were based on estimates and assumptions determined by management. We recorded the excess of consideration over the aggregate fair values as goodwill. Using information available at the time the acquisition closed, we allocated approximately \$4 million of the consideration to net tangible liabilities and approximately \$93 million of the consideration to identified intangible assets. We recorded the excess consideration of approximately \$316 million as goodwill, none of which is deductible for income tax purposes. The identified intangible assets are being amortized over a weighted average life of six years.

7. Discontinued Operations

Intuit Financial Services

On July 1, 2013 we signed a definitive agreement to sell our Intuit Financial Services (IFS) business and on August 1, 2013 we completed the sale for approximately \$1.025 billion in cash. We recorded a gain on the disposal of IFS of approximately \$36 million, net of income taxes, in the first quarter of fiscal 2014. The decision to sell the IFS business was a result of management's desire to focus resources on our offerings for small businesses, consumers, and accounting professionals. The IFS business comprised substantially all of our former Financial Services reportable segment.

We determined that our IFS business became a long-lived asset held for sale in the fourth quarter of fiscal 2013. A long-lived asset classified as held for sale is measured at the lower of its carrying amount or fair value less cost to sell. Since the carrying value of IFS at July 31, 2013 was less than the estimated fair value less cost to sell, no adjustment

to the carrying value of this long-lived asset was necessary at that date.

We also classified our IFS business as discontinued operations in the fourth quarter of fiscal 2013 and have therefore segregated its operating results and net assets from continuing operations in our statements of operations and on our balance sheets for all periods presented. Because operating cash flows from the IFS business were not material for any period presented, we have not segregated them from continuing operations on our statements of cash flows.

Tables of Contents

See the table later in this Note 7 for more information on the IFS operating results. The carrying amounts of the major classes of assets and liabilities of IFS at July 31, 2013 were as shown in the following table. These carrying amounts approximated fair value.

(In millions)	July 31, 2013
Accounts receivable	\$40
Other current assets	4
Property and equipment, net	31
Goodwill	914
Purchased intangible assets, net	4
Other assets	6
Total assets	999
Accounts payable	15
Accrued compensation	21
Deferred revenue	3
Long-term obligations	9
Total liabilities	48
Net assets	\$951

Intuit Health

In July 2013 management having the authority to do so formally approved a plan to sell our Intuit Health business and on August 19, 2013 we completed the sale for cash consideration that was not significant. We recorded a \$4 million pre-tax loss on the disposal of Intuit Health that was more than offset by a related income tax benefit of approximately \$14 million, resulting in a net gain on disposal of approximately \$10 million in the first quarter of fiscal 2014. The decision to sell the Intuit Health business was a result of management's desire to focus resources on its offerings for small businesses, consumers, and accounting professionals. Intuit Health was part of our former Other Businesses reportable segment.

We determined that our Intuit Health business became a long-lived asset held for sale in the fourth quarter of fiscal 2013. A long-lived asset classified as held for sale is measured at the lower of its carrying amount or fair value less cost to sell. Since the carrying value of Intuit Health at July 31, 2013 was less than the estimated fair value less cost to sell, no adjustment to the carrying value of this long-lived asset was necessary at that date.

We also classified our Intuit Health business as discontinued operations in the fourth quarter of fiscal 2013 and have segregated its operating results in our statements of operations for all periods presented. See the table later in this Note for more information. We have not segregated the net assets of Intuit Health on our balance sheets for any period presented. Net assets held for sale at July 31, 2013 consisted primarily of operating assets and liabilities that were not material. Because operating cash flows from the Intuit Health business were also not material for any period presented, we have not segregated them from continuing operations on our statements of cash flows.

Intuit Websites

In July 2012 management having the authority to do so formally approved a plan to sell our Intuit Websites business, which was a component of our Small Business reportable segment. The decision was the result of a shift in our strategy for helping small businesses to establish an online presence. On August 10, 2012 we signed a definitive agreement to sell our Intuit Websites business and on September 17, 2012 we completed the sale for approximately \$60 million in cash. We recorded a gain on disposal of approximately \$32 million, net of income taxes.

We determined that our Intuit Websites business became a long-lived asset held for sale in the fourth quarter of fiscal 2012. A long-lived asset classified as held for sale is measured at the lower of its carrying amount or fair value less cost to sell. Since the carrying value of Intuit Websites at July 31, 2012 was less than the estimated fair value less cost to sell, no adjustment to the carrying value of this long-lived asset was necessary at that date.

Tables of Contents

We also classified our Intuit Websites business as discontinued operations in the fourth quarter of fiscal 2012 and have segregated its operating results in our statements of operations for all periods presented. See the table later in this Note for more information. Because operating cash flows from the Intuit Websites business were also not material for any period presented, we have not segregated them from continuing operations on our statements of cash flows.

Net Income (Loss) from Discontinued Operations

Net revenue from discontinued operations, income or loss from discontinued operations before income taxes, and the components of net income (loss) from discontinued operations were as follows for the periods indicated:

(In millions)	Twelve Months Ended July 31,		
	2014	2013	2012
Net revenue from discontinued operations:			
Intuit Financial Services	\$—	\$325	\$326
Intuit Health	1	16	18
Intuit Websites	—	10	76
Total net revenue from discontinued operations	\$1	\$351	\$420
Income (loss) from discontinued operations before income taxes:			
Intuit Financial Services	\$—	\$52	\$41
Intuit Health	(1	) (71	) (29
Intuit Websites	—	—	(18
Total loss from discontinued operations before income taxes	\$(1	) \$(19	) \$(6
Net income (loss) from discontinued operations:			
Net income from Intuit Financial Services operations	\$—	\$34	\$23
Net gain on disposal of Intuit Financial Services discontinued operations	36	8	—
Net loss from Intuit Health operations	—	(57	) (20
Net gain on disposal of Intuit Health discontinued operations	10	18	—
Net loss from Intuit Websites operations	—	—	(11
Net gain on disposal of Intuit Websites discontinued operations	—	32	36
Total net income from discontinued operations	\$46	\$35	\$28

The net gains on disposal of Intuit Financial Services and Intuit Health for the twelve months ended July 31, 2013 and of Intuit Websites for the twelve months ended July 31, 2012 were comprised of tax benefits from the anticipated sales of those businesses. See Note 10, "Income Taxes," for more information.

8. Current Liabilities

Unsecured Revolving Credit Facility

On February 17, 2012 we entered into an agreement with certain institutional lenders for a \$500 million unsecured revolving credit facility that will expire on February 17, 2017. Advances under the credit facility will accrue interest at rates that are equal to, at our election, either JP Morgan's alternate base rate plus a margin that ranges from 0.0% to 0.5% or the London InterBank Offered Rate (LIBOR) plus a margin that ranges from 0.9% to 1.5%. Actual margins under either election will be based on our senior debt credit ratings. The agreement includes customary affirmative

and negative covenants, including financial covenants that require us to maintain a ratio of total debt to annual earnings before interest, taxes, depreciation and amortization (EBITDA) of not greater than 3.25 to 1.00 as of any date and a ratio of annual EBITDA to interest payable of not less than 3.00 to 1.00 as of the last day of each fiscal quarter. We remained in compliance with these covenants at all times during the quarter

Tables of Contents

ended July 31, 2014. We may use amounts borrowed under this credit facility for general corporate purposes, including future acquisitions. To date we have not borrowed under this credit facility.

Other Current Liabilities

Other current liabilities were as follows at the dates indicated:

	July 31,	
(In millions)	2014	2013
Reserve for product returns	\$24	\$20
Reserve for rebates	23	15
Current portion of license fee payable	10	10
Current portion of deferred rent	7	8
Interest payable	10	10
Executive deferred compensation plan liabilities	63	64
Other	30	29
Total other current liabilities	\$167	\$156

9. Long-Term Obligations and Commitments

Long-Term Debt

On March 12, 2007 we issued \$500 million of 5.40% senior unsecured notes due on March 15, 2012 (the 2012 Notes) and \$500 million of 5.75% senior unsecured notes due on March 15, 2017 (the 2017 Notes) (together, the Notes), for a total principal amount of \$1 billion. We repaid the 2012 Notes when they became due using cash from operations. We carried the 2017 Notes at face value less the unamortized discount in long-term debt on our balance sheets at July 31, 2014 and July 31, 2013. The 2017 Notes are redeemable by Intuit at any time, subject to a make-whole premium, and include covenants that limit our ability to grant liens on our facilities and to enter into sale and leaseback transactions, subject to significant allowances. We paid \$29 million in cash for interest on the Notes during each of the twelve months ended July 31, 2014 and July 31, 2013 and \$56 million during the twelve months ended July 31, 2012.

Other Long-Term Obligations

Other long-term obligations were as follows at the dates indicated:

	July 31,	
(In millions)	2014	2013
Total deferred rent	\$62	\$55
Total license fee payable	41	48
Long-term income tax liabilities	32	38
Long-term deferred revenue	10	32
Long-term deferred income tax liabilities	61	6
Other	14	7
Total long-term obligations	220	186
Less current portion (included in other current liabilities)	(17)	(19)
Long-term obligations due after one year	\$203	\$167

In May 2009 we entered into an agreement to license certain technology for \$20 million in cash and \$100 million payable over ten fiscal years. The total present value of the arrangement at inception was approximately \$89 million. The total license fee payable in the table above includes imputed interest through the dates indicated.

Tables of Contents

Operating Lease Commitments and Unconditional Purchase Obligations

We lease office facilities and equipment under non-cancellable operating lease arrangements. Our facilities leases generally provide for periodic rent increases and many contain escalation clauses and renewal options. The leases for our corporate headquarters campus in Mountain View, California expire in 2024 and 2026, with options to extend the lease terms for an additional ten years at rates to be determined in accordance with the agreements.

In the ordinary course of business we enter into certain unconditional purchase obligations with our suppliers. These are agreements to purchase products and services that are enforceable, legally binding, and specify terms that include fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the payments.

Annual minimum commitments under operating leases and purchase obligations at July 31, 2014 were as shown in the table below.

(In millions)	Operating Lease Commitments	Purchase Obligations
Fiscal year ending July 31,		
2015	\$ 72	\$30
2016	69	18
2017	69	10
2018	55	61
2019	45	—
Thereafter	260	1
Total commitments	\$ 570	\$120

Rent expense for continuing operations totaled \$57 million for the twelve months ended July 31, 2014, \$53 million for the twelve months ended July 31, 2013, and \$47 million for the twelve months ended July 31, 2012. Rent expense includes base contractual rent and contractual variable expenses such as building maintenance, utilities, property taxes and insurance.

10. Income Taxes

The provision for income taxes from continuing operations consisted of the following for the periods indicated:

(In millions)	Twelve Months Ended July 31,		
	2014	2013	2012
Current:			
Federal	\$324	\$307	\$363
State	20	28	28
Foreign	10	5	2
Total current	354	340	393
Deferred:			
Federal	91	34	(23)
State	6	2	(4)
Foreign	2	11	8
Total deferred	99	47	(19)

Edgar Filing: INTUIT INC - Form 10-K

Total provision for income taxes from continuing operations	\$453	\$387	\$374
---	-------	-------	-------

Excess tax benefits associated with share-based compensation deductions are credited to stockholders' equity. The reductions of income taxes payable resulting from share-based compensation deductions that were credited to stockholders' equity were approximately \$82 million for the twelve months ended July 31, 2014, \$69 million for the twelve months ended July 31, 2013, and \$71 million for the twelve months ended July 31, 2012.

Tables of Contents

The sources of income from continuing operations before the provision for income taxes consisted of the following for the periods indicated:

(In millions)	Twelve Months Ended July 31,		
	2014	2013	2012
United States	\$1,290	\$1,165	\$1,096
Foreign	24	45	42
Total	\$1,314	\$1,210	\$1,138

Differences between income taxes calculated using the federal statutory income tax rate of 35% and the provision for income taxes from continuing operations were as follows for the periods indicated:

(In millions)	Twelve Months Ended July 31,		
	2014	2013	2012
Income from continuing operations before income taxes	\$1,314	\$1,210	\$1,138
Statutory federal income tax	\$460	\$424	\$398
State income tax, net of federal benefit	17	17	16
Federal research and experimentation credits	(8	) (24	) (8
Domestic production activities deduction	(25	) (29	) (27
Share-based compensation	9	7	8
Effects of non-U.S. operations	1	(2	) (5
Other, net	(1	) (6	) (8
Total provision for income taxes from continuing operations	\$453	\$387	\$374

In January 2013 the American Taxpayer Relief Act of 2012 was signed into law. The Act includes a reinstatement of the federal research and experimentation credit through December 31, 2013 that was retroactive to January 1, 2012. We recorded a discrete tax benefit of approximately \$8 million for the retroactive effect during the twelve months ended July 31, 2013. As of July 31, 2014, the federal research and experimentation credit has not been extended beyond December 31, 2013.

Tables of Contents

Significant deferred tax assets and liabilities were as follows at the dates indicated:

(In millions)	July 31, 2014	2013
Deferred tax assets:		
Accruals and reserves not currently deductible	\$60	\$51
Deferred rent	11	11
Accrued and deferred compensation	50	50
Loss and tax credit carryforwards	47	36
Property and equipment	—	12
Share-based compensation	50	97
Net basis difference in investments held for sale	—	41
Other, net	2	—
Total deferred tax assets	220	298
Deferred tax liabilities:		
Intangible assets	120	93
Property and equipment	4	—
Other, net	—	10
Total deferred tax liabilities	124	103
Total net deferred tax assets	96	195
Valuation allowance	(24)	(25)
Total net deferred tax assets, net of valuation allowance	\$72	\$170

The components of total net deferred tax assets, net of valuation allowances, as shown on our balance sheets were as follows at the dates indicated:

(In millions)	July 31, 2014	2013
Current deferred income taxes	\$133	\$166
Long-term deferred income taxes included in other assets	—	10
Long-term deferred income taxes included in other long-term obligations	(61)	(6)
Total net deferred tax assets, net of valuation allowance	\$72	\$170

We provide U.S. federal income taxes on the earnings of foreign subsidiaries unless the subsidiaries' earnings are intended to be indefinitely reinvested in our international operations. To the extent that foreign earnings previously treated as indefinitely reinvested are repatriated, the related U.S. tax liability may, subject to certain limitations, be reduced by any foreign income taxes paid on these earnings. At July 31, 2014, the cumulative amount of earnings upon which U.S. income taxes had not been provided was approximately \$48 million. The unrecognized deferred tax liability for these earnings was approximately \$7 million.

We have provided a valuation allowance related to the benefits of federal and state net basis difference in investments held for sale, state capital and operating loss carryforwards, foreign operating loss carryforwards, and state tax credit carryforwards that we believe are unlikely to be realized. Changes in the valuation allowance during the twelve months ended July 31, 2014 were primarily related to the reduction of the valuation allowance on the loss associated with the sale of our Intuit Health investment, partially offset by the increase of the valuation allowance related to state tax credit and state and foreign operating loss carryforwards. Changes in the valuation allowance during the twelve months ended July 31, 2013 were primarily related to the federal and state net basis difference in investments held for sale. The deferred tax assets for the net basis difference in the Intuit Financial Services and Intuit Health investments held for sale were \$9 million and \$32 million, on which we recorded valuation allowances of \$1 million and \$14 million. We recorded the related tax benefits of \$8 million and \$18 million to net gain on disposal of discontinued operations. See Note 7, "Discontinued Operations," for more information.

At July 13, 2013, the deferred tax asset for the capital loss on the sale of Intuit Websites was \$16 million, on which there was a valuation allowance of \$2 million for state capital loss carryforwards. The deferred tax asset for the net basis difference in the Intuit Websites investment held for sale at the end of fiscal 2012 was \$38 million, on which we recorded a valuation allowance of \$2 million. We recorded the related tax benefit to net income from discontinued operations in fiscal 2012.

Tables of Contents

At July 31, 2014, we had total federal net operating loss carryforwards of approximately \$61 million that will start to expire in fiscal 2021. Utilization of the net operating losses is subject to annual limitation. The annual limitation may result in the expiration of net operating losses before utilization.

At July 31, 2014, we had total state net operating loss carryforwards of approximately \$183 million for which we have recorded a deferred tax asset of \$11 million and a valuation allowance of \$9 million. The state net operating losses will start to expire in fiscal 2015. Utilization of the net operating losses is subject to annual limitation. The annual limitation may result in the expiration of net operating losses before utilization.

At July 31, 2014, we had Singapore operating loss carryforwards of approximately \$18 million which have an indefinite carryforward period. We recorded a full valuation allowance on the related deferred tax asset.

At July 31, 2014, we had California research and experimentation credit carryforwards of approximately \$27 million. If realized, \$7 million of the carryforward will be recognized as additional paid in capital. We recorded a full valuation on the related deferred tax asset.

Unrecognized Tax Benefits

The aggregate changes in the balance of our gross unrecognized tax benefits were as follows for the periods indicated:

(In millions)	Twelve Months Ended July 31,		
	2014	2013	2012
Gross unrecognized tax benefits, beginning balance	\$39	\$38	\$41
Increases related to tax positions from prior fiscal years, including acquisitions	4	5	3
Decreases related to tax positions from prior fiscal years	(8)	(12)	(9)
Increases related to tax positions taken during current fiscal year	5	9	3
Settlements with tax authorities	—	(1)	—
Gross unrecognized tax benefits, ending balance	\$40	\$39	\$38

The total amount of our unrecognized tax benefits at July 31, 2014 was \$40 million. Net of related deferred tax assets, unrecognized tax benefits were \$26 million at that date. If we were to recognize these net benefits, our income tax expense would reflect a favorable net impact of \$26 million. We do not believe that it is reasonably possible that there will be a significant increase or decrease in unrecognized tax benefits over the next 12 months.

We file U.S. federal, U.S. state, and foreign tax returns. Our major tax jurisdictions are U.S. federal and the State of California. For U.S. federal tax returns we are no longer subject to tax examinations for years prior to fiscal 2010. For California tax returns we are no longer subject to tax examinations for years prior to fiscal 2007. We are currently under examination by the Internal Revenue Service for fiscal 2010 through 2012 and by the California Franchise Tax Board for fiscal 2007 and 2008.

We recognize interest and penalties related to unrecognized tax benefits within the provision for income taxes. Amounts accrued at July 31, 2014 and July 31, 2013 for the payment of interest and penalties were not significant. The amounts of interest and penalties that we recognized during the twelve months ended July 31, 2014, 2013 and 2012 were also not significant.

Tables of Contents

11. Stockholders' Equity

Stock Repurchase Programs

Intuit's Board of Directors has authorized a series of common stock repurchase programs. Shares of common stock repurchased under these programs become treasury shares. Under these programs, we repurchased 22.5 million shares of our common stock for \$1.6 billion during the twelve months ended July 31, 2014; 4.8 million shares for \$292 million during the twelve months ended July 31, 2013; and 16.9 million shares for \$900 million during the twelve months ended July 31, 2012. At July 31, 2014, we had authorization from our Board of Directors to expend up to an additional \$1.9 billion for stock repurchases through August 19, 2017. Future stock repurchases under the current program are at the discretion of management, and authorization of future stock repurchase programs is subject to the final determination of our Board of Directors.

To facilitate our stock repurchase program, from time to time we repurchase shares in the open market. On August 23, 2013 we entered into an accelerated share repurchase (ASR) agreement with a large financial institution to repurchase \$1.4 billion of Intuit's common stock on an accelerated basis. On August 23, 2013 we paid \$1.4 billion to the financial institution and received an initial delivery of 17.6 million shares of Intuit common stock. On December 23, 2013 we received a final delivery of 2.6 million shares of Intuit common stock. We treated the ASR as a forward contract indexed to our own common stock. The forward contract met all of the applicable criteria for equity classification, so we did not account for it as a derivative instrument. We have reflected the shares delivered to us by the financial institution as treasury shares as of the date they were physically delivered in computing weighted average shares outstanding for both basic and diluted net loss per share.

Our treasury shares are repurchased at the market price on the trade date; accordingly, all amounts paid to reacquire these shares have been recorded as treasury stock on our balance sheets. Repurchased shares of our common stock are held as treasury shares until they are reissued or retired. When we reissue treasury stock, if the proceeds from the sale are more than the average price we paid to acquire the shares we record an increase in additional paid-in capital. Conversely, if the proceeds from the sale are less than the average price we paid to acquire the shares, we record a decrease in additional paid-in capital to the extent of increases previously recorded for similar transactions and a decrease in retained earnings for any remaining amount.

In the past we have satisfied option exercises and restricted stock unit vesting under our employee equity incentive plans by reissuing treasury shares, and we may do so again in the future. During the second quarter of fiscal 2014 we began issuing new shares of common stock to satisfy option exercises and RSU vesting under our 2005 Equity Incentive Plan. We have not yet determined the ultimate disposition of the shares that we have repurchased in the past, and consequently we continue to hold them as treasury shares.

Dividends on Common Stock

During fiscal 2014 we declared and paid cash dividends that totaled \$0.76 per share of outstanding common stock or approximately \$220 million. In August 2014 our Board of Directors declared a quarterly cash dividend of \$0.25 per share of outstanding common stock payable on October 20, 2014 to stockholders of records at the close of business on October 10, 2014. Future declarations of dividends and the establishment of future record dates and payment dates are subject to the final determination of our Board of Directors.

Description of 2005 Equity Incentive Plan

Our stockholders initially approved our 2005 Equity Incentive Plan (2005 Plan) on December 9, 2004. On January 23, 2014 our stockholders approved an Amended and Restated 2005 Equity Incentive Plan (Restated 2005 Plan) that

expires on October 29, 2023. Under the Restated 2005 Plan, we are permitted to grant incentive and non-qualified stock options, restricted stock awards, restricted stock units (RSUs), stock appreciation rights and stock bonus awards to our employees, non-employee directors, and consultants. The Compensation and Organizational Development Committee of our Board of Directors or its delegates determine who will receive grants, when those grants will be exercisable, their exercise price and other terms. We are permitted to issue up to 115,000,000 shares under the Restated 2005 Plan. The plan provides a fungible share reserve. Each stock option granted on or after November 1, 2010 reduces the share reserve by one share and each restricted stock award or restricted stock unit granted reduces the share reserve by 2.3 shares. Stock options forfeited and returned to the pool of shares available for grant increase the pool by one share for each share forfeited. Restricted stock awards and RSUs forfeited and returned to the pool of shares available for grant increase the pool by 2.3 shares for each share forfeited. At July 31, 2014, there were approximately 24.2 million shares available for grant under this plan. Stock options granted under the 2005 Plan and the Restated 2005 Plan typically vest over three years based on continued service and have a seven year term. RSUs granted under those plans typically vest over three years based on continued service. Certain RSUs granted to senior management vest based on the achievement of pre-established performance or market goals.

Tables of Contents

Description of Employee Stock Purchase Plan

On November 26, 1996 our stockholders initially adopted our Employee Stock Purchase Plan (ESPP) under Section 423 of the Internal Revenue Code. The ESPP permits our eligible employees to make payroll deductions to purchase our stock on regularly scheduled purchase dates at a discount. Our stockholders have approved amendments to the ESPP to permit the issuance of up to 20,800,000 shares under the ESPP, which expires on July 27, 2015. Offering periods under the ESPP are six months in duration and composed of two consecutive three-month accrual periods. Shares are purchased at 85% of the lower of the closing price for Intuit common stock on the first day of the offering period or the last day of the accrual period.

Under the ESPP, employees purchased 1,044,961 shares of Intuit common stock during the twelve months ended July 31, 2014; 1,172,822 shares during the twelve months ended July 31, 2013; and 1,031,483 shares during the twelve months ended July 31, 2012. At July 31, 2014, there were 2,531,405 shares available for issuance under this plan.

Share-Based Compensation Expense

The following table summarizes the total share-based compensation expense that we recorded in operating income from continuing operations for the periods shown.

(In millions except per share amounts)	Twelve Months Ended July 31,		
	2014	2013	2012
Cost of service and other revenue	\$8	\$6	\$4
Selling and marketing	59	64	56
Research and development	66	55	49
General and administrative	71	59	50
Total share-based compensation expense from continuing operations	204	184	159
Income tax benefit	(66)	) (61	) (51
Decrease in net income from continuing operations	\$138	\$123	\$108
Decrease in net income per share from continuing operations:			
Basic	\$0.48	\$0.41	\$0.36
Diluted	\$0.47	\$0.41	\$0.35

The table above excludes share-based compensation expense for our discontinued operations, which totaled \$11 million during the twelve months ended July 31, 2013 and \$10 million during the twelve months ended July 31, 2012. Because we have not reclassified our statements of cash flows to segregate discontinued operations, these amounts are included in share-based compensation expense on our statements of cash flows for those periods.

Determining Fair Value

Valuation and Amortization Method. We estimate the fair value of stock options granted using a lattice binomial model and a multiple option award approach. Our stock options have various restrictions, including vesting provisions and restrictions on transfer, and are often exercised prior to their contractual maturity. We believe that lattice binomial models are more capable of incorporating the features of our stock options than closed-form models such as the Black Scholes model. The use of a lattice binomial model requires the use of extensive actual employee exercise behavior

and a number of complex assumptions including the expected volatility of our stock price over the term of the options, risk-free interest rates and expected dividends. We amortize the fair value of options on a straight-line basis over the requisite service periods of the awards, which are generally the vesting periods.

Restricted stock units (RSUs) granted typically vest based on continued service. We value these time-based RSUs at the date of grant using the intrinsic value method, adjusted for estimated forfeitures. We amortize the fair value of time-based RSUs on a straight-line basis adjusted for estimated forfeitures over the service period. Certain RSUs granted to senior management vest based on the achievement of pre-established performance or market goals. We estimate the fair value of performance-based RSUs at the date of grant using the intrinsic value method and the probability that the specified performance criteria will be met, adjusted for estimated forfeitures. Each quarter we update our assessment of the probability that the specified performance

Tables of Contents

criteria will be achieved and adjust our estimate of the fair value of the performance-based RSUs if necessary. We amortize the fair values of performance-based RSUs over the requisite service period adjusted for estimated forfeitures for each separately vesting tranche of the award. We estimate the fair value of market-based RSUs at the date of grant using a Monte Carlo valuation methodology and amortize those fair values over the requisite service period adjusted for estimated forfeitures for each separately vesting tranche of the award. The Monte Carlo methodology that we use to estimate the fair value of market-based RSUs at the date of grant incorporates into the valuation the possibility that the market condition may not be satisfied. Provided that the requisite service is rendered, the total fair value of the market-based RSUs at the date of grant must be recognized as compensation expense even if the market condition is not achieved. However, the number of shares that ultimately vest can vary significantly with the performance of the specified market criteria.

As discussed below under "Dividends," in July 2011 we determined that it was probable that we would pay cash dividends in the future. Since RSU holders were not entitled to dividends, starting in July 2011 we began reducing the market price of our stock on the date of grant, which is used in the intrinsic value method, by the present value of the dividends expected to be paid on the shares during the vesting period, discounted at the appropriate risk-free interest rate. Beginning in July 2012, all of the RSUs we grant have dividend rights that are subject to the same vesting requirements as the underlying equity awards, so we no longer adjust the market price of our stock on the date of grant for dividends.

Expected Term. The expected term of options granted represents the period of time that they are expected to be outstanding and is a derived output of the lattice binomial model. The expected term of stock options is impacted by all of the underlying assumptions and calibration of our model. The lattice binomial model assumes that option exercise behavior is a function of the option's remaining vested life and the extent to which the market price of our common stock exceeds the option exercise price. The lattice binomial model estimates the probability of exercise as a function of these two variables based on the history of exercises and cancellations on all past option grants made by us.

Expected Volatility. We estimate the volatility of our common stock at the date of grant based on the implied volatility of one-year and two-year publicly traded options on our common stock. Our decision to use implied volatility was based upon the availability of actively traded options on our common stock and our assessment that implied volatility is more representative of future stock price trends than historical volatility.

Risk-Free Interest Rate. We base the risk-free interest rate that we use in our option valuation model on the implied yield in effect at the time of option grant on constant maturity U.S. Treasury issues with equivalent remaining terms.

Dividends. Prior to July 2011, we paid no cash dividends on our common stock and did not anticipate paying any cash dividends, so we used an expected dividend yield of zero in our option valuation model. In July 2011 we determined that it was probable that we would pay quarterly cash dividends in the future and as a result we began using an annualized expected dividend yield in our option valuation model. We paid quarterly cash dividends during fiscal 2014, fiscal 2013, and fiscal 2012 and currently expect to continue to pay cash dividends in the future.

Forfeitures. We estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. We use historical data to estimate pre-vesting option forfeitures and record share-based compensation expense only for those awards that are expected to vest.

Tables of Contents

We used the following assumptions to estimate the fair value of stock options granted and shares purchased under our Employee Stock Purchase Plan for the periods indicated:

	Twelve Months Ended July 31,		
	2014	2013	2012
Assumptions for stock options:			
Expected volatility (range)	22% - 24%	22% - 27%	27% - 33%
Weighted average expected volatility	23 %	23 %	29 %
Risk-free interest rate (range)	1.01% - 1.40%	0.49% - 1.05%	0.43% - 0.85%
Expected dividend yield	0.92% - 1.06%	1.02% - 1.18%	1.02% - 1.20%
Assumptions for ESPP:			
Expected volatility (range)	19% - 22%	20% - 24%	24% - 33%
Weighted average expected volatility	21 %	22 %	29 %
Risk-free interest rate (range)	0.02% - 0.08%	0.05% - 0.11%	0.00% - 0.10%
Expected dividend yield	0.94% - 1.15%	1.04% - 1.17%	1.00% - 1.20%

Share-Based Awards Available for Grant

A summary of share-based awards available for grant under our 2005 Equity Incentive Plan for the fiscal periods indicated was as follows:

(Shares in thousands)	Shares Available for Grant
Balance at July 31, 2011	30,716
Options granted	(3,167)
Restricted stock units granted (1)	(7,902)
Share-based awards canceled/forfeited/expired (1)(2)	2,113
Balance at July 31, 2012	21,760
Options granted	(2,607)
Restricted stock units granted (1)	(9,310)
Share-based awards canceled/forfeited/expired (1)(2)	2,277
Balance at July 31, 2013	12,120
Additional shares authorized	19,000
Options granted	(2,206)
Restricted stock units granted (1)	(8,959)
Share-based awards canceled/forfeited/expired (1)(2)	4,248
Balance at July 31, 2014	24,203

RSUs granted from the pool of shares available for grant under our 2005 Equity Incentive Plan reduce the pool by (1)2.3 shares for each share granted. RSUs forfeited and returned to the pool of shares available for grant increase the pool by 2.3 shares for each share forfeited.

(2)

Stock options and restricted stock units canceled, expired or forfeited under our 2005 Equity Incentive Plan are returned to the pool of shares available for grant. Stock options and restricted stock units canceled, expired or forfeited under older expired plans are not returned to the pool of shares available for grant.

Tables of Contents

Stock Option Activity and Related Share-Based Compensation Expense

A summary of activity under all share-based compensation plans for the fiscal periods indicated was as follows:

(Shares in thousands)	Options Outstanding Number of Shares	Weighted Average Exercise Price Per Share
Balance at July 31, 2011	22,679	\$32.38
Granted	3,167	51.36
Assumed and converted in connection with acquisitions	282	54.51
Exercised	(7,513)	) 28.41
Canceled or expired	(554)	) 39.43
Balance at July 31, 2012	18,061	37.49
Granted	2,607	62.93
Exercised	(5,826)	) 32.79
Canceled or expired	(636)	) 44.60
Balance at July 31, 2013	14,206	43.77
Granted	2,206	82.15
Assumed and converted in connection with acquisitions	261	5.16
Exercised	(5,041)	) 37.74
Canceled or expired	(694)	) 54.77
Balance at July 31, 2014	10,938	\$52.67

Options outstanding, exercisable and expected to vest, and exercisable as of July 31, 2014 were as follows:

	Number of Shares (in thousands)	Weighted Average Remaining Contractual Life (in Years)	Weighted Average Exercise Price per Share	Aggregate Intrinsic Value (in millions)
Options Outstanding	10,938	5.21	\$52.67	\$322
Options Exercisable and expected to vest	10,496	5.08	\$51.96	\$317
Options Exercisable	5,177	2.84	\$38.18	\$227

Options expected to vest are unvested shares net of expected forfeitures. The aggregate intrinsic value of options outstanding at July 31, 2014 is calculated as the difference between the exercise price of the underlying options and the market price of our common stock for shares that were in-the-money at that date. In-the-money options at July 31, 2014 were options that had exercise prices that were lower than the \$81.97 market price of our common stock at that date.

Tables of Contents

Additional information regarding our stock options and ESPP shares is shown in the table below.

(In millions except per share amounts)	Twelve Months Ended July 31,		
	2014	2013	2012
Weighted average fair value of options granted (per share)	\$21.34	\$11.24	\$15.22
Total fair value of options vested	\$20	\$41	\$39
Aggregate intrinsic value of options exercised	\$177	\$166	\$202
Share-based compensation expense for stock options and ESPP	\$48	\$49	\$53
Total tax benefit for stock option and ESPP share-based compensation	\$12	\$15	\$14
Cash received from option exercises	\$190	\$191	\$213
Cash tax benefits realized related to tax deductions for non-qualified option exercises and disqualifying dispositions under all share-based payment arrangements	\$63	\$60	\$72

At July 31, 2014, there was \$71 million of unrecognized compensation cost related to non-vested stock options that we will amortize to expense in the future. Unrecognized compensation cost will be adjusted for future changes in estimated forfeitures. We expect to recognize that cost over a weighted average vesting period of 2.5 years.

Restricted Stock Unit Activity and Related Share-Based Compensation Expense

A summary of restricted stock unit (RSU) activity for the periods indicated was as follows:

(Shares in thousands)	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested at July 31, 2011	11,055	\$37.92
Granted	3,436	55.02
Assumed and converted in connection with acquisitions	575	54.51
Vested	(4,763)	) 34.13
Forfeited	(696)	) 39.56
Nonvested at July 31, 2012	9,607	46.79
Granted	4,048	62.76
Vested	(3,670)	) 43.00
Forfeited	(801)	) 48.16
Nonvested at July 31, 2013	9,184	55.23
Granted	3,896	71.37
Assumed and converted in connection with acquisitions	782	71.00
Vested	(2,820)	) 53.98
Forfeited	(1,587)	) 61.76
Nonvested at July 31, 2014	9,455	\$62.46

Tables of Contents

Additional information regarding our RSUs is shown in the table below.

(In millions)	Twelve Months Ended July 31,		
	2014	2013	2012
Total fair value of RSUs vested	\$ 204	\$ 224	\$ 258
Share-based compensation for RSUs	\$ 156	\$ 135	\$ 106
Total tax benefit related to RSU share-based compensation expense	\$ 54	\$ 46	\$ 37
Cash tax benefits realized for tax deductions for RSUs	\$ 134	\$ 77	\$ 46

At July 31, 2014, there was \$384 million of unrecognized compensation cost related to non-vested RSUs that we will amortize to expense in the future. Unrecognized compensation cost will be adjusted for future changes in estimated forfeitures. We expect to recognize that cost over a weighted average vesting period of 2.4 years.

Accumulated Other Comprehensive Income (Loss)

Comprehensive income consists of two elements, net income and other comprehensive income (loss). Other comprehensive income (loss) items are recorded in the stockholders' equity section of our balance sheets and excluded from net income. Our other comprehensive income (loss) consists of unrealized gains and losses on marketable debt and equity securities classified as available-for-sale and foreign currency translation adjustments for subsidiaries with functional currencies other than the U.S. dollar.

The following table shows the components of accumulated other comprehensive income (loss), net of income taxes, in the stockholders' equity section of our balance sheets at the dates indicated.

(In millions)	July 31,	
	2014	2013
Unrealized gains on available-for-sale debt securities	\$ 1	\$—
Unrealized gains on available-for-sale equity securities	—	18
Foreign currency translation adjustments	(3	) 2
Total accumulated other comprehensive income (loss)	\$(2	) \$20

12. Benefit Plans

Executive Deferred Compensation Plan

In December 2004 we initially adopted our 2005 Executive Deferred Compensation Plan, which became effective January 1, 2005. We adopted this plan to meet the requirements for deferred compensation under Section 409A of the Internal Revenue Code. The plan provides that executives who meet minimum compensation requirements are eligible to defer up to 75% of their salaries, bonuses and commissions. We have agreed to credit the participants' contributions with earnings that reflect the performance of certain independent investment funds. We may also make discretionary employer contributions to participant accounts in certain circumstances. The timing, amounts and vesting schedules of employer contributions are at the sole discretion of the Compensation and Organizational Development Committee of our Board of Directors or its delegate. The benefits under this plan are unsecured. Participants are generally eligible to receive payment of their vested benefit at the end of their elected deferral period or after termination of their employment with Intuit for any reason or at a later date to comply with the restrictions of Section 409A. Discretionary

company contributions and the related earnings vest completely upon the participant's disability, death or a change of control of Intuit. Employer contributions to the plan were not significant for any period presented.

We had liabilities related to this plan of \$63 million at July 31, 2014 and \$64 million at July 31, 2013. We have matched the plan liabilities with similar performing assets, which are primarily investments in life insurance contracts. These assets are

Tables of Contents

recorded in other long-term assets while liabilities related to obligations are recorded in other current liabilities on our balance sheets.

401(k) Plan

In the United States, employees who participate in the Intuit Inc. 401(k) Plan may currently contribute up to 30% of pre-tax compensation, subject to Internal Revenue Service limitations and the terms and conditions of the plan. We match a portion of employee contributions, currently 125% up to six percent of salary, subject to Internal Revenue Service limitations. Matching contributions were \$47 million for the twelve months ended July 31, 2014; \$44 million for the twelve months ended July 31, 2013; and \$38 million for the twelve months ended July 31, 2012.

13. Litigation

Intuit is subject to certain routine legal proceedings, as well as demands, claims and threatened litigation, that arise in the normal course of our business, including assertions that we may be infringing patents or other intellectual property rights of others. We currently believe that, in addition to any amounts accrued, the amount of potential losses, if any, for any pending claims of any type (either alone or combined) will not have a material impact on our consolidated financial statements. The ultimate outcome of any litigation is uncertain and, regardless of outcome, litigation can have an adverse impact on Intuit because of defense costs, negative publicity, diversion of management resources and other factors. Our failure to obtain necessary license or other rights, or litigation arising out of intellectual property claims could adversely affect our business.

14. Segment Information

We have defined three reportable segments, described below, based on factors such as how we manage our operations and how our chief operating decision maker views results. We define the chief operating decision maker as our Chief Executive Officer and our Chief Financial Officer. Our chief operating decision maker organizes and manages our business primarily on the basis of product and service offerings.

Small Business. Our Small Business segment includes the following offerings, all targeting the small business market.

QuickBooks financial and business management online services and desktop software; QuickBooks technical support; and financial supplies.

QuickBooks Accountant, QuickBooks Accountant Plus, and QuickBooks Online Accountant as well as the QuickBooks ProAdvisor Program and Cloud ProAdvisor Program, all of which are intended for the accounting professionals who serve small businesses.

Small business payroll products and services, including online payroll offerings such as Quickbooks Online Payroll and Intuit Online Payroll; desktop payroll offerings such as QuickBooks Basic Payroll and QuickBooks Enhanced Payroll; and full service payroll offerings such as Intuit Full Service Payroll and QuickBooks Assisted Payroll.

Payment processing services for small businesses, including merchant services such as credit and debit card processing; Web-based transaction processing services for online merchants; secure online payments for small businesses and their customers through the Intuit Payment Network; GoPayment mobile payment processing services; and QuickBooks Point of Sale solutions.

Demandforce, which provides online marketing and customer communication solutions for small businesses, and QuickBase.

Consumer. Our Consumer segment includes two product lines – Consumer Tax and Consumer Ecosystem – both of which target consumers.

Consumer Tax includes TurboTax income tax preparation products and services and electronic tax filing services.

Consumer Ecosystem includes our personal finance offerings, Quicken, Mint and Check.

Professional Tax. Our Professional Tax segment targets professional accountants and includes Lacerte, ProSeries, and Intuit Tax Online professional tax preparation products and services, electronic tax filing services, bank product transmission services, and training services.

Tables of Contents

All of our segments operate primarily in the United States and sell primarily to customers in the United States. International total net revenue was approximately 5% of consolidated total net revenue for the twelve months ended July 31, 2014, 2013 and 2012.

We include expenses such as corporate selling and marketing, product development, and general and administrative expenses and share-based compensation expenses, which are not allocated to specific segments, in unallocated corporate items. Unallocated corporate items also include amortization of acquired technology, amortization of other acquired intangible assets, and goodwill and intangible asset impairment charges.

The accounting policies of our reportable segments are the same as those described in the summary of significant accounting policies in Note 1. Except for goodwill and acquired intangible assets, we do not generally track assets by reportable segment and, consequently, we do not disclose total assets by reportable segment. See Note 5, "Goodwill and Acquired Intangible Assets," for goodwill by reportable segment.

The following table shows our financial results by reportable segment for the periods indicated. Results for all periods presented exclude results for our Intuit Financial Services, Intuit Health, and Intuit Websites businesses. See Note 7, "Discontinued Operations," for more information.

(In millions)	Twelve Months Ended July 31,		
	2014	2013	2012
Net revenue:			
Small Business segment	\$2,253	\$2,057	\$1,779
Consumer segment:			
Consumer Tax	1,663	1,552	1,488
Consumer Ecosystem	168	156	153
Total Consumer segment	1,831	1,708	1,641
Professional Tax segment	422	406	388
Total net revenue	\$4,506	\$4,171	\$3,808
Operating income from continuing operations:			
Small Business segment	843	800	712
Consumer segment	1,139	1,035	965
Professional Tax segment	268	260	248
Total segment operating income	2,250	2,095	1,925
Unallocated corporate items:			
Share-based compensation expense	(204)	(184)	(159)
Other common expenses	(686)	(625)	(565)
Amortization of acquired technology	(26)	(18)	(10)
Amortization of other acquired intangible assets	(20)	(35)	(23)
Total unallocated corporate items	(936)	(862)	(757)
Total operating income from continuing operations	\$1,314	\$1,233	\$1,168

Tables of Contents

15. Selected Quarterly Financial Data (Unaudited)

The following tables contain selected quarterly financial data for the twelve months ended July 31, 2014 and July 31, 2013. We have classified our Intuit Financial Services, Intuit Health, and Intuit Websites businesses as discontinued operations and as a result have segregated their operating results from continuing operations in our statements of operations and in these tables. See Note 7, "Discontinued Operations," for more information.

(In millions, except per share amounts)	Fiscal 2014 Quarter Ended			
	October 31	January 31	April 30	July 31
Total net revenue	\$622	\$782	\$2,388	\$714
Cost of revenue	143	176	170	179
All other costs and expenses	556	652	724	592
Operating income (loss) from continuing operations	(77)	(46)	1,494	(57)
Net income (loss) from continuing operations	(57)	(37)	984	(29)
Net income (loss) from discontinued operations	46	—	—	—
Net income (loss)	(11)	(37)	984	(29)
Basic net income (loss) per share from continuing operations	\$(0.20)	\$(0.13)	\$3.47	\$(0.10)
Basic net income per share from discontinued operations	0.16	—	—	—
Basic net income (loss) per share	\$(0.04)	\$(0.13)	\$3.47	\$(0.10)
Diluted net income (loss) per share from continuing operations	\$(0.20)	\$(0.13)	\$3.39	\$(0.10)
Diluted net income per share from discontinued operations	0.16	—	—	—
Diluted net income (loss) per share	\$(0.04)	\$(0.13)	\$3.39	\$(0.10)

(In millions, except per share amounts)	Fiscal 2013 Quarter Ended			
	October 31	January 31	April 30	July 31
Total net revenue	\$562	\$884	\$2,091	\$634
Cost of revenue	139	166	145	127
All other costs and expenses	496	634	664	567
Operating income (loss) from continuing operations	(73)	84	1,282	(60)
Net income (loss) from continuing operations	(54)	65	858	(46)
Net income (loss) from discontinued operations	35	6	(36)	30
Net income (loss)	(19)	71	822	(16)
Basic net income (loss) per share from continuing operations	\$(0.18)	\$0.22	\$2.89	\$(0.15)
Basic net income (loss) per share from discontinued operations	0.12	0.02	(0.12)	0.10
Basic net income (loss) per share	\$(0.06)	\$0.24	\$2.77	\$(0.05)
Diluted net income (loss) per share from continuing operations	\$(0.18)	\$0.21	\$2.83	\$(0.15)
Diluted net income (loss) per share from discontinued operations	0.12	0.02	(0.12)	0.10
Diluted net income (loss) per share	\$(0.06)	\$0.23	\$2.71	\$(0.05)

Tables of Contents

Schedule II
 INTUIT INC.
 VALUATION AND QUALIFYING ACCOUNTS

(In millions)	Beginning Balance	Additions Charged to Expense/ Revenue	Deductions	Ending Balance
Year ended July 31, 2014				
Allowance for doubtful accounts	\$38	\$35	\$ (30)	\$43
Reserve for product returns	20	84	(80)	24
Reserve for rebates	15	110	(102)	23
Year ended July 31, 2013				
Allowance for doubtful accounts	\$46	\$33	\$ (41)	\$38
Reserve for product returns	19	100	(99)	20
Reserve for rebates	17	112	(114)	15
Year ended July 31, 2012				
Allowance for doubtful accounts	\$20	\$34	\$ (8)	\$46
Reserve for product returns	20	92	(93)	19
Reserve for rebates	11	104	(98)	17

Notes: Additions to the allowance for doubtful accounts are charged to general and administrative expense. Additions to the reserves for product returns and rebates are charged against revenue. The table above excludes balances and activity for our discontinued operations for all periods presented.

Tables of Contents

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

Based upon an evaluation of the effectiveness of disclosure controls and procedures, Intuit's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have concluded that as of the end of the period covered by this Annual Report on Form 10-K our disclosure controls and procedures as defined under Exchange Act Rules 13a-15(e) and 15d-15(e) were effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified by the Securities and Exchange Commission and is accumulated and communicated to management, including the CEO and CFO, 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 Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of July 31, 2014 based on the guidelines established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the results of this evaluation, our management has concluded that our internal control over financial reporting was effective as of July 31, 2014 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles. We reviewed the results of management's assessment with the Audit and Risk Committee of Intuit's Board of Directors.

Ernst & Young LLP, an independent registered public accounting firm, has audited the effectiveness of our internal control over financial reporting as of July 31, 2014. Their report is included in Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

During our most recent fiscal quarter, there has not occurred any change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and that they are effective at the reasonable assurance level. However, no matter how well conceived and executed, a control system can provide only reasonable and not absolute assurance that the objectives

of the control system are met. The design of any control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. There are also limitations that are inherent in any control system. These limitations include the realities that breakdowns can occur because of errors in judgment or mistakes, and that controls can be circumvented by individual persons, by collusion of two or more people, or by management override of the controls. Because of these inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

ITEM 9B
OTHER INFORMATION

None.

Tables of Contents

PART III

ITEM 10

DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Except for the information about our executive officers shown below, the information required by this Item 10 is incorporated by reference from the information contained in our Proxy Statement to be filed with the U.S. Securities and Exchange Commission in connection with the solicitation of proxies for our 2015 Annual Meeting of Stockholders (the "2015 Proxy Statement") under the sections entitled "Our Board of Directors and Nominees – Directors Standing for Election," "Corporate Governance," and "Security Ownership of Certain Beneficial Owners and Management – Section 16(a) Beneficial Ownership Reporting Compliance."

We maintain a Code of Conduct and Ethics that applies to all employees, including all officers. We also maintain a Board of Directors Code of Ethics that applies to all members of our Board of Directors. Our Code of Conduct and Ethics and Board of Directors Code of Ethics incorporate guidelines designed to deter wrongdoing and to promote honest and ethical conduct and compliance with applicable laws and regulations. Our Code of Conduct and Ethics and Board of Directors Code of Ethics are published on our Investor Relations website at <http://investors.intuit.com/corporate-governance/conduct-and-guidelines/default.aspx> and <http://investors.intuit.com/corporate-governance/board-of-directors/default.aspx>, respectively. We disclose amendments to certain provisions of our Code of Conduct and Ethics and Board of Directors Code of Ethics, or waivers of such provisions granted to executive officers and directors, on this website.

EXECUTIVE OFFICERS

The following table shows Intuit's executive officers as of August 31, 2014 and their areas of responsibility. Their biographies follow the table.

Name	Age	Position
Brad D. Smith	50	President, Chief Executive Officer and Director
Scott D. Cook	62	Chairman of the Executive Committee
Laura A. Fennell	53	Senior Vice President, General Counsel and Corporate Secretary
Sasan K. Goodarzi	46	Senior Vice President and General Manager, Consumer Tax Group
H. Tayloe Stansbury	53	Senior Vice President and Chief Technology Officer
Daniel A. Wernikoff	42	Senior Vice President and General Manager, Small Business Group
R. Neil Williams	61	Senior Vice President and Chief Financial Officer
Mark J. Flournoy	48	Vice President, Corporate Controller and Chief Accounting Officer

Mr. Smith has been President and Chief Executive Officer and a member of the Board of Directors since January 2008. He was Senior Vice President and General Manager, Small Business Division from May 2006 to December 2007 and Senior Vice President and General Manager, QuickBooks from May 2005 to May 2006. He also served as Senior Vice President and General Manager, Consumer Tax Group from March 2004 until May 2005 and as Vice President and General Manager of Intuit's Accountant Central and Developer Network from February 2003 to March 2004. Prior to joining Intuit in February 2003, Mr. Smith was Senior Vice President of Marketing and Business Development at ADP, a provider of business outsourcing solutions, where he held several executive positions from 1996 to 2003. Mr. Smith also serves on the board of directors of Nordstrom, Inc. Mr. Smith holds a Bachelor's degree in Business Administration from Marshall University and a Master's degree in Management from Aquinas College.

Mr. Cook, a founder of Intuit, has been an Intuit director since March 1984 and is currently Chairman of the Executive Committee. He served as Intuit's Chairman of the Board from February 1993 through July 1998. From April 1984 to April 1994, he served as Intuit's President and Chief Executive Officer. Mr. Cook also serves on the board of directors of eBay Inc. and The Procter & Gamble Company. Mr. Cook holds a Bachelor of Arts degree in Economics and Mathematics from the University of Southern California and a Master's degree in Business Administration from Harvard Business School.

Ms. Fennell has been Senior Vice President, General Counsel and Corporate Secretary since February 2007. She leads Intuit's legal, corporate affairs, privacy, information security, and data services teams. Ms. Fennell joined Intuit as Vice President,

Tables of Contents

General Counsel and Corporate Secretary in April 2004. Prior to joining Intuit, Ms. Fennell spent nearly eleven years at Sun Microsystems, Inc., most recently as Vice President of Corporate Legal Resources, as well as Acting General Counsel. Prior to joining Sun, she was an associate attorney at Wilson Sonsini, Goodrich & Rosati PC. Ms. Fennell sits on the board of directors of the Children's Discovery Museum of San Jose. Ms. Fennell holds a Bachelor of Science degree in Business Administration from California State University, Chico and a Juris Doctor from Santa Clara University.

Mr. Goodarzi has been Senior Vice President and General Manager of Intuit's Consumer Tax Group since August 2013. He rejoined Intuit in August 2011 as Senior Vice President and Chief Information Officer, serving in that capacity until July 2013, prior to which he had served as Chief Executive Officer of Nexant Inc., a privately held provider of intelligent grid software and clean energy solutions, since November 2010. During his previous tenure at Intuit from 2004 to 2010, Mr. Goodarzi led several business units including Intuit Financial Services and the professional tax division. Prior to joining Intuit, Mr. Goodarzi worked for Invensys, a global provider of industrial automation, transportation and controls technology, serving as global president of the products group. He also held a number of senior leadership roles in the automation control division at Honeywell and served as the chief executive officer and co-founder of a technology startup, Lazer Cables Inc. Mr. Goodarzi holds a Bachelor's degree in Electrical Engineering from the University of Central Florida and a Master's degree in Business Administration from the Kellogg School of Management at Northwestern University.

Mr. Stansbury has been Senior Vice President and Chief Technology Officer since he joined Intuit in May 2009. Mr. Stansbury previously served as chief information officer of VMware. Earlier he was executive vice president of Ariba and held executive engineering and general management roles at Calico Commerce and Xerox, led developer tools engineering groups at Borland International and Sun Microsystems, and researched intelligent systems at Xerox PARC. Mr. Stansbury holds a Bachelor's degree in Applied Mathematics from Harvard University.

Mr. Wernikoff has been Senior Vice President and General Manager of Intuit's Small Business Group since April 2014 and previously was the Senior Vice President and General Manager of Intuit's Small Business Financial Solutions Group from August 2013. From August 2010 to July 2013, he served as General Manager of Intuit's Financial Management Solutions business unit and was promoted from Vice President to Senior Vice President in August 2011. Mr. Wernikoff joined Intuit in March 2003 and was promoted to Vice President in August 2007. He held various executive roles in Payments, QuickBooks and Financial Management Solutions from August 2007 to August 2010. Mr. Wernikoff's previous experience includes leadership positions at Charles Schwab, Bank One Corp., and First Chicago Capital Markets. Mr. Wernikoff holds a Bachelor's degree in Finance from Miami University of Ohio and a Master's degree in Business Administration from the University of Pittsburgh.

Mr. Williams joined Intuit in January 2008 as Senior Vice President and Chief Financial Officer. He is responsible for all financial aspects of the company, including corporate strategy and business development, investor relations, financial operations and real estate. Beginning in 2001, he served as Executive Vice President of Visa U.S.A., Inc., the leading payments company in the U.S., and then from November 2004 to September 2007 served as Chief Financial Officer, leading all financial functions for the company and its subsidiaries. During the same period, Mr. Williams held the dual role of Chief Financial Officer for Inovant LLC, Visa's global IT organization responsible for global transactions processing and technology development. Mr. Williams also serves on the boards of directors of Amyris, Inc. and RingCentral, Inc. Mr. Williams holds a Bachelor's degree in Business Administration from the University of Southern Mississippi and he is a certified public accountant.

Mr. Flournoy was appointed as Vice President and Chief Accounting Officer in February 2014. He joined Intuit in 2003 as director of general accounting and internal controls and was named Corporate Controller in 2012. From 1996 to 2003, Mr. Flournoy served as a corporate controller for various private and public companies in California. He began his career in public accounting at Ernst & Young, where he served from 1992 to 1996. Mr. Flournoy holds a

Bachelor's degree in Business Administration – Finance from the University of Southern California and a secondary Bachelor's degree in Accounting from San Diego State University.

Tables of Contents

ITEM 11
EXECUTIVE COMPENSATION

The information required by this Item 11 is incorporated by reference from the information contained in our 2015 Proxy Statement under the sections entitled “Corporate Governance – Compensation Committee Interlocks and Insider Participation,” “Director Compensation,” “Equity Compensation Plan Information,” and “Executive Compensation.”

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

The information required by this Item 12 is incorporated by reference from the information contained in our 2015 Proxy Statement under the sections entitled “Security Ownership of Certain Beneficial Owners and Management” and “Executive Compensation.”

ITEM 13
CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item 13 is incorporated by reference from the information contained in our 2015 Proxy Statement under the sections entitled “Corporate Governance – Director Independence” and “Transactions with Related Persons.”

ITEM 14
PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item 14 is incorporated by reference from the information contained in our 2015 Proxy Statement under the section entitled “Proposal No. 2 – Ratification of Selection of Independent Registered Public Accounting Firm.”

PART IV

ITEM 15
EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

1. Financial Statements – See Index to Consolidated Financial Statements in Part II, Item 8.
2. Financial Statement Schedules – See Index to Consolidated Financial Statements in Part II, Item 8.
3. Exhibits – See Exhibit Index immediately following the signature page of this Annual Report on Form 10-K.

Tables of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

INTUIT INC.

Dated: September 12, 2014

By: /s/ R. NEIL WILLIAMS
R. Neil Williams
Senior Vice President and Chief Financial
Officer
(Principal Financial Officer)

Tables of Contents

POWER OF ATTORNEY

By signing this Annual Report on Form 10-K below, I hereby appoint each of Brad D. Smith and R. Neil Williams as my attorney-in-fact to sign all amendments to this Form 10-K on my behalf, and to file this Form 10-K (including all exhibits and other documents related to the Form 10-K) with the Securities and Exchange Commission. I authorize each of my attorneys-in-fact to (1) appoint a substitute attorney-in-fact for himself and (2) perform any actions that he believes are necessary or appropriate to carry out the intention and purpose of this Power of Attorney. I ratify and confirm all lawful actions taken directly or indirectly by my attorneys-in-fact and by any properly appointed substitute attorneys-in-fact.

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

Name	Title	Date
Principal Executive Officer:		
/s/ BRAD D. SMITH	President, Chief Executive Officer and Director	September 12, 2014
Brad D. Smith		
Principal Financial Officer:		
/s/ R. NEIL WILLIAMS	Senior Vice President and Chief Financial Officer	September 12, 2014
R. Neil Williams		
Principal Accounting Officer:		
/s/ MARK J. FLOURNOY	Vice President, Corporate Controller and Chief Accounting Officer	September 12, 2014
Mark J. Flournoy		
Additional Directors:		
/s/ CHRISTOPHER W. BRODY	Director	September 12, 2014
Christopher W. Brody		
/s/ WILLIAM V. CAMPBELL	Chairman of the Board of Directors	September 12, 2014
William V. Campbell		
/s/ SCOTT D. COOK	Director	September 12, 2014
Scott D. Cook		
/s/ DIANE B. GREENE	Director	September 12, 2014
Diane B. Greene		
/s/ EDWARD A. KANGAS	Director	September 12, 2014
Edward A. Kangas		
/s/ SUZANNE NORA JOHNSON	Director	September 12, 2014
Suzanne Nora Johnson		
/s/ DENNIS D. POWELL	Director	September 12, 2014

Dennis D. Powell

/s/ JEFF WEINER
Jeff Weiner

Director

September 12, 2014

96

Tables of Contents

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
3.01	Restated Intuit Certificate of Incorporation, dated as of January 19, 2000		10-Q	6/14/2000
3.02	Bylaws of Intuit, as amended and restated effective July 24, 2014		8-K	7/29/2014
4.01	Form of Specimen Certificate for Intuit's Common Stock		10-K	9/15/2009
4.02	Indenture, dated as of March 7, 2007, between Intuit and The Bank of New York Trust Company, N.A. as trustee		8-K	3/7/2007
4.03	Forms of Global Note for Intuit's 5.40% Senior Notes due 2012 and 5.75% Senior Notes due 2017		8-K	3/12/2007
10.01+	Intuit Inc. 2005 Equity Incentive Plan, as amended December 14, 2007		S-8 333-148112	12/17/2007
10.02+	Intuit Inc. 2005 Equity Incentive Plan, as amended April 23, 2008		8-K	4/28/2008
10.03+	Intuit Inc. 2005 Equity Incentive Plan, as amended December 16, 2008		S-8 333-156205	12/17/2008
10.04+	Intuit Inc. 2005 Equity Incentive Plan, as amended December 15, 2009		S-8 333-163728	12/15/2009
10.05+	Intuit Inc. Amended and Restated 2005 Equity Incentive Plan, as approved January 19, 2011		S-8 333-171768	1/19/2011
10.06+	Intuit Inc. Amended and Restated 2005 Equity Incentive Plan, as amended through July 24, 2012		8-K	7/27/2012
10.07+	Intuit Inc. Amended and Restated 2005 Equity Incentive Plan, as amended through January 23, 2014		S-8 333-193551	1/24/2014
10.08+	2005 Equity Incentive Plan Form of Non-Qualified Stock Option – New Hire, Promotion or Retention Grant		10-Q	12/10/2004
10.09+	2005 Equity Incentive Plan Form of Non-Qualified Stock Option – Focal Grant		10-Q	12/10/2004
10.10+	2005 Equity Incentive Plan Form of Non-Employee Director Option – Initial Grant		10-Q	12/10/2004

Edgar Filing: INTUIT INC - Form 10-K

10.11+	2005 Equity Incentive Plan Form of Non-Employee Director Option – Succeeding Grant	10-Q	12/10/2004
10.12+	2005 Equity Incentive Plan Form of Non-Employee Director Option – Committee Grant	10-Q	12/10/2004
10.13+	Form of Director Restricted Stock Unit Grant Agreement	8-K	12/18/2009
10.14+	Form of Director Restricted Stock Unit Grant Agreement	10-Q	12/1/2011
10.15+	Summary of Director Compensation Program	10-Q	12/1/2011
10.16+	Summary of Director Compensation Program effective January 1, 2014	10-Q	2/21/2014
10.17+	Intuit Inc. Director Grant Program	10-Q	2/29/2012
10.18+	Form of Director Restricted Stock Units Initial Grant Agreement	10-Q	3/1/2013

Tables of Contents

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
10.19+	Form of Director Restricted Stock Units Initial Grant Agreement for Mid-Year Directors		10-Q	3/1/2013
10.20+	Form of Director Restricted Stock Units Succeeding Grant Agreement		10-Q	3/1/2013
10.21+	Form of Director Restricted Stock Units Succeeding Grant Agreement for Mid-Year Directors		10-Q	3/1/2013
10.22+	Form of Director Restricted Stock Units Conversion Grant Agreement		10-Q	3/1/2013
10.23+	Form of Amended and Restated 2005 Equity Incentive Plan Non-Qualified Stock Option Grant Agreement: New Hire, Promotion, Retention or Focal Grant		10-K	9/13/2013
10.24+	Form of Restricted Stock Unit Agreement (service-based vesting)		10-K	9/13/2012
10.25+	Form of Restricted Stock Unit Agreement (executive vesting)		10-K	9/13/2012
10.26+	Form of Executive Performance-Based Restricted Stock Unit Agreement (three year operating goals)		10-K	9/13/2012
10.27+	Form of Executive Performance-Based Restricted Stock Unit Agreement (total shareholder return objectives)		10-K	9/13/2012
10.28+	Form of Executive Performance-Based Restricted Stock Unit Agreement (one year operating goal)		10-K	9/16/2010
10.29+	Form of Executive Performance-Based Restricted Stock Unit Agreement (three year operating goals)		10-K	9/16/2010
10.30+	Form of Executive Performance-Based Restricted Stock Unit Agreement (total shareholder return objectives)		10-K	9/16/2010
10.31+	Form of Restricted Stock Unit Agreement (CEO vesting)		10-K	9/13/2012
10.32+	Form of CEO Performance-Based Restricted Stock Unit Agreement (three year operating goals)		10-K	9/13/2012
10.33+	Form of CEO Performance-Based Restricted Stock Unit Agreement (total shareholder return objectives)		10-K	9/13/2012
10.34+	Form of Performance-Based Restricted Stock Unit Agreement (total shareholder return goals)	X		

Edgar Filing: INTUIT INC - Form 10-K

10.35+	Form of CEO Performance-Based Restricted Stock Unit Agreement (one year operating goal)	10-K	9/16/2010
10.36+	Form of CEO Performance-Based Restricted Stock Unit Agreement (three year operating goals)	10-K	9/16/2010
10.37+	Form of CEO Performance-Based Restricted Stock Unit Agreement (total shareholder return objectives)	10-K	9/16/2010
10.38+	Form of 2009 Performance-Based Restricted Stock Unit Agreement	8-K	8/17/2009
10.39+	Form of Restricted Stock Unit Award Agreement (Performance-Based Vesting)	10-K	9/12/2008
10.40+	Form of Restricted Stock Unit Award Agreement (Service-Based Vesting)	8-K	7/31/2006

98

Tables of Contents

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
10.41+	Intuit Inc. Management Stock Purchase Program, as amended October 23, 2007		10-K	9/12/2008
10.42+	Second Amended and Restated Management Stock Purchase Program		10-Q	2/29/2012
10.43+	Form of Restricted Stock Unit Grant Agreement for MSPP Purchased Award		10-K	9/13/2012
10.44+	Form of Restricted Stock Unit Grant Agreement for MSPP Matching Award		10-K	9/13/2012
10.45+	Form of Restricted Stock Unit Grant Agreement for MSPP Purchased Award		10-Q	12/1/2006
10.46+	Form of Restricted Stock Unit Grant Agreement for MSPP Matching Award		10-Q	12/1/2006
10.47+	Digital Insight Corporation 1999 Stock Plan and Form of Stock Option Agreement under the Digital Insight Corporation 1999 Stock Plan		S-1/A 333-81547 Filed by Digital Insight	9/13/1999
10.48+	First, Second and Third Amendments to the Digital Insight Corporation 1999 Stock Plan		10-Q Filed by Digital Insight	5/15/2001
10.49+	Homestead Technologies Inc. 2006 Equity Incentive Plan, as amended		S-8	1/10/2008
10.50+	Form of Stock Option Agreement and Option Grant Notice under Homestead Technologies Inc. 2006 Equity Incentive Plan		S-8	1/10/2008
10.51+	Form of Homestead Technologies Inc. 2006 Equity Incentive Plan Award Agreement for Restricted Stock Units		S-8	1/10/2008
10.52+	Form of Intuit Inc. Stock Option Assumption Agreement		S-8	2/9/2007
10.53+	Forms of Restricted Stock Unit Agreements: Intuit Inc. MSPP Matching Award Agreement; Intuit Inc. Performance-Based Vesting Agreement; Homestead Technologies Inc. Service-Based Vesting Agreement; and Intuit Inc. Service-Based Vesting Agreement		10-Q	12/4/2008

Edgar Filing: INTUIT INC - Form 10-K

10.54+	PayCycle, Inc. 1999 Equity Incentive Plan, as amended, effective November 1, 1999.	S-8	8/5/2009
10.55+	Form of Intuit Inc. Stock Option Assumption Agreement	S-8	8/5/2009
10.56+	Form of PayCycle, Inc. 1999 Equity Incentive Plan Stock Option Agreement	S-8	8/5/2009
10.57+	Mint Software Inc. Third Amended and Restated 2006 Stock Plan	S-8 333-163145	11/17/2009
10.58+	Form of Stock Option Agreement under the Mint Software Inc. Third Amended and Restated 2006 Stock Plan — Early Exercise	S-8 333-163145	11/17/2009
10.59+	Form of Stock Option Agreement under the Mint Software Inc. Third Amended and Restated 2006 Stock Plan — No Early Exercise	S-8 333-163145	11/17/2009
10.60+	Demandforce, Inc. 2007 Equity Incentive Plan, as amended	S-8 333-181732	5/29/2012
10.61+	Form of Stock Option Agreement under the Demandforce, Inc. 2007 Equity Incentive Plan	S-8 333-181732	5/29/2012

Tables of Contents

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
10.62+	Form of Demandforce, Inc. 2007 Equity Incentive Plan Award Agreement for Restricted Stock Unit		S-8 333-181732	5/29/2012
10.63+	Amended and Restated Level Up Analytics, Inc. 2012 Stock Plan		S-8 333-192062	11/1/2013
10.64+	Docstoc Inc. 2007 Stock Plan		S-8 333-193184	1/3/2014
10.65+	Lettuce Inc. 2014 Equity Incentive Plan		S-8 333-196197	5/23/2014
10.66+	Check Inc. Second Restated 2007 Stock Option Incentive Plan and Netgate Software Ltd. Israeli Sub-Plan to the Check Inc. Second Restated 2007 Stock Option Incentive Plan		S-8 333-197082	6/27/2014
10.67+	Form of Executive Promotion/New Hire Stock Option Agreement		10-K	9/12/2008
10.68+	Form of Executive Restricted Stock Unit Agreement (performance vesting)		10-K	9/12/2008
10.69+	Intuit Executive Relocation Policy		10-K	9/15/2009
10.70+	Intuit Inc. 2005 Executive Deferred Compensation Plan, effective January 1, 2005		10-Q	12/10/2004
10.71+	Intuit Inc. Employee Stock Purchase Plan, as amended through January 19, 2012		S-8 333-179110	1/20/2012
10.72+	Intuit 1996 Directors Stock Option Plan and forms of Agreement, as amended by the Board on January 30, 2003		10-Q	2/28/2003
10.73+	Intuit Inc. Performance Incentive Plan for Fiscal Year 2013		8-K	7/27/2012
10.74+	Intuit Inc. Performance Incentive Plan for Fiscal Year 2014		10-K	9/13/2013
10.75+	Intuit Inc. Performance Incentive Plan for Fiscal Year 2015	X		
10.76+	Intuit Executive Deferred Compensation Plan, effective March 15, 2002		10-Q	5/31/2002
10.77+	Intuit Senior Executive Incentive Plan adopted on October 23, 2007		8-K	12/17/2007

Edgar Filing: INTUIT INC - Form 10-K

10.78+	Intuit Senior Executive Incentive Plan amended and restated effective August 1, 2012 and approved by stockholders on January 17, 2013	10-K	9/13/2013
10.79+	Form of Indemnification Agreement entered into by Intuit with each of its directors and certain officers	10-K	9/25/2002
10.80+	Employment offer letter between Intuit Inc. and Laura A. Fennell, dated March 31, 2004	10-Q	12/1/2011
10.81+	Amendment dated December 1, 2008 to Letter Regarding Terms of Employment by and between Intuit Inc. and Mr. R. Neil Williams dated November 2, 2007	10-Q	12/4/2008
10.82+	Employment offer letter between Intuit Inc. and Sasan Goodarzi dated June 24, 2011 and Employment memo dated July 23, 2013 to Sasan Goodarzi	10-K	9/13/2013
10.83+	Employment memo dated August 14, 2014 to Sasan Goodarzi	X	

100

Tables of Contents

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
10.84+	Employment offer letter between Intuit Inc. and Daniel Wernikoff dated February 12, 2003		10-K	9/13/2013
10.85+	Amendment dated December 1, 2008 to Letter Regarding Terms of Employment by and between Intuit Inc. and Mr. Brad D. Smith dated October 1, 2007		10-Q	12/4/2008
10.86+	Letter Regarding Terms of Employment by and between Intuit Inc. and Mr. Brad D. Smith, dated October 1, 2007		8-K	10/5/2007
10.87+	Letter Regarding Terms of Employment by and between Intuit Inc. and Mr. R. Neil Williams, dated November 2, 2007		8-K	11/8/2007
10.88+	Employment offer letter between Intuit Inc. and Tayloe Stansbury dated April 27, 2009	X		
10.89+	Letter Regarding Terms of Employment by and between Intuit Inc. and Dan Maurer dated November 16, 2005, Promotion Memo dated January 16, 2008 and Amendment dated December 1, 2008		10-Q	12/6/2010
10.90+	Employment memo dated July 23, 2013 to Daniel Maurer		10-K	9/13/2013
10.91+	Director Compensation Agreement between Intuit and Dennis D. Powell, dated February 11, 2004		10-Q	6/14/2004
10.92	Amended and Restated Agreement and Plan of Merger by and among Intuit, Digital Insight Corporation, Fandango Holdings Corporation and Fandango Merger Corp. dated as of July 31, 2013		10-K	9/13/2013
10.93	Five Year Credit Agreement dated as of March 22, 2007, by and among Intuit, the Lenders parties thereto, JPMorgan Chase Bank, N.A., as syndication agent, and Citicorp USA, Inc., as administrative agent		8-K	3/22/2007
10.94	Five Year Credit Agreement dated as of February 17, 2012, by and among Intuit Inc., the Lenders parties thereto, JPMorgan Chase Bank, N.A. as administrative agent, U.S. Bank National Association and Wells Fargo Bank, National Association, as co-syndication agents, and Union Bank, N.A. as documentation agent		10-Q	2/29/2012
10.95	Free On-Line Electronic Tax Filing Agreement Amendment, effective as of October 30, 2005 between the Internal Revenue Service and the Free File Alliance, LLC		10-Q	12/5/2005

Edgar Filing: INTUIT INC - Form 10-K

10.96	Free On-Line Electronic Tax Filing Agreement Amendment dated November 5, 2009 between the Internal Revenue Service and the Free File Alliance, LLC	10-Q	12/4/2009
10.97	Free On-Line Electronic Tax Filing Agreement Amendment, effective as of October 30, 2014, between the Internal Revenue Service and Free X File, Inc.		
10.98#	Master Services Agreement between Intuit and Arvato Services, Inc., dated May 28, 2003	10-K	9/19/2003
10.99	Second Amendment to Master Service Agreement between Intuit and Arvato Services, Inc., effective May 29, 2007	10-K	9/14/2007
10.100#	Amendment 3 to Master Services Agreement between Intuit and Arvato Services, Inc., effective April 1, 2008	10-Q	5/30/2008
10.101#	Amendment 5 to the Master Services Agreement between Intuit and Arvato Digital Services LLC effective August 19, 2010	10-Q	12/6/2010

101

Tables of Contents

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
10.102	Amended and Restated Amendment Seven to the Master Service Agreement by and between Intuit and Arvato Digital Services effective September 1, 2013		10-Q	11/22/2013
10.103	Amendment 8 to the Master Services Agreement between Intuit and Arvato Digital Services LLC effective August 1, 2014	X		
10.104#	Lease, dated as of March 28, 2005, made by and between Kilroy Realty, L.P. and Intuit Inc. for property located on Torrey Santa Fe Road, San Diego		10-Q	6/7/2005
10.105	First Amendment to Lease, dated as of March 31, 2006, by and between Intuit and Kilroy Realty, L.P. for property in San Diego, California		10-Q	6/9/2006
10.106#	Second Amendment to Lease, dated as of February 23, 2010, by and between Intuit and Kilroy Realty, L.P.	X		
10.107	Third Amendment to Lease, dated as of February 1, 2013, by and between Intuit and Kilroy Realty, L.P.	X		
10.108	Lease Agreement dated as of July 31, 2003 between Intuit and Charleston Properties for 2475, 2500, 2525, 2535 and 2550 Garcia Avenue, Mountain View, CA		10-K	9/19/2003
10.109	Lease Agreement dated as of July 31, 2003 between Intuit and Charleston Properties for 2650, 2675, 2700 and 2750 Coast Avenue and 2600 Casey Avenue, Mountain View, California		10-K	9/19/2003
10.110#	Second Amendment to Lease Agreement Phase 1, effective January 1, 2011, between Intuit Inc. and Charleston Properties		10-Q	3/1/2011
10.111#	Third Amendment to Lease Agreement Phase 2, effective January 1, 2011, between Intuit Inc. and Charleston Properties		10-Q	3/1/2011
21.01	List of Intuit's Subsidiaries	X		
23.01	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm	X		
24.01	Power of Attorney (see signature page)	X		
31.01	Certification of Chief Executive Officer	X		

Edgar Filing: INTUIT INC - Form 10-K

31.02	Certification of Chief Financial Officer	X
32.01*	Section 1350 Certification (Chief Executive Officer)	X
32.02*	Section 1350 Certification (Chief Financial Officer)	X
101.INS	XBRL Instance Document	X
101.SCH	XBRL Taxonomy Extension Schema	X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	X
101.LAB	XBRL Taxonomy Extension Label Linkbase	X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	X
101.DEF	XBRL Taxonomy Extension Definition Linkbase	X

102

Tables of Contents

- + Indicates a management contract or compensatory plan or arrangement.
- # We have requested confidential treatment for certain portions of this document pursuant to an application for confidential treatment sent to the Securities and Exchange Commission (SEC). We omitted such portions from this filing and filed them separately with the SEC.
- * This certification is not deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that Intuit specifically incorporates it by reference.