Paylocity Holding Corp
Form 10-Q
May 04, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2018

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to

Commission file number 001-36348

PAYLOCITY HOLDING CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	46-4066644
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

3850 N. Wilke Road

Arlington Heights, Illinois	60004
(Address of principal executive offices)	(Zip Code)

(847) 463-3200

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large Accelerated Filer		Accelerated Filer
Non-Accelerated Filer	(Do not check if a smaller reporting company)	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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 52,653,118 shares of Common Stock, $0.001 par value per share, as of April 27, 2018.

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Paylocity Holding Corporation

Form 10-Q

For the Quarterly Period Ended March 31, 2018

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements

PAYLOCITY HOLDING CORPORATION

Unaudited Consolidated Balance Sheets

(in thousands, except per share data)

	June 30, 2017	March 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 103,468	$ 129,530
Accounts receivable, net	2,040	3,384
Prepaid expenses and other	14,879	16,921
Total current assets before funds held for clients	120,387	149,835
Funds held for clients	942,459	1,347,522
Total current assets	1,062,846	1,497,357
Long-term prepaid expenses	1,535	1,022
Capitalized internal-use software, net	17,394	20,002
Property and equipment, net	40,756	50,380
Intangible assets, net	8,907	13,457
Goodwill	6,003	9,754
Deferred income tax assets, net	—	18,906
Total assets	$ 1,137,441	$ 1,610,878
Liabilities and Stockholders’ Equity		
Current liabilities:		
Accounts payable	$ 2,046	$ 2,371
Accrued expenses	30,301	35,474
Total current liabilities before client fund obligations	32,347	37,845
Client fund obligations	942,459	1,347,522

Total current liabilities	974,806	1,385,367
Deferred rent	14,621	20,963
Deferred income tax liabilities, net	401	—
Total liabilities	$ 989,828	$ 1,406,330
Stockholders’ equity:		
Preferred stock, $0.001 par value, 5,000 authorized, no shares issued and outstanding at June 30, 2017 and March 31, 2018	$ —	$ —
Common stock, $0.001 par value, 155,000 shares authorized at June 30, 2017 and March 31, 2018; 51,738 shares issued and outstanding at June 30, 2017 and 52,649 shares issued and outstanding at March 31, 2018	52	53
Additional paid-in capital	192,837	209,791
Accumulated deficit	(45,276)	(5,125)
Accumulated other comprehensive loss	—	(171)
Total stockholders’ equity	$ 147,613	$ 204,548
Total liabilities and stockholders’ equity	$ 1,137,441	$ 1,610,878

See accompanying notes to unaudited consolidated financial statements.

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PAYLOCITY HOLDING CORPORATION

Unaudited Consolidated Statements of Operations and Comprehensive Income

(in thousands, except per share data)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2017	2018	2017	2018
Revenues:				
Recurring fees	$ 85,314	$ 105,857	$ 212,581	$ 264,443
Interest income on funds held for clients	1,041	2,719	2,489	6,119
Total recurring revenues	86,355	108,576	215,070	270,562
Implementation services and other	3,918	4,831	8,879	10,349
Total revenues	90,273	113,407	223,949	280,911
Cost of revenues:				
Recurring revenues	22,436	26,982	62,255	76,711
Implementation services and other	9,646	11,670	28,569	33,740
Total cost of revenues	32,082	38,652	90,824	110,451
Gross profit	58,191	74,755	133,125	170,460
Operating expenses:				
Sales and marketing	21,242	26,004	56,988	68,782
Research and development	6,969	9,058	21,492	27,227
General and administrative	15,100	19,228	43,915	53,338
Total operating expenses	43,311	54,290	122,395	149,347
Operating income	14,880	20,465	10,730	21,113
Other income (expense)	(47)	215	(4)	465
Income before income taxes	14,833	20,680	10,726	21,578
Income tax expense (benefit)	32	(18,497)	164	(18,573)
Net income	$ 14,801	$ 39,177	$ 10,562	$ 40,151
Other comprehensive loss, net of tax				
Unrealized losses on securities, net of tax	—	(61)	—	(171)
Total other comprehensive loss, net of tax	—	(61)	—	(171)
Comprehensive income	$ 14,801	$ 39,116	$ 10,562	$ 39,980

Net income per share:

Basic	$ 0.29	$ 0.74	$ 0.21	$ 0.77
Diluted	$ 0.27	$ 0.71	$ 0.20	$ 0.73
Weighted-average shares used in computing net income per share:				
Basic	51,447	52,615	51,353	52,334
Diluted	54,002	55,030	53,987	54,717

See accompanying notes to unaudited consolidated financial statements.

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PAYLOCITY HOLDING CORPORATION

Unaudited Consolidated Statement of Changes in Stockholders' Equity

(in thousands)

	Stockholders' Equity					
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balances at June 30, 2017	51,738	$ 52	$ 192,837	$ (45,276)	$ —	$ 147,613
Stock-based compensation	—	—	23,345	—	—	23,345
Stock options exercised	772	1	7,161	—	—	7,162
Issuance of common stock upon vesting of restricted stock units	425	—	—	—	—	—
Issuance of common stock under employee stock purchase plan	53	—	2,045	—	—	2,045
Net settlement for taxes and/or exercise price related to equity awards	(339)	—	(15,597)	—	—	(15,597)
Unrealized losses on securities, net of tax	—	—	—	—	(171)	(171)
Net income	—	—	—	40,151	—	40,151
Balances at March 31, 2018	52,649	$ 53	$ 209,791	$ (5,125)	$ (171)	$ 204,548

See accompanying notes to the unaudited consolidated financial statements.

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PAYLOCITY HOLDING CORPORATION

Unaudited Consolidated Statements of Cash Flows

(in thousands)

	Nine Months Ended March 31,	
	2017	2018
Cash flows from operating activities:		
Net income	$ 10,562	$ 40,151
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation expense	18,695	21,891
Depreciation and amortization expense	14,685	20,640
Deferred income tax expense (benefit)	127	(18,603)
Provision for doubtful accounts	47	149
Net accretion of discounts and amortization of premiums on available-for-sale securities	—	(234)
Net realized losses on sales of available-for-sale securities	—	2
Loss on disposal of equipment	225	160
Changes in operating assets and liabilities:		
Accounts receivable	(543)	(1,278)
Prepaid expenses and other	(1,802)	(1,678)
Accounts payable	(145)	429
Accrued expenses	1,484	1,762
Tenant improvement allowance	—	5,952
Net cash provided by operating activities	43,335	69,343
Cash flows from investing activities:		
Purchases of available-for-sale securities from funds held for clients	—	(126,223)
Proceeds from sales and maturities of available-for-sale securities from funds held for clients	—	51,292
Net change in funds held for clients' cash and cash equivalents	69,281	(328,462)
Capitalized internal-use software costs	(10,073)	(11,442)
Purchases of property and equipment	(13,916)	(9,374)
Lease allowances used for tenant improvements	—	(7,086)
Acquisition of business, net of cash acquired	—	(8,346)
Net cash provided by (used in) investing activities	45,292	(439,641)
Cash flows from financing activities:		
Net change in client fund obligations	(69,281)	403,375
Proceeds from employee stock purchase plan	1,823	2,045

Taxes paid related to net share settlement of equity awards	(6,215)	(9,060)
Net cash provided by (used in) financing activities	(73,673)	396,360
Net Change in Cash and Cash Equivalents	14,954	26,062
Cash and Cash Equivalents—Beginning of Period	86,496	103,468
Cash and Cash Equivalents—End of Period	$ 101,450	$ 129,530
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Purchase of property and equipment and internal-use software, accrued but not paid	$ 1,714	$ 2,832
Supplemental Disclosure of Cash Flow Information		
Cash paid for income taxes, net of refunds	$ 41	$ 17

See accompanying notes to unaudited consolidated financial statements.

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PAYLOCITY HOLDING CORPORATION

Notes to the Unaudited Consolidated Financial Statements

(all amounts in thousands, except per share data)

(1) Organization and Description of Business

Paylocity Holding Corporation (the "Company"), through its wholly owned subsidiary, Paylocity Corporation, is a cloud-based provider of payroll and human capital management software solutions for medium-sized organizations. Services are provided in a Software-as-a-Service ("SaaS") delivery model utilizing the Company's cloud-based platform. Payroll services include collection, remittance and reporting of payroll liabilities to the appropriate federal, state and local authorities.

(2) Summary of Significant Accounting Policies

(a) Consolidation and Use of Estimates

These unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The unaudited consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the allowance for doubtful accounts, internal-use software, valuation and useful lives of long-lived assets, definite-lived intangibles, goodwill, incurred but not reported medical and dental claims, stock-based compensation, valuation of deferred income tax assets and liabilities and the best estimate of selling price for revenue recognition purposes. Future events and their effects cannot be predicted with certainty; accordingly, accounting estimates require the exercise of judgment. Accounting estimates used in the preparation of these consolidated financial statements change as new events occur, as more experience is acquired, as additional information is obtained and as the operating environment changes.

(b) Interim Unaudited Consolidated Financial Information

The accompanying unaudited consolidated financial statements and notes have been prepared in accordance with GAAP and applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, the interim financial information includes all adjustments of a normal recurring nature necessary for a fair presentation of the Company's financial position, results of operations, changes in stockholders' equity and cash flows. The results of operations for the three and nine months ended March 31, 2018 are not necessarily indicative of the results for the full year or the results for any future periods. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes for the year ended June 30, 2017 included in the Company's Annual Report on Form 10-K filed with the SEC on August 11, 2017.

(c) Funds Held For Clients and Corporate Investments

Funds held for clients is primarily comprised of cash and cash equivalents invested in demand deposit accounts. Starting in July 2017, the Company also invested a portion of its funds held for clients in marketable securities.

Marketable securities classified as available-for-sale are recorded at fair value on the consolidated balance sheets. Unrealized gains and losses, net of applicable income taxes, are reported as other comprehensive income (loss) in the consolidated statements of operations and comprehensive income. Interest on marketable securities included in funds

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held for clients is reported as interest income on funds held for clients on the consolidated statements of operations and comprehensive income.

The Company reviews the composition of its portfolio for any available-for-sale security that has a fair value that falls below its amortized cost. If any security fits this criterion, the Company further evaluates whether other-than-temporary impairment exists by considering whether the Company has the intent and ability to retain the security for a period of time sufficient enough to allow for anticipated fair value recovery. The Company did not record any other-than-temporary impairment charges during the three or nine months ended March 31, 2018.

(d) Income Taxes

Income taxes are accounted for in accordance with ASC 740, Income Taxes, using the asset and liability method. The Company's provision for income taxes through December 31, 2017 and fiscal 2017 was based on the discrete effective tax rate method. In the third quarter of fiscal 2018 upon the release of the valuation allowance, the Company utilized the annual effective tax rate method to estimate and record tax expense for pre-tax income. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company recognizes deferred tax assets to the extent that it believes that these assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If the Company determines that it would be able to realize its deferred tax assets in the future in excess of their net-recorded amount, it would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

(e) Recently Adopted Accounting Standards

In March 2016, the FASB issued ASU 2016-09, Compensation – Stock Compensation (Topic 718) ("ASU 2016-09") which modifies accounting for excess tax benefits and tax deficiencies, forfeitures, and employer tax withholding requirements. ASU 2016-09 also clarifies certain classifications on the statement of cash flows. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. The Company adopted this standard effective July 1, 2017, and it resulted in an increase to the Company's gross net operating loss of $30,783. As of December 31, 2017, the adoption of this standard did not have a material impact on its consolidated financial statements and disclosures due to the Company's valuation allowance on deferred tax assets. However, during the third quarter of fiscal 2018, the Company released its valuation allowance and as a result, the Company recorded a significant increase in deferred tax assets due to excess tax benefits from employee stock exercises. Refer to Note 9 for additional information on the release of the valuation allowance and the impact of excess tax benefits from employee stock exercises. The Company will continue to estimate forfeitures at each reporting period, rather than electing an accounting policy change to record the impact of such forfeitures as they occur.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805) (“ASU 2017-01”) which clarifies the definition of a business. ASU 2017-01 provides guidance to assist entities in evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. It is effective, on a prospective basis, for fiscal years beginning after December 15, 2017, with early adoption permitted. The Company adopted this standard effective January 1, 2018. The adoption of ASU 2017-01 did not have a material impact on the Company’s consolidated financial statements.

In March 2018, the FASB issued ASU 2018-05, Income Taxes (Topic 740) (“ASU 2018-05”) which incorporates the SEC’s Staff Accounting Bulletin 118 (“SAB 118”) issued on December 22, 2017. SAB 118 provides for a provisional measurement period for entities to finalize their accounting for certain income tax effects related to the Tax Cuts and Jobs Act (the “Act”), not to exceed one year from enactment of the new tax law. Entities are permitted to utilize reasonable estimates until they have finished analyzing the effects of the Act. The Company recognized the

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income tax effects of the Act in the second and third quarter of fiscal 2018 in accordance with SAB 118. Refer to Note 9 for additional information.

(f) Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"). ASU 2014-09 supersedes a majority of existing revenue recognition guidance under US GAAP, and requires companies to recognize revenue when it transfers goods or services to a customer in an amount that reflects the consideration to which a company expects to be entitled. Companies may need to apply more judgment and estimation techniques or methods while recognizing revenue, which could result in additional disclosures to the financial statements. In addition, in March 2016, April 2016, May 2016 and December 2016 the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) ("ASU 2016-08"), ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing ("ASU 2016-10"), ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients ("ASU 2016-12") and ASU 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers ("ASU 2016-20"), respectively, to amend certain guidance in ASU 2014-09. Topic 606 allows for either a retrospective or cumulative effect transition method. ASU 2014-09 was originally effective for fiscal years beginning after December 15, 2016. In July 2015, the FASB approved a one-year deferral of ASU 2014-09 and all amendments to it, with a new effective date for fiscal years beginning after December 15, 2017 with early adoption permitted as of the original effective date.

The Company currently expects to adopt the new standard in its fiscal year beginning July 1, 2018 using the full retrospective method. While the impact the new revenue recognition standard will have on its consolidated financial statements and disclosures has not yet been fully assessed, the Company currently expects that there will be a material impact in the manner in which it treats certain costs of obtaining new contracts (i.e., selling and commission costs). The new standard will require the Company to defer these costs and amortize them versus its current treatment of expensing these costs as incurred. The Company is continuing to evaluate all potential impacts as well as the changes required for systems, processes and internal controls to meet the new standard's reporting and disclosure requirements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) ("ASU 2016-02") which amends various aspects of existing guidance for leases. ASU 2016-02 requires an entity to recognize assets and liabilities arising from a lease with terms greater than twelve months, along with additional qualitative and quantitative disclosures. ASU 2016-02 also requires the use of the modified retrospective method, which will require adjustment to all comparative periods presented. In March 2018, the FASB affirmed its proposed ASU, Leases (Topic 842): Targeted Improvements, which provides an additional transition method allowing an entity to apply the new lease accounting and disclosure requirements only for the year of adoption with the comparative periods continuing to be in accordance with current GAAP. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company is currently assessing the potential effects of these changes to its consolidated financial statements as well as evaluating the transition methods and expects to adopt this new standard in its fiscal year beginning July 1, 2019.

From time to time, new accounting pronouncements are issued by the FASB or other standard setting bodies that are adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes that the impact of other recently issued standards that are not yet effective will not have a material impact on the Company's consolidated financial statements upon adoption.

(3) Business Combinations

In March 2018, the Company acquired substantially all the assets of BeneFLEX HR Resources, Inc. ("BeneFLEX"), a third party employee benefits administrator, for $9,346, net of cash acquired. BeneFLEX administers employee benefit plans, including flexible spending accounts, health savings accounts, health reimbursement accounts, COBRA, and others. The Company paid $8,346 upon closing and may be required to pay an additional $1,000 subject to BeneFLEX attaining certain revenue targets and in the absence of indemnity claims. This acquisition expands the portfolio of services available to the Company's clients by allowing it to provide additional benefit administration solutions to its clients, prospects, and broker partners.

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The Company accounts for business combinations in accordance with ASC 805, Business Combinations. The Company recorded the acquisition using the acquisition method of accounting and recognized assets at their fair value as of the date of acquisition. The Company based the preliminary allocation of the purchase price on estimates and assumptions that are subject to change within the purchase price allocation period, which is generally one year from the acquisition date. The primary areas of the purchase price allocation that are not yet finalized relate to the measurement of identifiable intangible assets and the finalization of net working capital adjustments. The Company determined the estimated fair value of identifiable intangible assets acquired primarily by using an income approach.

The following table summarizes the preliminary allocation of the purchase price for BeneFLEX:

Goodwill	$ 3,751
Client relationships	5,386
Non-solicitation agreements	240
Net liabilities assumed	(31)
Total Purchase Price	$ 9,346

The results from this acquisition have been included in the Company's consolidated financial statements since the closing of the acquisition. Pro forma information has not been presented because the effect of the acquisition is not material to the Company's consolidated financial statements. Goodwill will be amortized over a period of 15 years for income tax purposes.

(4) Balance Sheet Information

The following tables provide details of selected consolidated balance sheet items:

Activity in the allowance for doubtful accounts was as follows:

Balance at June 30, 2017	$ 266
Charged to expense	149
Write-offs	(134)
Balance at March 31, 2018	$ 281

Capitalized internal-use software and accumulated amortization were as follows:

	June 30, 2017	March 31, 2018
Capitalized internal-use software	$ 49,663	$ 62,629
Accumulated amortization	(32,269)	(42,627)
Capitalized internal-use software, net	$ 17,394	$ 20,002

Amortization of capitalized internal-use software costs is included in Cost of Revenues-Recurring Revenues and amounted to $2,573 and $3,655 for the three months ended March 31, 2017 and 2018, respectively, and $6,207 and $10,358 for the nine months ended March 31, 2017 and 2018, respectively.

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Property and equipment, net consist of the following:

	June 30, 2017	March 31, 2018
Office equipment	$ 3,591	$ 3,880
Computer equipment	24,411	28,526
Furniture and fixtures	7,547	8,837
Software	4,954	5,221
Leasehold improvements	21,426	32,621
Time clocks rented by clients	4,240	4,551
Total	66,169	83,636
Accumulated depreciation	(25,413)	(33,256)
Property and equipment, net	$ 40,756	$ 50,380

Depreciation expense amounted to $2,629 and $3,189 for the three months ended March 31, 2017 and 2018, respectively, and $7,336 and $9,206 for the nine months ended March 31, 2017 and 2018, respectively.

Goodwill represents the excess of cost over the net tangible and identifiable intangible assets of acquired businesses. Goodwill amounts are not amortized, but rather tested for impairment at least annually. Identifiable intangible assets acquired in business combinations are recorded based on fair value at the date of acquisition and amortized over their estimated useful lives. See Note 3 for further information regarding the acquisition completed during the nine months ended March 31, 2018.

The following table summarizes changes in goodwill during the nine months ended March 31, 2018:

Balance at June 30, 2017	$ 6,003
Additions attributable to current period acquisition	3,751
Balance at March 31, 2018	$ 9,754

Intangible assets, net consist of the following:

	June 30, 2017	March 31, 2018	Useful Life

Client relationships	$ 12,580	$ 17,966	9 years
Non-solicitation agreements	360	600	2 - 4 years
Total	12,940	18,566	
Accumulated amortization	(4,033)	(5,109)	
Intangible assets, net	$ 8,907	$ 13,457	

The increase in client relationships and non-solicitation agreements is related to the acquisition of BeneFLEX as discussed in Note 3. Amortization expense for acquired intangible assets was $380 and $358 for the three months ended March 31, 2017 and 2018 respectively, and $1,142 and $1,076 for the nine months ended March 31, 2017 and 2018, respectively.

Future amortization expense for acquired intangible assets is as follows, as of March 31, 2018:

Remainder of fiscal 2018	$ 516
Fiscal 2019	2,056
Fiscal 2020	2,056
Fiscal 2021	2,056
Fiscal 2022	2,041
Thereafter	4,732
Total	$ 13,457

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The components of accrued expenses were as follows:

	June 30, 2017	March 31, 2018
Accrued payroll and personnel costs	$ 25,131	$ 25,361
Other	5,170	10,113
Total accrued expenses	$ 30,301	$ 35,474

(5) Funds Held for Clients and Corporate Investments

Investments consist of the following as of March 31, 2018:

Type of Issue	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Funds held for clients' cash and cash equivalents	$ 1,272,771	$ —	$ (4)	$ 1,272,767
Available-for-sale securities:				
Corporate bonds	33,958	3	(168)	33,793
Commercial paper	29,165	—	(16)	29,149
Asset-backed securities	12,041	—	(65)	11,976
Total available-for-sale securities	75,164	3	(249)	74,918
Investments	$ 1,347,935	$ 3	$ (253)	$ 1,347,685

Funds held for clients' cash and cash equivalents included demand deposit accounts, commercial paper and money market funds as of March 31, 2018.

Classification of investments on the consolidated balance sheets is as follows:

	March 31, 2018

Funds held for clients	$ 1,347,522
Prepaid expenses and other	163
Total investments	$ 1,347,685

Available-for-sale securities that have been in an unrealized loss position for a period of less than 12 months as of March 31, 2018 had fair market values as follows: