PEGASYSTEMS INC
Form 10-Q
May 10, 2018
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 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

OR

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Commission File Number: 1-11859

PEGASYSTEMS INC.

(Exact name of Registrant as specified in its charter)

Massachusetts	**04-2787865**
	(IRS Employer Identification No.)

(State or other jurisdiction of incorporation or organization)

One Rogers Street, Cambridge, MA	**02142-1209**
(Address of principal executive offices)	***(Zip Code)***

(617) 374-9600

(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 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.

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging growth company
		(Do not check if smaller reporting 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

There were 78,575,803 shares of the Registrant s common stock, $0.01 par value per share, outstanding on May 1, 2018.

Table of Contents

PEGASYSTEMS INC.

QUARTERLY REPORT ON FORM 10-Q

TABLE OF CONTENTS

Table of Contents

PART I - FINANCIAL INFORMATION

ITEM 1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PEGASYSTEMS INC.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

	March 31, 2018	December 31, 2017 As Adjusted[1]
Assets		
Current assets:		
Cash and cash equivalents	$ 165,790	$ 162,279
Marketable securities	89,047	61,469
Total cash, cash equivalents, and marketable securities	254,837	223,748
Accounts receivable	164,981	222,735
Unbilled receivables	153,657	158,898
Other current assets	50,692	41,135
Total current assets	624,167	646,516
Long-term unbilled receivables	180,077	160,708
Goodwill	73,017	72,952
Other long-term assets	128,694	131,391
Total assets	$ 1,005,955	$ 1,011,567
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	$ 12,175	$ 17,370
Accrued expenses	48,278	45,508
Accrued compensation and related expenses	44,093	66,040
Deferred revenue	175,586	166,297
Total current liabilities	280,132	295,215
Deferred income tax liabilities	39,932	38,463
Other long-term liabilities	23,768	23,652
Total liabilities	343,832	357,330
Stockholders equity:		
Preferred stock, 1,000 shares authorized; no shares issued and outstanding		
Common stock, 200,000 shares authorized; 78,546 shares and 78,081 issued and outstanding at	785	781

March 31, 2018 and December 31, 2017, respectively		
Additional paid-in capital	145,962	152,097
Retained earnings	517,893	508,051
Accumulated other comprehensive loss	(2,517)	(6,692)
Total stockholders equity	662,123	654,237
Total liabilities and stockholders equity	$ 1,005,955	$ 1,011,567

(1) The Company adopted the new revenue recognition standard (ASC 606) on January 1, 2018 and has adjusted prior periods to conform. See Note 2. New Accounting Pronouncements for additional information.

See notes to unaudited condensed consolidated financial statements.

4

Table of Contents

PEGASYSTEMS INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017 As Adjusted[1]
Revenue		
Software license	$ 87,773	$ 127,008
Maintenance	64,525	58,713
Services	82,884	70,588
Total revenue	235,182	256,309
Cost of revenue		
Software license	1,255	1,300
Maintenance	6,082	7,218
Services	68,277	59,572
Total cost of revenue	75,614	68,090
Gross profit	159,568	188,219
Operating expenses		
Selling and marketing	88,383	69,681
Research and development	46,785	40,296
General and administrative	16,464	12,335
Total operating expenses	151,632	122,312
Income from operations	7,936	65,907
Foreign currency transaction (loss)/gain	(1,085)	745
Interest income, net	764	205
Other income/(expense), net	363	(279)
Income before (benefit)/provision for income taxes	7,978	66,578
(Benefit)/provision for income taxes	(4,222)	13,615
Net income	$ 12,200	$ 52,963
Earnings per share		
Basic	$ 0.16	$ 0.69

Diluted	$	0.15	$	0.65
Weighted-average number of common shares outstanding				
Basic		78,236		76,761
Diluted		83,102		81,875
Cash dividends declared per share	$	0.03	$	0.03

(1) The Company adopted ASC 606 on January 1, 2018 and has adjusted prior periods to conform. See Note 2. New Accounting Pronouncements for additional information.

See notes to unaudited condensed consolidated financial statements.

5

Table of Contents

PEGASYSTEMS INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

	Three Months Ended March 31,	
	2018	**2017**
		As Adjusted[1]
Net income	$ 12,200	$ 52,963
Other comprehensive income, net of tax		
Unrealized (loss)/gain on available-for-sale marketable securities, net of tax	(188)	127
Foreign currency translation adjustments	4,363	2,229
Total other comprehensive income, net of tax	4,175	2,356
Comprehensive income	$ 16,375	$ 55,319

[1] The Company adopted ASC 606 on January 1, 2018 and has adjusted prior periods to conform. See Note 2. New Accounting Pronouncements for additional information.

See notes to unaudited condensed consolidated financial statements.

Table of Contents

PEGASYSTEMS INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017 As Adjusted[1]
Operating activities:		
Net income	$ 12,200	$ 52,963
Adjustments to reconcile net income to cash provided by operating activities:		
Change in operating assets and liabilities, net	19,591	(47,555)
Stock-based compensation expense	15,109	12,508
Depreciation and amortization of intangible assets	6,145	6,088
Other non-cash	2,610	8,440
Cash provided by operating activities	55,655	32,444
Investing activities:		
Purchases of investments	(35,204)	(3,322)
Proceeds from maturities and called investments	5,995	2,300
Other	(2,069)	(2,705)
Cash used in investing activities	(31,278)	(3,727)
Financing activities:		
Dividend payments to shareholders	(2,344)	(2,298)
Common stock repurchases	(20,708)	(13,696)
Cash used in financing activities	(23,052)	(15,994)
Effect of exchange rates on cash and cash equivalents	2,186	521
Net increase in cash and cash equivalents	3,511	13,244
Cash and cash equivalents, beginning of period	162,279	70,594
Cash and cash equivalents, end of period	$ 165,790	$ 83,838

[1] The Company adopted ASC 606 on January 1, 2018 and has adjusted prior periods to conform. See Note 2. New Accounting Pronouncements for additional information.

See notes to unaudited condensed consolidated financial statements.

7

Table of Contents

PEGASYSTEMS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

Pegasystems Inc. (together with its subsidiaries, the Company) has prepared the accompanying unaudited condensed consolidated financial statements pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC) regarding interim financial reporting. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America (U.S.) for complete financial statements and should be read in conjunction with the Company s audited financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2017.

On January 1, 2018 the Company adopted Accounting Standards Update (ASU) ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) using the full retrospective method which required each prior reporting period presented to be adjusted to reflect the application of this ASU. See Note 2. New Accounting Pronouncements for additional information.

In the opinion of management, the Company has prepared the accompanying unaudited condensed consolidated financial statements on the same basis as its audited financial statements, and these financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of the interim periods presented.

The operating results for the interim periods presented are not necessarily indicative of the results expected for the full year 2018.

2. NEW ACCOUNTING PRONOUNCEMENTS

Financial Instruments

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which requires measurement and recognition of expected credit losses for financial assets measured at amortized cost, including accounts receivable, upon initial recognition of that financial asset using a forward-looking expected loss model, rather than an incurred loss model for credit losses. Credit losses relating to available-for-sale debt securities should be recorded through an allowance for credit losses when the fair value is below the amortized cost of the asset, removing the concept of other-than-temporary impairments. The effective date for the Company will be January 1, 2020, with early adoption permitted. The Company is currently evaluating the effect this ASU will have on its consolidated financial statements and related disclosures.

Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires lessees to record most leases on their balance sheets, recognizing a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. The effective date for the Company will be January 1, 2019, with early adoption permitted. The Company expects that most of its operating lease commitments will be subject to this ASU and recognized as operating lease liabilities and right-of-use assets upon adoption with no material impact to its results of operations and cash flows.

ASC 606 and ASC 340-40

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) . The Company adopted ASC 606 and ASC 340-40 on January 1, 2018 using the full retrospective method, which required the Company to retrospectively adjust the prior periods presented.

The most significant impacts of adopting ASC 606 and ASC 340-40 were as follows:

Perpetual licenses with extended payment terms and term licenses - Revenue from perpetual license with extended payment terms and term license is now recognized when control is transferred to the client, the point in time when the client can use and benefit from the license. Previously the Company recognized revenue over the term of the agreements as payments became due or earlier if prepaid. Any unrecognized license revenue from these arrangements is recognized in the period that control transfers, as either a cumulative adjustment to retained earnings as of December 31, 2015 or as revenue in periods thereafter. Unbilled receivables in the Company s unaudited condensed consolidated balance sheets increased significantly due to the revenue from perpetual license with extended payment terms and term license being recognized prior to amounts billed, or prepaid by, clients.

Allocation of future credits and significant discounts - The perpetual or term licenses delivered are a separate performance obligation which now requires us to allocate any future credits and discounts to the performance obligations in the arrangement based upon their relative stand-alone selling prices.

Table of Contents

PEGASYSTEMS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Deferred contract costs - Sales incentive programs and other incremental and recoverable costs to obtain a contract were previously expensed when incurred. ASC 340-40 requires these costs to be recognized as an asset when incurred and to be expensed over the period of expected benefit, which is on average five years. This change primarily impacts the Company s contracts related to multi-year cloud offerings, maintenance on term and perpetual licenses, and those long-term term and perpetual licenses with client usage rights that increase over time.

Taxes - The corresponding effect on tax balances in relation to all of the above impacts has also been recognized.

For additional information on the Company s accounting policies as a result of the adoption of ASC 606 and ASC 340-40 see Note 4. Receivables, Contract Assets, and Deferred Revenue , Note 5. Deferred Contract Costs , and Note 9. Revenue .

The impact of the adoption ASC 606 and ASC 340-40 on the Company s unaudited condensed consolidated balance sheet and unaudited condensed consolidated statement of operations is:

	December 31, 2017		
(in thousands)	**Previously reported**	**Adjustments**	**As adjusted**
Accounts receivable and unbilled receivables	$ 248,331	$ 133,302	$ 381,633
Contract assets		914	914
Long-term unbilled receivables		160,708	160,708
Deferred income taxes	57,127	(42,887)	14,240
Deferred contract costs		37,924	37,924
Other assets[(1)]	416,148		416,148
Total Assets	721,606	289,961	1,011,567
Deferred revenue	195,073	(28,776)	166,297
Long-term deferred revenue	6,591	(2,885)	3,706
Deferred income tax liabilities		38,463	38,463
Other liabilities[(2)]	148,864		148,864
Total liabilities	350,528	6,802	357,330
Foreign currency translation adjustments	(3,494)	(2,966)	(6,460)
Retained earnings	221,926	286,125	508,051
Other equity[(3)]	152,646		152,646
Total stockholders equity	371,078	283,159	654,237

Total liabilities and stockholders equity	$ 721,606	$ 289,961	$ 1,011,567

(1) Includes cash and cash equivalents, marketable securities, income taxes receivable, other current assets, property and equipment, intangible assets, goodwill, and other long-term assets (as reflected in the consolidated balance sheets in the Annual Report on Form 10-K for the year ended December 31, 2017).

(2) Includes accounts payable, accrued expenses, accrued compensation and related expenses, income taxes payable, and other long-term liabilities (as reflected in the consolidated balance sheets in the Annual Report on Form 10-K for the year ended December 31, 2017).

(3) Includes common stock, additional paid-in capital, and net unrealized loss on available-for-sale marketable securities (as reflected in the consolidated balance sheets in the Annual Report on Form 10-K for the year ended December 31, 2017).

Table of Contents

PEGASYSTEMS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

	Three Months Ended March 31, 2017		
(in thousands, except per share amounts)	**Previously reported**	**Adjustments**	**As adjusted**
Revenue:			
Software license	$ 92,390	$ 34,618	$ 127,008
Maintenance	58,965	(252)	58,713
Services	71,892	(1,304)	70,588
Total revenue	223,247	33,062	256,309
Cost of revenue:			
Software license	1,300		1,300
Maintenance	7,218		7,218
Services	59,572		59,572
Total cost of revenue	68,090		68,090
Gross profit	155,157	33,062	188,219
Operating expenses:			
Selling and marketing	71,288	(1,607)	69,681
Research and development	40,296		40,296
General and administrative	12,335		12,335
Total operating expenses	123,919	(1,607)	122,312
Income from operations	31,238	34,669	65,907
Foreign currency transaction gain	676	69	745
Interest income, net	165	40	205
Other expense, net	(279)		(279)
Income before provision for income taxes	31,800	34,778	66,578
Provision for income taxes	4,779	8,836	13,615
Net income	$ 27,021	$ 25,942	$ 52,963
Earnings per share:			
Basic	$ 0.35		$ 0.69
Diluted	$ 0.33		$ 0.65

Weighted-average number of common shares outstanding:		
Basic	76,761	76,761
Diluted	81,875	81,875

Adoption of ASC 606 had no impact on total cash from or used in operating, financing, or investing activities in the Company s unaudited condensed consolidated statements of cash flows for the three months ended March 31, 2017.

3. MARKETABLE SECURITIES

	March 31, 2018			
(in thousands)	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Municipal bonds	$ 50,782	$	$ (191)	$ 50,591
Corporate bonds	38,761	1	(306)	38,456
	$ 89,543	$ 1	$ (497)	$ 89,047

	December 31, 2017			
(in thousands)	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Municipal bonds	$ 32,996	$	$ (148)	$ 32,848
Corporate bonds	28,757	1	(137)	28,621
	$ 61,753	$ 1	$ (285)	$ 61,469

PEGASYSTEMS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As of March 31, 2018, the Company did not hold any investments with unrealized losses that are considered to be other-than-temporary.

As of March 31, 2018, remaining maturities of marketable securities ranged from May 2018 to February 2021, with a weighted-average remaining maturity of approximately 1.4 years.

4. RECEIVABLES, CONTRACT ASSETS, AND DEFERRED REVENUE

Receivables

(in thousands)

	March 31, 2018	December 31, 2017
Accounts receivable	$ 164,981	$ 222,735
Unbilled receivables	153,657	158,898
Long-term unbilled receivables	180,077	160,708
Total receivables	$ 498,715	$ 542,341

Unbilled receivables is the amount due from clients where the only condition on the right of payment is the passage of time. The Company regularly reassesses receivables for collectability. As of March 31, 2018 and December 31, 2017, the allowance for doubtful accounts was not material.

Long-term unbilled receivables are expected to be billed as follows:

(in thousands)

	March 31, 2018
2019	$ 82,518
2020	58,433
2021	31,129
2022 and thereafter	7,997
	$ 180,077

Contract assets and deferred revenue

(in thousands)

		March 31, 2018		December 31, 2017
Contract assets[1]	$	788	$	914
Deferred revenue		175,586		166,297
Long-term deferred revenue[2]	$	3,277	$	3,706

[1] Included in other current assets in the unaudited condensed consolidated balance sheets.

[2] Included in other long-term liabilities in the unaudited condensed consolidated balance sheets.

Contract assets and deferred revenue are presented net at the contract level for each reporting period. Contract assets are unbilled amounts resulting from client contracts where revenue recognized exceeds the amount billed to the client and the right to payment is subject to conditions other than the passage of time, such as the completion of a related performance obligation. Deferred revenue consists of billings and payments received in advance of revenue recognition.

The change in deferred revenue in the three months ended March 31, 2018, excluding the impact of the netting of contract assets and deferred revenue, was primarily due to new billings in advance of revenue recognition and $101.6 million of revenue recognized that was included in deferred revenue at December 31, 2017.

Major clients

No client represented 10% or more of the Company s total receivables as of March 31, 2018 or December 31, 2017.

5. DEFERRED CONTRACT COSTS

Sales incentives paid by the Company are considered incremental and recoverable costs of obtaining a contract with a client. These costs are deferred, as a long-term asset, and then amortized using the straight-line method over the period of benefit which is on average five years. The Company determined the period of benefit by taking into consideration client contracts, the Company s technology, and other factors. The Company utilizes a practical expedient available under ASC 606 to expense costs to obtain a contract as incurred when the original

PEGASYSTEMS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

amortization period is one year or less. During the three months ended March 31, 2018 and 2017, impairment of deferred contract costs was not material.

(in thousands)	March 31, 2018	December 31, 2017
Deferred contract costs[1]	$ 39,781	$ 37,924

[1] Included in other long-term assets in the unaudited condensed consolidated balance sheets.

Amortization of deferred contract costs was as follows:

	Three Months Ended March 31,	
(in thousands)	2018	2017
Amortization of deferred contract costs[1]	$3,789	$2,594

[1] Included in selling and marketing expenses in the unaudited condensed consolidated statement of operations.

6. GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill were as follows:

(in thousands)	Three Months Ended March 31, 2018
Balance as of January 1,	$ 72,952
Purchase price adjustments to goodwill	
Currency translation adjustments	65
Balance as of March 31,	$ 73,017

Intangible assets are recorded at cost and are amortized using the straight-line method over their estimated useful lives as follows:

		March 31, 2018		
(in thousands)	**Useful Lives**	**Cost**	**Accumulated Amortization**	**Net Book Value**[1]
Client-related intangibles	9-10 years	$ 63,197	$ (46,456)	$ 16,741
Technology	7-10 years	58,942	(46,603)	12,339
Other intangibles		5,361	(5,361)	
		$ 127,500	$ (98,420)	$ 29,080

[1] Included in other long-term assets in the unaudited condensed consolidated balance sheet.

		December 31, 2017		
(in thousands)	**Useful Lives**	**Cost**	**Accumulated Amortization**	**Net Book Value**[1]
Client-related intangibles	9-10 years	$ 63,164	$ (44,835)	$ 18,329
Technology	7-10 years	58,942	(45,372)	13,570
Other intangibles		5,361	(5,361)	
		$ 127,467	$ (95,568)	$ 31,899

PEGASYSTEMS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) Included in other long-term assets in the unaudited condensed consolidated balance sheets.
Amortization of intangibles assets is reflected in the Company s unaudited condensed consolidated statements of operations as follows:

(in thousands)	Three Months Ended March 31, 2018		2017	
Cost of revenue	$	1,232	$	1,334
Selling and marketing		1,605		1,866
	$	2,837	$	3,200

7. ACCRUED EXPENSES

(in thousands)	March 31, 2018		December 31, 2017	
Outside professional services	$	15,152	$	14,468
Income and other taxes		7,272		7,420
Marketing and sales program expenses		8,724		6,444
Dividends payable		2,358		2,344
Employee-related expenses		5,091		4,065
Other		9,681		10,767
	$	48,278	$	45,508

8. FAIR VALUE MEASUREMENTS

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The Company records its cash equivalents, marketable securities, and investments in privately-held companies at fair value on a recurring basis. Fair value is an exit price, representing the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants based on assumptions that market participants would use in pricing an asset or liability.

As a basis for classifying the fair value measurements, a three-tier fair value hierarchy, which classifies the fair value measurements based on the inputs used in measuring fair value, was established as follows:

Level 1 - observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2 - significant other inputs that are observable either directly or indirectly; and

Level 3 - significant unobservable inputs on which there is little or no market data, which require the Company to develop its own assumptions. This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

The Company s cash equivalents are composed of money market funds and time deposits which are classified as Level 1 and Level 2, respectively, in the fair value hierarchy. The Company s marketable securities, which are classified within Level 2 of the fair value hierarchy are valued based on a market approach using quoted prices, when available, or matrix pricing compiled by third party pricing vendors, using observable market inputs such as interest rates, yield curves, and credit risk. The Company s investments in privately-held companies are classified within Level 3 of the fair value hierarchy and are valued using model-based techniques, including option pricing models and discounted cash flow models.

If applicable, the Company will recognize transfers into and out of levels within the fair value hierarchy at the end of the reporting period in which the actual event or change in circumstance occurs. There were no transfers between levels during the three months ended March 31, 2018.

PEGASYSTEMS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

The Company s assets and liabilities measured at fair value on a recurring basis were as follows:

	March 31, 2018			
	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 130	$ 30,072	$	$ 30,202
Marketable securities:				
Municipal bonds	$	$ 50,591	$	$ 50,591
Corporate bonds		38,456		38,456
Total marketable securities	$	$ 89,047	$	$ 89,047
Investments in privately-held companies[1]	$	$	$ 2,060	$ 2,060

[1] Included in other long-term assets in the unaudited condensed consolidated balance sheets.

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 2,720	$ 40,051	$	$ 42,771