

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, 2019

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.

INTUIT INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

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:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.01 par value	INTU	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 required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

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

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

The aggregate market value of Intuit Inc. outstanding common stock held by non-affiliates of Intuit as of January 31, 2019, the last business day of our most recently completed second fiscal quarter, based on the closing price of \$215.82 reported by the Nasdaq Global Select Market on that date, was \$53.7 billion.

There were 260,073,642 shares of Intuit voting common stock outstanding as of August 23, 2019.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its Annual Meeting of Stockholders to be held on January 23, 2020 are incorporated by reference in Part III of this Annual Report on Form 10-K.

INTUIT INC.
FISCAL 2019 FORM 10-K
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EX-101.SCH	XBRL Taxonomy Extension Schema	
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EX-101.LAB	XBRL Taxonomy Extensions Label Linkbase	
EX-101.PRE	XBRL Taxonomy Extension Presentation Linkbase	
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Intuit, the Intuit logo, QuickBooks, TurboTax, Mint, Lacerte, ProSeries, and Intuit ProConnect, 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.

Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements that involve risks and uncertainties. Please also see the section entitled “Risk Factors” in Item 1A of this Report for important information to consider when evaluating these 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 continue to 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 work with the broader industry and government to protect our customers from fraud;
- our expectation that we will generate significant cash from operations;
- our expectation that total service and other revenue as a percentage of our total revenue will continue to grow;
- our expectations regarding the development of future products, services, business models and technology platforms and our research and development efforts;
- our assumptions underlying our critical accounting policies and estimates, including our judgments and estimates regarding revenue recognition; 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 intention not to sell our investments and our belief that it is more likely than not that we will not be required to sell them before recovery at par;
- our belief that the investments we hold are not other-than-temporarily impaired;
- our belief that we take prudent measures to mitigate investment related risks;
- 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 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 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, after taking into account our operating and strategic cash needs;
- our plan to continue to provide ongoing enhancements and certain connected services for all future versions of our QuickBooks Desktop software products;
- our judgments and assumptions relating to our loan portfolio;
- our belief that the credit facilities will be available to us should we choose to borrow under them; and
- our assessments and beliefs regarding the future outcome of pending legal proceedings and inquiries by regulatory authorities, the liability, if any, that Intuit may incur as a result of those proceedings and inquiries, and the impact of any potential losses associated with such proceedings or inquiries on our financial statements.

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 Securities and Exchange Commission 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.

PART I

ITEM 1 - BUSINESS

CORPORATE BACKGROUND

General

Intuit helps consumers, small businesses, and the self-employed prosper by delivering financial management and compliance products and services. We also provide specialized tax products to accounting professionals, who are key partners that help us serve small business customers.

Our global products and platforms, including QuickBooks, TurboTax, Mint and Turbo, are designed to help our customers better manage their money, reduce their debt and file their taxes with ease so they can receive the maximum refund they deserve. For those customers who run small businesses, we are focused on helping them get paid faster, pay their employees, access capital, ensure their books are done right and find and keep customers. We serve more than 50 million customers across our product offerings and platforms. We had revenue of \$6.8 billion in our fiscal year which ended July 31, 2019, with approximately 9,400 employees in offices in the United States, Canada, India, the United Kingdom, Israel, Australia, and other locations.

Intuit Inc. 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. 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

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.

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 SEC 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 are a global technology company committed to using our platform and products to power prosperity around the world. Our customers include consumers, small businesses and the self-employed. Working with a broad array of vital partners - accountants, developers, financial institutions, educational institutions, governments and other platform companies - we are dedicated to solving our customers’ most pressing problems and delivering benefits that matter most to them including:

- Personalized experiences that help them save money and enable their businesses to grow and prosper.
- Automated financial tasks and data entry to save them time for what matters most.
- Connections to credible experts, tools and insights to provide them with confidence when making financial or compliance decisions.

We build durable competitive advantage by using the power of artificial intelligence (A.I.) and other advanced technologies to deliver innovative solutions via our trusted open platform that builds connections between customers, partners and products, as described in “Our Growth Strategy” below. We consider A.I. to include:

- Machine Learning - Building algorithms which progressively learn from data to automate tasks for our customers.
- Knowledge Engineering - Turning rules, such as IRS regulations, and relationships about data into code to eliminate work and provide tailored experiences.
- Natural Language Processing - Processing, analyzing and understanding human language to create interactions with customers and automate repetitive tasks.

Our Business Portfolio

We organize our businesses into three reportable segments:

Small Business & Self-Employed: This segment serves small businesses and the self-employed around the world, and the accounting professionals who serve and advise them. Our offerings include QuickBooks financial and business management online services and desktop software, payroll solutions, merchant payment processing solutions, and financing for small businesses.

Consumer: This segment serves consumers and includes do-it-yourself and assisted TurboTax income tax preparation products and services sold in the U.S. and Canada. Our Mint and Turbo offerings serve consumers and help them understand and improve their financial lives by offering a view of their financial health.

Strategic Partner: This segment serves professional accountants in the U.S. and Canada, who are essential to both small business success and tax preparation and filing. Our professional tax offerings include Lacerte, ProSeries, ProFile, and ProConnect Tax Online.

Our Growth Strategy

At Intuit, our strategy starts with customer obsession. We listen to and observe our customers, understand their challenges, and then use advanced technology, including A.I., to develop innovative solutions designed to solve their problems and help them grow and prosper. For more than three decades, our values have inspired us to innovate and reimagine ways to save people time and money, eliminate drudgery and inspire confidence. We have reinvented and disrupted ourselves to better serve our customers, as we continue to transform into an A.I.-driven expert platform company. Our assessment of external trends - the expectation of more personalized experiences, the digitization of services, as well as the growth in the self-employed workforce - reveals significant opportunities to drive future growth. The result is a shift from traditional services and point solutions to interconnected capabilities that work on platforms and increasingly rely on A.I. and data-driven solutions.

As we build those interconnected capabilities that rely on an A.I.-driven expert platform we are focused on three core elements:

- **Building an open, trusted platform:** We are creating a technology platform where we and our partners can seamlessly integrate together to solve the most pressing customer problems and deliver awesome experiences. Our open platform allows our customers to use and confidently share their data, with their consent, with us and third-party partners to help improve their financial lives.
- **Accelerating the application of A.I.:** We are actively accelerating our application of A.I., which continuously learns from data across the platform, and revolutionizes the experience for our customers. For example, our TurboTax solutions use machine learning to create a customized interview, asking questions uniquely tailored to each individual situation.
- **Connecting people with experts:** Across the platform, we are digitizing services by building connections among customers, partners, and experts to inspire confidence in our customers. For example, our TurboTax Live offering seamlessly connects our TurboTax customers with tax experts via a live one-way video. We will continue to develop new means to connect customers with experts so our customers can have confidence that they are making the right decisions about their financial lives, and the personalized experiences they expect.

As part of our strategy, we also develop relationships with key partners that enable us to scale our service to consumers, small businesses and the self-employed globally, including financial institutions, enterprise platforms, educational institutions and accountants. These partnerships allow us to co-create indispensable connections by sharing expertise, product integrations, and new solutions to solve more customer problems.

As the external environment evolves, we continue to innovate and adapt our strategy and anticipate our customers' needs. For more than 35 years, we have been dedicated to developing innovative financial and compliance products and services that are easy to use and are available where and when customers need them. As a result, our customers actively recommend our products and solutions to others, which is one important way that we measure the success of our strategy.

PRODUCTS AND SERVICES

During fiscal 2019 we offered our products and services in the three segments described in "Business Overview" above. The following table shows the revenue for each of these segments over the last three fiscal years.

	Fiscal 2019	Fiscal 2018	Fiscal 2017
Small Business & Self-Employed	52%	51%	50%
Consumer	41%	42%	42%
Strategic Partner	7%	7%	8%

Total international net revenue was less than 5% of consolidated total net revenue for fiscal 2019, fiscal 2018, and fiscal 2017.

For financial information about our reportable segments, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” in Item 7 and Note 13 to the financial statements in Item 8 of this Annual Report.

Small Business & Self-Employed

Our Small Business & Self-Employed segment serves small businesses and the self-employed around the world, and the accounting professionals who serve and advise them. Our offerings include QuickBooks financial and business management online services and desktop software, payroll and payment processing solutions, financial supplies, and financing for small businesses.

QuickBooks Online Services and Desktop Software. Our QuickBooks financial management solutions help small businesses, the self-employed, and accountants solve financial and compliance problems, make more money and reduce unnecessary work, while giving them complete confidence in their actions and decisions. Users can track income and expenses, create and send invoices and estimates, manage and pay bills, and review a variety of financial reports. In fiscal 2019 we introduced QuickBooks Live which enables our customers to obtain live bookkeeping advice from professionals. Our QuickBooks offerings are available either online or as desktop versions. Our online offerings can be accessed on mobile devices.

QuickBooks is built on an open platform, allowing third-party developers to create online and mobile applications that integrate with our offering. A growing number of companies offer applications built for our QuickBooks platform, including PayPal, Shopify, Square, and Bill.com.

In addition to our core QuickBooks offering, we also offer specific solutions for the following customer segments:

- **Enterprise.** Our QuickBooks Enterprise and QuickBooks Online Advanced offerings are designed for small businesses with 10 to 100 employees that have more complex needs. QuickBooks Enterprise is available for download or on a disk and can also be provided as a hosted solution. This offering provides industry-specific reports and features for a range of industries, including Contractor, Manufacturing and Wholesale, Nonprofit, and Retail. QuickBooks Online Advanced is an online enterprise solution.
- **Self-Employed.** QuickBooks Self-Employed is designed specifically for self-employed customers whose needs are different than small businesses that use QuickBooks. Features include categorizing business and personal transactions, identifying and classifying tax deductible expenses, tracking mileage, calculating estimated quarterly taxes and sending invoices. QuickBooks Self-Employed can be combined with TurboTax to export and pay year-end taxes. QuickBooks Self-Employed is available both online and via a mobile application.
- **Accountants.** QuickBooks Online Accountant and QuickBooks Accountant Desktop Plus are available to accounting professionals who use QuickBooks offerings and recommend them to their small business clients. These offerings provide the tools and file-sharing capabilities that accounting professionals need to efficiently complete bookkeeping and financial reporting tasks and to manage their practices. We also offer memberships to the QuickBooks ProAdvisor program, which provides access to QuickBooks Online Accountant, QuickBooks Accountant Desktop Plus, QuickBooks Desktop Enterprise Accountant, QuickBooks Point of Sale Desktop, technical support, training, product certification, marketing tools, and discounts on Intuit products and services purchased on behalf of clients.

Payroll Solutions. We offer two levels of payroll solutions that are sold on a subscription basis and seamlessly integrate with our QuickBooks Online and QuickBooks Desktop offerings. Our self-service payroll offerings include tools that allow our customers to perform 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. We also have our full-service payroll offerings, which provide comprehensive payroll services to QuickBooks customers who prefer not to perform payroll tasks themselves.

Payment Processing Solutions. Our full range of merchant services for small businesses includes credit card, debit card, and ACH payment services. In addition to transaction processing services, our broad support for our clients includes customer service, merchant and consumer collections, chargeback and retrieval support, and fraud and loss prevention screening. We also offer e-invoicing, which allows small businesses to email invoices directly from QuickBooks with a link that enables customers to instantly pay online or from their mobile device.

Financial Supplies. We offer a range of financial supplies designed for individuals and small businesses that use our QuickBooks offerings. These include standard paper checks and Secure Plus checks with CheckLock fraud protection features, a variety of stationery, tax forms and related supplies.

Financing for Small Businesses. We offer financing options for small businesses to help them get the capital they need to succeed. The financing process provides small businesses the ability to use their QuickBooks data to qualify to borrow capital.

Consumer

Our TurboTax products and services are designed to enable customers to prepare and file their own federal and state income tax returns quickly and accurately. They are designed to be easy to use, yet sophisticated enough for complex tax returns. These offerings are available either online or as desktop versions. Our online offerings can be accessed on mobile devices.

Tax Return Preparation Offerings. For the 2018 tax season, we offered a variety of commercial software products and filing services to meet the different needs of our customers, including those filing simple returns, those who itemize deductions, own investments or rental property, and small business owners. Customers can electronically file their federal and state income tax returns through our electronic filing service. We also offered TurboTax Live for customers seeking to obtain tax advice from professionals, as well as audit defense and audit support services. Our online tax preparation and filing services were offered through the websites of thousands of financial institutions, electronic retailers, and other online merchants. Financial institutions can offer our online tax preparation and filing services to their customers through a link to TurboTax Online. Our TurboTax U.S. and Canada offerings consist of desktop, online, and mobile offerings. In addition to our commercial product offerings, 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, which the IRS then markets to consumers on an IRS website. See also “*Competition – Consumer Segment*” later in this Item 1 for more information on the Free File Alliance.

Personal Finance Offerings. Our consumer platform, including our Mint and Turbo offerings, is aimed at helping customers unlock smart money decisions by connecting them to financial products to help make ends meet. These offerings help customers understand and improve their financial lives by offering a view of their financial health, as well as access to credit scores and monitoring.

Strategic Partner

Our Strategic Partner segment includes our professional tax offerings and serves professional accountants in the U.S. and Canada, who are essential to both small business success and tax preparation and filing. Our professional tax offerings consist of Lacerte, ProSeries, ProFile and ProConnect Tax Online and enable accountants to accurately and efficiently complete and electronically file a full range of consumer, small business, and commercial federal and state tax returns. Lacerte is designed for full-service year-round accounting firms who handle more complex returns. ProSeries is designed for year-round tax practices handling moderately complex tax returns. ProConnect Tax Online is our cloud-based solution, which is designed for full-service year-round practices who prepare all forms of consumer and small business returns and integrates with our QuickBooks Online offerings. ProFile is our Canadian tax offering, which serves year-round full-service accounting firms for both consumer and business tax returns. We also offer a variety of tax-related services that complement the tax return preparation process including year-round document storage, collaboration services, e-signature, and bank products.

PRODUCT DEVELOPMENT

The markets for software and related services are characterized by rapid technological change, shifting customer needs and frequent new product introductions and enhancements. Continuous investment is required to innovate and develop new products and services as well as enhance existing offerings to be successful in these markets. Our product development efforts are more important than ever as we pursue our growth strategy.

We develop many of our products and services internally, and we have a number of United States and foreign patents and pending applications that relate to various aspects of our products and technology. We also 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 growth strategy.

While our traditional desktop software products – QuickBooks, TurboTax, Lacerte, and ProSeries – tend to have predictable annual development and product release cycles, as we move to more online offerings and mobile applications, the development cycles are becoming more rapid. In addition, 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 with financial recommendations, personalization, and ease of use enabled by A.I. and other advanced technologies. We continue to focus on developing new products and services, including new mobile and global offerings, and significant research and development efforts for ongoing projects to update the technology platforms for several of our offerings.

SEASONALITY

Our Consumer and Strategic Partner offerings have a significant and distinct seasonal pattern as sales and revenue from our income tax preparation products and services are heavily concentrated in the period from November through April. This seasonal pattern results in higher net revenues during our second and third quarters ending January 31 and April 30, respectively. We expect the seasonality of our Consumer and Strategic Partner businesses to continue to have a significant impact on our quarterly financial results in the future.

MARKETING, SALES AND DISTRIBUTION CHANNELS

Markets

Our primary customers are consumers, small businesses, and the self-employed. We also provide specialized tax and accounting products to professional accountants, who are key partners to help us reach small business customers. 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 usage of 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 the standard. In addition, many customers now begin shopping in one channel and ultimately purchase in another. This has created 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

We use a variety of marketing programs to generate direct sales, develop leads, increase general awareness of our product portfolio, and drive sales in retail. These programs include digital marketing such as display and pay-per-click advertising, search engine optimization, and social and affiliate marketing; mobile marketing through online app stores; email marketing; offline marketing such as TV, radio, billboard, magazine and newspaper advertising; retail marketing; public relations; and in product marketing to drive awareness of related products and services. Our campaigns are designed to attract new users, retain existing users, and cross sell additional offerings.

Sales and Distribution Channels

Multi-Channel Shop-and-Buy Experiences. Our customers use the web and mobile devices to research products and services. Some customers buy and use our products and services entirely online or through their mobile devices. Others research online but make their purchase at a retail location. Because many customers shop across multiple channels, we continue to coordinate our online, offline, and retail presence and promotions to support an integrated, multi-channel, shop-and-buy model. We also focus on cross-selling complementary Intuit and third-party offerings online and in-product.

Direct Sales Channel. We sell many of our products and services directly through our websites and call centers. Direct, online sales are an effective channel for customers who can make purchase decisions based on content provided on our websites, via other online content or word of mouth recommendations. 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. We also have a direct sales force that calls on U.S. and international accounting firms and seeks to increase their awareness, usage, and recommendation of our small business and professional tax solutions.

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 and Google's Play Store.

Retail and Other Channels. We sell our QuickBooks and TurboTax desktop software as well as payroll services at retail locations across the United States and on retailer websites. In Canada, we also rely on distributors and other third parties who sell products into the retail channel. We sell our products and services through selected alliance partners and accountants who help us reach new customers at the point of need and drive growth and market share by extending our online reach. These partners combine our products and services with value-added marketing, sales, and technical expertise to deliver a complete solution at the local level. 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 and existing companies expand their businesses to include the 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 products which we must take into account in our pricing strategies.

Given the breadth of the products and services that we offer as a global technology company, we compete with the offerings from a variety of companies across a range of industries. Our most obvious competition comes from other companies that currently offer technology solutions similar to ours. In our Small Business & Self-Employed segment, we face competition from a variety of companies that provide products or services to address the problems that we help our customers to solve, including getting paid faster, paying their employees, accessing capital and ensuring their books are done right. Our Consumer segment competes with companies that offer products and services to help customers file their taxes, better manage their money and reduce their debt. We may also face competition from companies with platforms that could be developed to offer competing technology solutions to any of the problems that our customers may face, such as Facebook, Amazon and Google. In addition, for many of our products and services, other competitive alternatives for customers are third-party service providers such as professional accountants and seasonal tax preparation businesses. Manual tools and processes, or general-purpose software, are also important competitive alternatives. In some cases, a competitor in one of our segments may be our partner in another one of our segments. In other cases, a company may compete with us in more than one of our segments.

Competition Specific to Segments

Small Business & Self-Employed Segment. QuickBooks is the leading small business financial management software in the U.S. Small businesses often look to several companies to address their problems. Therefore, our small business products and services face competitive challenges from a variety of companies that provide products or services that address one or more of their problems. We compete to help small businesses get their books right with The Sage Group plc, Xero and FreshBooks, among others, which offer software and associated services as well as online accounting offerings that directly serve small business customers. For small businesses with more complex financial management needs, our competitors include The Sage Group plc's Intacct offering and Microsoft Dynamics. We also compete with 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, Gusto, and many other companies that help small businesses to pay their employees. In our merchant services business we help our customers get paid faster and 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, Fidelity National Information Services, PayPal, and Square. Our QuickBooks Capital offering, which helps small businesses to access capital, competes with a range of lending enterprises, including large financial institutions, such as the ones listed above, fintech companies, such as BlueVine and Kabbage, and others.

Consumer Segment. In our Consumer segment, we compete to help our customers to file their taxes. Our future growth depends on our ability to attract new customers to the self-preparation tax category and to our assisted offering, TurboTax Live, from tax stores and other tax preparers. In the U.S. private sector we face intense competition from H&R Block, which provides tax preparation services in its stores and a competing software offering. We also face competition from several other large tax preparation service providers, from a myriad of small tax preparers, and from numerous online self-preparation offerings, including Free Tax USA, TaxSlayer, Blucora's TaxAct and Credit Karma. Some of these competitors are offering electronic tax preparation and filing services at no cost to individual taxpayers. In Canada, our TurboTax Canada offerings face competition from H&R Block, SimpleTax, StudioTax, and UFile, among others. These competing offerings subject us to significant price pressure in both the U.S. and Canada.

We also face competitive challenges from government entities that offer publicly funded electronic tax preparation and filing services with no fees 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 to eligible users at no cost to the government or individual users separate and apart from the member companies' commercial free offerings, which the IRS then markets to consumers on an IRS website. Approximately 22 states and the District of Columbia 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 with no fees 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 that reinforce the voluntary compliance tax system. However, future administrative, regulatory, or legislative activity in this area could seek to replace the voluntary compliance tax system with return preparation by government agencies which could harm our Consumer business.

We also compete with numerous personal financial management companies, such as Credit Karma, Nerdwallet and Credit Sesame, and large financial institutions to help our customers better manage their money and reduce their debt.

Strategic Partner Segment. In the U.S., 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, Drake, and other smaller providers. In Canada, our ProFile professional tax offerings face competition from CCH's Cantax and Taxprep offerings, TaxCycle, and Thomson Reuters' DTMax and UFile Pro offerings. We also face growing competition from online tax and accounting offerings in the U.S. and Canada, 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, and ProSeries – are ease of use, product features, size of the installed customer base, brand name recognition, value proposition, cost, reliability, security, and product and support quality. Access to distribution channels is also important for our QuickBooks and TurboTax desktop 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 and TurboTax products are the leading products in the U.S. 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, security, 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 and video 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 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 and professional tax offerings. Customers can also 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 also sponsor online user communities where consumers can share knowledge and product advice with each other.

MANUFACTURING AND DISTRIBUTION

Online Products and Services

Our online offerings include QuickBooks Online, online payroll services, merchant payment processing services, TurboTax Online, ProConnect Tax Online, consumer and professional electronic tax filing services, Mint, and Turbo. We continue to execute on a multi-year plan to transition the systems, networks and databases required to operate these online offerings to public cloud providers, such as Amazon Web Services (AWS). Currently, most of our core online offerings are using AWS. The remaining online offerings are housed in data centers located in geographically diverse locations.

Desktop Software and Supplies

Although an increasing proportion of our desktop software customers choose to electronically download software, many customers continue to choose to purchase these products in the form of physical media. 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 and distribution, we have agreements with Arvato Digital Services, Inc. (Arvato), a division of Bertelsmann AG, under which Arvato provides a majority of the manufacturing volume for our launches of QuickBooks and TurboTax and day-to-day replenishment after product launches, as well as our retail distribution logistics. Arvato also provides most of the manufacturing volume and distribution services for our direct desktop software orders. Arvato has operations in multiple locations that can provide redundancy if necessary. 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.

Customers typically receive desktop software electronically. However, when physical product is ordered, we typically ship the physical product within a few days of receiving an order and backlog is minimal.

PRIVACY AND SECURITY OF CUSTOMER AND WORKFORCE INFORMATION AND TRANSACTIONS

We are stewards of our customers' data and have designed data stewardship principles to align our organization in collecting, using and protecting such information. As we believe strongly in being good stewards of our customers' data, we operate our program to comply with laws and regulations that regulate our use and protection of customers' personal information, including, for example, laws with respect to financial services and the handling of tax data. We have established guidelines and practices to help ensure that customers and members of our workforce are aware of, and can control, how we use information about them. 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 shape industry best practices, and to inform public policy for privacy and security.

We use security safeguards to help protect the systems and the information that customers and members of our workforce give to us from loss, misuse and unauthorized alteration. We use technical, logical and procedural measures, such as multi-factor authentication, which are designed to help detect and prevent fraud and misuse of customer information. Whenever customers transmit sensitive information to us, such as credit card information or tax return data, through one of our websites or products, we follow current industry standards to encrypt the data as it is transmitted to us, and when we store it at rest. We routinely patch our systems with security updates and 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.

GOVERNMENT REGULATION

Our Consumer and Strategic Partner segments are subject to federal, state and international 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, our Small Business & Self-Employed segment offers products and services to small businesses and consumers, such as payroll, payments, and financing, which are also subject to certain regulatory requirements.

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, Lacerte, TurboTax, QB, ProSeries, ProConnect, 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, 2019, we had approximately 9,400 employees in offices in the United States, Canada, India, the United Kingdom, Israel, Australia and other locations. We also employed on average approximately 2,000 seasonal and contract employees during the second and third quarters of our fiscal years to support our Consumer segment customers. We refer to our full-time, part-time, seasonal and contract employees collectively as our workforce. We believe our future success and growth will depend on our ability to attract and retain a qualified workforce in all areas of our business. We do not currently have any collective bargaining agreements with our employees, and we believe workforce 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 eighteen years. However, we face intense competition for qualified workers, and we expect to face continuing challenges in recruiting and retention.

ITEM 1A - RISK FACTORS

Our businesses routinely encounter and address risks, many of which could cause our future results to be materially different than we presently anticipate. Below, we describe certain important risks, categorized solely for ease of reference as strategic, operational, legal and compliance, and financial risks. The manner in which we respond to future developments as well as our competitors' reactions to those developments may affect our future operating results.

STRATEGIC RISKS

Strategic risks relate to our current and future operating model, business plans and growth strategy, including the risks associated with the following: competitive pressures on our product offerings and business models; our ability to adapt to technological changes and global trends; our reliance on third-party intellectual property and our ability to protect our own intellectual property rights; the value of our brand; and mergers, acquisitions and divestiture activity that may have unanticipated costs and expenses.

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 competition from companies with a variety of business models, including increased competition from providers of free offerings, particularly in our tax, accounting, and payments businesses. In order to compete, we have also introduced free offerings in several categories, but we may not be able to attract customers as effectively as competitors with different business models. In addition, other providers of free offerings may provide features that we do not offer and customers who have formerly paid for Intuit's products and services may elect to use our competitors' 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 potential competition from the public sector, where we face the risk of federal and state taxing authorities proposing revenue raising strategies that involve developing and providing government tax software or other government return preparation systems at public expense. These or similar programs may be introduced or expanded in the future, which may change the voluntary compliance tax system in ways that could cause us to lose customers and revenue. The IRS Free File Program is currently the sole means by which the IRS offers tax software to taxpayers, and as part of the program the IRS has agreed it will not offer a duplicative or competing service. Under this program, the IRS has worked with private industry to provide more than 56 million free returns since 2003, utilizing donated private sector tax software and e-filing services for low and middle income taxpayers at no cost to the government or individual users. However, its continuation depends on a number of factors, including increasing public awareness of and access to the free program, as well as continued government support. The current agreement is scheduled to expire in October 2021. Recently, we have become the subject of certain lawsuits and regulatory inquiries relating to the provision and marketing of the product that we offer under the IRS Free File Program. While we believe that the allegations in these proceedings are without merit, the proceedings may decrease the government's support of such program and increase the likelihood that such program is terminated. If the Free File Program were to be terminated and the IRS were to enter the software development and return preparation space, the federal government would become a publicly funded direct competitor of the U.S. tax services industry and of Intuit. Government funded services that curtail or eliminate the role of taxpayers in preparing their own taxes could potentially have material and adverse revenue implications.

Future revenue growth depends upon our ability to adapt to technological change as well as global trends in the way customers access software offerings and successfully introduce new and enhanced products, services and business models.

We operate in industries that are characterized by rapidly changing technology, evolving industry standards and frequent new product introductions. 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 requires us to devote significant resources.

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. We also provide additional customer benefits by utilizing customer data available to us through our existing offerings. If we are not able to develop and clearly demonstrate the value of new or upgraded products or services to our customers, or effectively utilize our customers' data to provide them with value, our revenues may be harmed. In addition, as we continue to introduce and expand our new business models, including offerings that are free to end

users, our customers may not perceive value in the additional benefits and services we offer beyond our free offering and may choose not to pay for those additional benefits or we may be unsuccessful in increasing customer adoption of these offerings or our risk profile may change, resulting in loss of revenue.

We have devoted significant resources to develop products and services for users of mobile 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 mobile 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 mobile 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. Further, legislation or regulatory changes may mandate changes in our products that make them less attractive to users.

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, 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.

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 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, domain names 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.

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, members of our workforce, agents, third parties we rely on, or our users, may tarnish our reputation and reduce the value of our brands. Our brand value also depends on our ability to provide secure and trustworthy products and services as well as our ability to protect and use our customers' data in a manner that meets their

expectations. In addition, a security incident which results in unauthorized disclosure of our customers' sensitive data could cause material reputational harm. 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 and could also reduce our stock price.

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, technologies and talent that complement our strategic direction, both in and outside the United States. Acquisitions involve significant risks and uncertainties, including:

- inability to successfully integrate the acquired technology, data assets 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 or with regulatory requirements, and may require significant time and resources to align or rectify;
- 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;
- risks associated with businesses we acquire or invest in, which may differ from or be more significant than the risks our other businesses face; and
- in the case of foreign acquisitions and investments, the impact of particular economic, tax, currency, political, legal and regulatory risks associated with specific countries.

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;
- the possibility that we will become subject to third-party claims arising out of such divestiture;
- challenges in identifying and separating the intellectual property and data to be divested from the intellectual property and data 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 us as a result of a divestiture; and
- 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.

In addition, any acquisition or divestiture that we announce may not be completed if closing conditions are not satisfied. 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.

OPERATIONAL RISKS

Operational risks arise from internal and external events relating to systems, processes and people. Risks that affect the operation of our businesses include the following: potential security incidents; privacy and cybersecurity concerns relating to online offerings; fraudulent activities by third parties; relationships with third parties; competition for and retention of key talent; issues with our product launches; problems with our information technology infrastructure; and risks associated with operating internationally.

Security incidents, improper access to or disclosure of our data or customers' data, or other cyberattacks on our systems could harm our reputation and adversely affect our business.

We host, collect, use and retain large amounts of sensitive and personal customer and workforce data, including credit card information, tax return information, bank account numbers, login credentials and passwords, personal and business financial data and transactions data, social security numbers and payroll information, as well as our confidential, nonpublic business information. We use commercially available security technologies and security and business controls to limit access to and use of such sensitive data. Although we expend significant resources to create security protections designed to shield this data against potential theft and security breaches, such measures cannot provide absolute security.

Our technologies, systems, and networks have been subject to, and are likely to continue to be the target of, cyberattacks, computer viruses, worms, social engineering, malicious software programs, insider threats, and other cybersecurity incidents that could result in the unauthorized release, gathering, monitoring, use, loss or destruction of sensitive and personal data of our customers and members of our workforce, or Intuit's sensitive business data or cause temporary or sustained unavailability of our software and systems. These types of attacks can be made by individuals, groups of hackers, and sophisticated organizations including state-sponsored organizations or nation-states themselves. Customers who fail to update their systems, continue to run software that we no longer support or that fail to install security patches on a timely basis create vulnerabilities and make it more difficult for us to detect and prevent these kinds of attacks. We are increasingly incorporating open source software into our products. There may be vulnerabilities in open source software that make it susceptible to cyberattacks. In addition, because the techniques used to obtain unauthorized access to sensitive information change frequently, and are becoming more sophisticated and are often not able to be detected until after a successful attack, we may be unable to anticipate these techniques or implement adequate preventive measures. Although this is an industry-wide problem that affects software and hardware across platforms, it may increasingly affect our offerings because cyber-criminals tend to focus their efforts on well-known offerings that are popular among customers and hold sensitive information and we expect them to continue to do so.

Further, the security measures that we implement may not be able to prevent unauthorized access to our products and our customers' account data. Third parties may fraudulently induce members of our workforce, customers, or users by social engineering means, such as email phishing, to disclose sensitive information in order to gain access to our systems. It is also possible that unauthorized access to or disclosure of customer data may occur due to inadequate use of security controls by our customers or members of our workforce. Accounts created with weak or recycled passwords could allow cyberattackers to gain access to customer data. Unauthorized persons could gain access to customer accounts if customers do not maintain effective access controls of their systems and software.

Criminals may also use stolen identity information obtained outside of our systems to gain unauthorized access to our customers' data. We have experienced such instances in the past and as the accessibility of stolen identity information increases, generally, we may experience further instances of unauthorized access to our systems through the use of stolen identity information of our customers or members of our workforce in the future. Further, our customers may choose to use the same user ID and password across multiple products and services unrelated to our products. Such customers' login credentials may be stolen from products offered by third-party service providers unrelated to us and the stolen identity information may be used by a malicious third party to access our products, which could result in disclosure of confidential information.

Our efforts to protect data may also be unsuccessful due to software bugs (whether open source or proprietary code), breaks, workforce member error or other threats that evolve.

Further, because we have created an ecosystem where customers can have one identity across multiple Intuit products, a security incident may give access to increased amounts of customer data. This may result in disclosure of confidential information, loss of customer confidence in our products, possible litigation, material harm to our reputation and financial condition, disruption of our or our customers' business operations and a decline in our stock price. From time to time, we detect, or receive notices from customers or public or private agencies that they have detected, actual or perceived vulnerabilities in our servers, our software or third-party software components that are distributed with our products or fraudulent activity by unauthorized persons utilizing our products with stolen customer identity information. The existence of such vulnerabilities or fraudulent activity, even if they do not result in a security breach, may undermine customer confidence as well as the confidence of government agencies that regulate our offerings. Such perceived vulnerabilities could also seriously harm our business by tarnishing our reputation and brand and/or limiting the adoption of our products and services and could cause our stock price to decline.

A cybersecurity incident affecting the third parties we rely on could expose us or our customers to a risk of loss or misuse of confidential information and significantly damage our reputation.

We depend on a number of third parties, including vendors, developers and partners who are critical to our business. We or our customers may grant access to customer data to these third parties to help deliver customer benefits, or to host certain of our and our customers' sensitive and personal data. In addition, we share sensitive, nonpublic business information (including, for example, materials relating to financial, business and legal strategies) with other vendors in the ordinary course of business.

While we conduct background checks of our workforce, conduct reviews of partners, developers and vendors and use commercially available technologies to limit access to systems and data, it is possible that one or more of these individuals or third parties may misrepresent their intended use of data or may circumvent our controls, resulting in accidental or intentional

disclosure or misuse of our customers' or employees' data. Further, while we conduct due diligence on these third parties with respect to their security and business controls, we may not have the ability to effectively monitor or oversee the implementation of these control measures. Individuals or third parties may be able to circumvent these security and business controls and/or exploit vulnerabilities that may exist in these controls, resulting in the disclosure or misuse of sensitive business and personal customer or employee information and data.

A security incident involving third parties whom we rely on may have serious negative consequences for our businesses, including disclosure of sensitive customer or employee data, or confidential or competitively sensitive information regarding our business, including intellectual property and other proprietary data; make our products more vulnerable to fraudulent activity; cause temporary or sustained unavailability of our software and systems; result in possible litigation, fines, penalties and damages; result in loss of customer confidence; cause material harm to our reputation and brands; lead to further regulation and oversight by federal or state agencies; cause adverse financial condition; and result in a reduced stock price.

Concerns about the current privacy and cybersecurity environment, generally, could deter current and potential customers from adopting our products and services and damage our reputation.

The continued occurrence of cyberattacks and data breaches on governments, businesses and consumers in general indicates that we operate in an external environment where cyberattacks and data breaches are becoming increasingly common. If the global cybersecurity environment worsens, and there are increased instances of security breaches of third-party offerings where consumers' data and sensitive information is compromised, consumers may be less willing to use online offerings, particularly offerings like ours in which customers often share sensitive financial data. In addition, the increased availability of data obtained as a result of breaches of third-party offerings could make our own products more vulnerable to fraudulent activity. Even if our products are not affected directly by such incidents, any such incident could damage our reputation and deter current and potential customers from adopting our products and services or lead customers to cease using online and connected software products to transact financial business altogether.

If we are unable to effectively combat the increasing amount and sophistication of fraudulent activities by third parties using our offerings, we may suffer losses, which may be substantial, and lose the confidence of our customers and government agencies and our revenues and earnings may be harmed.

The online tax preparation, payroll administration and online payments industries have been experiencing an increasing amount of fraudulent activities by third parties, and those fraudulent activities are becoming increasingly sophisticated. Although we do not believe that any of this activity is uniquely targeted at our products or business, this type of fraudulent activity may adversely impact our tax, payroll, and payments businesses. In addition to any losses that may result from such fraud, which may be substantial, a loss of confidence by our customers or by governmental agencies in our ability to prevent fraudulent activity that is perpetrated through our offerings may seriously harm our business and damage our brand. If we cannot adequately combat such fraudulent activity that is perpetrated through our tax offerings, governmental authorities may refuse to allow us to continue to offer such services, which could include federal or state tax authorities refusing to allow us to process our customers' tax returns electronically, resulting in a significant adverse impact on our earnings and revenue. As fraudulent activities become more pervasive and increasingly sophisticated, and fraud detection and prevention measures must become correspondingly more complex to combat them 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, which could result in lost revenue and negatively impact our earnings.

If we fail to process transactions effectively or fail to adequately protect against disputed or potential fraudulent activities, our business 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. Despite our efforts to ensure that effective processing systems and controls are in place to handle transactions appropriately, it is possible that we may make errors or that funds may be misappropriated due to fraud. The likelihood of any such error or misappropriation may increase as we accelerate the speed at which we process transactions. The systems supporting our business are comprised of multiple technology platforms that are sometimes difficult to scale. If we are unable to effectively manage our systems and processes, or if there is an error in our products, we may be unable to process customer data in an accurate, reliable and timely manner, which may harm our reputation, the willingness of customers to use our products, and our financial results. 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.

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.

Our reputation and ability to attract, retain and serve our customers is dependent upon the reliable performance of our products and our underlying technical infrastructure. As we continue to grow our online services, we become more dependent on the continuing operation and availability of our information technology and communications 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, and our disaster recovery planning may not account for all eventualities. We have designed a significant portion of our software and computer systems to utilize data processing and storage capabilities provided by public cloud providers, such as Amazon Web Services. If any public cloud service that we use is unavailable to us for any reason, our customers may not be able to access certain of our cloud products or features, which could significantly impact our operations, business, and financial results.

Failure of our systems or those of our third-party service providers, may result in interruptions in our service and loss of data or processing capabilities, all of which may cause a loss in customers, refunds of product fees, material harm to our reputation and operating results.

Our tax businesses must effectively handle extremely heavy customer demand during critical peak periods from January until April of each year. We face significant risks in maintaining adequate service levels during these peak periods when we derive a substantial portion of our overall revenue from the tax businesses. Any interruptions in our online tax preparation or electronic filing service at any time during the tax season, particularly during a peak period, could result in significantly decreased revenue, lost customers, unexpected refunds of customer charges, negative publicity and increased operating costs, any of which could significantly harm our business, financial condition and results of operations.

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.

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. In addition, our corporate headquarters and other critical business operations are located near major seismic faults. In the event of a major natural or man-made disaster, our insurance coverage may not completely compensate us for our losses and our future financial results may be materially harmed.

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 needs, 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.

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

Our growth is increasingly dependent on the strength of our business relationships and our ability to continue to develop, manage and maintain new and existing relationships with third-party partners. We rely on various third-party partners, including software and service providers, suppliers, vendors, manufacturers, distributors, accountants, 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 at all, or we may experience business interruptions upon a transition to an alternative partner.

Although we have strict standards for our suppliers and business partners to comply with the law and company policies regarding workplace and employment practices, data use and security, environmental compliance, intellectual property licensing and other applicable regulatory and compliance requirements, we cannot control their day-to-day practices. If any of them violate laws or implement practices regarded as unethical, we could experience supply chain disruptions, canceled orders, terminations of or damage to key relationships, and damage to our reputation.

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 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.

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 and other key 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. The incentives we have available to attract, retain, and motivate employees provided by our equity awards may become less effective, and if we were to issue significant equity to attract additional employees, the ownership of our existing stockholders would be diluted. 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.

If we experience significant product accuracy or quality problems or delays in product launches, 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 and potentially late 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 may contain errors that could unexpectedly interfere with the operation of the software or result in incorrect calculations. The complexity of the tax laws on which our products are based 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, work with state tax administrators to communicate with affected customers, assist customers with amendments, 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 either late in our development cycle or after release it may cause us to delay our product launch date or suspend product availability until such issues can be fixed. Any major defects, launch delays or product suspensions 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 other payments, including those resulting from our accuracy guarantee in our tax preparation products. For example, an error in our tax products could cause a compliance error for taxpayers, including the over or underpayment of their federal or state tax liability. While our accuracy guarantee commits us to reimburse penalties and interest paid by customers due solely to calculation errors in our tax preparation products, such errors may result in additional burdens on third parties that we may need to address or that may cause us to suspend the availability of our products until such errors are addressed. This could also affect our reputation, the willingness of customers to use our products, and our financial results. Further, as we develop our platform to connect people to experts, such as connecting TurboTax customers with tax experts through our TurboTax Live offering, or connecting QuickBooks customers with bookkeepers through our QuickBooks Live offering, we face the risk that these experts may provide advice that is erroneous, ineffective or otherwise unsuitable. Any such deficiency in the advice given by these experts may cause harm to our customers, a loss of customer confidence in our offerings or harm to our reputation or financial results.

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:

- different or more restrictive privacy, data protection, data localization, and other laws that could require us to make changes to our products, services and operations, such as mandating that certain types of data collected in a particular country be stored and/or processed within that country;
- 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;
- geopolitical events, including natural disasters, acts of war and terrorism;
- import or export regulations;
- compliance with the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and laws and regulations of other jurisdictions prohibiting corrupt payments to government officials and other third parties;
- antitrust and competition regulations;
- potentially adverse tax developments;
- economic uncertainties relating to European sovereign and other debt;
- trade barriers and changes in trade regulations;
- political or social unrest, economic instability, repression, or human rights issues; and
- risks related to other government regulation or required compliance with local laws.

Violations of the rapidly evolving and 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.

LEGAL AND COMPLIANCE RISKS

Legal and compliance risks arise from change in the government and regulatory environment, including complex and evolving regulations relating privacy and data security; potential litigation; regulatory inquiries and intellectual property infringement claims.

Increased government regulation of our businesses, or changes to existing regulations, may harm our operating results.

The Company is subject to federal, state, local and international laws and regulations that affect the Company's activities, including, without limitation, areas of labor, advertising, tax, financial services, data privacy and security, electronic funds transfer, money transmission, lending, digital content, consumer protection, real estate, billing, e-commerce, promotions, quality of services, intellectual property ownership and infringement, import and export requirements, anti-corruption, foreign exchange controls and cash repatriation restrictions, anti-competition, environmental, health and safety, and other regulated activities. 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 privacy. 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 (both in the U.S. and in other jurisdictions in which we operate) may adopt new laws or regulations, change existing regulations, or their interpretation of existing laws or regulations may differ from ours.

The tax preparation industry continues to receive heightened attention from federal and state governments. New legislation, regulation, public policy considerations, changes in the cybersecurity environment, litigation by the government or private entities, changes to 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.

Complex and evolving U.S. and international laws and regulation regarding privacy and data protection could result in claims, changes to our business practices, penalties, increased cost of operations or otherwise harm our business.

Regulations related to the provision of online services is evolving as federal, state and foreign governments continue to adopt new, or modify existing laws and regulations addressing data privacy and the collection, processing, storage, transfer and use of data. This includes, for example, the EU's new regulation, the General Data Protection Regulation (GDPR) and the new California Consumer Protection Act (CCPA), which will become effective on January 1, 2020. In our efforts to meet the GDPR, CCPA and other data privacy regulations, we have made and continue to make certain operational changes to our products and business practices. If we are unable to engineer products that meet these evolving requirements or help our customers meet their obligations under these or other new data regulations, we might experience reduced demand for our offerings. Further, penalties for non-compliance with these laws may be significant.

In addition, there are global privacy treaties and frameworks that have created compliance uncertainty and increased complexity. For example, the European Commission and the Swiss Government approved the EU-U.S. and Swiss-U.S. Privacy Shield frameworks, respectively, that provide a mechanism for companies to legally transfer personal data from the EU and Switzerland to the U.S. However, these frameworks as well as other personal data transfer mechanisms face a number of legal challenges, both by regulators and private parties. A change in these transfer mechanisms could cause us to incur costs or require us to change our business practices in a manner adverse to our business.

Other governmental authorities throughout the U.S. and around the world are considering similar types of legislative and regulatory proposals concerning data protection. Each of these privacy, security and data protection laws and regulations could impose significant limitations, require changes to our business, require notification to customers or workers of a security breach, restrict our use or storage of personal information, or cause changes in customer purchasing behavior which may make our business more costly, less efficient or impossible to conduct, and may require us to modify our current or future products or services, which may make customers less likely to purchase our products and may harm our future financial results. Additionally, any actual or alleged noncompliance with these laws and regulations could result in negative publicity and subject us to investigations, claims or other remedies, including demands that we modify or cease existing business practices, and expose us to significant fines, penalties and other damages. We have incurred, and may continue to incur, significant expenses to comply with existing privacy and security standards and protocols imposed by law, regulation, industry standards or contractual obligations.

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 (including class action lawsuits), 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 may increase as our businesses evolve. 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. For further information about specific litigation, see Item 3, "Legal Proceedings".

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.

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 give 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.

FINANCIAL RISKS

Financial risks relate to our ability to meet financial obligations and mitigate exposure to financial impacts to our businesses or our offerings. Financial risks arise from the following: seasonality; excessive subscription cancellations and product returns; unanticipated changes in income tax rates; adverse global macro-economic conditions; credit risks; fluctuations in our net income; indebtedness; and the fluctuation of our stock price.

Our tax business is highly seasonal and our quarterly results could fluctuate significantly.

Our tax offerings have significant seasonal patterns. Revenue from income tax preparation products and services is heavily concentrated during November through April. This seasonality has caused significant fluctuations in our quarterly financial results. 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 customer 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.

If actual customer refunds for our offerings exceed the amount we have reserved our future financial results may be harmed.

Like many software companies we refund customers for product returns and subscription cancellations. We establish reserves against revenue in our financial statements based on estimated customer refunds. We closely monitor this refund activity in an effort to maintain adequate reserves. In the past, customer refunds have not differed significantly from these reserves. However, if we experience actual customer refunds that significantly exceed the amount we have reserved, it may result in lower net revenue.

Unanticipated changes in our income tax rates or other indirect tax 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, by changes in our stock price, or by changes in tax laws or their interpretation. Foreign governments may enact tax laws that could result in further changes to global taxation and materially affect our financial position and results of operations. 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.

An increasing number of states and foreign jurisdictions have adopted laws or administrative practices, that impose new taxes on all or a portion of gross revenue or other similar amounts or impose additional obligations to collect transaction taxes such as sales, consumption, value added, or similar taxes. We may not have sufficient lead time to build systems and processes to collect these taxes properly, or at all. Failure to comply with such laws or administrative practices, or a successful assertion by such states or foreign jurisdictions requiring us to collect taxes where we do not, could result in tax liabilities, including for past sales, as well as penalties and interest.

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

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. While we have historically performed well in economic downturns, there is no guarantee that we would continue to perform well in future adverse macroeconomic conditions. 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 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 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 provide capital to small businesses, which exposes us to certain risk, and may cause us material financial or reputational harm.

We provide capital to qualified small businesses, which exposes us to the risk of our borrowers' inability to repay such loans. We have also entered into credit arrangements with financial institutions to obtain the capital we provide under this offering. Any termination or interruption in the financial institutions' ability to lend to us could interrupt our ability to provide capital to qualified small businesses. Further, our credit decisioning, pricing, loss forecasting and scoring models used to evaluate loan applications may contain errors or may not adequately assess creditworthiness of our borrowers, or may be otherwise ineffective, resulting in incorrect approvals or denials of loans. It is also possible that loan applicants could provide false or incorrect information. While we have not incurred any material losses to date, if any of the foregoing events were to occur, our reputation and relationships with borrowers, and our financial results, could be harmed.

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 \$26 million in fiscal 2019; \$21 million in fiscal 2018; and \$14 million in fiscal 2017. 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. At July 31, 2019, we had \$1.7 billion in goodwill and \$54 million in net acquired intangible assets on our consolidated 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.

We have incurred indebtedness and may incur other debt in the future, which may adversely affect our financial condition and future financial results.

As of July 31, 2019, we had an aggregate of \$436 million of indebtedness outstanding under our credit facilities. We may incur additional debt in the future.

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 unsecured and secured revolving credit facilities impose 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 unsecured 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.

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 unsecured revolving credit facility or our secured term loan 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 cannot guarantee that our share repurchase program will be fully consummated or that it will enhance long-term stockholder value.

We have a stock repurchase program under which we are authorized to repurchase our common stock. The repurchase programs do not have an expiration date and we are not obligated to repurchase a specified number or dollar value of shares. Our repurchase programs may be suspended or terminated at any time and, even if fully implemented, may not enhance long-term stockholder value. Also, the amount, timing, and execution of our stock repurchase programs may fluctuate based on our priorities for the use of cash for other purposes and because of changes in cash flows, tax laws, and the market price of our common stock.

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.

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, 2019 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, California	Corporate headquarters and principal offices for Small Business & Self-Employed segment	487,000	2024 - 2026
Mountain View, California	Corporate headquarters and principal offices for Small Business & Self-Employed segment	225,000	Owned
San Diego, California	Principal offices for Consumer segment	466,000	Owned
Bangalore, India	Principal offices for Intuit India	434,000	2020 - 2022
Plano, Texas	Principal offices for Strategic Partner segment and data center	166,000	2026

We also lease or own facilities in a number of domestic locations and lease facilities internationally in Canada, the United Kingdom, Australia, Israel, 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 8 to the financial statements in Item 8 of this Annual Report for more information about our lease commitments.

ITEM 3 - LEGAL PROCEEDINGS

In fiscal 2015 Intuit was contacted by certain state and federal regulatory authorities in connection with inquiries regarding an increase during the 2015 tax season in attempts by criminals using stolen identity information to file fraudulent tax returns and claim refunds. Intuit provided information in response to those inquiries and now believes those inquiries are resolved. A consolidated putative class action lawsuit was filed by individuals who claim to have suffered damages in connection with the 2015 events. On May 23, 2018, the parties reached a settlement in principle of this matter. The settlement was granted final approval and the matter was dismissed with prejudice by the court on May 15, 2019. The terms of the settlement are not material to our consolidated financial statements.

Beginning in May 2019, various lawsuits were filed and certain regulatory inquiries were commenced in connection with our provision and marketing of free online tax preparation programs. We believe that the allegations contained within these lawsuits are without merit. We intend to vigorously defend against the lawsuits and cooperate in the investigations.

Intuit is subject to certain routine legal proceedings, including class action lawsuits, as well as demands, claims, government inquiries 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. Our failure to obtain necessary license or other rights, or litigation arising out of intellectual property claims could adversely affect our business. 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.

ITEM 4 - MINE SAFETY DISCLOSURES

None.

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."

Stockholders

As of August 23, 2019 we had approximately 415 record holders and approximately 340,000 beneficial holders of our common stock.

Dividends

We declared cash dividends that totaled \$1.88 per share of outstanding common stock or \$500 million during fiscal 2019 and \$1.56 per share of outstanding common stock or \$407 million during fiscal 2018. In August 2019 our Board of Directors declared a quarterly cash dividend of \$0.53 per share of outstanding common stock payable on October 18, 2019 to stockholders of record at the close of business on October 10, 2019. 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.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Stock repurchase activity during the three months ended July 31, 2019 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, 2019 through May 31, 2019	195,800	\$246.14	195,800	\$2,788,110,001
June 1, 2019 through June 30, 2019	178,000	\$257.01	178,000	\$2,742,361,439
July 1, 2019 through July 31, 2019	195,800	\$276.96	195,800	\$2,688,133,406
Total	569,600	\$260.13	569,600	

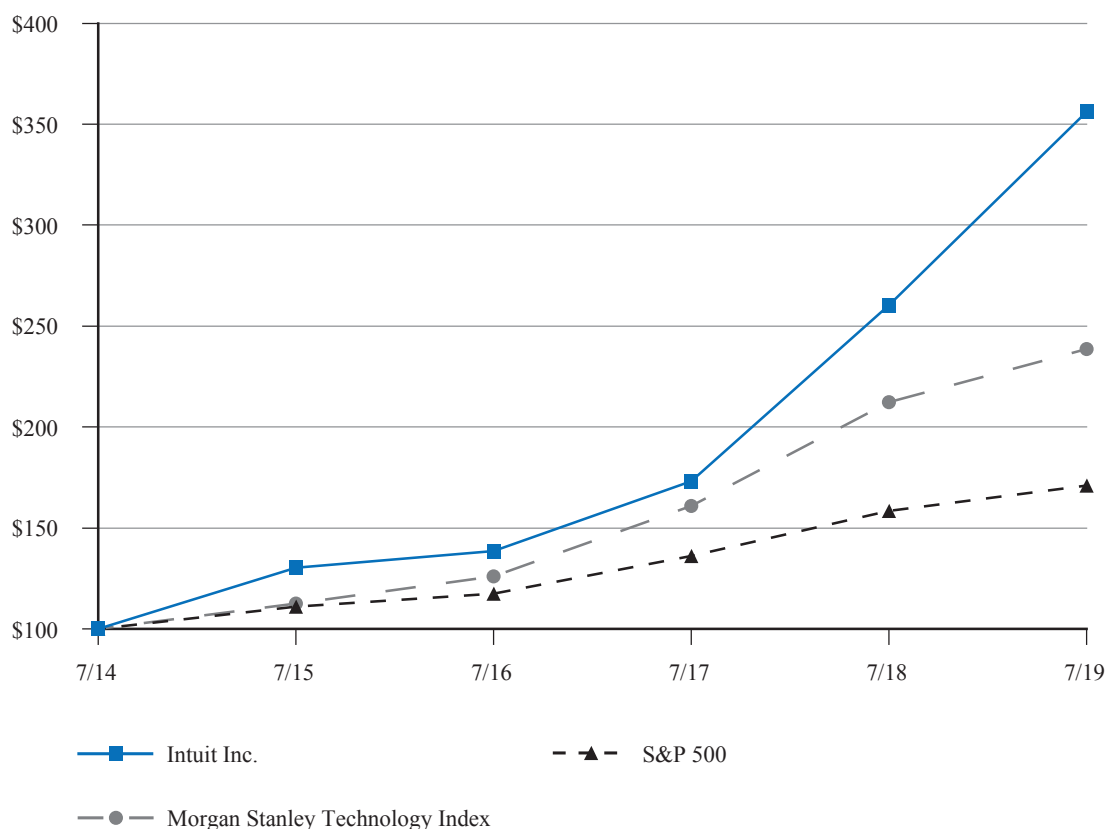
Note: All of the shares purchased during the three months ended July 31, 2019 were purchased under a plan we announced on August 19, 2016 pursuant to which we are authorized to repurchase up to \$2 billion of our common stock. On August 21, 2018, our Board approved a new stock repurchase program under which we are authorized to repurchase up to an additional \$2 billion of our common stock. At July 31, 2019, authorization from our Board of Directors to expend up to \$2.7 billion remained available under these plans.

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, 2014 and that all dividends were reinvested. 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.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Intuit Inc., the S&P 500 Index,
and Morgan Stanley Technology Index



*\$100 invested on 07/31/14 in stock or index, including reinvestments of dividends.
Fiscal year ending July 31.

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	July 31, 2014	July 31, 2015	July 31, 2016	July 31, 2017	July 31, 2018	July 31, 2019
Intuit Inc.	\$ 100.00	\$ 130.43	\$ 138.51	\$ 173.22	\$ 260.23	\$ 356.17
S&P 500	\$ 100.00	\$ 111.21	\$ 117.45	\$ 136.29	\$ 158.43	\$ 171.08
Morgan Stanley Technology Index	\$ 100.00	\$ 112.47	\$ 125.98	\$ 161.01	\$ 212.39	\$ 238.62

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 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.

The consolidated statement of operations data for fiscal 2019, 2018 and 2017, and the consolidated balance sheet data as of July 31, 2019, 2018 and 2017 reflect the full retrospective application of ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." See Note 1 in Item 8 of this Annual Report for more information. The consolidated statement of operations data for fiscal 2016 and 2015 and the consolidated balance sheet data as of July 31, 2016 and 2015 do not reflect the adoption of ASU 2014-09 and continue to be reported under the standards in effect for those periods.

In fiscal 2019, fiscal 2018, and fiscal 2015 we acquired several companies and we have included the results of operations for each of them in our consolidated results of operations from their respective dates of acquisition.

In fiscal 2016 we completed the sales of our Demandforce, QuickBase, and Quicken businesses. We accounted for all of these businesses as discontinued operations and have therefore included their results on our consolidated statements of operations for fiscal 2016 and fiscal 2015 to reflect them as such. Our consolidated balance sheet for fiscal 2015 reflects Demandforce, QuickBase, and Quicken 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.

Consolidated Statement of Operations Data

(In millions, except per share amounts)

	Fiscal				
	2019	2018	2017	2016	2015
Total net revenue	\$ 6,784	\$ 6,025	\$ 5,196	\$ 4,694	\$ 4,192
Total costs and expenses	4,930	4,465	3,778	3,452	3,454
Operating income from continuing operations	1,854	1,560	1,418	1,242	738
Total share-based compensation expense included in total costs and expenses	401	382	326	278	242
Net income from continuing operations	1,557	1,329	985	806	413
Net income (loss) from discontinued operations	—	—	—	173	(48)
Net income	1,557	1,329	985	979	365
Net income per common share:					
Basic net income per share from continuing operations	\$ 5.99	\$ 5.18	\$ 3.83	\$ 3.08	\$ 1.47
Basic net income (loss) per share from discontinued operations	—	—	—	0.65	(0.17)
Basic net income per share	<u>\$ 5.99</u>	<u>\$ 5.18</u>	<u>\$ 3.83</u>	<u>\$ 3.73</u>	<u>\$ 1.30</u>
Diluted net income per share from continuing operations	\$ 5.89	\$ 5.09	\$ 3.78	\$ 3.04	\$ 1.45
Diluted net income (loss) per share from discontinued operations	—	—	—	0.65	(0.17)
Diluted net income per share	<u>\$ 5.89</u>	<u>\$ 5.09</u>	<u>\$ 3.78</u>	<u>\$ 3.69</u>	<u>\$ 1.28</u>
Dividends declared per common share	<u>\$ 1.88</u>	<u>\$ 1.56</u>	<u>\$ 1.36</u>	<u>\$ 1.20</u>	<u>\$ 1.00</u>

Consolidated Balance Sheet Data

(In millions)

	At July 31,				
	2019	2018	2017	2016	2015
Cash, cash equivalents and investments	\$ 2,740	\$ 1,716	\$ 777	\$ 1,080	\$ 1,697
Working capital (deficit)	1,628	679	(205)	(637)	816
Total assets	6,283	5,134	3,977	4,250	4,968
Short-term debt	50	50	50	512	—
Long-term debt	386	388	438	488	500
Long-term deferred income tax liabilities	37	68	78	7	50
Other long-term obligations ⁽¹⁾	145	119	124	343	274
Total stockholders' equity	3,749	2,816	1,699	1,161	2,332

(1) Upon adoption of ASU 2014-09, other long-term obligations includes long-term deferred revenue. The balances as of July 31, 2016 and 2015 conform to this presentation, but as noted above do not reflect the adoption of ASU 2014-09.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to provide readers of our consolidated financial statements with the perspectives of management. This should allow the readers of this report to obtain a comprehensive understanding of our businesses, strategies, current trends, and future prospects. Our MD&A includes the following sections:

- **Executive Overview:** High level discussion of our operating results and some of the trends that affect our business.
- **Critical Accounting Policies and Estimates:** Policies and estimates that we believe are important to understanding the assumptions and judgments underlying our financial statements.
- **Results of Operations:** A more detailed discussion of our revenue and expenses.
- **Liquidity and Capital Resources:** Discussion of key aspects of our consolidated statements of cash flows, changes in our consolidated balance sheets, and our financial commitments.

You should note that this MD&A contains forward-looking statements that involve risks and uncertainties. Please see the section entitled "Forward-Looking Statements" immediately preceding Part I 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.

Effective August 1, 2018, we adopted the requirements of Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers (Topic 606)" and ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash." All prior period amounts have been restated to comply with these standards. See Note 1 in Item 8 of this Annual Report for more information.

In fiscal 2018 and fiscal 2019 we acquired several companies including TSheets.com LLC, Exactor, Inc., and Applatix, Inc. We have included their results of operations in our consolidated results of operations from their respective dates of acquisition. See Note 6 in Item 8 of this Annual Report for more information.

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 2019 as well as our future prospects. This summary is not intended to be exhaustive, nor is it a substitute for the detailed discussion and analysis provided elsewhere in this Annual Report on Form 10-K.

Industry Trends and Seasonality

Industry Trends

A.I. is transforming multiple industries, including financial technology. Disruptive start-ups, emerging ecosystems and mega-platforms are harnessing new technology to create personalized experiences, deliver data-driven insights and increase speed of service. These shifts are creating a more dynamic and highly competitive environment where customer expectations are shifting around the world as more services become digitized and the array of choices continues to increase.

Seasonality

Our Consumer and Strategic Partner offerings have a significant and distinct seasonal pattern as sales and revenue from our income tax preparation products and services are heavily concentrated in the period from November through April. This seasonal pattern results in higher net revenues during our second and third quarters ending January 31 and April 30, respectively. We expect the seasonality of our Consumer and Strategic Partner businesses to continue to have a significant impact on our quarterly financial results in the future.

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 offer more online services, the ongoing operation and availability of our platforms and 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.

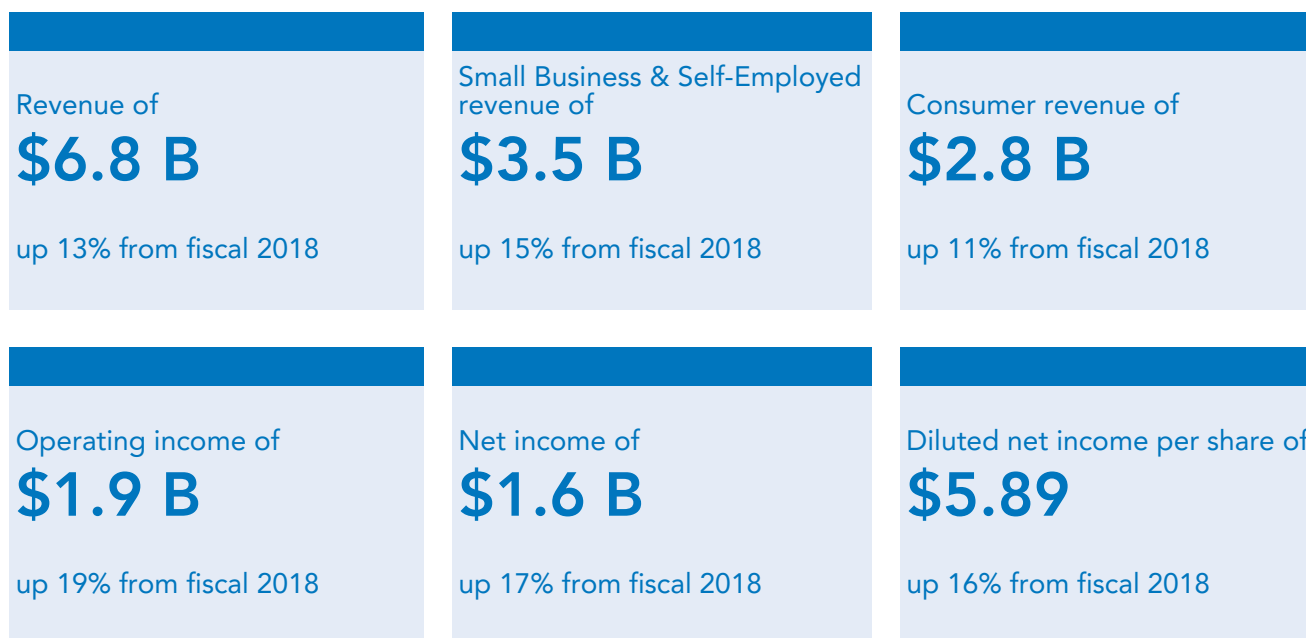
For our consumer and professional tax offerings, we have implemented additional security measures and are continuing to work with state and federal governments to share information regarding suspicious filings. We continue to invest in security measures and to work with the broader industry and government to protect our customers against this type of fraud.

For a complete discussion of the most significant risks and uncertainties affecting our business, please see "Forward-Looking Statements" immediately preceding Part I and "Risk Factors" in Item 1A of Part I 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 and for each reportable segment; operating income growth for the company as a whole ; 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 businesses. Service offerings are a significant part of our business. Our total service and other revenue was \$5.2 billion or 76% of our total revenue in fiscal 2019 and we expect our total service and other revenue to continue to grow in the future.

Key highlights for fiscal 2019 include the following:



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 consolidated balance sheets. 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 our revenue primarily from the sale of packaged desktop software products, desktop software subscriptions, and online services such as tax, accounting, payroll, and merchant payment processing. Our contracts with customers often include promises to transfer multiple products and services. In determining how revenue should be recognized, a five-step process is used, which requires judgment and estimates within the revenue recognition process. The primary judgments include identifying the performance obligations in the contract and determining whether the performance obligations are distinct. If any of these judgments were to change it could cause a material increase or decrease in the amount of revenue we report in a particular period. For additional information, see “*Revenue Recognition*” in Note 1 to the financial statements in Item 8 of this Annual Report.

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 consolidated 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 consolidated 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 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. 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. See Note 5 to the financial statements in Item 8 of this Annual Report for a summary of cost, accumulated amortization and weighted average life in years for our acquired intangible assets.

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 consolidated balance sheet.

During the fourth quarters of fiscal 2019, fiscal 2018, and fiscal 2017 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 Item 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.

Accounting for Share-Based Compensation Plans

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. We amortize the fair value of time-based RSUs on a straight-line basis 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. 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 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 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.

We use a lattice binomial model and the assumptions described in Note 10 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 adjust share-based compensation expense for actual forfeitures as they occur. 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. See Note 10 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. See Note 12 to the financial statements in Item 8 of this Annual Report for more information.

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 consolidated 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 consolidated statement of operations.

We record a valuation allowance to reflect uncertainties about whether we will be able to utilize our deferred tax assets before they expire. 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 in 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 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. An increase in the valuation allowance could have an adverse impact on our income tax provision and net income in the period in which we record the change.

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. See Note 9 to the financial statements in Item 8 of this Annual Report for more information.

RESULTS OF OPERATIONS

Financial Overview

(Dollars in millions, except per share amounts)

	Fiscal 2019	Fiscal 2018	Fiscal 2017	2019-2018 % Change	2018-2017 % Change
Total net revenue	\$6,784	\$6,025	\$5,196	13%	16%
Operating income	1,854	1,560	1,418	19%	10%
Net income	1,557	1,329	985	17%	35%
Diluted net income per share	\$5.89	\$5.09	\$3.78	16%	35%

Fiscal 2019 Compared with Fiscal 2018

Total net revenue increased \$759 million or 13% in fiscal 2019 compared with fiscal 2018. Our Small Business & Self-Employed segment revenue increased 15% due to growth in the Online Ecosystem. Our Consumer segment revenue increased 11% due to a shift in mix to our higher end product offerings, growth in TurboTax federal units, and a higher average revenue per customer. See "Segment Results" later in this Item 7 for more information.

Operating income increased \$294 million or 19% in fiscal 2019 compared with fiscal 2018. The increase was due to the higher revenue described above partially offset by higher costs for advertising, marketing, staffing, and outside services. Additionally, in fiscal 2018, we recorded a \$79 million loss related to the sale of our data center in Quincy, Washington. See "Operating Expenses" later in this Item 7 for more information.

Net income increased \$228 million or 17% in fiscal 2019 compared with fiscal 2018 due to the increase in operating income described above, partially offset by a higher effective tax rate in fiscal 2019. Net income for fiscal 2018 includes tax benefits related to the reorganization of a subsidiary and the re-measurement of our net deferred tax liability balances as a result of the enactment of the Tax Cuts and Jobs Act (2017 Tax Act). See Note 9 to the financial statements in Item 8 of this Annual Report for more information. Diluted net income per share increased 16% to \$5.89 as a result of the increase in net income noted above.

Fiscal 2018 Compared with Fiscal 2017

Total net revenue increased \$829 million or 16% in fiscal 2018 compared with fiscal 2017. Revenue in our Small Business & Self-Employed segment increased 19% primarily due to growth in the Online Ecosystem driven by customer acquisition. Our Consumer segment revenue increased 15% due to a higher average revenue per customer, growth in TurboTax federal units, and a shift in mix to our higher end product offerings. See "Segment Results" later in this Item 7 for more information.

Operating income increased \$142 million or 10% in fiscal 2018 compared with fiscal 2017 due to the increase in revenue described above partially offset by higher costs for staffing, advertising, marketing, outside services, and share-based compensation. We also recorded a \$79 million loss related to the sale of our data center in Quincy, Washington in the 2018 period. See "Operating Expenses" later in this Item 7 for more information.

Net income increased \$344 million or 35% in fiscal 2018 compared with fiscal 2017 due to the increase in operating income described above and a lower effective tax rate in the fiscal 2018 period. Net income for fiscal 2018 includes tax benefits related to the reorganization of a subsidiary and the re-measurement of our net deferred tax liability balances as a result of the 2017 Tax Act. Additionally, the U.S. statutory federal corporate tax rate decreased from 35% to 21% under the 2017 Tax Act. The change resulted in a blended lower U.S. statutory federal rate of 26.9% for fiscal 2018. See "Non-Operating Income and Expenses - Income Taxes" later in this Item 7 for more information. Diluted net income per share for fiscal 2018 increased 35% to \$5.09, in line with the increase in net income.

Segment Results

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

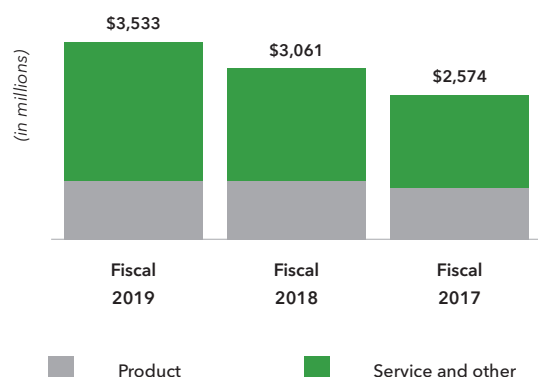
Segment operating income is segment net revenue less segment cost of revenue and operating expenses. Segment expenses do not include certain costs, such as corporate selling and marketing, product development, general and administrative expenses and share-based compensation expenses, which are not allocated to specific segments. These unallocated costs totaled \$1.73 billion in fiscal 2019, \$1.62 billion in fiscal 2018, and \$1.32 billion in fiscal 2017. Unallocated costs increased in fiscal 2019 compared with fiscal 2018 and in fiscal 2018 compared with fiscal 2017 due to increased corporate product development, selling and marketing, and general and administrative expenses in support of the growth of our businesses and

higher share-based compensation expenses. Segment expenses also do not include amortization of acquired technology and amortization of other acquired intangible assets which totaled \$26 million in fiscal 2019, \$21 million in fiscal 2018, and \$14 million in fiscal 2017. See Note 13 to the financial statements in Item 8 of this Annual Report for reconciliations of total segment operating income to consolidated operating income for each fiscal year presented.

Small Business & Self-Employed



Total Small Business & Self-Employed Segment Revenue



Small Business & Self-Employed segment revenue includes both Online Ecosystem and Desktop Ecosystem revenue.

Our Online Ecosystem includes revenue from QuickBooks Online, QuickBooks Online Advanced and QuickBooks Self-Employed financial and business management offerings; small business payroll services, including QuickBooks Online Payroll, Intuit Online Payroll, Intuit Full Service Payroll; merchant payment processing services for small businesses who use online offerings; and financing for small businesses.

Our Desktop Ecosystem includes revenue from our QuickBooks Desktop packaged software products (Desktop Pro, Desktop for Mac, Desktop Premier, and QuickBooks Point of Sale); QuickBooks Desktop software subscriptions (QuickBooks Desktop Pro Plus, QuickBooks Desktop Premier Plus, and QuickBooks Enterprise, and ProAdvisor Program memberships for the accounting professionals who serve small businesses); desktop payroll products (QuickBooks Basic Payroll, QuickBooks Assisted Payroll and QuickBooks Enhanced Payroll); merchant payment processing services for small businesses who use desktop offerings; and financial supplies.

Segment product revenue is derived from revenue related to software license and version protection for our QuickBooks Desktop products and subscriptions, license and related updates for our desktop payroll products and financial supplies, which are all part of our Desktop Ecosystem. Segment service and other revenue is derived from our Online Ecosystem revenue; and Desktop Ecosystem revenue related to support and connected services for our QuickBooks Desktop and desktop payroll products and subscriptions and merchant payment processing services.

(Dollars in millions)	Fiscal 2019	Fiscal 2018	Fiscal 2017	2019-2018 % Change	2018-2017 % Change
Product revenue	\$ 1,036	\$ 1,038	\$ 908		
Service and other revenue	2,497	2,023	1,666		
Total segment revenue	<u>\$ 3,533</u>	<u>\$ 3,061</u>	<u>\$ 2,574</u>	15%	19%
% of total revenue	52%	51%	50%		
Segment operating income	<u>\$ 1,549</u>	<u>\$ 1,326</u>	<u>\$ 1,111</u>	17%	19%
% of related revenue	44%	43%	43%		

Fiscal 2019 Compared with Fiscal 2018

Revenue for our Small Business & Self-Employed segment increased \$472 million or 15% in fiscal 2019 compared with fiscal 2018. The increase was primarily due to growth in Online Ecosystem revenue.

Online Ecosystem

Online Ecosystem revenue increased \$457 million or 38% in fiscal 2019 compared with fiscal 2018. QuickBooks Online Accounting revenue increased 41% in fiscal 2019 compared with fiscal 2018 due to an increase in QuickBooks Online subscribers and average revenue per customer. At July 31, 2019 QuickBooks Online subscribers were 4.5 million, up 32% compared to July 31, 2018. Online Services revenue increased 34% primarily due to customer growth in online payroll and payments and an increase in revenue from other online services.

Desktop Ecosystem

Desktop Ecosystem revenue increased \$15 million or 1% in fiscal 2019 compared with fiscal 2018, primarily due to an increase in license revenue for our QuickBooks Enterprise offering and an increase in revenue from our payroll and payments offerings as a result of customer growth during the period. This increase was partially offset by a decrease in revenue from the delivery of version protection for our QuickBooks Enterprise customers.

Small Business & Self-Employed segment operating income increased \$223 million or 17% in fiscal 2019 compared with fiscal 2018 due to the higher revenue described above which was partially offset by higher expenses for advertising, marketing, and staffing.

Fiscal 2018 Compared with Fiscal 2017

Revenue for our Small Business & Self-Employed segment increased \$487 million or 19% in fiscal 2018 compared with fiscal 2017. The increase was primarily due to growth in Online Ecosystem revenue.

Online Ecosystem

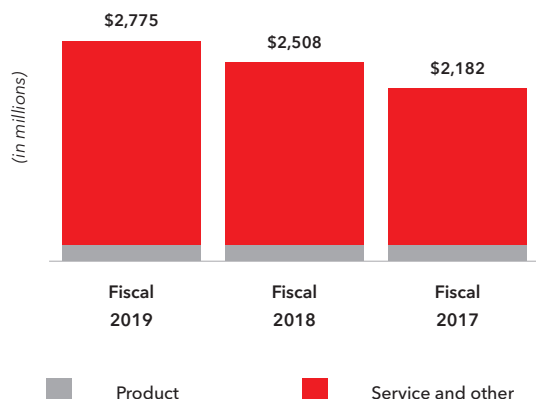
Online Ecosystem revenue increased \$348 million or 41% in fiscal 2018 compared with fiscal 2017. QuickBooks Online Accounting revenue increased 41% in fiscal 2019 compared with fiscal 2018 due to an increase in QuickBooks Online subscribers. At July 31, 2018 QuickBooks Online subscribers were 3.4 million, up 43% compared to July 31, 2017. Online Services revenue increased 25% due to customer growth in online payroll and payments.

Desktop Ecosystem

Desktop Ecosystem revenue increased \$139 million or 8% in fiscal 2018 compared with fiscal 2017, primarily due to an increase in revenue related to our QuickBooks Enterprise offering driven by growth in our QuickBooks Enterprise subscribers, an increase in average revenue per customer, as well as a change in our QuickBooks Enterprise offering that occurred when customers renewed their subscriptions during fiscal 2018. This increase was partially off-set by a decrease in revenue from our QuickBooks Desktop units as unit sales declined 15%.

Small Business & Self-Employed segment operating income increased \$215 million or 19% in fiscal 2018 compared with fiscal 2017 due to the higher revenue described above which was partially offset by higher expenses for staffing, advertising, and marketing.

Total Consumer Segment Revenue



Consumer segment product revenue is derived primarily from TurboTax desktop tax return preparation software and related form updates.

Consumer segment service and other revenue is derived primarily from TurboTax Online and TurboTax Live offerings, electronic tax filing services and connected services, and also from our Mint and Turbo offerings.

(Dollars in millions)	Fiscal 2019	Fiscal 2018	Fiscal 2017	2019-2018 % Change	2018-2017 % Change
Product revenue	\$ 201	\$ 210	\$ 207		
Service and other revenue	2,574	2,298	1,975		
Total segment revenue	\$ 2,775	\$ 2,508	\$ 2,182	11%	15%
% of total revenue	41%	42%	42%		
Segment operating income	\$ 1,742	\$ 1,587	\$ 1,376	10%	15%
% of related revenue	63%	63%	63%		

Fiscal 2019 Compared with Fiscal 2018

Revenue for our Consumer segment increased \$267 million or 11% in fiscal 2019 compared with fiscal 2018 due to a shift in mix to our higher priced product offerings including TurboTax Live, a 5% growth in TurboTax federal units, and a higher average revenue per customer.

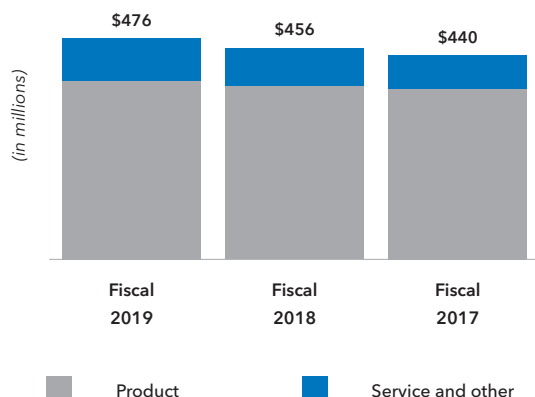
Consumer segment operating income increased \$155 million or 10% in fiscal 2019 compared with fiscal 2018 due to the higher revenue described above, which was partially offset by higher expenses for advertising, marketing, and staffing.

Fiscal 2018 Compared with Fiscal 2017

Revenue for our Consumer segment increased \$326 million or 15% in fiscal 2018 compared with fiscal 2017 due to a higher average revenue per customer, a 4% growth in TurboTax federal units, and a shift in mix to our higher end product offerings.

Consumer segment operating income increased \$211 million or 15% in fiscal 2018 compared with fiscal 2017 due to the higher revenue described above which was partially offset by higher expenses for advertising, marketing, and staffing.

Total Strategic Partner Segment Revenue



Strategic Partner segment product revenue is derived primarily from Lacerte, ProSeries, and ProFile desktop tax preparation software products and related form updates.

Strategic Partner segment service and other revenue is derived primarily from ProConnect Tax Online tax products, electronic tax filing service, connected services, and bank products.

(Dollars in millions)

	Fiscal 2019	Fiscal 2018	Fiscal 2017	2019-2018 % Change	2018-2017 % Change
Product revenue	\$ 386	\$ 376	\$ 368		
Service and other revenue	90	80	72		
Total segment revenue	\$ 476	\$ 456	\$ 440	4%	4%
% of total revenue	7%	7%	8%		
Segment operating income	\$ 318	\$ 284	\$ 266	12%	7%
% of related revenue	67%	62%	60%		

Fiscal 2019 Compared with Fiscal 2018

Revenue for our Strategic Partner segment increased \$20 million or 4% in fiscal 2019 compared with fiscal 2018 primarily due to a higher average revenue per customer.

Strategic Partner segment operating income increased \$34 million or 12% in fiscal 2019 compared with fiscal 2018 primarily due to the higher revenue described above and lower staffing expenses.

Fiscal 2018 Compared with Fiscal 2017

Revenue for our Strategic Partner segment increased \$16 million or 4% in fiscal 2018 compared with fiscal 2017 primarily due to a higher average revenue per customer.

Strategic Partner segment operating income increased \$18 million or 7% in fiscal 2018 compared with fiscal 2017 primarily due to the higher revenue described above and relatively stable spending.

Cost of Revenue

(Dollars in millions)	Fiscal 2019	% of Related Revenue	Fiscal 2018	% of Related Revenue	Fiscal 2017	% of Related Revenue
Cost of product revenue	\$ 77	5%	\$ 82	5%	\$ 89	6%
Cost of service and other revenue	1,070	21%	881	20%	709	19%
Amortization of acquired technology	20	n/a	15	n/a	12	n/a
Total cost of revenue	<u>\$ 1,167</u>	<u>17%</u>	<u>\$ 978</u>	<u>16%</u>	<u>\$ 810</u>	<u>16%</u>

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 includes the direct costs associated with our online and service offerings, such as data center and customer support costs as well as the costs for the tax and bookkeeping professionals that support our TurboTax Live and QuickBooks Live offerings; and (3) amortization of acquired technology, which represents the cost of amortizing developed technologies that we have obtained through acquisitions over their useful lives.

Cost of product revenue as a percentage of product revenue was relatively consistent across all periods presented. We expense costs of product revenue as they are incurred for delivered software and we do not defer any of these costs when product revenue is deferred.

Cost of service and other revenue as a percentage of service and other revenue was relatively consistent across all periods presented.

Operating Expenses

(Dollars in millions)	Fiscal 2019	% of Total Net Revenue	Fiscal 2018	% of Total Net Revenue	Fiscal 2017	% of Total Net Revenue
Selling and marketing	\$ 1,927	28%	\$ 1,631	27%	\$ 1,415	27%
Research and development	1,233	18%	1,186	20%	998	19%
General and administrative	597	9%	664	11%	553	11%
Amortization of other acquired intangible assets	6	—%	6	—%	2	—%
Total operating expenses	<u>\$ 3,763</u>	<u>55%</u>	<u>\$ 3,487</u>	<u>58%</u>	<u>\$ 2,968</u>	<u>57%</u>

Fiscal 2019 Compared with Fiscal 2018

Total operating expenses as a percentage of total net revenue decreased in fiscal 2019 compared to fiscal 2018. Total net revenue increased \$759 million or 13% and total operating expenses increased \$276 million or 8%. The increase in operating expenses was primarily driven by \$195 million for higher advertising and marketing expenses, \$94 million for higher staffing expenses due to higher headcount, and \$54 million for outside services. General and administrative expenses in the fiscal 2018 period include a \$79 million loss related to the sale of our data center in Quincy, Washington.

Fiscal 2018 Compared with Fiscal 2017

Total operating expenses as a percentage of total net revenue increased slightly in fiscal 2018 compared to fiscal 2017. Total net revenue increased \$829 million or 16% and total operating expenses increased \$519 million or 17%. The increase in operating expenses was primarily driven by \$193 million for higher staffing expenses due to higher headcount, \$127 million for higher advertising and marketing expenses, and \$49 million for outside services. General and administrative expenses in the fiscal 2018 period include a \$79 million loss related to the sale of our data center in Quincy, Washington.

Non-Operating Income and Expenses

Interest Expense

Interest expense of \$15 million in fiscal 2019 consisted primarily of interest on our unsecured term loan and secured revolving credit facility. Interest expense of \$20 million in fiscal 2018 consisted primarily of interest on our unsecured term loan and unsecured revolving credit facility. Interest expense of \$31 million in fiscal 2017 consisted primarily of interest on our senior notes, unsecured term loan, and unsecured revolving credit facility. See Note 7 and Note 8 to the financial statements in Item 8 of this Annual Report for more information.

Interest and Other Income, Net

(In millions)

	Fiscal 2019	Fiscal 2018	Fiscal 2017
Interest income ⁽¹⁾	\$ 46	\$ 18	\$ 8
Net gain on executive deferred compensation plan assets ⁽²⁾	3	7	7
Other	(7)	1	(12)
Total interest and other income, net	<u>\$ 42</u>	<u>\$ 26</u>	<u>\$ 3</u>

- (1) Interest income increased in fiscal 2019 compared to fiscal 2018 due to higher average invested balances and higher average interest rates. Interest income increased in fiscal 2018 compared to fiscal 2017 due to higher average invested balances and higher average interest rates.
- (2) 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.

Income Taxes

Effective Tax Rate

Our effective tax rates for fiscal 2018 and 2017 have been restated to reflect the full retrospective application of ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." See Note 1 and Note 9 to the financial statement in Item 8 of this Annual Report for more information.

The 2017 Tax Act was enacted on December 22, 2017 and reduced the U.S. statutory federal corporate tax rate from 35% to 21%. The effective date of the tax rate change was January 1, 2018. The change resulted in a blended lower U.S. statutory federal rate of 26.9% for fiscal year 2018. In fiscal 2019, we fully benefited from the enacted lower tax rate of 21%.

We recorded a provisional benefit of \$29 million for fiscal 2018 related to the re-measurement of certain deferred tax balances as the result of the 2017 Tax Act. In the second quarter of fiscal 2019, we completed our accounting for the income tax effects of the 2017 Tax Act, and there have been no material adjustments during the fiscal 2019 period.

Our effective tax rates for fiscal 2019, fiscal 2018, and fiscal 2017 were approximately 17%, 15%, and 29%. Excluding the tax benefits related to share-based compensation our effective tax rate for fiscal 2019 was approximately 24%. This differed from the federal statutory rate of 21% primarily due to state income taxes and non-deductible share-based compensation, which were partially offset by the benefit we received from the federal research and experimentation credit. Excluding the tax benefits related to share-based compensation, the reorganization of a subsidiary, and the benefit related to the re-measurement of certain deferred tax balances, our effective tax rate for fiscal 2018 was approximately 26% and did not differ significantly from the federal statutory rate of 26.9%. Excluding the tax benefits related to share-based compensation our effective tax rate for fiscal 2017 was approximately 34% and did not differ significantly from the federal statutory rate of 35%. See Note 9 to the financial statements in Item 8 of this Annual Report for more information about our effective tax rates.

At July 31, 2019, we had net deferred tax liabilities of \$36 million which included a valuation allowance of \$107 million for loss and tax credit carryforwards related to state research and experimentation tax credits, foreign losses, and state operating and capital losses. See "Critical Accounting Policies and Estimates" earlier in this Item 7 and Note 9 to the financial statements in Item 8 of this Annual Report for more information.

LIQUIDITY AND CAPITAL RESOURCES

Overview

At July 31, 2019, our cash, cash equivalents and investments totaled \$2.7 billion, an increase of \$1.0 billion from July 31, 2018 due to the factors described in "Statements of Cash Flows" below. Our primary sources of liquidity have been cash from operations, which includes the collection of accounts receivable for products and services, and borrowings under our credit facilities. Our primary uses of cash have been for research and development programs, selling and marketing activities, repurchases of our common stock under our stock repurchase programs, the payment of cash dividends, debt service costs and debt repayment, acquisitions of businesses, and capital projects. 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:

<i>(Dollars in millions)</i>	July 31, 2019	July 31, 2018	\$ Change	% Change
Cash, cash equivalents and investments	\$ 2,740	\$ 1,716	\$ 1,024	60 %
Long-term investments	13	13	—	— %
Short-term debt	50	50	—	— %
Long-term debt	386	388	(2)	(1)%
Working capital	1,628	679	949	140 %
Ratio of current assets to current liabilities	1.8 : 1	1.4 : 1		

We have historically generated significant cash from operations and we expect to continue to do so during fiscal 2020. Our cash, cash equivalents, and investments totaled \$2.7 billion at July 31, 2019, none of those funds were restricted, and approximately 90% of those funds were located in the U.S. Our unsecured revolving credit facility is available to us for general corporate purposes, including future acquisitions and share repurchases. At July 31, 2019, no amounts were outstanding under the unsecured revolving credit facility. Our secured revolving credit facility is available to fund a portion of our loans to qualified small businesses. At July 31, 2019, \$48 million was outstanding under the secured revolving credit facility. See Note 7 to the financial statements in Item 8 of this Annual Report for more information.

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 quickly respond 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 consolidated statements of cash flows for fiscal 2019, fiscal 2018, and fiscal 2017. Effective August 1, 2018, we adopted the requirements of Accounting Standards Update (ASU) 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash." The amounts below have been restated to comply with this new standard. See the financial statements in Item 8 of this Annual Report for complete consolidated statements of cash flows for those periods.

<i>(Dollars in millions)</i>	Fiscal 2019	Fiscal 2018	Fiscal 2017
Net cash provided by (used in):			
Operating activities	\$ 2,324	\$ 2,112	\$ 1,599
Investing activities	(566)	(537)	(17)
Financing activities	(1,034)	(634)	(1,632)
Effect of exchange rates on cash, cash equivalents, restricted cash, and restricted cash equivalents	(3)	(11)	9
Net increase (decrease) in cash, cash equivalents, restricted cash, and restricted cash equivalents	\$ 721	\$ 930	\$ (41)

During fiscal 2019 we generated \$2.3 billion in cash from operations. We also received \$48 million from borrowings under our secured revolving credit facility and \$33 million from the issuance of common stock under employee stock plans. During the same period we used \$556 million for the repurchase of shares of our common stock under our stock repurchase programs, \$501 million for the payment of cash dividends, \$155 million for capital expenditures, \$64 million for the acquisition of a business net of cash acquired, \$49 million for net originations of term loans, and \$50 million for the repayment of debt.

During fiscal 2018 we generated \$2.1 billion in cash from operations. We also received \$800 million from borrowings under our unsecured revolving credit facility, and \$96 million from the issuance of common stock under employee stock plans. During the same period we used \$850 million for the repayment of debt and amounts outstanding under our unsecured revolving credit facility, \$407 million for the payment of cash dividends, \$272 million for the repurchase of shares of our common stock under our stock repurchase programs, \$363 million for the acquisitions of businesses net of cash acquired, and \$124 million for capital expenditures.

During fiscal 2017 we generated \$1.6 billion in cash from operations. We also received \$190 million in cash from net sales of investments, \$150 million from borrowings under our unsecured revolving credit facility, and \$73 million from the net issuance of common stock under employee stock plans. During the same period we used \$662 million in cash for the repayment of debt and amounts outstanding under our unsecured revolving credit facility, \$839 million for the repurchase of shares of our common stock under our stock repurchase programs, \$353 million for the payment of cash dividends, and \$230 million for capital expenditures.

Stock Repurchase Programs and Dividends on Common Stock

As described in Note 10 to the financial statements in Item 8 of this Annual Report, during fiscal 2019, fiscal 2018, and fiscal 2017 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, 2019, we had authorization from our Board of Directors to expend up to an additional \$2.7 billion for stock repurchases.

We have continued to pay quarterly cash dividends on shares of our outstanding common stock. During fiscal 2019 we declared cash dividends that totaled \$1.88 per share of outstanding common stock or approximately \$500 million. In August 2019 our Board of Directors declared a quarterly cash dividend of \$0.53 per share of outstanding common stock payable on October 18, 2019 to stockholders of records at the close of business on October 10, 2019. 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

During fiscal 2018 we acquired all of the outstanding equity interests of TSheets.com LLC, Exactor, Inc., and Applatix, Inc. for total combined cash and other consideration of approximately \$412 million. The \$412 million included approximately \$27 million for the fair value of equity awards and other cash consideration that is being charged to expense over the future service period of up to three years. These three businesses became part of our Small Business & Self-Employed segment and provide additional features to our QuickBooks offerings such as automated time tracking and scheduling and the calculation and filing of sales and use taxes. We have included their results of operations in our consolidated results of operations from the dates of acquisition. Their results of operations for all periods presented and periods prior to the dates 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.

Credit Facilities

Unsecured Revolving Credit Facility and Term Loan

On May 2, 2019 we entered into an amended and restated credit agreement with certain institutional lenders for a credit facility with an aggregate principal amount of \$1.4 billion, including a \$400 million unsecured term loan that matures on February 1, 2021 and a \$1 billion unsecured revolving credit facility that matures on May 2, 2024. This agreement amended and restated our prior unsecured revolving credit facility dated February 1, 2016.

Under the amended and restated credit agreement we may, subject to certain customary conditions, on one or more occasions increase commitments under the unsecured revolving credit facility in an amount not to exceed \$250 million in the aggregate and may extend the maturity date up to two times. Advances under the unsecured revolving credit facility accrue interest at rates that are equal to, at our election, either Bank of America's alternate base rate plus a margin that ranges from 0.0% to 0.1% or the London Interbank Offered Rate (LIBOR) plus a margin that ranges from 0.69% to 1.1%. Actual margins under either election will be based on our senior debt credit ratings. At July 31, 2019, no amounts were outstanding under the unsecured revolving 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.

On May 2, 2019 \$400 million was outstanding on the term loan under the amended and restated credit agreement. Under this agreement we may, subject to certain customary conditions, on one or more occasions increase commitments under the term loan in an amount not to exceed \$400 million in the aggregate. The term loan accrues interest at rates that are equal to, at our election, either Bank of America's alternate base rate plus a margin that ranges from 0.0% to 0.125% or LIBOR plus a margin that ranges from 0.625% to 1.125%. Actual margins under either election will be based on our senior debt credit ratings. The term loan is subject to quarterly principal payments of \$12.5 million, with the balance payable on February 1, 2021. At July 31, 2019, \$388 million was outstanding under the term loan.

The amended and restated credit 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 annual interest expense of not less than 3.00 to 1.00 as of the last day of each fiscal quarter. As of July 31, 2019 we were compliant with all required covenants.

Secured Revolving Credit Facility

On February 19, 2019 a subsidiary of Intuit entered into a \$300 million secured revolving credit facility with a lender. The revolving credit facility is secured by cash and receivables of the subsidiary and is non-recourse to Intuit Inc. Advances under this secured revolving credit facility are used to fund a portion of our loans to qualified small businesses. The secured revolving credit facility is available for use for a term of two years and accrues interest at LIBOR plus 2.39%. Unused portions of the credit facility accrue interest at a rate of 0.5%. Outstanding advances mature on August 19, 2021 and payments made prior to February 19, 2020 are subject to a 1% prepayment fee. The agreement includes certain affirmative and negative covenants, including financial covenants that require the subsidiary to maintain specified financial ratios. As of July 31, 2019 we were compliant with all required covenants. At July 31, 2019, \$48 million was outstanding under this facility, with a weighted-average interest rate of 7.75%, which includes the unused facility fee. The outstanding balance is secured by cash and receivables of the subsidiary totaling \$89 million.

Cash Held by Foreign Subsidiaries

Our cash, cash equivalents and investments totaled \$2.7 billion at July 31, 2019. Approximately 10% of those funds were held by our foreign subsidiaries and subject to repatriation tax considerations. These foreign funds were located primarily in Canada and India. As a result of the 2017 Tax Act we do not expect to pay incremental U.S. taxes on repatriation. We have recorded income tax expense for Canada and India withholding and distribution taxes on earnings that are not permanently reinvested. In the event that funds from foreign operations are repatriated to the United States, we would pay withholding or distribution taxes at that time.

OFF-BALANCE SHEET ARRANGEMENTS

At July 31, 2019, we did not have any significant off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K.

CONTRACTUAL OBLIGATIONS

The following table summarizes our known contractual obligations to make future payments at July 31, 2019:

(In millions)	Payments Due by Period				
	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Amounts due under executive deferred compensation plan	\$ 108	\$ —	\$ —	\$ —	\$ 108
Unsecured term loan	50	338	—	—	388
Secured revolving credit facility	—	48	—	—	48
Interest and fees due on debt	16	11	2	—	29
Operating leases ⁽¹⁾	68	116	101	67	352
Purchase obligations ⁽²⁾	302	74	—	—	376
Total contractual obligations ⁽³⁾	\$ 544	\$ 587	\$ 103	\$ 67	\$ 1,301

- (1) Includes operating leases for facilities and equipment. Amounts do not include \$57 million of future sublease income. We had no significant capital leases at July 31, 2019. See Note 8 to the financial statements in Item 8 of this Annual Report for more information.
- (2) 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.
- (3) Other long-term obligations on our consolidated balance sheet at July 31, 2019 included long-term income tax liabilities of \$89 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 Note 1 to the financial statements in Item 8 of this Annual Report.

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Investment Portfolio and Interest Rate Risk

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 2 and 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.

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. At July 31, 2019, our cash equivalents and investments totaled \$2.5 billion and had a weighted average pre-tax yield of 2.57%. Total interest income for fiscal 2019 was \$46 million. If the Federal Reserve Target Rate had increased by 25 basis points from the level of July 31, 2019, the value of our investments at that date would have decreased by approximately \$2 million. If the Federal Reserve Target Rate had increased by 100 basis points from the level of July 31, 2019, the value of our investments at that date would have decreased by approximately \$8 million.

We are also exposed to the impact of changes in interest rates as they affect our \$1 billion unsecured revolving credit facility, \$400 million unsecured term loan, and \$300 million secured revolving credit facility. Advances under the unsecured revolving credit facility accrue interest at rates that are equal to Bank of America's alternate base rate plus a margin that ranges from 0.0% to 0.1% or the London InterBank Offered Rate (LIBOR) plus a margin that ranges from 0.69% to 1.1%. The term loan accrues interest at rates that are equal to, at our election, either Bank of America's alternate base rate plus a margin that ranges from 0.0% to 0.125% or LIBOR plus a margin that ranges from 0.625% to 1.125%. Actual margins under all of these elections are based on our senior debt credit ratings. Advances under the secured revolving credit facility accrue interest at a rate of LIBOR plus 2.39%. Consequently, our interest expense fluctuates with changes in the general level of these interest rates. At July 31, 2019 no amounts were outstanding under the unsecured revolving credit facility, \$388 million was outstanding under the term loan, and \$48 million was outstanding under the secured revolving credit facility. See Note 7 and Note 8 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 consolidated balance sheets. We include net gains and losses resulting from foreign exchange transactions in interest and other income in our consolidated statements of operations.

Since we translate foreign currencies (primarily Canadian dollars, Indian rupees, and British pounds) into U.S. dollars for financial reporting purposes, currency fluctuations can have an impact on our financial results. The historical impact of currency fluctuations on our financial results has generally been immaterial. We believe that our exposure to currency exchange fluctuation risk is not significant because our global subsidiaries invoice customers and satisfy their financial obligations almost exclusively in their local currencies. We believe the impact of currency fluctuations will continue to not be significant in the foreseeable future due to the reasons cited above. As of July 31, 2019, we did not engage in foreign currency hedging activities.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

1. INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Page
Reports of Independent Registered Public Accounting Firm	49
Consolidated Statements of Operations for each of the three years in the period ended July 31, 2019	52
Consolidated Statements of Comprehensive Income for each of the three years in the period ended July 31, 2019	53
Consolidated Balance Sheets as of July 31, 2019 and 2018	54
Consolidated Statements of Stockholders' Equity for each of the three years in the period ended July 31, 2019	55
Consolidated Statements of Cash Flows for each of the three years in the period ended July 31, 2019	56
Notes to Consolidated Financial Statements	58

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
II Valuation and Qualifying Accounts	90

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Intuit Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Intuit Inc. (the Company) as of July 31, 2019 and 2018, 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, 2019, and the related notes and the financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at July 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended July 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of July 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated August 30, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

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

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

Critical Audit Matter

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

Determination of Distinct Performance Obligations in Revenue Contracts

Description of the Matter As described in Note 1, the Company enters into contracts with customers that often include promises to transfer multiple products and services to a customer. The Company has generally concluded that software licenses and services are recorded as separate performance obligations and revenue from software licenses and services are recognized as those products and services are provided.

Given the nature of the Company's product and service offerings, there is complexity in determining whether software licenses and related services are considered performance obligations that should be accounted for separately or together. Auditing the Company's determination of distinct performance obligations related to its various product and service offerings involved complex auditor judgment. In particular, significant judgment was required when assessing whether the promised products and services are separate performance obligations or inputs to a combined performance obligation due to the evaluation of the interdependency or interrelation of the promised products and services within each contract.

*How we Addressed the
Matter in Our Audit*

Our audit procedures related to the determination of distinct performance obligations included the following, among others:

We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's controls, including management review controls, as they relate to the determination of distinct performance obligations. We also obtained an understanding of the Company's product and service offerings and tested the application of the revenue recognition accounting model to determine distinct performance obligations.

Specifically, we evaluated whether the performance obligations identified by the Company were capable of being distinct and distinct in the context of the contract through review of the contracts, discussions with management, product demonstrations and review of the Company's website and other marketing materials. More specifically, we evaluated the Company's determination whether the contract was to deliver (1) multiple promised products or services that constitute separate performance obligations or (2) a single performance obligation that is comprised of the combined products or services promised in the contract. That is, considering the utility, integration, interrelation or interdependence of the products and services, we evaluated whether the multiple promised products and services that were delivered to the customer were outputs or inputs to a combined item.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1990.

San Jose, California
August 30, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Intuit Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Intuit Inc.'s internal control over financial reporting as of July 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Intuit Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of July 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the fiscal 2019 consolidated financial statements of the Company and our report dated August 30, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company'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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (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.

/s/ Ernst & Young LLP

San Jose, California
August 30, 2019

INTUIT INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share amounts)

	Twelve Months Ended July 31,		
	2019	2018	2017
Net revenue:			
Product	\$ 1,623	\$ 1,624	\$ 1,483
Service and other	5,161	4,401	3,713
Total net revenue	<u>6,784</u>	<u>6,025</u>	<u>5,196</u>
Costs and expenses:			
Cost of revenue:			
Cost of product revenue	77	82	89
Cost of service and other revenue	1,070	881	709
Amortization of acquired technology	20	15	12
Selling and marketing	1,927	1,631	1,415
Research and development	1,233	1,186	998
General and administrative	597	664	553
Amortization of other acquired intangible assets	6	6	2
Total costs and expenses	<u>4,930</u>	<u>4,465</u>	<u>3,778</u>
Operating income	<u>1,854</u>	<u>1,560</u>	<u>1,418</u>
Interest expense	(15)	(20)	(31)
Interest and other income, net	42	26	3
Income before income taxes	<u>1,881</u>	<u>1,566</u>	<u>1,390</u>
Income tax provision	324	237	405
Net income	<u>\$ 1,557</u>	<u>\$ 1,329</u>	<u>\$ 985</u>
Basic net income per share	<u>\$ 5.99</u>	<u>\$ 5.18</u>	<u>\$ 3.83</u>
Shares used in basic per share calculations	<u>260</u>	<u>256</u>	<u>257</u>
Diluted net income per share	<u>\$ 5.89</u>	<u>\$ 5.09</u>	<u>\$ 3.78</u>
Shares used in diluted per share calculations	<u>264</u>	<u>261</u>	<u>261</u>
Cash dividends declared per common share	<u>\$ 1.88</u>	<u>\$ 1.56</u>	<u>\$ 1.36</u>

See accompanying notes.

INTUIT INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Twelve Months Ended July 31,		
	2019	2018	2017
<i>(In millions)</i>			
Net income	\$ 1,557	\$ 1,329	\$ 985
Other comprehensive income (loss), net of income taxes:			
Unrealized gain (loss) on available-for-sale debt securities	3	(2)	(1)
Foreign currency translation gain (loss)	(3)	(12)	11
Total other comprehensive income (loss), net	—	(14)	10
Comprehensive income	\$ 1,557	\$ 1,315	\$ 995

See accompanying notes.

INTUIT INC.

CONSOLIDATED BALANCE SHEETS

(Dollars in millions, except par value; shares in thousands)

	July 31,	
	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,116	\$ 1,464
Investments	624	252
Accounts receivable, net of allowance for doubtful accounts of \$3 and \$5	87	98
Income taxes receivable	65	39
Prepaid expenses and other current assets	266	202
Current assets before funds held for customers	3,158	2,055
Funds held for customers	436	367
Total current assets	3,594	2,422
Long-term investments	13	13
Property and equipment, net	780	812
Goodwill	1,655	1,611
Acquired intangible assets, net	54	61
Other assets	187	215
Total assets	<u>\$ 6,283</u>	<u>\$ 5,134</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	\$ 50	\$ 50
Accounts payable	274	178
Accrued compensation and related liabilities	385	369
Deferred revenue	619	581
Other current liabilities	202	198
Current liabilities before customer fund deposits	1,530	1,376
Customer fund deposits	436	367
Total current liabilities	1,966	1,743
Long-term debt	386	388
Long-term deferred income tax liabilities	37	68
Other long-term obligations	145	119
Total liabilities	2,534	2,318
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		
Outstanding - 260,180 shares at July 31, 2019 and 258,616 shares at July 31, 2018	3	3
Additional paid-in capital	5,772	5,335
Treasury stock, at cost	(11,611)	(11,050)
Accumulated other comprehensive loss	(36)	(36)
Retained earnings	9,621	8,564
Total stockholders' equity	3,749	2,816
Total liabilities and stockholders' equity	<u>\$ 6,283</u>	<u>\$ 5,134</u>

See accompanying notes.

INTUIT INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount					
(Dollars in millions, shares in thousands)							
Balance at July 31, 2016⁽¹⁾	257,853	\$ 3	\$ 4,442	\$ (9,939)	\$ (32)	\$ 7,018	\$ 1,492
Comprehensive income	—	—	—	—	10	985	995
Issuance of stock under employee stock plans, net of shares withheld for employee taxes	4,715	—	73	—	—	—	73
Stock repurchases under stock repurchase programs	(6,900)	—	—	(839)	—	—	(839)
Dividends and dividend rights declared (\$1.36 per share)	—	—	—	—	—	(357)	(357)
Cumulative effect of change in accounting principle	—	—	6	—	—	(4)	2
Share-based compensation expense	—	—	333	—	—	—	333
Balance at July 31, 2017	255,668	3	4,854	(10,778)	(22)	7,642	1,699
Comprehensive income	—	—	—	—	(14)	1,329	1,315
Issuance of stock under employee stock plans, net of shares withheld for employee taxes	4,818	—	96	—	—	—	96
Stock repurchases under stock repurchase programs	(1,870)	—	—	(272)	—	—	(272)
Dividends and dividend rights declared (\$1.56 per share)	—	—	—	—	—	(407)	(407)
Share-based compensation expense	—	—	385	—	—	—	385
Balance at July 31, 2018	258,616	3	5,335	(11,050)	(36)	8,564	2,816
Comprehensive income	—	—	—	—	—	1,557	1,557
Issuance of stock under employee stock plans, net of shares withheld for employee taxes	4,019	—	32	—	—	—	32
Stock repurchases under stock repurchase programs	(2,455)	—	—	(561)	—	—	(561)
Dividends and dividend rights declared (\$1.88 per share)	—	—	—	—	—	(500)	(500)
Share-based compensation expense	—	—	405	—	—	—	405
Balance at July 31, 2019	260,180	\$ 3	\$ 5,772	\$ (11,611)	\$ (36)	\$ 9,621	\$ 3,749

(1) The cumulative effect adjustment to retained earnings related to the adoption of ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)" as of July 31, 2016 was \$331 million.

See accompanying notes.

INTUIT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Twelve Months Ended July 31,		
	2019	2018	2017
<i>(In millions)</i>			
Cash flows from operating activities:			
Net income	\$ 1,557	\$ 1,329	\$ 985
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	199	228	214
Amortization of acquired intangible assets	26	25	22
Share-based compensation expense	401	382	326
Loss on sale of long-lived assets	—	79	—
Deferred income taxes	(7)	(5)	17
Other	15	6	13
Total adjustments	<u>634</u>	<u>715</u>	<u>592</u>
Changes in operating assets and liabilities:			
Accounts receivable	11	5	5
Income taxes receivable	5	(1)	(44)
Prepaid expenses and other assets	(37)	(33)	(13)
Accounts payable	90	12	—
Accrued compensation and related liabilities	16	75	10
Deferred revenue	39	6	64
Other liabilities	9	4	—
Total changes in operating assets and liabilities	<u>133</u>	<u>68</u>	<u>22</u>
Net cash provided by operating activities	<u>2,324</u>	<u>2,112</u>	<u>1,599</u>
Cash flows from investing activities:			
Purchases of corporate and customer fund investments	(752)	(407)	(352)
Sales of corporate and customer fund investments	84	128	359
Maturities of corporate and customer fund investments	303	286	183
Net change in customer fund deposits	69	(5)	68
Purchases of property and equipment	(76)	(38)	(102)
Capitalization of internal use software	(79)	(86)	(128)
Acquisitions of businesses, net of cash acquired	(64)	(363)	—
Originations of term loans to small businesses	(316)	(137)	—
Principal repayments of term loans from small businesses	267	82	—
Other	(2)	3	(45)
Net cash used in investing activities	<u>(566)</u>	<u>(537)</u>	<u>(17)</u>
Cash flows from financing activities:			
Proceeds from borrowings under unsecured revolving credit facility	—	800	150
Repayments on borrowings under unsecured revolving credit facility	—	(800)	(150)
Proceeds from borrowings under secured revolving credit facility	48	—	—
Repayment of debt	(50)	(50)	(512)
Proceeds from issuance of stock under employee stock plans	284	295	226
Payments for employee taxes withheld upon vesting of restricted stock units	(251)	(199)	(153)
Cash paid for purchases of treasury stock	(556)	(272)	(839)
Dividends and dividend rights paid	(501)	(407)	(353)
Other	(8)	(1)	(1)
Net cash used in financing activities	<u>(1,034)</u>	<u>(634)</u>	<u>(1,632)</u>

INTUIT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Effect of exchange rates on cash, cash equivalents, restricted cash, and restricted cash equivalents	(3)	(11)	9
Net increase (decrease) in cash, cash equivalents, restricted cash, and restricted cash equivalents	721	930	(41)
Cash, cash equivalents, restricted cash, and restricted cash equivalents at beginning of period	1,631	701	742
Cash, cash equivalents, restricted cash, and restricted cash equivalents at end of period	\$ 2,352	\$ 1,631	\$ 701
Reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents reported within the consolidated balance sheets to the total amounts reported on the consolidated statements of cash flows			
Cash and cash equivalents	\$ 2,116	\$ 1,464	\$ 529
Restricted cash and restricted cash equivalents included in funds held for customers	236	167	172
Total cash, cash equivalents, restricted cash, and restricted cash equivalents at end of period	\$ 2,352	\$ 1,631	\$ 701
Supplemental disclosure of cash flow information:			
Interest paid	\$ 17	\$ 19	\$ 42
Income taxes paid	\$ 325	\$ 245	\$ 430

See accompanying notes.

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

Intuit helps consumers, small businesses, and the self-employed prosper by delivering financial management and compliance products and services. We also provide specialized tax products to accounting professionals, who are key partners that help us serve small business customers.

Our flagship brands, QuickBooks and TurboTax, help customers run their small businesses, pay employees and send invoices, separate business and personal expenses, track their money, and file income taxes. ProSeries and Lacerte are our leading 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.

We acquired TSheets.com LLC, Exactor, Inc., and Applatix, Inc. in fiscal 2018. We have included the results of operations for these companies in our consolidated statements of operations from the dates of acquisition. See Note 6, "Business Combinations," for more information.

Effective August 1, 2018, we adopted the requirements of Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers (Topic 606)" and ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash." All prior period amounts and disclosures set forth in this Annual Report on Form 10-K have been restated to comply with these standards.

Seasonality

Our Consumer and Strategic Partner offerings have a significant and distinct seasonal pattern as sales and revenue from our income tax preparation products and services are heavily concentrated in the period from November through April. This seasonal pattern results in higher net revenues during our second and third quarters ending January 31 and April 30, respectively.

Use of Estimates

In preparing our consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP), we make certain judgments, estimates, and assumptions that affect the amounts reported in our financial statements and the disclosures made in the accompanying notes. For example, we use judgments and estimates in determining how revenue should be recognized. These judgments and estimates include identifying performance obligations, determining if the performance obligations are distinct, determining the standalone sales price (SSP) and timing of revenue recognition for each distinct performance obligation, and estimating variable consideration to be included in the transaction price. We use estimates in determining the collectibility of accounts receivable and notes 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 fair 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.

Revenue Recognition

We derive revenue from the sale of packaged software products, software subscriptions, hosted services, payroll services, merchant payment processing services, financial supplies and hardware. We enter into contracts with customers that include promises to transfer various products and services, which are generally capable of being distinct and accounted for as separate performance obligations. Revenue is recognized when the promised goods or services are transferred to customers, in an amount that reflects the consideration allocated to the respective performance obligation.

Nature of Products and Services

Desktop Offerings

Our desktop offerings consist of our QuickBooks Desktop products, which include both packaged software products and software subscriptions, our consumer and professional tax desktop products, which include TurboTax, Lacerte and ProSeries, our desktop payroll products, and merchant payment processing services for small businesses who use our desktop offerings.

Our QuickBooks Desktop packaged software products include a perpetual software license as well as enhancements and connected services. We recognize revenue for our QuickBooks Desktop packaged software products at the time the software license is delivered. We have determined that the enhancements and connected services included in our QuickBooks Desktop packaged software products are immaterial within the context of the contract.

Our QuickBooks Desktop software subscriptions include a term software license, version protection, enhancements, support and various connected services. We recognize revenue for the software license and version protection at the time they are delivered and recognize revenue for support and connected services over the subscription term as the services are provided. We have determined that the enhancements included in our QuickBooks Desktop software subscriptions are immaterial within the context of the contract.

Our consumer and professional tax desktop products include an on-premise tax software license, related tax form updates, electronic filing service and connected services. We recognize revenue for the software license and related tax form updates, as one performance obligation, over the period the forms and updates are delivered. We recognize revenue for our electronic filings service and connected services as those services are provided.

We also sell some of our QuickBooks Desktop products and consumer tax desktop products in non-consignment and consignment arrangements to certain retailers. For non-consignment retailers, we begin recognizing revenue when control has transferred to the retailer. For consignment retailers, we begin recognizing revenue when control has transferred to the customer, at the time the end-user sale has occurred.

Our desktop payroll products are sold as software subscriptions and include a term software license with a stand-ready obligation to maintain compliance with current payroll tax laws, support and connected services. The term software license and stand-ready obligation to maintain compliance with current payroll tax laws is considered one performance obligation. Each of the performance obligations is considered distinct and control is transferred to the customer over the subscription term. As a result, revenue is recognized ratably over the subscription term as services are provided.

We offer merchant payment processing services as a separately paid connected service for our QuickBooks Desktop packaged software products and software subscriptions, and revenue is recognized as the services are provided to the customers.

Online Offerings

Our online offerings include TurboTax Online and TurboTax Live, ProConnect Tax Online, QuickBooks Online, online payroll, and merchant payment processing services for small businesses who use our online offerings.

These online offerings provide customers with the right to use the hosted software over the contract period without taking possession of the software and are billed on either a subscription or consumption basis. Revenue related to our online offerings that are billed on a subscription basis is recognized ratably over the contract period. Revenue related to online offerings that are billed on a consumption basis, is recognized when the customer consumes the related service.

Other Solutions

Revenue from the sale of our financial supplies, such as printed check stock, and hardware, such as retail point-of-sale equipment and credit card readers for mobile phones, is recognized when control is transferred to the customer which is generally when the products are shipped.

We also have revenue-sharing and royalty arrangements with third-party partners and recognize this revenue as earned based upon reporting provided to us by our partners. In instances where we do not have reporting from our partners, we estimate revenue based on information available to us at the time.

Product Revenue and Service and Other Revenue

Product revenue includes revenue from: QuickBooks Desktop software licenses and version protection; consumer and professional tax desktop licenses and the related form updates; desktop payroll licenses and related updates; and financial supplies.

Service and other revenue includes revenue from: our online offerings discussed above; support, electronic filing services and connected services included with our desktop offerings; merchant payment processing services for our desktop offerings; and revenue-sharing and royalty arrangements.

We record revenue net of sales tax obligations. For payroll services, 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 earned on these funds between the time that we collect them from customers and the time that we remit them to outside parties. Revenue for electronic payment processing services that we provide to merchants is recorded net of interchange fees charged by credit card associations.

Judgments and Estimates

Our contracts with customers often include promises to transfer multiple products and services to a customer. In determining how revenue should be recognized, a five-step process is used, which requires judgment and estimates. These judgments and estimates include identifying performance obligations in the contract, determining whether the performance obligations are distinct, determining the SSP for each distinct performance obligation, determining the timing of revenue recognition for distinct performance obligations and estimating the amount of variable consideration to include in the transaction price.

The functionality of the software licenses included in our consumer and professional tax and payroll desktop offerings is dependent on the related enhancements and updates included in these offerings. Judgment is required to determine whether the software license is considered distinct and accounted for separately, or not distinct and accounted for together with the related updates and recognized over time.

Our contracts with customers include promises to transfer various products and services, which are generally capable of being distinct performance obligations. In many cases SSPs for distinct performance obligations are based on directly observable pricing. In instances where the SSP is not directly observable, such as when we do not sell the product or service separately, we determine the SSP using information that may include market conditions and other observable inputs.

Our consumer and professional tax desktop products include an on-premise tax software license and related tax form updates that are recognized as the forms and updates are delivered. We measure progress towards complete satisfaction of the software license and related tax form updates using an output method based on the timing of when the tax forms are delivered.

We generally provide refunds to customers for product returns and subscription cancellations. We also provide promotional discounts and incentive rebates on retail and distribution sales. These refunds, discounts and incentive rebates are accounted for as variable consideration when estimating the amount of revenue to recognize. Refunds are estimated based on historical experience and current business and economic indicators and updated at the end of each reporting period as additional information becomes available to the extent that it is probable that a significant reversal of any incremental revenue will not occur. Discounts and incentive rebates are estimated based on distributors' and retailers' performance against the terms and conditions of the rebate programs.

Deferred Revenue

Generally, we receive payment at the time we enter into a contract with a customer. We record deferred revenue when we have entered into a contract with a customer and cash payments are received or due prior to transfer of control or satisfaction of the related performance obligation. During the twelve months ended July 31, 2019, we recognized revenue of \$581 million, that was included in deferred revenue at July 31, 2018. During the twelve months ended July 31, 2018, we recognized revenue of \$574 million, that was included in deferred revenue at July 31, 2017.

Our performance obligations are generally satisfied within 12 months of the initial contract date. As of July 31, 2019 and 2018, the deferred revenue balance related to performance obligations that will be satisfied after 12 months was \$4 million and \$3 million, respectively, and is included in other long-term obligations on our consolidated balance sheets.

Assets Recognized from the Costs to Obtain a Contract with a Customer

Our internal sales commissions are considered incremental costs of obtaining the contract with a customer. Internal sales commissions for subscription offerings where we expect the benefit of those costs to continue longer than one year are capitalized and amortized ratably over the period of benefit, which ranges from three to four years. Total capitalized costs to obtain a contract are not significant and are included in prepaid expenses and other current assets and other assets on our consolidated balance sheets.

We apply a practical expedient to expense costs incurred to obtain a contract with a customer when the period of benefit is less than one year. These costs primarily include internal and external sales commissions for our consumer and professional tax offerings.

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 consolidated statements of operations.

Customer Service and Technical Support

We include the costs of providing customer service under paid technical support contracts and as included in certain software subscriptions on the cost of service and other revenue line in our consolidated statements of operations. We also include the costs of customer service and technical support associated with our online or hosted offerings in cost of service and other revenue. We include the costs of customer service and free technical support related to desktop offerings in selling and marketing expense in our consolidated 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. We expense the cost of providing this free support as incurred.

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 consolidated statements of operations.

Internal Use Software

We capitalize costs related to development of hosted services that we provide to our customers and internal use of enterprise-level business and finance software in support of our operational needs. Costs incurred in the application development phase are capitalized and amortized on a straight-line basis over their useful lives, which are generally three to six years. Costs related to planning and other preliminary project activities and to post-implementation activities are expensed as incurred. We test these assets for impairment whenever events or changes in circumstances occur that could impact their recoverability.

Advertising

We expense all advertising costs as we incur them to selling and marketing expense in our consolidated statements of operations. We recorded advertising expense of approximately \$800 million for the twelve months ended July 31, 2019, \$615 million for the twelve months ended July 31, 2018, and \$480 million for the twelve months ended July 31, 2017.

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 consolidated balance sheets.

We record landlord allowances as deferred rent liabilities in other current liabilities or other long-term obligations, as appropriate, on our consolidated balance sheets. We record landlord cash incentives as operating activity on our consolidated statements of cash flows. We record other landlord allowances as non-cash investing and financing activities on our consolidated statements of cash flows. We classify the amortization of landlord allowances as a reduction of occupancy expense in our consolidated 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 consolidated balance sheets. We include net gains and losses resulting from foreign exchange transactions in interest and other income in our consolidated 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 consolidated 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 consolidated statement of operations.

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 and unrecognized compensation expense that are less than the average market price for our common stock, and RSUs with unrecognized compensation expense that is 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 and unrecognized compensation expense that are greater than the average market price for our common stock, and RSUs with unrecognized compensation expense that is 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 and the amount of compensation expense for future service that we have not yet recognized for stock options and RSUs are assumed to be used to repurchase shares.

All of the RSUs we grant have dividend rights. Dividend rights are accumulated and paid when the underlying RSUs vest. 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.

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

	Twelve Months Ended July 31,		
	2019	2018	2017
<i>(In millions, except per share amounts)</i>			
Numerator:			
Net income	\$ 1,557	\$ 1,329	\$ 985
Denominator:			
Shares used in basic per share amounts:			
Weighted average common shares outstanding	260	256	257
Shares used in diluted per share amounts:			
Weighted average common shares outstanding	260	256	257
Dilutive common equivalent shares from stock options and restricted stock awards	4	5	4
Dilutive weighted average common shares outstanding	264	261	261
Basic and diluted net income per share:			
Basic net income per share	\$ 5.99	\$ 5.18	\$ 3.83
Diluted net income per share	\$ 5.89	\$ 5.09	\$ 3.78
Shares excluded from diluted net income per share:			
Weighted average stock options and restricted stock units that have been excluded from dilutive common equivalent shares outstanding due to their anti-dilutive effect	1	—	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. In all periods presented, cash equivalents consist primarily of time deposits, savings deposit accounts, and money market funds, and investments consist primarily of investment-grade available-for-sale debt 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 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 consolidated balance sheets and reflect unrealized gain and loss activity in other comprehensive income on our consolidated 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.

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 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.

Notes Receivable and Allowances for Loan Losses

Notes receivable consist of term loans to small businesses and are included in prepaid expenses and other current assets on our consolidated balance sheets. As of July 31, 2019 and July 31, 2018, the notes receivable balance was \$95 million and \$55 million, respectively, and the allowances for loan losses were not significant. The term loans are not secured and are recorded at amortized cost, net of allowances for loan losses. We maintain an allowance for loan losses to reserve for potentially uncollectible notes receivable. We evaluate the creditworthiness of our loan portfolio on a pooled basis due to its composition of small, homogeneous loans with similar general credit risk and characteristics and apply a loss rate at the time of loan origination. The loss rate and underlying model are updated periodically to reflect actual loan performance and changes in assumptions. We make judgments about the known and inherent risks in the loan portfolio, adverse situations that may affect borrowers' ability to repay and current economic conditions. 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, 2019, 2018, or 2017.

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 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. We recorded no goodwill impairment charges for the twelve months ended July 31, 2019, 2018 or 2017.

Acquired Intangible Assets and Other Long-Lived Assets

We generally record acquired intangible assets that have finite useful lives, such as purchased 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 three to seven 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. Impairment charges for acquired intangible assets were not significant for the twelve months ended July 31, 2019, 2018 or 2017.

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 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. We amortize the fair value of time-based RSUs on a straight-line basis 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 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 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 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 10, "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 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, 2019, 2018 or 2017, nor did any customer account for 10% or more of total accounts receivable at July 31, 2019 or July 31, 2018.

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.

Accounting Standards Recently Adopted

Business Combinations - In January 2017 the FASB issued ASU 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business." This standard clarifies the definition of a business in order to allow for the evaluation of whether transactions should be accounted for as acquisitions or disposals of assets or businesses. We adopted this standard in the first quarter of our fiscal year beginning August 1, 2018. The impact of the adoption of ASU 2017-01 on our consolidated financial statements is not material.

Statement of Cash Flows - In August 2016 the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments." This standard makes eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. We adopted this standard in the first quarter of our fiscal year beginning August 1, 2018. The impact of the adoption of ASU 2016-15 on our consolidated financial statements is not material.

Income Taxes - In October 2016, the FASB issued ASU 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory." This standard requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs, as opposed to historical GAAP guidance which prohibited the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset had been sold to an outside party. We adopted this standard in the first quarter of our fiscal year beginning August 1, 2018. The impact of the adoption of ASU 2016-16 on our consolidated financial statements is not material.

Statement of Cash Flows - In November 2016 the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash." This standard provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. We adopted this standard in the first quarter of our fiscal year beginning August 1, 2018. We have modified our consolidated statements of cash flows to include restricted cash and restricted cash equivalents.

The adoption of ASU 2016-18 impacted our previously reported consolidated statement of cash flows as follows:

	Twelve Months Ended July 31, 2018		
	As Reported	ASU 2016-18 Adjustment	As Adjusted
<i>(Dollars in millions)</i>			
Net cash provided by (used in):			
Operating activities	\$ 2,112	\$ —	\$ 2,112
Investing activities	(532)	(5)	(537)
Financing activities	(634)	—	(634)
Effect of exchange rates on cash, cash equivalents, restricted cash, and restricted cash equivalents	(11)	—	(11)
Net increase in cash, cash equivalents, restricted cash, and restricted cash equivalents	\$ 935	\$ (5)	\$ 930

	Twelve Months Ended July 31, 2017		
	As Reported	ASU 2016-18 Adjustment	As Adjusted
<i>(Dollars in millions)</i>			
Net cash provided by (used in):			
Operating activities	\$ 1,599	\$ —	\$ 1,599
Investing activities	(85)	68	(17)
Financing activities	(1,632)	—	(1,632)
Effect of exchange rates on cash, cash equivalents, restricted cash, and restricted cash equivalents	9	—	9
Net decrease in cash, cash equivalents, restricted cash, and restricted cash equivalents	\$ (109)	\$ 68	\$ (41)

Revenue from Contracts with Customers - In May 2014 the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." This standard superseded nearly all existing revenue recognition guidance under U.S. GAAP. Under this standard, revenue is recognized 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. This 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. We adopted this standard in the first quarter of our fiscal year beginning August 1, 2018 using the full retrospective method, which requires us to restate each prior reporting period presented. We have implemented internal controls and processes to enable the preparation of financial information on adoption.

The most significant impact of the standard relates to the timing and amount of revenue recognized for our QuickBooks Desktop solutions and our consumer and professional tax desktop solutions. Our QuickBooks Desktop solutions include both packaged software products and software subscriptions.

Our QuickBooks Desktop packaged software products include a software license as well as enhancements and connected services. Under the new standard, we recognize revenue for the QuickBooks Desktop packaged software products at the time the software license is delivered rather than ratably over the period that enhancements and connected services are provided, which was approximately three years. We have determined that the enhancements and connected services included in our QuickBooks Desktop packaged software products are immaterial within the context of the contract.

Our QuickBooks Desktop software subscriptions include a software license, version protection, enhancements, support and various connected services. We recognize revenue for the software license and version protection at the time they are delivered and recognize revenue for support and connected services over the subscription term as the services are provided. Previously, we recognized revenue for our QuickBooks Desktop software subscriptions ratably over the subscription term, which is generally one year. We have determined that the enhancements included in our QuickBooks Desktop software subscriptions are immaterial within the context of the contract.

Our consumer and professional tax desktop solutions include a desktop tax preparation software license, tax form updates, electronic filing and connected services. We recognize revenue for the desktop tax preparation software license and related tax form updates as the forms and updates are delivered and recognize revenue for our electronic filing and connected services as those services are provided. Previously, we recognized all revenue related to tax desktop solutions as services were provided.

We capitalize the incremental costs of obtaining a contract with a customer if we expect the benefit of those costs to be longer than one year, which include internal sales commissions related to our subscription offerings.

The adoption of this standard resulted in a decrease in deferred revenue and long-term deferred income taxes, primarily due to the change in revenue recognition for our QuickBooks Desktop and professional tax desktop solutions. Additionally, the adoption of the standard resulted in the recognition of additional revenue and a decrease in the income tax benefit, primarily due to the net change in revenue recognition for our QuickBooks Desktop and professional tax desktop solutions. Our prepaid expenses and other current assets and other assets balances increased due to the capitalized costs to obtain a contract.

Adoption of ASU 2014-09 impacted our previously reported results as follows:

<i>(In millions)</i>	July 31, 2018		
	As Reported	Topic 606 Adjustment	As Adjusted
Prepaid expenses and other current assets	\$ 184	\$ 18	\$ 202
Long-term deferred income taxes ⁽¹⁾	87	(85)	2
Other assets ⁽¹⁾	190	23	213
Deferred revenue	961	(380)	581
Other current liabilities	191	7	198
Long-term deferred revenue ⁽²⁾	197	(194)	3
Other long-term obligations ^{(2) (3)}	123	61	184
Stockholders' equity	2,354	462	2,816

(1) Upon adoption, long-term deferred income taxes are included in other assets on our consolidated balance sheets.

(2) Upon adoption, long-term deferred revenue is included in other long-term obligations on our consolidated balance sheets.

(3) Balance includes long-term deferred income tax liabilities and other long-term obligations on our consolidated balance sheets.

<i>(In millions, except per share amounts)</i>	Twelve Months Ended July 31, 2018		
	As Reported	Topic 606 Adjustment	As Adjusted
Net revenue	\$ 5,964	\$ 61	\$ 6,025
Cost of revenue	977	1	978
Selling and marketing expenses	1,634	(3)	1,631
Operating income	1,497	63	1,560
Income tax provision	292	(55)	237
Net income	1,211	118	1,329
Diluted earnings per share	\$ 4.64	\$ 0.45	\$ 5.09

<i>(In millions, except per share amounts)</i>	Twelve Months Ended July 31, 2017		
	As Reported	Topic 606 Adjustment	As Adjusted
Net revenue	\$ 5,177	\$ 19	\$ 5,196
Cost of revenue	809	1	810
Selling and marketing expenses	1,420	(5)	1,415
Operating income	1,395	23	1,418
Income tax provision	396	9	405
Net income	971	14	985
Diluted earnings per share	\$ 3.72	\$ 0.06	\$ 3.78

Adoption of Topic 606 had no impact to cash from or used in operating, financing, or investing on our consolidated statements of cash flows.

Accounting Standards Not Yet Adopted

Internal-Use Software - In August 2018 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-15, “*Intangibles—Goodwill and Other (Topic 350): Internal-Use Software*.” This standard aligns the requirements for capitalizing implementation costs incurred in a cloud computing arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, which means that it will be effective for us in the first quarter of our fiscal year beginning August 1, 2020. Early adoption is permitted. We are currently evaluating the impact of our pending adoption of ASU 2018-15 on our consolidated financial statements.

Goodwill Impairment - In January 2017 the FASB issued ASU 2017-04, “*Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*.” This standard eliminates Step 2 from the goodwill impairment test. Instead, an entity should compare the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, which means that it will be effective for us in the first quarter of our fiscal year beginning August 1, 2020. Early adoption is permitted. We are currently evaluating the impact of our pending adoption of ASU 2017-04 on our consolidated financial statements.

Financial Instruments - In June 2016 the FASB issued ASU 2016-13, “*Financial Instruments—Credit Losses (Topic 326)*.” This standard requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, which means that it will be effective for us in the first quarter of our fiscal year beginning August 1, 2020. Earlier adoption is permitted in the first quarter of our fiscal year beginning August 1, 2019. We are currently evaluating the impact of our pending adoption of ASU 2016-13 on our consolidated financial statements.

Leases - In February 2016 the FASB issued ASU 2016-02, “*Leases (Topic 842)*.” This standard amends a number of aspects of lease accounting, including requiring lessees to recognize operating leases with a term greater than one year on their balance sheet as a right-of-use asset and corresponding lease liability, measured at the present value of the lease payments. The standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, which means that it will be effective for us in the first quarter of our fiscal year beginning August 1, 2019. Early adoption is permitted. We will adopt ASU 2016-02 on August 1, 2019, the first quarter of our fiscal 2020, using the modified retrospective transition method and will not restate comparative periods. We will elect the package of practical expedients permitted under the transition guidance, which allows us to carry forward our historical lease classification, our assessment on whether a contract is or contains a lease, and our initial direct costs for any leases that exist prior to adoption of the new standard. We will also elect to combine lease and non-lease components. We estimate that the adoption of ASU 2016-02 will result in the recognition of right-of-use assets and lease liabilities for operating leases of approximately \$320 million to \$370 million on our consolidated balance sheet on August 1, 2019. We do not expect the adoption of ASU 2016-02 to have a material impact on our consolidated statement of operations or consolidated statement of cash flows.

We do not expect that any other recently issued accounting pronouncements will have a significant effect on our financial statements.

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, 2019				At July 31, 2018			
	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value
Assets:								
Cash equivalents, primarily time deposits, savings deposit accounts, and money market funds	\$ 1,647	\$ —	\$ —	\$ 1,647	\$ 1,143	\$ —	\$ —	\$ 1,143
Available-for-sale debt securities:								
Municipal bonds	—	5	—	5	—	31	—	31
Corporate notes	—	800	—	800	—	412	—	412
U.S. agency securities	—	19	—	19	—	9	—	9
Total available-for-sale securities	—	824	—	824	—	452	—	452
Total assets measured at fair value on a recurring basis	\$ 1,647	\$ 824	\$ —	\$ 2,471	\$ 1,143	\$ 452	\$ —	\$ 1,595

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

(In millions)	At July 31, 2019				At July 31, 2018			
	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	\$ 1,647	\$ —	\$ —	\$ 1,647	\$ 1,143	\$ —	\$ —	\$ 1,143
Available-for-sale debt securities:								
In investments	\$ —	\$ 624	\$ —	\$ 624	\$ —	\$ 252	\$ —	\$ 252
In funds held for customers	—	200	—	200	—	200	—	200
Total available-for-sale debt securities	\$ —	\$ 824	\$ —	\$ 824	\$ —	\$ 452	\$ —	\$ 452

We value our Level 1 assets, consisting primarily of time deposits, savings deposit accounts, and 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.

There were no transfers between Level 1, Level 2, and Level 3 of the fair value hierarchy during the twelve months ended July 31, 2019, 2018 or 2017.

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 2019, fiscal 2018, and fiscal 2017 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.

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.

	July 31, 2019		July 31, 2018	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<i>(In millions)</i>				
Classification on consolidated balance sheets:				
Cash and cash equivalents	\$ 2,116	\$ 2,116	\$ 1,464	\$ 1,464
Investments	622	624	253	252
Funds held for customers	436	436	368	367
Long-term investments	13	13	13	13
Total cash and cash equivalents, investments, and funds held for customers	<u>\$ 3,187</u>	<u>\$ 3,189</u>	<u>\$ 2,098</u>	<u>\$ 2,096</u>

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

	July 31, 2019		July 31, 2018	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<i>(In millions)</i>				
Type of issue:				
Total cash, cash equivalents, restricted cash, and restricted cash equivalents	\$ 2,352	\$ 2,352	\$ 1,631	\$ 1,631
Available-for-sale debt securities:				
Municipal bonds	5	5	31	31
Corporate notes	798	800	414	412
U.S. agency securities	19	19	9	9
Total available-for-sale debt securities	<u>822</u>	<u>824</u>	<u>454</u>	<u>452</u>
Other long-term investments	13	13	13	13
Total cash and cash equivalents, investments, and funds held for customers	<u>\$ 3,187</u>	<u>\$ 3,189</u>	<u>\$ 2,098</u>	<u>\$ 2,096</u>

We include realized gains and losses on our available-for-sale debt securities in interest and other income or expense on our consolidated statements of operations. Gross realized gains and losses on our available-for-sale debt securities for the twelve months ended July 31, 2019, 2018 and 2017 were not significant.

We accumulate unrealized gains and losses on our available-for-sale debt securities, net of tax, in accumulated other comprehensive income or loss in the stockholders' equity section of our consolidated balance sheets. Gross unrealized gains and losses on our available-for-sale debt securities at July 31, 2019 and July 31, 2018 were not significant.

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, 2019 were not other-than-temporarily impaired. Unrealized losses on available-for-sale debt securities at July 31, 2019 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. In addition, it is more likely than not that we will not be required to sell them before recovery at par, which may be at maturity.

The following table summarizes our available-for-sale debt securities, included in investments and funds held for customers, classified by the stated maturity date of the security at the dates indicated.

(In millions)	July 31, 2019		July 31, 2018	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	\$ 415	\$ 416	\$ 250	\$ 250
Due within two years	208	208	117	116
Due within three years	163	164	66	65
Due after three years	36	36	21	21
Total available-for-sale debt securities	<u>\$ 822</u>	<u>\$ 824</u>	<u>\$ 454</u>	<u>\$ 452</u>

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, restricted for use solely for the purpose of satisfying amounts we owe on behalf of our customers, such as direct deposit payroll funds and payroll taxes.

The following table summarizes our funds held for customers by investment category at the dates indicated.

(In millions)	July 31, 2019	July 31, 2018	July 31, 2017	July 31, 2016
Restricted cash and restricted cash equivalents	\$ 236	\$ 167	\$ 172	\$ 104
Available-for-sale debt securities	200	200	200	200
Total funds held for customers	<u>\$ 436</u>	<u>\$ 367</u>	<u>\$ 372</u>	<u>\$ 304</u>

4. Property and Equipment

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

(Dollars in millions)	Life in Years	July 31,	
		2019	2018
Equipment	3-5	\$ 421	\$ 479
Computer software	2-6	860	812
Furniture and fixtures	5	90	88
Leasehold improvements	3-16	278	325
Land	NA	79	79
Buildings	5-30	368	363
Capital in progress	NA	65	48
		<u>2,161</u>	<u>2,194</u>
Less accumulated depreciation and amortization		<u>(1,381)</u>	<u>(1,382)</u>
Total property and equipment, net		<u>\$ 780</u>	<u>\$ 812</u>

NA = Not Applicable

Capital in progress at July 31, 2019 and 2018 consisted primarily of costs related to internal use software projects and various buildings and site improvements that have not yet been placed into service.

As discussed in Note 1, "Description of Business and Summary of 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 \$79 million for the twelve months ended July 31, 2019; \$86 million for the twelve months ended July 31, 2018; and \$128 million for the twelve months ended July 31, 2017. These amounts included capitalized labor costs of \$43 million, \$45 million, and \$99 million, respectively. 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

Goodwill

Changes in the carrying value of goodwill by reportable segment during the twelve months ended July 31, 2019 and July 31, 2018 were as shown in the following table. Our reportable segments are described in Note 13, "Segment Information."

<i>(In millions)</i>	Balance July 31, 2017	Goodwill Acquired/ Adjusted	Balance July 31, 2018	Goodwill Acquired/ Adjusted	Balance July 31, 2019
Small Business & Self-Employed	\$ 1,180	\$ 316	\$ 1,496	\$ 22	\$ 1,518
Consumer	23	—	23	19	42
Strategic Partner	92	—	92	3	95
Totals	<u>\$ 1,295</u>	<u>\$ 316</u>	<u>\$ 1,611</u>	<u>\$ 44</u>	<u>\$ 1,655</u>

Goodwill is net of accumulated impairment losses of \$114 million, which were recorded prior to July 31, 2017 and are included in our Consumer segment. The increase in goodwill during the twelve months ended July 31, 2019 and July 31, 2018 was primarily due to business acquisitions. See Note 6, "Business Combinations," for more information on our acquisitions of TSheets.com LLC, Exactor, Inc., and Applatix.

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. The weighted average lives are calculated for assets that are not fully amortized.

<i>(Dollars in millions)</i>	Customer Lists	Purchased Technology	Trade Names and Logos	Covenants Not to Compete or Sue	Total
At July 31, 2019:					
Cost	\$ 256	\$ 422	\$ 25	\$ 39	\$ 742
Accumulated amortization	(245)	(383)	(24)	(36)	(688)
Acquired intangible assets, net	<u>\$ 11</u>	<u>\$ 39</u>	<u>\$ 1</u>	<u>\$ 3</u>	<u>\$ 54</u>
Weighted average life in years	<u>5</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>4</u>
At July 31, 2018:					
Cost	\$ 257	\$ 403	\$ 25	\$ 39	\$ 724
Accumulated amortization	(242)	(364)	(24)	(33)	(663)
Acquired intangible assets, net	<u>\$ 15</u>	<u>\$ 39</u>	<u>\$ 1</u>	<u>\$ 6</u>	<u>\$ 61</u>
Weighted average life in years	<u>5</u>	<u>4</u>	<u>3</u>	<u>3</u>	<u>4</u>

The following table shows the expected future amortization expense for our acquired intangible assets at July 31, 2019. Amortization of purchased technology is charged to cost of service and other revenue and to amortization of acquired technology in our consolidated statements of operations. Amortization of other acquired intangible assets such as customer lists is charged to amortization of other acquired intangible assets in our consolidated statements of operations. If impairment events occur, they could accelerate the timing of acquired intangible asset charges.

<i>(In millions)</i>	Expected Future Amortization Expense
Twelve months ending July 31,	
2020	\$ 28
2021	16
2022	9
2023	1
2024	—
Thereafter	—
Total expected future amortization expense	<u>\$ 54</u>

6. Business Combinations

During fiscal 2018 we acquired all of the outstanding equity interests of TSheets.com LLC, Exactor, Inc., and Applatix, Inc. for total combined cash and other consideration of approximately \$412 million. The \$412 million included approximately \$27 million for the fair value of equity awards and other cash consideration that is being charged to expense over the future service period of up to three years. These three businesses became part of our Small Business & Self-Employed segment and will provide additional features to our QuickBooks offerings such as automated time tracking and scheduling and the calculation and filing of sales and use taxes. We have included their results of operations in our consolidated results of operations from the dates of acquisition. Their results of operations for all periods presented and periods prior to the dates 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 combined purchase consideration of \$385 million to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values on the dates 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 which is primarily attributable to expected synergies from future growth. Using information available at the time the acquisitions closed, we allocated approximately \$5 million of the total combined purchase consideration to net tangible assets and approximately \$62 million to identified intangible assets which are being amortized over a weighted average life of four years. The identified intangible assets include \$38 million for purchased technology, \$17 million for customer lists, and \$7 million for covenants not to compete. We recorded the excess combined purchase consideration of approximately \$318 million as goodwill, of which approximately \$219 million is deductible for income tax purposes.

7. Current Liabilities

Short-Term Debt

On May 2, 2019 we entered into an amended and restated credit agreement with certain institutional lenders with an aggregate principal amount of \$1.4 billion, including a \$400 million unsecured term loan that matures on February 1, 2021 and a \$1 billion unsecured revolving credit facility that matures on May 2, 2024. This agreement amended and restated our prior unsecured revolving credit facility dated February 1, 2016.

At July 31, 2019, \$388 million was outstanding under the term loan, of which \$50 million was classified as short-term debt. See Note 8, "Long-Term Obligations and Commitments – Long-Term Debt," for more information regarding the term loan.

Unsecured Revolving Credit Facility

The amended and restated credit agreement we entered into on May 2, 2019 includes a \$1 billion unsecured revolving credit facility that will expire on May 2, 2024. Under this agreement we may, subject to certain customary conditions, on one or more occasions increase commitments under the unsecured revolving credit facility in an amount not to exceed \$250 million in the

aggregate and may extend the maturity date up to two times. Advances under the unsecured revolving credit facility accrue interest at rates that are equal to, at our election, either Bank of America's alternate base rate plus a margin that ranges from 0.0% to 0.1% or the London Interbank Offered Rate (LIBOR) plus a margin that ranges from 0.69% to 1.1%. Actual margins under either election will be based on our senior debt credit ratings. The amended and restated credit 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 annual interest expense of not less than 3.00 to 1.00 as of the last day of each fiscal quarter. As of July 31, 2019 we were compliant with all required covenants. At July 31, 2019 no amounts were outstanding under this revolving credit facility. We paid no interest on the unsecured revolving credit facility during the twelve months ended July 31, 2019, \$5 million during the twelve months ended July 31, 2018, and \$1 million during the twelve months ended July 31, 2017.

Other Current Liabilities

Other current liabilities were as follows at the dates indicated:

(In millions)	July 31,	
	2019	2018
Executive deferred compensation plan liabilities	\$ 108	\$ 97
Reserve for promotional discounts and rebates	11	10
Reserve for returns and credits	24	17
Current portion of license fee payable	—	9
Current portion of deferred rent	6	6
Current portion of dividend payable	7	10
Other	46	49
Total other current liabilities	\$ 202	\$ 198

8. Long-Term Obligations and Commitments

Long-Term Debt

On May 2, 2019 we entered into an amended and restated credit agreement with certain institutional lenders for a credit facility with an aggregate principal amount of \$1.4 billion, which includes a \$400 million unsecured term loan. This agreement amended and restated our prior unsecured revolving credit facility dated February 1, 2016. Under this agreement we may, subject to certain customary conditions, on one or more occasions increase commitments under the term loan in an amount not to exceed \$400 million in the aggregate. The term loan accrues interest at rates that are equal to, at our election, either Bank of America's alternate base rate plus a margin that ranges from 0.0% to 0.125% or LIBOR plus a margin that ranges from 0.625% to 1.125%. Actual margins under either election will be based on our senior debt credit ratings. The amended and restated credit agreement includes customary affirmative and negative covenants. See Note 7, "Current Liabilities – Unsecured Revolving Credit Facility," for more information. The term loan is subject to quarterly principal payments of \$12.5 million, with the balance payable on February 1, 2021. At July 31, 2019, \$388 million was outstanding under the term loan, of which \$50 million was classified as short-term debt. The carrying value of the term loan approximates its fair value. Interest on the term loan is payable monthly. We paid \$15 million for interest on the term loan during the twelve months ended July 31, 2019, \$13 million during the twelve months ended July 31, 2018, and \$11 million during the twelve months ended July 31, 2017.

Secured Revolving Credit Facility

On February 19, 2019 a subsidiary of Intuit entered into a \$300 million secured revolving credit facility with a lender. The revolving credit facility is secured by cash and receivables of the subsidiary and is non-recourse to Intuit Inc. Advances under this secured revolving credit facility are used to fund a portion of our loans to qualified small businesses. The secured revolving credit facility is available for use for a term of two years and accrues interest at LIBOR plus 2.39%. Unused portions of the credit facility accrue interest at a rate of 0.5%. Outstanding advances mature on August 19, 2021 and payments made prior to February 19, 2020 are subject to a 1% prepayment fee. The agreement includes certain affirmative and negative covenants, including financial covenants that require the subsidiary to maintain specified financial ratios. As of July 31, 2019 we were compliant with all required covenants. At July 31, 2019, \$48 million was outstanding under this facility, with a weighted-average interest rate of 7.75%, which includes the unused facility fee. The outstanding balance is secured by cash and receivables of the subsidiary totaling \$89 million. Interest on the facility is payable monthly. We paid \$1 million for interest on the secured revolving credit facility during the twelve months ended July 31, 2019.

Other Long-Term Obligations

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

(In millions)	July 31,	
	2019	2018
Long-term income tax liabilities	\$ 89	\$ 61
Total deferred rent	47	47
Total license fee payable	—	9
Total dividend payable	11	14
Other	12	15
Total long-term obligations	159	146
Less current portion (included in other current liabilities)	(14)	(27)
Long-term obligations due after one year	\$ 145	\$ 119

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 as of July 31, 2018 in the table above includes imputed interest through that date. During the fourth quarter of fiscal 2019 we paid the final \$10 million payment under the agreement.

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 purchase obligations and operating leases at July 31, 2019 were as shown in the table below.

(In millions)	Purchase Obligations	Operating Lease Commitments	Sublease Income	Net Operating Lease Commitments
Fiscal year ending July 31,				
2020	\$ 302	\$ 68	\$ 23	\$ 45
2021	65	61	21	40
2022	9	55	10	45
2023	—	51	1	50
2024	—	50	1	49
Thereafter	—	67	1	66
Total commitments	\$ 376	\$ 352	\$ 57	\$ 295

Rent expense net of sublease income totaled \$42 million for the twelve months ended July 31, 2019, \$38 million for the twelve months ended July 31, 2018, and \$34 million for the twelve months ended July 31, 2017. Rent expense includes base contractual rent and contractual variable expenses such as building maintenance, utilities, property taxes and insurance. Sublease income totaled \$24 million for the twelve months ended July 31, 2019, \$23 million for the twelve months ended July 31, 2018, and \$22 million for the twelve months ended July 31, 2017.

9. Income Taxes

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

(In millions)	Twelve Months Ended July 31,		
	2019	2018	2017
Current:			
Federal	\$ 271	\$ 197	\$ 345
State	67	38	36
Foreign	14	14	8
Total current	352	249	389
Deferred:			
Federal	(23)	(14)	12
State	(4)	2	2
Foreign	(1)	—	2
Total deferred	(28)	(12)	16
Total provision for income taxes	\$ 324	\$ 237	\$ 405

Our tax provision for the twelve months ended July 31, 2018 and 2017 have been restated to reflect the full retrospective application of ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." See Note 1, "Description of Business and Summary of Significant Accounting Policies - Accounting Standards Recently Adopted," for more information.

We recognized excess tax benefits on share-based compensation of \$120 million, \$100 million, and \$72 million in the provision for income taxes for the twelve months ended July 31, 2019, 2018, and 2017, respectively.

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

(In millions)	Twelve Months Ended July 31,		
	2019	2018	2017
United States	\$ 1,826	\$ 1,528	\$ 1,383
Foreign	55	38	7
Total	\$ 1,881	\$ 1,566	\$ 1,390

Differences between income taxes calculated using the federal statutory income tax rate and the provision for income taxes were as follows for the periods indicated:

(In millions)	Twelve Months Ended July 31,		
	2019	2018	2017
Income before income taxes	\$ 1,881	\$ 1,566	\$ 1,390
U.S. federal statutory rate	21%	26.9%	35%
Statutory federal income tax	\$ 395	\$ 420	\$ 486
State income tax, net of federal benefit	50	29	24
Federal research and experimentation credits	(48)	(38)	(24)
Domestic production activities deduction	—	(28)	(34)
Share-based compensation	15	11	14
Federal excess tax benefits related to share-based compensation	(106)	(94)	(69)
2017 Tax Act - Deferred tax re-measurement	—	(29)	—
Capital loss on subsidiary reorganization	—	(35)	—
Effects of non-U.S. operations	13	1	6
Other, net	5	—	2
Total provision for income taxes	\$ 324	\$ 237	\$ 405

The Tax Cuts and Jobs Act (2017 Tax Act) was enacted on December 22, 2017 and reduced the U.S. statutory federal corporate tax rate from 35% to 21%. The effective date of the tax rate change was January 1, 2018. The change resulted in a

blended lower U.S. statutory federal rate of 26.9% for fiscal year 2018. In fiscal 2019, we fully benefited from the enacted lower tax rate of 21%.

We recorded a provisional benefit of \$29 million for fiscal 2018 related to the re-measurement of certain deferred tax balances as a result of the 2017 Tax Act. In the second quarter of fiscal 2019, we completed our accounting for the income tax effects of the 2017 Tax Act, and there have been no material adjustments during the fiscal 2019 period.

During fiscal year 2018, we completed a reorganization which resulted in a taxable liquidation of a subsidiary. The transaction gave rise to a capital loss which is available for carryback to prior years to offset capital gain income previously recognized. As a result, we recognized a tax benefit of \$35 million during the fourth quarter of fiscal 2018.

The state income tax line in the table above includes excess tax benefits related to share-based compensation of \$14 million, \$6 million and \$3 million for the twelve months ended July 31, 2019, 2018 and 2017, respectively.

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

	July 31,	
	2019	2018
<i>(In millions)</i>		
Deferred tax assets:		
Accruals and reserves not currently deductible	\$ 13	\$ 12
Deferred rent	8	8
Accrued and deferred compensation	48	41
Loss and tax credit carryforwards	117	97
Share-based compensation	47	49
Other, net	3	3
Total gross deferred tax assets	236	210
Valuation allowance	(107)	(93)
Total deferred tax assets	129	117
Deferred tax liabilities:		
Deferred revenue	66	91
Intangible assets	71	65
Property and equipment	20	19
Other, net	8	8
Total deferred tax liabilities	165	183
Net deferred tax liabilities	\$ (36)	\$ (66)

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

	July 31,	
	2019	2018
<i>(In millions)</i>		
Long-term deferred income taxes included in other assets	\$ 1	\$ 2
Long-term deferred income tax liabilities	(37)	(68)
Net deferred tax liabilities	\$ (36)	\$ (66)

We have provided a valuation allowance related to state research and experimentation tax credit carryforwards, foreign loss carryforwards, and state operating and capital loss carryforwards that we believe are unlikely to be realized. Changes in the valuation allowance during the twelve months ended July 31, 2019 were primarily related to an increase in the valuation allowance for state research and experimentation tax credit. Changes in valuation allowance during the twelve months ended July 31, 2018 were primarily related to an increase in the valuation allowance for state research and experimentation tax credit and foreign loss carryforwards.

At July 31, 2019, we had total federal net operating loss carryforwards of approximately \$42 million that will start to expire in fiscal 2032. 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, 2019, we had total state net operating loss carryforwards of approximately \$133 million for which we have recorded a deferred tax asset of \$9 million and a valuation allowance of \$7 million. The state net operating losses will start to expire in fiscal 2027. 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, 2019, we had Singapore operating loss carryforwards of approximately \$62 million and Brazil operating loss carryforwards of approximately \$34 million which have an indefinite carryforward period. We maintain a full valuation allowance with respect to operating losses in these jurisdictions, as there is not sufficient evidence of future sources of taxable income required to utilize such carryforwards.

At July 31, 2019, we had California research and experimentation credit carryforwards of approximately \$129 million. We recorded a full valuation on the related deferred tax asset, as we believe it is more likely than not that these credits will not be utilized.

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,		
	2019	2018	2017
Gross unrecognized tax benefits, beginning balance	\$ 90	\$ 61	\$ 60
Increases related to tax positions from prior fiscal years, including acquisitions	13	10	8
Decreases related to tax positions from prior fiscal years	—	(3)	(8)
Increases related to tax positions taken during current fiscal year	23	23	9
Settlements with tax authorities	(1)	(1)	(8)
Lapse of statute of limitations	\$ (5)	\$ —	\$ —
Gross unrecognized tax benefits, ending balance	<u>\$ 120</u>	<u>\$ 90</u>	<u>\$ 61</u>

The total amount of our unrecognized tax benefits at July 31, 2019 was \$120 million. Net of related deferred tax assets, unrecognized tax benefits were \$75 million at that date. If we were to recognize these net benefits, our income tax expense would reflect a favorable net impact of \$75 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 jurisdiction is the U.S. federal jurisdiction. For U.S. federal tax returns we are no longer subject to tax examinations for years prior to fiscal 2014.

We recognize interest and penalties related to unrecognized tax benefits within the provision for income taxes. Amounts accrued at July 31, 2019 and July 31, 2018 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, 2019, 2018 and 2017 were also not significant.

10. 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 2.5 million shares of our common stock for \$561 million during the twelve months ended July 31, 2019. Included in this amount were \$5 million of repurchases which occurred in late July 2019 and were settled in early August 2019. At July 31, 2019, we had authorization from our Board of Directors to expend up to an additional \$2.7 billion for stock repurchases. 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.

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 consolidated 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 2019 we declared cash dividends that totaled \$1.88 per share of outstanding common stock or approximately \$500 million. In August 2019 our Board of Directors declared a quarterly cash dividend of \$0.53 per share of outstanding common stock payable on October 18, 2019 to stockholders of record at the close of business on October 10, 2019. 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 19, 2017 our stockholders approved an Amended and Restated 2005 Equity Incentive Plan (Restated 2005 Plan) that expires on January 19, 2027. 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 138.1 million 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. Shares withheld for income taxes upon vesting of RSUs that were granted on or after July 21, 2016 are also returned to the pool of shares available for grant. At July 31, 2019, there were approximately 21.1 million shares available for grant under this plan. Stock options granted under the 2005 Plan and the Restated 2005 Plan typically vest over three to four years based on continued service and have a seven year term. RSUs granted under those plans typically vest over three to four years based on continued service. Certain RSUs granted to senior management vest based on the achievement of pre-established performance or market goals.

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 23.8 million shares under the ESPP, which expires upon the earliest to occur of (a) termination of the ESPP by the Board, or (b) issuance of all the shares of Intuit's common stock reserved for issuance under the ESPP. 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 485,011 shares of Intuit common stock during the twelve months ended July 31, 2019; 612,768 shares during the twelve months ended July 31, 2018; and 752,605 shares during the twelve months ended July 31, 2017. At July 31, 2019, there were 1,906,183 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 for the periods shown.

	Twelve Months Ended July 31,		
	2019	2018	2017
<i>(In millions except per share amounts)</i>			
Cost of product revenue	\$ 1	\$ 3	\$ —
Cost of service and other revenue	57	40	8
Selling and marketing	103	101	88
Research and development	136	133	122
General and administrative	104	105	108
Total share-based compensation expense	401	382	326
Income tax benefit	(200)	(199)	(179)
Decrease in net income	\$ 201	\$ 183	\$ 147
Decrease in net income per share:			
Basic	\$ 0.77	\$ 0.71	\$ 0.57
Diluted	\$ 0.76	\$ 0.70	\$ 0.56

We capitalized \$4 million in share-based compensation related to internal use software projects during the twelve months ended July 31, 2019, \$3 million during the twelve months ended July 31, 2018, and \$7 million during the twelve months ended July 31, 2017.

Determining Fair Value

Valuation and Amortization Methods

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. We amortize the fair value of time-based RSUs on a straight-line basis 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. 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 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 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 market price of our stock on the date of grant for dividends.

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.

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. We use an annualized expected dividend yield in our option valuation model. We paid quarterly cash dividends during all years presented and currently expect to continue to pay cash dividends in the future.

Forfeitures. We adjust share-based compensation expense for actual forfeitures as they occur.

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,		
	2019	2018	2017
Assumptions for stock options:			
Expected volatility (range)	26% - 27%	25%	22% - 23%
Weighted average expected volatility	27%	25%	23%
Risk-free interest rate (range)	1.84% - 2.92%	2.84%	1.65% - 1.70%
Expected dividend yield	0.67% - 0.85%	0.72%	0.97% - 1.17%
Assumptions for ESPP:			
Expected volatility (range)	21% - 33%	20% - 25%	18% - 21%
Weighted average expected volatility	26%	23%	20%
Risk-free interest rate (range)	1.94% - 2.44%	1.05% - 1.96%	0.30% - 0.89%
Expected dividend yield	0.73% - 0.95%	0.87% - 1.10%	1.09% - 1.10%

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:

<i>(Shares in thousands)</i>	Shares Available for Grant
Balance at July 31, 2016	8,990
Additional shares authorized	23,110
Restricted stock units granted ⁽¹⁾	(9,160)
Options granted	(1,786)
Share-based awards canceled/forfeited/expired ⁽¹⁾⁽²⁾	4,010
Balance at July 31, 2017	25,164
Restricted stock units granted ⁽¹⁾	(6,504)
Options granted	(455)
Share-based awards canceled/forfeited/expired ⁽¹⁾⁽²⁾	4,586
Balance at July 31, 2018	22,791
Restricted stock units granted ⁽¹⁾	(5,639)
Options granted	(487)
Share-based awards canceled/forfeited/expired ⁽¹⁾⁽²⁾	4,393
Balance at July 31, 2019	21,058

- (1) RSUs granted from the pool of shares available for grant under our 2005 Equity Incentive Plan reduce the pool by 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 RSUs canceled, expired or forfeited under our 2005 Equity Incentive Plan are returned to the pool of shares available for grant. Shares withheld for income taxes upon vesting of RSUs that were granted on or after July 21, 2016 are also returned to the pool of shares available for grant. Stock options and RSUs canceled, expired or forfeited under older expired plans are not returned to the pool of shares available for grant.

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:

<i>(Shares in thousands)</i>	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested at July 31, 2016	9,039	\$82.30
Granted	3,983	119.84
Vested	(3,121)	86.93
Forfeited	(1,265)	76.75
Nonvested at July 31, 2017	8,636	98.76
Granted	2,828	185.53
Unregistered restricted stock granted in connection with acquisitions	75	163.00
Vested	(2,960)	105.71
Forfeited	(1,196)	88.59
Nonvested at July 31, 2018	7,383	131.50
Granted	2,452	245.40
Vested	(3,123)	129.31
Forfeited	(1,029)	107.40
Nonvested at July 31, 2019	5,683	\$186.22

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

<i>(In millions)</i>	Twelve Months Ended July 31,		
	2019	2018	2017
Total fair market value of shares vested	\$ 676	\$ 527	\$ 388
Share-based compensation for RSUs	\$ 351	\$ 326	\$ 274
Total tax benefit related to RSU share-based compensation expense	\$ 141	\$ 143	\$ 130
Cash tax benefits realized for tax deductions for RSUs	\$ 150	\$ 142	\$ 130

At July 31, 2019, there was \$961 million of unrecognized compensation cost related to non-vested RSUs with a weighted average vesting period of 3.1 years. We will adjust unrecognized compensation cost for actual forfeitures as they occur.

Stock Option Activity and Related Share-Based Compensation Expense

A summary of stock option activity for the periods indicated was as follows:

	Options Outstanding	
	Number of Shares	Weighted Average Exercise Price Per Share
<i>(Shares in thousands)</i>		
Balance at July 31, 2016	8,346	\$88.55
Granted	1,786	135.24
Exercised	(2,213)	69.12
Canceled or expired	(431)	104.78
Balance at July 31, 2017	7,488	104.50
Granted	455	216.64
Exercised	(2,416)	89.41
Canceled or expired	(373)	121.31
Balance at July 31, 2018	5,154	120.26
Granted	487	274.26
Exercised	(1,924)	102.49
Canceled or expired	(343)	138.59
Balance at July 31, 2019	3,374	\$150.75

Information regarding stock options outstanding as of July 31, 2019 is summarized below:

	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	3,374	4.56	\$150.75	\$429
Options exercisable	2,187	3.78	\$118.11	\$365

The aggregate intrinsic values at July 31, 2019 are 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, 2019 were options that had exercise prices that were lower than the \$277.31 market price of our common stock at that date.

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

	Twelve Months Ended July 31,		
	2019	2018	2017
<i>(In millions except per share amounts)</i>			
Weighted average fair value of options granted (per share)	\$ 63.18	\$ 50.77	\$ 25.54
Total grant date fair value of options vested	\$ 30	\$ 38	\$ 37
Aggregate intrinsic value of options exercised	\$ 248	\$ 188	\$ 126
Share-based compensation expense for stock options and ESPP	\$ 50	\$ 56	\$ 52
Total tax benefit for stock option and ESPP share-based compensation	\$ 59	\$ 56	\$ 49
Cash received from option exercises	\$ 197	\$ 216	\$ 153
Cash tax benefits realized related to tax deductions for non-qualified option exercises and disqualifying dispositions under all share-based payment arrangements	\$ 58	\$ 53	\$ 46

At July 31, 2019, there was approximately \$55 million of unrecognized compensation cost related to non-vested stock options with a weighted average vesting period of 3.1 years. We will adjust unrecognized compensation cost for actual forfeitures as they occur.

Accumulated Other Comprehensive 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 consolidated balance sheets and excluded from net income. Our other comprehensive income (loss) consists of unrealized gains and losses on marketable debt 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 loss, net of income taxes, in the stockholders' equity section of our consolidated balance sheets at the dates indicated.

	July 31,	
	2019	2018
(In millions)		
Unrealized gain (loss) on available-for-sale debt securities	\$ 1	\$ (2)
Foreign currency translation adjustments	(37)	(34)
Total accumulated other comprehensive loss	<u>\$ (36)</u>	<u>\$ (36)</u>

11. Benefit Plans

Non-Qualified Deferred Compensation Plan

Intuit's Non-Qualified Deferred Compensation Plan provides that executives who meet minimum compensation requirements are eligible to defer up to 75% of their salaries and up to 75% of their bonuses. We have agreed to credit the participants' contributions with earnings that reflect the performance of certain independent investment funds. We do not guarantee above-market interest on account balances. 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 and are general assets of Intuit. 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 of the Internal Revenue Code. Participants may elect to receive their payments in a lump sum or installments. Discretionary company contributions and the related earnings vest completely upon the participant's disability, death, or a change in control of Intuit. We made no employer contributions to the plan for any period presented.

We had liabilities related to this plan of \$108 million at July 31, 2019 and \$97 million at July 31, 2018. We have matched the plan liabilities with similar-performing assets, which are primarily investments in life insurance contracts. These assets are recorded in other long-term assets while liabilities related to obligations are recorded in other current liabilities on our consolidated balance sheets.

401(k) Plan

In the United States, employees who participate in the Intuit Inc. 401(k) Plan may currently contribute up to 50% 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 \$59 million for the twelve months ended July 31, 2019; \$50 million for the twelve months ended July 31, 2018; and \$49 million for the twelve months ended July 31, 2017.

12. Litigation

In fiscal 2015 Intuit was contacted by certain state and federal regulatory authorities in connection with inquiries regarding an increase during the 2015 tax season in attempts by criminals using stolen identity information to file fraudulent tax returns and claim refunds. Intuit provided information in response to those inquiries and now believes those inquiries are resolved. A consolidated putative class action lawsuit was filed by individuals who claim to have suffered damages in connection with the 2015 events. On May 23, 2018, the parties reached a settlement in principle of this matter. The settlement was granted final approval and the matter was dismissed with prejudice by the court on May 15, 2019. The terms of the settlement are not material to our consolidated financial statements.

Beginning in May 2019, various lawsuits were filed and certain regulatory inquiries were commenced in connection with our provision and marketing of free online tax preparation programs. We believe that the allegations contained within these lawsuits are without merit. We intend to vigorously defend against the lawsuits and cooperate in the investigations.

Intuit is subject to certain routine legal proceedings, including class action lawsuits, as well as demands, claims, government inquiries 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. Our failure to obtain necessary license or other rights, or litigation arising out of intellectual property claims could adversely affect our business. 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.

13. 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 & Self-Employed: This segment serves small businesses and the self-employed around the world, and the accounting professionals who serve and advise them. Our offerings include QuickBooks financial and business management online services and desktop software, payroll solutions, merchant payment processing solutions, and financing for small businesses.

Consumer: This segment serves consumers and includes do-it-yourself and assisted TurboTax income tax preparation products and services sold in the U.S. and Canada. Our Mint and Turbo offerings serve consumers and help them understand and improve their financial lives by offering a view of their financial health.

Strategic Partner: This segment serves professional accountants in the U.S. and Canada, who are essential to both small business success and tax preparation and filing. Our professional tax offerings include Lacerte, ProSeries, ProFile, and ProConnect Tax Online.

All of our segments operate primarily in the United States and sell primarily to customers in the United States. Total international net revenue was less than 5% of consolidated total net revenue for the twelve months ended July 31, 2019, 2018 and 2017.

We include expenses such as corporate selling and marketing, product development, general and administrative and share-based compensation, 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 purchased 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.

<i>(In millions)</i>	Twelve Months Ended July 31,		
	2019	2018	2017
Net revenue:			
Small Business & Self-Employed	\$ 3,533	\$ 3,061	\$ 2,574
Consumer	2,775	2,508	2,182
Strategic Partner	476	456	440
Total net revenue	\$ 6,784	\$ 6,025	\$ 5,196
Operating income:			
Small Business & Self-Employed	\$ 1,549	\$ 1,326	\$ 1,111
Consumer	1,742	1,587	1,376
Strategic Partner	318	284	266
Total segment operating income	3,609	3,197	2,753
Unallocated corporate items:			
Share-based compensation expense	(401)	(382)	(326)
Other common expenses	(1,328)	(1,234)	(995)
Amortization of acquired technology	(20)	(15)	(12)
Amortization of other acquired intangible assets	(6)	(6)	(2)
Total unallocated corporate items	(1,755)	(1,637)	(1,335)
Total operating income	\$ 1,854	\$ 1,560	\$ 1,418

Revenue classified by significant product and service offerings was as follows:

<i>(In millions)</i>	Twelve Months Ended July 31,		
	2019	2018	2017
Net revenue:			
QuickBooks Online Accounting	\$ 980	\$ 695	\$ 448
Online Services	683	511	410
Total Online Ecosystem	1,663	1,206	858
QuickBooks Desktop Accounting	732	716	599
Desktop Services and Supplies	1,138	1,139	1,117
Total Desktop Ecosystem	1,870	1,855	1,716
Small Business & Self-Employed	3,533	3,061	2,574
Consumer	2,775	2,508	2,182
Strategic Partner	476	456	440
Total net revenue	\$ 6,784	\$ 6,025	\$ 5,196

Revenue from our QuickBooks Desktop packaged software products was \$167 million, \$166 million, and \$190 million for the twelve months ended July 31, 2019, 2018, and 2017, respectively. These amounts are included in the QuickBooks Desktop Accounting revenue presented in the table above.

14. Selected Quarterly Financial Data (Unaudited)

The following tables contain selected quarterly financial data for the twelve months ended July 31, 2019 and July 31, 2018.

<i>(In millions, except per share amounts)</i>	Fiscal 2019 Quarter Ended			
	October 31	January 31	April 30	July 31
Total net revenue	\$ 1,016	\$ 1,502	\$ 3,272	\$ 994
Cost of revenue	247	285	354	281
All other costs and expenses	779	984	1,134	866
Operating income (loss)	(10)	233	1,784	(153)
Net income (loss)	34	189	1,378	(44)
Basic net income (loss) per share	<u>\$ 0.13</u>	<u>\$ 0.73</u>	<u>\$ 5.30</u>	<u>\$ (0.17)</u>
Diluted net income (loss) per share	<u>\$ 0.13</u>	<u>\$ 0.72</u>	<u>\$ 5.22</u>	<u>\$ (0.17)</u>

<i>(In millions, except per share amounts)</i>	Fiscal 2018 Quarter Ended			
	October 31	January 31	April 30	July 31
Total net revenue	\$ 910	\$ 1,339	\$ 2,912	\$ 864
Cost of revenue	198	246	305	229
All other costs and expenses	747	899	1,006	835
Operating income (loss)	(35)	194	1,601	(200)
Net income (loss)	(2)	183	1,186	(38)
Basic net income (loss) per share	<u>\$ (0.01)</u>	<u>\$ 0.72</u>	<u>\$ 4.62</u>	<u>\$ (0.15)</u>
Diluted net income (loss) per share	<u>\$ (0.01)</u>	<u>\$ 0.70</u>	<u>\$ 4.53</u>	<u>\$ (0.15)</u>

INTUIT INC.
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

<i>(In millions)</i>	<u>Beginning Balance</u>	<u>Additions Charged to Expense/ Revenue</u>	<u>Deductions</u>	<u>Ending Balance</u>
Year ended July 31, 2019				
Allowance for doubtful accounts	\$ 5	\$ 59	\$ (61)	\$ 3
Reserve for returns and credits	17	190	(183)	24
Reserve for promotional discounts and rebates	10	92	(91)	11
Year ended July 31, 2018				
Allowance for doubtful accounts	\$ 46	\$ 58	\$ (99)	\$ 5
Reserve for returns and credits	14	167	(164)	17
Reserve for promotional discounts and rebates	19	99	(108)	10
Year ended July 31, 2017				
Allowance for doubtful accounts	\$ 51	\$ 44	\$ (49)	\$ 46
Reserve for returns and credits	14	160	(160)	14
Reserve for promotional discounts and rebates	14	113	(108)	19

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, 2019 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, 2019 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, 2019. 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.

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 2020 Annual Meeting of Stockholders (the "2020 Proxy Statement") under the sections entitled "Proposal No. 1 - Election of Directors – Our Board Nominees" and "Corporate Governance."

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 <https://investors.intuit.com/Corporate-Governance/Conduct-Guidelines/default.aspx>. 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 and their areas of responsibility as of July 31, 2019. Their biographies follow the table.

Name	Age	Position
Sasan K. Goodarzi	51	President, Chief Executive Officer and Director
Brad D. Smith	55	Executive Chairman of the Board of Directors
Scott D. Cook	67	Chairman of the Executive Committee
Michelle M. Clatterbuck	51	Executive Vice President and Chief Financial Officer
J. Alexander Chris	42	Executive Vice President and General Manager, Small Business & Self-Employed Group
Laura A. Fennell	58	Executive Vice President, Chief People & Places Officer
Gregory N. Johnson	51	Executive Vice President and General Manager, Consumer Group
Kerry J. McLean	55	Senior Vice President, General Counsel and Corporate Secretary
Mark J. Flournoy	53	Vice President, Corporate Controller and Chief Accounting Officer

Mr. Goodarzi has been President and Chief Executive Officer and a member of the Board of Directors since January 2019 and previously served as Executive Vice President and General Manager of Intuit's Small Business Group since May 2016. He previously was Executive Vice President and General Manager of Intuit's Consumer Tax Group from August 2015 through April 2016 and from August 2013 to July 2015 served as Senior Vice President and General Manager of the Consumer Tax Group. He served as Intuit's Senior Vice President and Chief Information Officer from August 2011 to July 2013, having rejoined Intuit after serving as CEO of Nexant Inc., a privately held provider of intelligent grid software and clean energy solutions, beginning in 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 Inc. He serves on the board of Atlassian Corporation Plc. 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. Smith has been an Intuit director since 2008, Chairman of the Board from January 2016 through December 2018, and Executive Chairman from January 2019. He served as President and CEO of the Company from January 2008 through December 2018. Mr. Smith joined Intuit in 2003 and has served as Senior Vice President and General Manager, Small Business Division from 2006 to 2007, Senior Vice President and General Manager, QuickBooks from 2005 to 2006, Senior Vice President and General Manager, Consumer Tax Group from 2004 to 2005 and as Vice President and General Manager of Intuit's Accountant Central and Developer Network from 2003 to 2004. Before joining Intuit, Mr. Smith held the position of Senior Vice President of Marketing and Business Development of ADP, where he held several executive positions from 1996 to 2003. Mr. Smith served on the board of directors of Yahoo! Inc. from 2010 until 2012. Mr. Smith was elected to the board of directors of Nordstrom, Inc. in June 2013, where he is a member of the Compensation Committee and Corporate Governance and Nominating Committee and has served as Chairman of the Board since November 2018. Mr. Smith was also elected to the board of directors of SurveyMonkey in May 2017 and is a member of their Compensation Committee. 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 has served on the board of directors of The Procter & Gamble Company since 2000 where he chairs the Innovation & Technology Committee. Mr. Cook was also a director of eBay Inc. from 1998 to 2015. 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. Clatterback has been Executive Vice President and Chief Financial Officer since February 2018. She manages the financial strategy and operations across the company, including Treasury, Procurement, Investor Relations and Finance Operations. Ms. Clatterback served as acting finance leader for Intuit's Small Business Group from June 2017 through January 2018, led finance for the Consumer Tax Group beginning in September 2012 and was promoted to Senior Vice President for that group in August 2016. Her earlier roles at Intuit include Vice President of finance for the Professional Tax business in 2006 and finance director in October 2004. Ms. Clatterback joined Intuit in March 2003 as a senior finance manager. Prior to Intuit, Ms. Clatterback held various financial management roles at General Electric. Before that, she was a financial litigation consultant at The Barrington Consulting Group. Ms. Clatterback holds a Bachelor's degree in commerce with a concentration in finance from the University of Virginia.

Mr. Chriss has been Executive Vice President and General Manager of Intuit's Small Business & Self-Employed Group since January 2019. He previously was Senior Vice President and Chief Product Officer of Intuit's Small Business Group from January 2017 through December 2018 and Vice President of Intuit's Self-Employed business from August 2013 through December 2016. Prior to that, Mr. Chriss held various other roles at Intuit since he joined in July 2004. Mr. Chriss holds a Bachelor's degree in Economics from Tufts University.

Ms. Fennell has been Executive Vice President, Chief People & Places Officer since August 2018 and previously served as Executive Vice President, General Counsel and Corporate Secretary. She served as Senior Vice President, General Counsel and Corporate Secretary from February 2007. Ms. Fennell joined Intuit as Vice President, General Counsel and Corporate Secretary in April 2004. She leads the team responsible for acquiring, developing, mobilizing and rewarding the company's global workforce. 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. Johnson has been Executive Vice President and General Manager of Intuit's Consumer Group since August 2018. He joined Intuit in 2012 as Senior Vice President of marketing. Mr. Johnson leads an organization that offers a suite of consumer tax and financial products and services in the U.S. and Canada. He has more than 20 years' experience in marketing, which spans across consumer packaged goods, retail, and international and emerging markets. Prior to joining Intuit, Mr. Johnson worked for various organizations, including Kraft Foods, SC Johnson, Kodak, Gillette, Best Buy, and the United States Air Force. Mr. Johnson holds a Bachelor of Science degree in Operations Research from the United States Air Force Academy.

Ms. McLean has been Senior Vice President, General Counsel and Corporate Secretary since August 2018, after having served as Vice President, Deputy General Counsel since August 2010. She joined Intuit in 2006 as Director, Deputy General Counsel. Ms. McLean leads Intuit's legal, privacy and compliance teams. Prior to joining Intuit, Ms. McLean spent over six years at Wind River Systems, Inc., most recently as the Director of Legal. Prior to joining Wind River, she was an associate at Howard, Rice, Nemerovski, Canady, Falk & Rabkin PC (now Arnold & Porter Kaye Scholer LLP). Ms. McLean holds a Bachelor of Arts degree in International Relations from University of California, Davis and a Juris Doctor from University of California, Hastings College of Law.

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.

ITEM 11 - EXECUTIVE COMPENSATION

The information required by this Item 11 is incorporated by reference from the information contained in our 2020 Proxy Statement under the sections entitled "Corporate Governance – Compensation Committee Interlocks and Insider Participation," "Director Compensation," "Equity Compensation Plan Information," and "Executive Compensation Tables."

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 2020 Proxy Statement under the sections entitled "Stock Ownership Information" and "Executive Compensation Tables."

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 2020 Proxy Statement under the sections entitled "Corporate Governance – Director Independence" and "Transactions with Related Persons."

ITEM 14 - PRINCIPAL ACCOUNTANT FEES AND SERVICE

The information required by this Item 14 is incorporated by reference from the information contained in our 2020 Proxy Statement under the section entitled "Proposal No. 3 – 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.

ITEM 16 - FORM 10-K SUMMARY

None.

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: August 30, 2019

By: /s/ MICHELLE M. CLATTERBUCK

Michelle M. Clatterbuck

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

POWER OF ATTORNEY

By signing this Annual Report on Form 10-K below, I hereby appoint each of Sasan K. Goodarzi and Michelle M. Clatterbuck 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:		
<u>/s/ SASAN K. GOODARZI</u> Sasan K. Goodarzi	President, Chief Executive Officer and Director	August 30, 2019
Principal Financial Officer:		
<u>/s/ MICHELLE M. CLATTERBUCK</u> Michelle M. Clatterbuck	Executive Vice President and Chief Financial Officer	August 30, 2019
Principal Accounting Officer:		
<u>/s/ MARK J. FLOURNOY</u> Mark J. Flournoy	Vice President, Corporate Controller and Chief Accounting Officer	August 30, 2019
Additional Directors:		
<u>/s/ EVE BURTON</u> Eve Burton	Director	August 30, 2019
<u>/s/ SCOTT D. COOK</u> Scott D. Cook	Director	August 30, 2019
<u>/s/ RICHARD DALZELL</u> Richard Dalzell	Director	August 30, 2019
<u>/s/ DEBORAH LIU</u> Deborah Liu	Director	August 30, 2019
<u>/s/ SUZANNE NORA JOHNSON</u> Suzanne Nora Johnson	Director	August 30, 2019
<u>/s/ DENNIS D. POWELL</u> Dennis D. Powell	Director	August 30, 2019
<u>/s/ BRAD D. SMITH</u> Brad D. Smith	Chairman of the Board of Directors	August 30, 2019
<u>/s/ THOMAS SZKUTAK</u> Thomas Szkutak	Director	August 30, 2019
<u>/s/ RAUL VAZQUEZ</u> Raul Vazquez	Director	August 30, 2019
<u>/s/ JEFF WEINER</u> Jeff Weiner	Director	August 30, 2019

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 May 5, 2016		8-K	5/9/2016
4.01	Form of Specimen Certificate for Intuit's Common Stock		10-K	9/15/2009
4.02	Description of Common Stock	X		
10.01+	Intuit Inc. Amended and Restated 2005 Equity Incentive Plan, as amended through January 19, 2017		S-8 333-215639	1/20/2017
10.02+	Intuit Inc. Amended and Restated 2005 Equity Incentive Plan, as amended through January 23, 2014		S-8 333-193551	1/24/2014
10.03+	Intuit Inc. Amended and Restated 2005 Equity Incentive Plan, as amended through July 24, 2012		8-K	7/27/2012
10.04+	Forms of Equity Grant Agreements: Executive Chair and EVP Restricted Stock Unit, and CEO Restricted Stock Unit	X		
10.05+	Form of Executive Chair Restricted Stock Unit Agreement - service-based vesting		10-Q	2/22/2019
10.06+	Forms of Equity Grant Agreements: EVP-SVP TSR Performance-Based Restricted Stock Unit, CEO TSR Performance-Based Restricted Stock Unit, EVP Time-Based Restricted Stock Unit, CEO Restricted Stock Unit, Stock Option - 4 year vest, Time-Based RSU - 4 year vest (focal), New Hire Time-Based Restricted Stock Unit - 4 year vest		10-K	8/31/2018
10.07+	Forms of Equity Grant Agreements: Restricted Stock Unit, CEO TSR Performance-Based Restricted Stock Unit, CEO Restricted Stock Unit, Executive TSR Performance-Based Restricted Stock Unit, EVP Restricted Stock Unit, Restricted Stock Unit - MSPP Purchased, Restricted Stock Unit- MSPP Matching, Stock Option		10-K	9/1/2017
10.08+	Forms of Equity Grant Agreements: CEO Restricted Stock Unit, CEO TSR Performance-Based Restricted Stock Unit, Executive Restricted Stock Unit, EVP/SVP TSR Performance-Based Restricted Stock Unit, Restricted Stock Unit, and Stock Option Agreement		10-K	9/1/2016
10.09+	Form of CEO Restricted Stock Unit Agreement - time-based vesting (deferred release)		10-K	9/1/2015
10.10+	Form of CEO Restricted Stock Unit Agreement - performance-based - Total Shareholder Return Goals (deferred release)		10-K	9/1/2015
10.11+	Form of Performance-Based Restricted Stock Unit Agreement (total shareholder return goals)		10-K	9/12/2014
10.12+	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
10.13+	Form of Restricted Stock Unit Agreement (service-based vesting)		10-K	9/13/2012
10.14+	Form of Restricted Stock Unit Agreement (executive vesting)		10-K	9/13/2012

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
10.15+	Form of Executive Promotion/New Hire Stock Option Agreement		10-K	9/12/2008
10.16+	Description of Non-Employee Director Compensation, approved October 31, 2018 and effective January 17, 2019		10-Q	11/20/2018
10.17+	Description of Non-Employee Director Compensation, approved October 19, 2017 and effective January 18, 2018		10-Q	11/20/2017
10.18+	Non-employee Director Compensation Program, effective January 21, 2016		10-Q	2/25/2016
10.19+	Forms of Non-employee Director Restricted Stock Unit Agreements		10-Q	11/20/2017
10.20+	Form of Director Restricted Stock Units Initial Grant Agreements		10-Q	3/1/2013
10.21+	Form of Director Restricted Stock Units Initial Grant Agreement for Mid-Year Directors		10-Q	3/1/2013
10.22+	Form of Director Restricted Stock Units Succeeding Grant Agreement		10-Q	3/1/2013
10.23+	Form of Director Restricted Stock Units Succeeding Grant Agreement for Mid-Year Directors		10-Q	3/1/2013
10.24+	Form of Director Restricted Stock Units Conversion Grant Agreement		10-Q	3/1/2013
10.25+	Fourth Amended and Restated Management Stock Purchase Program, updated as of October 30, 2018		10-Q	2/22/2019
10.26+	Third Amended and Restated Management Stock Purchase Program		10-Q	5/24/2016
10.27+	Second Amended and Restated Management Stock Purchase Program		10-Q	2/29/2012
10.28+	Form of Restricted Stock Unit Grant Agreement for MSPP Purchased Award		10-K	9/13/2012
10.29+	Form of Restricted Stock Unit Grant Agreement for MSPP Matching Award		10-K	9/13/2012
10.30+	Form of Intuit Inc. Stock Option Assumption Agreement		S-8	8/5/2009
10.31+	Intuit Executive Relocation Policy		10-K	8/31/2018
10.32+	Intuit Inc. Non-qualified Deferred Compensation Plan, effective January 1, 2009		10-Q	11/20/2017
10.33+	Intuit Inc. 2005 Executive Deferred Compensation Plan, effective January 1, 2005		10-Q	12/10/2004
10.34+	Intuit Executive Deferred Compensation Plan, effective March 15, 2002		10-Q	5/31/2002
10.35+	Intuit Inc. Performance Incentive Plan for Fiscal Year 2018		10-K	9/1/2017
10.36+	Intuit Inc. Performance Incentive Plan for Fiscal Year 2017		10-K	9/1/2016
10.37+	Intuit Inc. Senior Executive Incentive Plan, effective August 1, 2018		10-K	8/31/2018

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
10.38+	Intuit Inc. Senior Executive Incentive Plan, generally effective October 27, 2015		10-Q	11/20/2017
10.39+	Form of Indemnification Agreement entered into by Intuit with each of its directors and certain officers		10-Q	2/23/2017
10.40+	Executive Chairman Compensation Terms, effective January 1, 2019	X		
10.41+	Amendment dated December 1, 2008 to Letter Regarding Terms of Employment by and between Intuit Inc. and Brad D. Smith dated October 1, 2007		10-Q	12/4/2008
10.42+	Letter Regarding Terms of Employment by and between Intuit Inc. and Brad D. Smith, dated October 1, 2007		8-K	10/5/2007
10.43+	Letter regarding Terms of Employment by and between Intuit Inc. and Michelle Clatterbuck dated January 19, 2018		8-K	1/23/2018
10.44+	Letter Regarding Terms of Employment by and between Intuit Inc. and Sasan Goodarzi, dated November 15, 2018		10-Q	11/20/2018
10.45+	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
10.46+	Employment memo dated August 20, 2015 to Sasan Goodarzi		10-K	9/1/2015
10.47+	Employment Memo dated August 14, 2014 to Sasan Goodarzi		10-K	9/12/2014
10.48+	Letter regarding Terms of Employment by and between Intuit Inc. and Gregory N. Johnson dated August 1, 2018	X		
10.49+	Employment memo dated November 7, 2018 to J. Alexander Chriss dated November 7, 2018 and effective January 1, 2019.	X		
10.50	Amended and Restated Credit Agreement dated as of May 2, 2019 among Intuit Inc., the lenders party thereto, Bank of America, N.A., and JPMorgan Chase Bank, N.A., as co-administrative agents, and U.S. Bank National Association and MUFG Bank, LTD., as co-syndication agents, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, JPMorgan Chase Bank, N.A., U.S. Bank National Association, and MUFG Bank, LTD., as joint lead arrangers and joint bookrunners	X		
10.51	Free On-Line Electronic Tax Filing Agreement Amendment, effective as of October 31, 2018, between the Internal Revenue Service and Free File Inc.		10-Q	11/20/2018
10.52	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
10.53	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
10.54	Free On-Line Electronic Tax Filing Agreement Amendment, effective as of October 30, 2014, between the Internal Revenue Service and Free File, Inc.		10-K	9/12/2014
10.55	Eighth Memorandum of Understanding on Service Standards and Disputes between the Internal Revenue Service and Free File Inc.		10-Q	11/20/2018
10.56#	Master Services Agreement between Intuit and Arvato Services, Inc., dated May 28, 2003		10-K	9/19/2003

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
10.57	Second Amendment to Master Service Agreement between Intuit and Arvato Services, Inc., effective May 29, 2007		10-K	9/14/2007
10.58#	Amendment 3 to Master Services Agreement between Intuit and Arvato Services, Inc., effective April 1, 2008		10-Q	5/30/2008
10.59#	Amendment 5 to the Master Services Agreement between Intuit and Arvato Digital Services LLC effective August 19, 2010		10-Q	12/6/2010
10.60	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
10.61	Amendment 8 to the Master Services Agreement between Intuit and Arvato Digital Services LLC effective August 1, 2014		10-K	9/12/2014
10.62	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
10.63	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
10.64	Second Amendment to Lease Agreement Phase 1, effective January 1, 2011, between Intuit Inc. and Charleston Properties		10-Q	3/1/2011
10.65	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 Independent Registered Public Accounting Firm	X		
24.01	Power of Attorney (see signature page)	X		
31.01	Certification of Chief Executive Officer	X		
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 - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	X		
101.SCH	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		

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form/File No.	Date
101.DEF	XBRL Taxonomy Extension Definition Linkbase	X		
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	X		

+ 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.

