ACCURAY INC
Form 10-Q
May 07, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2015

or

o 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: 001-33301

ACCURAY INCORPORATED

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**20-8370041**
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification Number)

1310 Chesapeake Terrace

Sunnyvale, California 94089

(Address of Principal Executive Offices Including Zip Code)

(408) 716-4600

(Registrant s Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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 definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

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

As of May 1, 2015, there were 78,986,768 shares of the Registrant s Common Stock, par value $0.001 per share, outstanding.

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Form 10-Q for the Quarter Ended March 31, 2015

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

Accuray Incorporated

Condensed Consolidated Balance Sheets

(in thousands, except share amounts and par value)

(Unaudited)

		March 31, 2015		June 30, 2014 (1)
Assets				
Current assets:				
Cash and cash equivalents	$	95,449	$	92,346
Short-term investments		54,185		79,553
Restricted cash		2,858		1,492
Accounts receivable, net of allowance for doubtful accounts of $622 and $976 as of March 31, 2015 and June 30, 2014, respectively		61,376		72,152
Inventories		109,705		87,752
Prepaid expenses and other current assets		15,650		17,873
Deferred cost of revenue		8,743		13,302
Total current assets		347,966		364,470
Property and equipment, net		29,856		34,391
Goodwill		58,020		58,091
Intangible assets, net		17,552		23,517
Deferred cost of revenue		1,752		2,899
Other assets		8,513		11,820
Total assets	$	463,659	$	495,188
Liabilities and stockholders equity				
Current liabilities:				
Accounts payable	$	13,656	$	15,639
Accrued compensation		19,530		32,569
Other accrued liabilities		20,151		24,464
Customer advances		18,951		19,804
Deferred revenue		93,500		92,093
Total current liabilities		165,788		184,569
Long-term liabilities:				
Long-term other liabilities		10,454		6,593
Deferred revenue		9,946		9,866
Long-term debt		200,989		195,612
Total liabilities		387,177		396,640
Commitment and contingencies (Note 5)				
Stockholders Equity:				
Preferred stock, $0.001 par value; authorized: 5,000,000 shares; no shares issued and outstanding				

Common stock, $0.001 par value; authorized: 200,000,000 shares as of March 31, 2015 and June 30, 2014 respectively; issued and outstanding: 78,971,514 and 77,178,365 shares at March 31, 2015 and June 30, 2014, respectively		79		77
Additional paid-in capital		465,952		451,750
Accumulated other comprehensive income		154		1,815
Accumulated deficit		(389,703)		(355,094)
Total stockholders equity		76,482		98,548
Total liabilities and stockholders equity	$	463,659	$	495,188

(1) The condensed consolidated balance sheet at June 30, 2014 has been derived from audited consolidated financial statements.

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

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Accuray Incorporated

Condensed Consolidated Statements of Operations and Comprehensive Loss

(in thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014	Nine Months Ended March 31, 2015	Nine Months Ended March 31, 2014
Net revenue:				
Products	$ 46,361	$ 47,045	$ 127,026	$ 121,761
Services	51,154	50,099	151,025	145,658
Total net revenue	97,515	97,144	278,051	267,419
Cost of revenue:				
Cost of products	27,332	25,255	75,168	68,836
Cost of services	31,523	32,185	97,933	94,230
Total cost of revenue	58,855	57,440	173,101	163,066
Gross profit	38,660	39,704	104,950	104,353
Operating expenses:				
Research and development	12,836	13,763	40,902	40,148
Selling and marketing	12,987	15,310	46,763	44,026
General and administrative	11,665	11,106	34,976	33,656
Total operating expenses	37,488	40,179	122,641	117,830
Income (loss) from operations	1,172	(475)	(17,691)	(13,477)
Other expense, net	(3,618)	(3,312)	(14,607)	(9,547)
Loss before provision for income taxes	(2,446)	(3,787)	(32,298)	(23,024)
Provision for income taxes	521	878	2,311	2,615
Net loss	$ (2,967)	$ (4,665)	$ (34,609)	$ (25,639)
Net loss per share basic and diluted	$ (0.04)	$ (0.06)	$ (0.44)	$ (0.34)
Weighted average common shares used in computing loss per share				
Basic and diluted	78,746	76,382	77,981	75,447
Net loss	$ (2,967)	$ (4,665)	$ (34,609)	$ (25,639)
Foreign currency translation adjustment	(510)	(121)	(1,576)	102
Unrealized gain (loss) on investments, net of tax	54	32	(85)	391
Comprehensive loss	$ (3,423)	$ (4,754)	$ (36,270)	$ (25,146)

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

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Accuray Incorporated

Condensed Consolidated Statements of Cash Flows

(in thousands)

(Unaudited)

	Nine Months Ended March 31, 2015	Nine Months Ended March 31, 2014
Cash Flows From Operating Activities		
Net loss	$ (34,609)	$ (25,639)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	14,864	15,546
Share-based compensation	10,504	8,243
Amortization of debt issuance costs	1,114	1,053
Amortization and accretion of discount and premium on investments	732	1,296
Accretion of interest on long-term debt	5,377	3,519
Recovery of bad debt, net	(71)	(546)
Provision for write-down of inventories	1,127	2,092
Loss on disposal of property and equipment	16	90
Changes in assets and liabilities:		
Restricted cash	(1,560)	(173)
Accounts receivable	7,446	(1,988)
Inventories	(24,540)	(14,841)
Prepaid expenses and other assets	3,137	(5,219)
Deferred cost of revenue	5,619	(1,374)
Accounts payable	(1,214)	2,329
Accrued liabilities	(8,054)	10,940
Customer advances	341	4,226
Deferred revenue	7,168	1,280
Net cash (used in) provided by operating activities	(12,603)	834
Cash Flows From Investing Activities		
Purchases of property and equipment, net	(5,925)	(9,615)
Purchases of investments	(69,871)	(30,422)
Sales and maturities of investments	94,422	44,593
Net cash provided by investing activities	18,626	4,556
Cash Flows From Financing Activities		
Proceeds from employee stock plans	5,207	7,414
Taxes paid related to net share settlement of equity awards	(495)	(220)
Net cash provided by financing activities	4,712	7,194
Effect of exchange rate changes on cash and cash equivalents	(7,632)	2,116
Net increase in cash and cash equivalents	3,103	14,700
Cash and cash equivalents at beginning of period	92,346	73,313
Cash and cash equivalents at end of period	$ 95,449	$ 88,013

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

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Accuray Incorporated

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Summary of Significant Accounting Policies

Description of Business

Accuray Incorporated (together with its subsidiaries, the Company or Accuray) is incorporated in Delaware. The Company designs, develops and sells advanced radiosurgery and radiation therapy systems for the treatment of tumors throughout the body. The Company conducts its business worldwide. The Company has its headquarters in Sunnyvale, California, with additional locations worldwide.

Basis of Presentation and Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant inter-company transactions and balances have been eliminated in consolidation.

The accompanying condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (GAAP), pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). Certain information and note disclosures have been condensed or omitted pursuant to such rules and regulations. The unaudited condensed consolidated financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary for a fair presentation of the periods presented. The results for the three and nine months ended March 31, 2015 are not necessarily indicative of the results to be expected for the year ending June 30, 2015, for any other interim period or for any future year.

These condensed consolidated financial statements should be read in conjunction with the Company s audited consolidated financial statements and accompanying notes for the year ended June 30, 2014 included in the Company s Annual Report on Form 10-K filed with the SEC. The Company s significant accounting policies are described in Note 2 to those audited consolidated financial statements and there have been no material changes to such policies.

Recent Accounting Standard Update Not Yet Effective

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers: Topic 606* (ASU 2014-09), to supersede nearly all existing revenue recognition guidance under 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 more judgment and estimates may be required within the revenue recognition process than required under existing GAAP including 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. ASU 2014-09 is effective for the Company in its first quarter of fiscal 2018 using either of two methods: (i) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; 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 as defined per ASU 2014-09. On April 29, 2015, the FASB issued its proposed standard update to defer the effective date of ASU 2014-09. If the proposed changes are finalized, ASU 2014-09 will be effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, but entities will be permitted to early adopt the standard as of the original effective date. The Company has not yet selected a transition method and is currently evaluating the impact of pending adoption of ASU 2014-09 on its consolidated financial statements and related disclosures.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures at the date of the financial statements. Key estimates and assumptions made by the Company relate to revenue recognition, assessment of recoverability of goodwill and intangible assets, valuation of inventories, share-based compensation expense, income taxes, allowance for doubtful accounts, loss contingencies and corporate bonus expenses. Actual results could differ materially from those estimates.

Concentration of Credit and Other Risks

The Company s cash, cash equivalents and investments are deposited with several major financial institutions. At times, deposits in these institutions exceed the amount of insurance provided on such deposits. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant risk on these balances.

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For the three and nine months ended March 31, 2015 and 2014, there were no customers that represented 10% or more of total net revenue. At March 31, 2015, no customer accounted for 10% of the Company s total accounts receivable. At June 30, 2014, one customer accounted for 13% of accounts receivable.

Accounts receivable are typically not collateralized. The Company performs ongoing credit evaluations of its customers and maintains reserves for potential credit losses. Accounts receivable are deemed past due in accordance with the contractual terms of the agreement. Accounts are charged against the allowance for doubtful accounts once collection efforts are unsuccessful.

Single source suppliers presently provide the Company with several components. In most cases, if a supplier was unable to deliver these components, the Company believes that it would be able to find other sources for these components subject to any regulatory qualifications, if required.

Revenue Recognition

The Company earns revenue from the sale of products and related services. The Company records its revenues net of any value added or sales tax. For arrangements with multiple elements, the Company allocates arrangement fees to products and services based upon Vendor Specific Objective Evidence (VSOE) of fair value of the respective elements, Third-Party Evidence (TPE), or Best Estimate of Selling Price (BESP), using the relative selling price method.

Product and Service Revenue

The majority of product revenue is generated from sales of CyberKnife and TomoTherapy systems. If the Company is responsible for installation, the Company recognizes revenue after installation and acceptance of the system. Otherwise, revenue is recognized upon delivery, assuming all other revenue recognition criteria are met.

The Company offers its systems with post-contract customer support (PCS) contracts, installation services, training, and professional services. PCS contracts provide planned and corrective maintenance services, software updates, bug fixes, as well as call-center support. Service revenue is generated primarily from PCS (warranty period services and post warranty services), installation services, training, parts and upgrades that are sold under service contracts, and professional services. PCS revenue is deferred and recognized over the service period. Installation service revenue is recognized concurrent with system revenue. Training and professional service revenues that are not deemed essential to the functionality of the systems are recognized as such services are performed.

Costs associated with service revenue are expensed when incurred, except when those costs are related to parts or system upgrades where revenue recognition has been deferred. In those cases, the costs are deferred and are recognized over the period of revenue recognition.

Net Loss Per Common Share

Basic and diluted net loss per share is computed by dividing net loss attributable to stockholders by the weighted average number of common shares outstanding during the period.

A reconciliation of the numerator and denominator used in the calculation of basic and diluted net loss per share follows (in thousands):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	**2014**	**2015**	**2014**
Numerator:				
Net loss used in computing net loss per share	$ (2,967)	$ (4,665)	$ (34,609)	$ (25,639)
Denominator:				
Weighted average shares used in computing basic and diluted loss per share	78,746	76,382	77,981	75,447

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The potentially dilutive shares of the Company s common stock resulting from the assumed exercise of outstanding stock options, the vesting of Restricted Stock Units (RSU), Market Stock Units (MSU) and Performance Stock Units (PSU), and the purchase of shares under the Employee Stock Purchase Program (ESPP), as determined under the treasury stock method, are excluded from the computation of diluted net loss per share because their effect would have been anti-dilutive. Additionally, the 3.75% Convertible Senior Notes due August 1, 2016 (the 3.75% Convertible Notes), the 3.50% Convertible Senior Notes due February 1, 2018 (the 3.50% Convertible Notes) and the 3.50% Series A Convertible Notes (the 3.50% Series A Convertible Notes) due February 1, 2018 (together, the Convertible Notes) are included in the calculation of diluted net income per share only if their inclusion is dilutive. For the three and nine months ended March 31, 2015 and 2014, the potentially dilutive shares under the Convertible Notes were excluded from the calculation of diluted net loss per share as their inclusion would have been anti-dilutive. The following table sets forth all potentially dilutive securities excluded from the computation in the table above because their effect would have been anti-dilutive (in thousands):

	As of March 31,	
	2015	**2014**
Stock options	2,645	3,416
RSUs, PSUs and MSUs	4,785	4,229
3.75% Convertible Notes		
3.50% Convertible Notes	8,378	21,576
3.50% Series A Convertible Notes	5,639	
	21,447	29,221

Outstanding Convertible Notes Diluted Share Impact

The 3.75% Convertible Notes and 3.50% Series A Convertible Notes have an optional physical (share), cash or combination settlement feature and contain certain conditional conversion features. Due to the optional cash settlement feature and management s intent to settle the principal amount thereof in cash, the conversion shares underlying the outstanding principal amount of the 3.75% Convertible Notes and 3.50% Series A Convertible Notes, totaling approximately 10.6 million shares and 13.2 million shares, respectively, were not included in the potentially diluted share count table above. The Company s average stock price did not exceed the conversion price of the 3.75% Convertible Notes as of March 31, 2015 and 2014. The 5.6 million potentially dilutive shares of the 3.50% Series A Convertible Notes included in the table above represent the premium over the principal amount due to the higher average share price above the conversion price. The number of premium shares included in the Company s diluted share count will vary with fluctuations in the Company s share price. Higher actual share prices result in a greater number of premium shares.

Segment Information

The Company has determined that it operates in only one segment, as it only reports profit and loss information on an aggregate basis to its chief operating decision maker. Revenue by geographic region is based on the shipping addresses of the Company s customers. The following summarizes revenue by geographic region (in thousands):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	**2014**	**2015**	**2014**
Americas	$ 52,617	$ 32,224	$ 136,812	$ 106,248
Europe, Middle East, India and Africa	21,055	40,419	78,086	93,320

Asia-Pacific (excluding Japan and India)	16,955	10,096	36,307	27,762
Japan	6,888	14,405	26,846	40,089
Total	$ 97,515	$ 97,144	$ 278,051	$ 267,419

Information regarding geographic areas in which the Company has long lived tangible assets is as follows (in thousands):

	March 31, 2015	**June 30, 2014**
Americas	$ 26,534	$ 30,542
Europe, Middle East, India and Africa	1,020	1,665
Asia-Pacific (excluding Japan and India)	514	444
Japan	1,788	1,740
Total	$ 29,856	$ 34,391

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2. Balance Sheet Components

Financing receivables

A financing receivable is a contractual right to receive money, on demand or on fixed or determinable dates, that is recognized as an asset in the Company s balance sheet. The Company s financing receivables, consisting of its accounts receivable with contractual maturities of more than one year, totaled $1.1 million and $2.8 million at March 31, 2015 and June 30, 2014, respectively and are included in Other Assets in the consolidated balance sheets. There was no balance in the allowance for doubtful accounts related to such financing receivables as of March 31, 2015 and June 30, 2014, respectively, as revenue is recognized on a cash basis for these receivables.

Inventories

Inventories consisted of the following (in thousands):

		March 31, 2015		June 30, 2014
Raw materials	$	46,739	$	37,003
Work-in-process		22,654		17,692
Finished goods		40,312		33,057
Inventories	$	109,705	$	87,752

Property and equipment, net

Property and equipment, net consisted of the following (in thousands):

		March 31, 2015		June 30, 2014
Furniture and fixtures	$	4,756	$	5,351
Computer and office equipment		11,408		10,540
Software		10,915		10,736
Leasehold improvements		19,390		18,991
Machinery and equipment		45,524		45,730
Construction in progress		5,890		5,877
		97,883		97,225
Less: Accumulated depreciation		(68,027)		(62,834)
Property and equipment, net	$	29,856	$	34,391

Depreciation expense related to property and equipment for the three and nine months ended March 31, 2015 was $2.9 million and $8.9 million, respectively. Depreciation expense related to property and equipment for the three and nine months ended March 31, 2014 was $3.0 million and $9.1 million, respectively.

3. Goodwill and Intangible Assets

Goodwill

Activity related to goodwill consisted of the following (in thousands):

	Nine Months Ended March 31, 2015	Year Ended June 30, 2014
Balance at the beginning of the period	$ 58,091	$ 59,368
Currency translation and other adjustments	(71)	(1,277)
Balance at the end of the period	$ 58,020	$ 58,091

In the second quarter of fiscal 2015, the Company performed its annual goodwill impairment test. Based on this analysis, the Company determined that there was no impairment to goodwill. The Company will continue to monitor its recorded goodwill for indicators of impairment.

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In connection with the acquisition of TomoTherapy in fiscal year 2011, the Company recognized liabilities related to unrecognized tax benefits as part of purchase accounting. During its first quarter of fiscal year 2014, the Company determined that certain of these liabilities related to unrecognized tax benefits were recorded in error. The Company evaluated the effects of this error on the financial statements and concluded that the error was not material to any prior annual or interim periods or the current period. In September 2013, the Company reduced goodwill and accrued liabilities by $1.3 million to remove the liability recorded in error.

Intangible Assets

The Company s unamortized intangible assets associated with completed acquisitions at March 31, 2015 and June 30, 2014 are as follows (in thousands):

		March 31, 2015			June 30, 2014		
	Useful Lives (in years)	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Amount**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Amount**
Developed technology	5 6	$ 46,747	$ (29,195)	$ 17,552	$ 46,747	$ (23,230)	$ 23,517

The Company performs the annual impairment test in December of each year and did not identify any triggering events that would indicate potential impairment of its definite-lived intangible and long-lived assets. As of March 31, 2015 and June 30, 2014 there were no triggering events or indicators of impairment.

Amortization expense related to intangible assets for the three and nine months ended March 31, 2015 was $2.0 million and $6.0 million, respectively. Amortization expense related to intangible assets for the three and nine months ended March 31, 2014 was $2.0 million and $6.4 million, respectively.

The estimated future amortization expense of purchased intangible assets as of March 31, 2015 is as follows (in thousands):

Year Ending June 30,	**Amount**
2015 (remaining 3 months)	$ 1,988
2016	7,953
2017	7,568
2018	43
Thereafter	
	$ 17,552

4. Financial Instruments

The Company considers all highly liquid investments held at major banks, certificates of deposit and other securities with original maturities of three months or less to be cash equivalents.

The Company classifies all of its investments as available-for-sale at the time of purchase because it is management s intent that these investments are available for current operations and includes these investments on its balance sheet as short-term investments. Investments with original maturities longer than three months include commercial paper, U.S. agency securities, non-U.S. government securities and investment-grade corporate debt securities. Investments classified as available-for-sale are recorded at fair market value with the related unrealized gains and losses included in accumulated other comprehensive income (loss), a component of stockholders equity. Realized gains and losses are recorded based on specific identification of each security s cost basis.

The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy contains three levels of inputs that may be used to measure fair value, as follows:

Level 1 Unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date.

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Level 2 Other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management s estimates of market participant assumptions.

The following tables summarize the amortized cost, gross unrealized gains, gross unrealized losses and fair value by significant investment category for cash, cash equivalents and short-term investments (in thousands):

	March 31, 2015				
				Estimated Market Value	
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Cash and Cash Equivalents**	**Short-term Investments**
Cash	$ 79,192	$	$	$ 79,192	$
Level 1					
Money market funds	8,258			8,258	
	8,258			8,258	
Level 2					
Commercial paper	15,997			7,999	7,998
U.S. Agency securities	17,999	1			18,000
Non-U.S. government securities	1,507		(4)		1,503
Corporate notes	26,749		(65)		26,684
	62,252		(69)	7,999	54,185
Total	$ 149,702	$ 1	$ (69)	$ 95,449	$ 54,185

	June 30, 2014				
				Estimated Market Value	
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Cash and Cash Equivalents**	**Short-term Investments**
Cash	$ 91,797	$	$	$ 91,797	$
Level 1					

Money market funds	549			549	
Level 2					
Corporate notes	79,535	72	(54)		79,553
Total	$ 171,881	$ 72	$ (54)	$ 92,346	$ 79,553

The Company s Level 2 investments in the table above are classified as Level 2 items because quoted prices in an active market are not readily accessible for those specific financial assets, or the Company may have relied on alternative pricing methods that do not rely exclusively on quoted prices to determine the fair value of the investments.

The Company had investments that were in an unrealized loss position as of March 31, 2015. The Company determined that (i) it does not have the intent to sell any of these investments and (ii) it is not likely that it will be required to sell any of these investments before recovery of the entire amortized cost basis. The Company reviews its investments quarterly to identify and evaluate investments that have an indication of possible impairment. As of March 31, 2015, the Company anticipates that it will recover the entire carrying value of such investments and has determined that no other-than-temporary impairments associated with credit losses were required to be recognized during the three and nine months ended March 31, 2015.

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Contractual maturities of available-for-sale securities at March 31, 2015 were as follows (in thousands):

	March 31, 2015	
	Amortized Cost	Fair Value
Due in 1 year or less	$ 40,421	$