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

FORM 10-Q

(Mark One)

[X] **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: 1-7945

DELUXE CORPORATION

(Exact name of registrant as specified in its charter)

Minnesota	**41-0216800**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3680 Victoria St. N., Shoreview, Minnesota	**55126-2966**
(Address of principal executive offices)	(Zip Code)

(651) 483-7111

(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. [X] 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 such shorter period that the registrant was required to submit and post such files).
[X] 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 [X]	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 [X] No

The number of shares outstanding of registrant's common stock, par value $1.00 per share, as of April 18, 2018 was 47,845,020.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

DELUXE CORPORATION

CONSOLIDATED BALANCE SHEETS

(in thousands, except share par value)

(Unaudited)

	March 31, 2018	**December 31, 2017**
ASSETS		
Current assets:		
Cash and cash equivalents	$67,728	$ 59,240
Trade accounts receivable, net of allowances for uncollectible accounts	135,979	149,844
Inventories and supplies	42,384	42,249
Funds held for customers	94,940	86,192
Other current assets	58,907	55,441
Total current assets	399,938	392,966
Deferred income taxes	5	1,428
Long-term investments	42,858	42,607
Property, plant and equipment (net of accumulated depreciation of $360,303 and $358,020, respectively)	82,665	84,638
Assets held for sale	10,312	12,232
Intangibles (net of accumulated amortization of $470,466 and $444,933, respectively)	393,890	384,266
Goodwill	1,161,325	1,130,934
Other non-current assets	182,823	159,756
Total assets	$2,273,816	$ 2,208,827
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$99,474	$ 104,477
Accrued liabilities	275,328	277,253
Long-term debt due within one year	831	44,040
Total current liabilities	375,633	425,770
Long-term debt	741,702	665,260
Deferred income taxes	56,699	50,543
Other non-current liabilities	48,112	52,241
Commitments and contingencies (Notes 11 and 12)		
Shareholders' equity:		
Common shares $1 par value (authorized: 500,000 shares; outstanding: March 31, 2018 – 47,841; December 31, 2017 – 47,953)	47,841	47,953
Retained earnings	1,050,064	1,004,657
Accumulated other comprehensive loss	(46,235)	(37,597)
Total shareholders' equity	1,051,670	1,015,013
Total liabilities and shareholders' equity	$2,273,816	$ 2,208,827

See Condensed Notes to Unaudited Consolidated Financial Statements

DELUXE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands, except per share amounts)
(Unaudited)

	Quarter Ended March 31,	
	2018	**2017**
Product revenue	$363,407	$372,174
Service revenue	128,507	115,592
Total revenue	491,914	487,766
Cost of products	(133,371)	(132,533)
Cost of services	(55,387)	(46,781)
Total cost of revenue	(188,758)	(179,314)
Gross profit	303,156	308,452
Selling, general and administrative expense	(211,154)	(217,144)
Net restructuring charges	(2,145)	(1,014)
Asset impairment charges	(2,149)	(5,296)
Operating income	87,708	84,998
Interest expense	(5,579)	(4,829)
Other income	1,289	1,062
Income before income taxes	83,418	81,231
Income tax provision	(20,082)	(24,165)
Net income	$63,336	$57,066
Comprehensive income	$61,565	$58,248
Basic earnings per share	1.32	1.17
Diluted earnings per share	1.31	1.16
Cash dividends per share	0.30	0.30

See Condensed Notes to Unaudited Consolidated Financial Statements

DELUXE CORPORATION
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(in thousands)
(Unaudited)

	Common shares	Common shares par value	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total
Balance, December 31, 2017	47,953	$47,953	$ —	$1,004,657	$ (37,597)	$1,015,013
Net income	—	—	—	63,336	—	63,336
Cash dividends	—	—	—	(14,417)	—	(14,417)
Common shares issued	249	249	7,457	—	—	7,706
Common shares repurchased	(278)	(278)	(4,373)	(15,345)	—	(19,996)
Other common shares retired	(83)	(83)	(6,046)	—	—	(6,129)
Employee share-based compensation	—	—	2,962	—	—	2,962
Adoption of Accounting Standards Update No. 2014-09 (Note 2)	—	—	—	4,966	—	4,966
Adoption of Accounting Standards Update No. 2018-02 (Note 2)	—	—	—	6,867	(6,867)	—
Other comprehensive loss	—	—	—	—	(1,771)	(1,771)
Balance, March 31, 2018	47,841	$47,841	$ —	$1,050,064	$ (46,235)	$1,051,670

See Condensed Notes to Unaudited Consolidated Financial Statements

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DELUXE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Quarter Ended March 31,	
	2018	**2017**
Cash flows from operating activities:		
Net income	$63,336	$57,066
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,675	4,082
Amortization of intangibles	27,466	25,555
Asset impairment charges	2,149	5,296
Amortization of prepaid product discounts	5,408	4,967
Deferred income taxes	(233)	(5,014)
Employee share-based compensation expense	2,962	3,701
Other non-cash items, net	(5,867)	(4,543)

Changes in assets and liabilities, net of effect of acquisitions:		
Trade accounts receivable	12,763	18,955
Inventories and supplies	(189)	(49)
Other current assets	(3,536)	1,370
Non-current assets	(2,444)	(1,187)
Accounts payable	(3,789)	(21,853)
Prepaid product discount payments	(5,364)	(6,099)
Other accrued and non-current liabilities	(15,549)	(7,903)
Net cash provided by operating activities	80,788	74,344
Cash flows from investing activities:		
Purchases of capital assets	(14,034)	(11,021)
Payments for acquisitions, net	(52,369)	(5,239)

of cash acquired				
Other	(450	)	461	
Net cash used by investing activities	(66,853	)	(15,799	)
Cash flows from financing activities:				
Proceeds from issuing long-term debt	824,625		57,500	
Payments on long-term debt	(792,200	)	(77,061	)
Proceeds from issuing shares under employee plans	5,169		5,013	
Employee taxes paid for shares withheld	(4,557	)	(5,548	)
Payments for common shares repurchased	(19,996	)	(15,002	)
Cash dividends paid to shareholders	(14,393	)	(14,591	)
Other	(3,205	)	(332	)
Net cash used	(4,557	)	(50,021	)

by financing activities		
Effect of exchange rate change on cash	(890)	414
Net change in cash and cash equivalents	8,488	8,938
Cash and cash equivalents, beginning of year	59,240	76,574
Cash and cash equivalents, end of period	$67,728	$85,512

See Condensed Notes to Unaudited Consolidated Financial Statements

DELUXE CORPORATION
CONDENSED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)

Note 1: Consolidated financial statements

The consolidated balance sheet as of March 31, 2018, the consolidated statements of comprehensive income for the quarters ended March 31, 2018 and 2017, the consolidated statement of shareholders’ equity for the quarter ended March 31, 2018, and the consolidated statements of cash flows for the quarters ended March 31, 2018 and 2017 are unaudited. The consolidated balance sheet as of December 31, 2017 was derived from audited consolidated financial statements, but does not include all disclosures required by generally accepted accounting principles (GAAP) in the United States of America. In the opinion of management, all adjustments necessary for a fair statement of the consolidated financial statements are included. Adjustments consist only of normal recurring items, except for any discussed in the notes below. Interim results are not necessarily indicative of results for a full year. The consolidated financial statements and notes are presented in accordance with instructions for Form 10-Q and do not contain certain information included in our annual consolidated financial statements and notes. The consolidated financial statements and notes appearing in this report should be read in conjunction with the consolidated audited financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2017 (the “2017 Form 10-K”).

Note 2: New accounting pronouncements

The following discusses the impact of each accounting standards update (ASU) adopted during the first quarter of 2018:

ASU No. 2014-09 – In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The standard provides revenue recognition guidance for any entity that enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of non-financial assets, unless those contracts are within the scope of other accounting standards. The standard also expands the required financial statement disclosures regarding revenue recognition. In addition, the FASB subsequently issued several amendments to the standard. We adopted the standard and all the related amendments on January 1, 2018 using the modified retrospective method. We applied the new guidance to uncompleted contracts as of January 1, 2018 and recorded the cumulative effect of initially applying the standard as an adjustment to retained earnings, with the offset to other current assets, other non-current assets and deferred income tax liabilities. We have elected the practical expedient for contract modifications, allowing us to consider the impact of all contract modifications completed prior to January 1, 2018. We have also elected the practical expedient that allows us to disregard the effects of a financing component if the period between payment and performance will be 1 year or less. Election of these practical expedients did not have a significant impact on our results of operations or financial position. Prior periods have not been restated and continue to be reported under the accounting standards in effect for those periods. We do not expect the adoption of this guidance to have a material impact on our results of operations, financial position or cash flows on an ongoing basis. Information regarding the disaggregation of revenue can be found in Note 14.

Our product revenue is recognized when control of the goods is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods. In most cases, control is transferred when products are shipped. We recognize the great majority of our service revenue as the services are provided. Many of our check supply contracts with financial institutions provide for rebates on certain products. We record these rebates as reductions of revenue and as accrued liabilities on our consolidated balance sheets when the related revenue is recognized. Many of our financial institution contracts also require prepaid product discounts in the form of upfront cash payments we make to our financial institution clients. These prepaid product discounts are included in other non-current assets in our consolidated balance sheets and are amortized as reductions of revenue, generally on the straight-line basis, over the contract term. Sales tax collected concurrent with revenue-producing activities is excluded from revenue. Amounts billed to customers for shipping and handling are included in revenue, while the related shipping and handling costs are reflected in cost of products. We have elected the practical expedient that allows us to account for shipping and handling activities that occur after the customer has obtained control of a good as a fulfillment cost, and we accrue costs of shipping and handling when the related revenue is recognized. As part of our Financial Services rewards, incentive and loyalty programs, we receive payments from consumers or our clients for the products and services provided, including hotel stays, gift cards and merchandise such as apparel, electronics and clothing. This revenue is recorded net of the related fulfillment costs.

Certain of our contracts for data-driven marketing solutions and treasury management outsourcing services within Financial Services have variable consideration that is contingent on either the success of the marketing campaign ("pay-for-performance") or the volume of outsourcing services provided. We recognize revenue for estimated variable consideration as

DELUXE CORPORATION
CONDENSED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)

services are provided based on the most likely amount to be realized. Revenue is recognized to the extent that it is probable that a significant reversal of revenue will not occur when the contingency is resolved. Estimates regarding the recognition of variable consideration are updated each quarter. Typically, the amount of consideration for these contracts is finalized within 3 months, although pricing under certain of our outsourcing contracts may be based on annual volume commitments. Revenue recognized from these contracts was approximately $100,000 in 2017. Under the new standard, we have accelerated the recognition of a portion of this variable consideration.

Certain of our contracts for treasury management solutions result from the sale of bundled arrangements that may include hardware, software and professional services, as well as customization and modification of software, and specify the timing of customer billings over the course of the contract. Revenue for these contracts is recognized using a cost-based input method that depicts the transfer of services to the customer. The transaction price is allocated to each performance obligation based on its relative standalone selling price. We generally determine standalone selling prices based on the prices charged to customers or using expected cost plus margin. When the revenue recognized for uncompleted contracts exceeds the amount of customer billings, a contract asset is reflected in our consolidated balance sheets within other current assets. The amount included in other current assets was $24,521 as of March 31, 2018 and $16,379 as of December 31, 2017. When the amount of customer billings for uncompleted contracts exceeds the revenue recognized, a contract liability is reflected in our consolidated balance sheets within accrued liabilities. The amount included in accrued liabilities was $1,353 as of March 31, 2018 and $2,233 as of December 31, 2017.

At times, a financial institution client may terminate its check supply contract with us prior to the end of the contract term. In many cases, the financial institution is contractually required to remit a contract termination payment. Such payments are recorded as revenue when the termination agreement is executed, provided that we have no further performance obligations and collection of the funds is assured. If we have further performance obligations following the execution of a contract termination agreement, we record the related revenue over the remaining service period.

Our payment terms vary by type of customer and the products or services offered. The time period between invoicing and when payment is due is not significant. For certain products or services and customer types, we require payment before the products or services are delivered to the customer. When a customer pays in advance for services, primarily for treasury management solutions and web hosting services, we defer the revenue and recognize it as the services are performed, generally over a period of less than 1 year. Deferred revenue is included in accrued liabilities and other non-current liabilities in our consolidated balance sheets. The increase of $1,408 in deferred revenue for the quarter ended March 31, 2018 was primarily driven by cash payments received in advance of satisfying our performance obligations, partially offset by the recognition of $20,636 of revenue that was included in deferred revenue as of December 31, 2017. In addition to the amounts included in deferred revenue, we will recognize revenue in future periods related to remaining performance obligations for certain of our data-driven marketing and treasury management solutions. Generally, these contracts have terms of 1 year or less and many have terms of 3 months or less. The amount of revenue related to these unsatisfied performance obligations is not significant to our annual consolidated revenue.

The new guidance requires that certain costs incurred to obtain contracts be recognized as assets and amortized consistent with the transfer of goods or services to the customer. As such, we are now deferring sales commissions related to obtaining check supply and treasury management solution contracts within Financial Services. These amounts are included in other non-current assets and are amortized as selling, general and administrative (SG&A) expense. Amortization of these amounts on the straight-line basis approximates the timing of the transfer of goods or services to the customer. Generally, these amounts are being amortized over periods of 3 to 6 years. We elected the practical expedient allowing us to expense sales commissions as incurred when the amortization period would have been 1 year or less.

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DELUXE CORPORATION
CONDENSED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)

The cumulative effect of the changes made to our unaudited consolidated balance sheet as of January 1, 2018 for the adoption of the new revenue guidance was as follows:

(in thousands)	Balance as of December 31, 2017	Adjustments due to ASU No. 2014-09	Balance as of January 1, 2018
Other current assets	$55,441	$ 960	$56,401
Total current assets	392,966	960	393,926
Other non-current assets	159,756	5,733	165,489
Total assets	$2,208,827	$ 6,693	$2,215,520
Deferred income taxes	$50,543	$ 1,727	$52,270
Retained earnings	1,004,657	4,966	1,009,623
Total liabilities and shareholders' equity	$2,208,827	$ 6,693	$2,215,520

The impact of adoption of the new revenue guidance on our unaudited consolidated statement of comprehensive income for the quarter ended March 31, 2018 and on our unaudited consolidated balance sheet as of March 31, 2018 was as follows:

	Quarter Ended March 31, 2018		
(in thousands)	As reported	Effect of adoption	Balance without adoption of ASU No. 2014-09
Service revenue	$128,507	$(536)	$127,971
Total revenue	491,914	(536)	491,378
Cost of services	(55,387)	255	(55,132)
Total cost of revenue	(188,758)	255	(188,503)
Gross profit	303,156	(281)	302,875
Selling, general and administrative expense	(211,154)	516	(210,638)
Operating income	87,708	235	87,943
Income before income taxes	83,418	235	83,653
Income tax provision	(20,082)	(61)	(20,143)
Net income	$63,336	$174	$63,510
	March 31, 2018		
Other current assets	$58,907	$(1,242)	$57,665
Total current assets	399,938	(1,242)	398,696
Other non-current assets	182,823	(5,216)	177,607
Total assets	$2,273,816	$(6,458)	$2,267,358
Accrued liabilities	275,328	61	275,389
Total current liabilities	375,633	61	375,694
Deferred income taxes	56,699	(1,727)	54,972
Retained earnings	1,050,064	(4,792)	1,045,272
Total liabilities and shareholders' equity	$2,273,816	$(6,458)	$2,267,358

ASU No. 2016-01 – In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. The standard is intended to improve the recognition, measurement, presentation and disclosure of financial instruments. We adopted this standard on January 1, 2018. This standard had no impact on our results of operations or financial position. Our financial statement disclosures in Note 7 related to financial instruments have been modified to comply with the new standard.

DELUXE CORPORATION
CONDENSED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)

ASU No. 2016-16 – In October 2016, the FASB issued ASU No. 2016-16, *Intra-Entity Transfers of Assets Other Than Inventory*. The standard requires recognition of the tax effects resulting from the intercompany sale of an asset when the transfer occurs. Previously, the tax effects were deferred until the transferred asset was sold to a third party. We adopted this standard on January 1, 2018. No adjustment was required to opening retained earnings, and we do not expect the application of this standard to have a significant impact on our results of operations or financial position going forward.

ASU No. 2017-01 – In January 2017, the FASB issued ASU No. 2017-01, *Clarifying the Definition of a Business*. The standard revises the definition of a business, which affects many areas of accounting such as business combinations and disposals and goodwill impairment. The revised definition of a business will likely result in more acquisitions being accounted for as asset acquisitions, as opposed to business combinations. We adopted this standard on January 1, 2018, applying it prospectively to transactions occurring on or after this date.

ASU No. 2017-07 – In March 2017, the FASB issued ASU No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The standard requires that the service cost component of net periodic benefit expense be recognized in the same statement of comprehensive income caption(s) as other compensation costs, and requires that the other components of net periodic benefit expense be recognized in the non-operating section of the statement of comprehensive income. In addition, only the service cost component of net periodic benefit expense is eligible for capitalization when applicable. We adopted this standard on January 1, 2018. The reclassification of the other components of our net periodic benefit income was applied on a retrospective basis. As such, we have revised our results of operations for the previous period. We utilized the practical expedient for adoption allowing us to use the amount previously disclosed in our postretirement benefits footnote as the basis for revising the prior period. As there is no service cost associated with our plans, we reclassified the entire amount of our net periodic benefit income from cost of revenue and SG&A expense to other income in our consolidated statements of comprehensive income. In addition, we no longer include any portion of net periodic benefit income in amounts capitalized for inventory or internal-use software, as only the service cost component is eligible for capitalization. This change did not have a significant impact on our results of operations or financial position. The impact of the revision on our unaudited consolidated statement of comprehensive income for the quarter ended March 31, 2017 was as follows:

	Quarter Ended March 31, 2017		
(in thousands)	**As previously reported**	**Effect of adoption**	**As revised**
Cost of products	$(132,395)	$ (138)	$(132,533)
Cost of services	(46,765)	(16)	(46,781)
Total cost of revenue	(179,160)	(154)	(179,314)
Selling, general and administrative expense	(216,794)	(350)	(217,144)
Operating income	85,502	(504)	84,998
Other income	558	504	1,062
Net income	$57,066	$ —	$57,066

ASU No. 2017-09 – In May 2017, the FASB issued ASU No. 2017-09, *Scope of Modification Accounting*. The standard provides guidance about which changes to the terms or conditions of a share-based payment award require modification accounting, which may result in a different fair value for the award. We adopted this standard on January 1, 2018, and it is being applied prospectively to awards modified on or after this date. Historically, modifications to our share-based payment awards have been infrequent. As such, we do not expect the application of this standard to have a significant impact on our results of operations or financial position.

ASU No. 2018-02 – In February 2018, the FASB issued ASU No. 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. The standard allows companies to make an election to reclassify from accumulated other comprehensive income to retained earnings the stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017 (the 2017 Act). We elected to early adopt this standard on January 1, 2018, applying it in the period of adoption. As such, a reclassification from accumulated other comprehensive loss to retained earnings of $6,867 was recorded during the quarter ended March 31, 2018. This represents the effect of the change in the United States federal corporate income tax rate on the gross deferred tax amount at the date of enactment of the 2017 Act related to items remaining in accumulated other

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comprehensive loss. Our policy is to release stranded income tax effects from accumulated other comprehensive loss when the circumstances upon which they are premised cease to exist.

In March 2018, the FASB issued ASU No. 2018-05, *Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin (SAB) No. 118*. The standard added to the FASB Codification the guidance provided by the SEC in December 2017 regarding the accounting for the 2017 Act. We complied with SAB No. 118 when preparing our annual consolidated financial statements for the year ended December 31, 2017. Reasonable estimates were used in determining several of the components of the impact of the 2017 Act, including our 2017 deferred income tax activity and the amount of post-1986 foreign deferred earnings subject to the toll charge. We are still analyzing certain aspects of the 2017 Act and refining our calculations, which could potentially affect the measurement of our deferred tax balances and the amount of the toll charge liability, and ultimately cause us to revise our initial estimates in future periods. In addition, changes in interpretations, assumptions and guidance regarding the new tax legislation, as well as the potential for technical corrections to the 2017 Act, could have a material impact on our effective tax rate in future periods. During the quarter ended March 31, 2018, we recorded a reduction in income tax expense of $310 related to the 2017 Act. In order to complete our accounting for the 2017 Act, which we expect to finalize by the fourth quarter of 2018, the following specific items need to be completed or addressed:

- Issuance of state-by-state guidance regarding conformity with or decoupling from the 2017 Act.
- Finalize the calculation of post-1986 foreign deferred earnings, which are subject to the toll charge, and determine our ability to beneficially claim a foreign tax credit resulting from the income inclusion.
- Where pertinent, adjust to clarifications and guidance regarding other aspects of the 2017 Act, including those related to the deductibility of executive compensation.

Accounting pronouncements not yet adopted – In February 2016, the FASB issued ASU No. 2016-02, *Leasing*. The standard is intended to increase transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities for virtually all leases and by requiring the disclosure of key information about leasing arrangements. The guidance is effective for us on January 1, 2019 and requires adoption using a modified retrospective approach. We are currently assessing the impact of this standard on our consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. The standard introduces new guidance for the accounting for credit losses on instruments within its scope, including trade and loans receivable and available-for-sale debt securities. The guidance is effective for us on January 1, 2020 and requires adoption using a modified retrospective approach. We do not expect the application of this standard to have a significant impact on our results of operations or financial position.

Note 3: Supplemental balance sheet information

Allowance for uncollectible accounts – Changes in the allowance for uncollectible accounts for the quarters ended March 31, 2018 and 2017 was as follows:

	Quarter Ended March 31,	
(in thousands)	**2018**	**2017**
Balance, beginning of year	$2,884	$2,828
Bad debt expense	875	692
Write-offs, net of recoveries	(905)	(634)

Balance, end of period	$2,854	$2,886

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Inventories and supplies – Inventories and supplies were comprised of the following:

(in thousands)	March 31, 2018	December 31, 2017
Raw materials	$ 6,949	$ 7,357
Semi-finished goods	7,633	7,635
Finished goods	24,724	24,146
Supplies	3,078	3,111
Inventories and supplies	$ 42,384	$ 42,249

Available-for-sale debt securities – Available-for-sale debt securities included within funds held for customers were comprised of the following:

	March 31, 2018			
(in thousands)	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Funds held for customers:(1)				
Domestic money market fund	$15,000	$ —	$ —	$15,000
Canadian and provincial government securities	8,867	—	(430)	8,437
Canadian guaranteed investment certificates	7,752	—	—	7,752
Available-for-sale debt securities	$31,619	$ —	$ (430)	$31,189

(1) Funds held for customers, as reported on the consolidated balance sheet as of March 31, 2018, also included cash of $63,751.

	December 31, 2017			
(in thousands)	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Funds held for customers:(1)				
Domestic money market fund	$17,300	$ —	$ —	$17,300
Canadian and provincial government securities	9,051	—	(393)	8,658
Canadian guaranteed investment certificates	7,955	—	—	7,955
Available-for-sale debt securities	$34,306	$ —	$ (393)	$33,913

(1) Funds held for customers, as reported on the consolidated balance sheet as of December 31, 2017, also included cash of $52,279.

Expected maturities of available-for-sale debt securities as of March 31, 2018 were as follows:

(in thousands)	Fair value
Due in one year or less	$24,760
Due in two to five years	3,586
Due in six to ten years	2,843
Available-for-sale debt securities	$31,189

Further information regarding the fair value of available-for-sale debt securities can be found in Note 7.

Assets held for sale – Assets held for sale as of March 31, 2018 included 2 providers of printed and promotional products, a small business distributor and a small business customer list that was classified as held for sale during the first quarter of 2018. Assets held for sale as of December 31, 2017 included 2 providers of printed and promotional products and 2 small business distributors, 1 of which was sold during the first quarter of 2018. Also during the first quarter of 2018, we sold

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the operations of a small business distributor that previously did not meet the requirements to be reported as assets held for sale in the consolidated balance sheets. We determined that these businesses would be better positioned for long-term growth if they were managed by independent distributors. Subsequent to the sales, these businesses are owned by distributors that are part of our Safeguard® distributor network. As such, our revenue is not impacted by these sales, and the impact to our costs is not significant. We entered into aggregate notes receivable of $10,215 in conjunction with these sales (non-cash investing activity), and we recognized aggregate net gains within SG&A expense of $7,228 during the quarter ended March 31, 2018. During the quarter ended March 31, 2017, we sold a provider of printed and promotional products and a small business distributor, realizing an aggregate net gain of $6,779 within SG&A expense in the consolidated statement of comprehensive income.

The businesses sold during 2018, as well as those held for sale as of March 31, 2018, were included in our Small Business Services segment, and their net assets consisted primarily of intangible assets. During the first quarter of 2017, we recorded a pre-tax asset impairment charge of $5,296 related to a small business distributor that was sold during the second quarter of 2017. The impairment charge reduced the carrying value of the business to its fair value less costs to sell, as we negotiated the sale of the business.

We are actively marketing the remaining assets held for sale, and we expect the selling prices will equal or exceed their current carrying values. Net assets held for sale consisted of the following:

(in thousands)	**March 31, 2018**	**December 31, 2017**	**Balance sheet caption**
Current assets	$ 23	$ 4	Other current assets
Intangibles	8,089	8,459	Assets held for sale
Goodwill	2,016	3,566	Assets held for sale
Other non-current assets	207	207	Assets held for sale
Net assets held for sale	$ 10,335	$ 12,236	

Intangibles – Intangibles were comprised of the following:

	March 31, 2018			**December 31, 2017**		
(in thousands)	**Gross carrying amount**	**Accumulated amortization**	**Net carrying amount**	**Gross carrying amount**	**Accumulated amortization**	**Net carrying amount**
Indefinite-lived intangibles:						
Trade name	$19,100	$ —	$19,100	$19,100	$ —	$19,100
Amortizable intangibles:						
Internal-use software	370,408	(293,628)	76,780	359,079	(284,074)	75,005
Customer lists/relationships[(1)]	350,586	(133,712)	216,874	343,589	(121,729)	221,860
Trade names	46,762	(21,204)	25,558	36,931	(19,936)	16,995
Technology-based intangibles	38,800	(8,017)	30,783	31,800	(6,400)	25,400
Software to be sold	36,900	(12,260)	24,640	36,900	(11,204)	25,696
Other	1,800	(1,645)	155	1,800	(1,590)	210
Amortizable intangibles	845,256	(470,466)	374,790	810,099	(444,933)	365,166
Intangibles	$864,356	$ (470,466)	$393,890	$829,199	$ (444,933)	$384,266

[(1)] During the first quarter of 2018, we recorded a pre-tax asset impairment charge of $2,149 for one of our customer lists. Further information can be found in Note 7.

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Amortization of intangibles was $27,466 for the quarter ended March 31, 2018 and $25,555 for the quarter ended March 31, 2017. Based on the intangibles in service as of March 31, 2018, estimated future amortization expense is as follows:

(in thousands)	**Estimated amortization expense**
Remainder of 2018	$ 73,428
2019	81,231
2020	62,617
2021	49,222
2022	35,337

During the quarter ended March 31, 2018, we acquired internal-use software in the normal course of business. We also acquired intangible assets in conjunction with acquisitions (Note 6). The following intangible assets were acquired during the quarter ended March 31, 2018:

(in thousands)	**Amount**	**Weighted-average amortization period (in years)**
Internal-use software	$ 10,842	3
Customer lists/relationships[(1)]	13,001	7
Trade names	10,000	8
Technology-based intangibles	7,000	5
Acquired intangibles	$ 40,843	6

[(1)] Includes the purchase of a customer list for $650 that did not qualify as a business combination.

Information regarding acquired intangibles does not include measurement-period adjustments recorded during the quarter ended March 31, 2018 for changes in the estimated fair values of intangibles acquired during 2017 through acquisitions. Information regarding these adjustments can be found in Note 6.

Goodwill – Changes in goodwill during the quarter ended March 31, 2018 were as follows:

(in thousands)	**Small Business Services**	**Financial Services**	**Direct Checks**	**Total**
Balance, December 31, 2017:				
Goodwill, gross	$ 706,568	$ 324,239	$ 148,506	$ 1,179,313
Accumulated impairment charges	(48,379)	—	—	(48,379)
Goodwill, net of accumulated impairment charges	658,189	324,239	148,506	1,130,934
Goodwill resulting from acquisitions	28,293	—	—	28,293
Measurement-period adjustments for previous acquisitions (Note 6)	(173)	2,763	—	2,590
Currency translation adjustment	(492)	—	—	(492)
Balance, March 31, 2018:				
Goodwill, gross	734,196	327,002	148,506	1,209,704
Accumulated impairment charges	(48,379)	—	—	(48,379)
Goodwill, net of accumulated impairment charges	$ 685,817	$ 327,002	$ 148,506	$ 1,161,325

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Other non-current assets – Other non-current assets were comprised of the following:

(in thousands)	March 31, 2018	December 31, 2017
Prepaid product discounts[1]	$ 65,954	$ 63,895
Loans and notes receivable from Safeguard distributors	55,648	44,276
Postretirement benefit plan asset	42,224	39,849
Deferred advertising costs	5,924	6,135
Deferred sales commissions[2]	5,216	—
Other	7,857	5,601
Other non-current assets	$ 182,823	$ 159,756

(1) In our prior period financial statements, we referred to this asset as contract acquisition costs.

(2) Amortization of deferred sales commissions was $694 for the quarter ended March 31, 2018.

Changes in prepaid product discounts during the quarters ended March 31, 2018 and 2017 were as follows:

(in thousands)	Quarter Ended March 31, 2018	2017
Balance, beginning of year	$63,895	$65,792
Additions[1]	7,492	4,043
Amortization	(5,408)	(4,967)
Other	(25)	(76)
Balance, end of period	$65,954	$64,792

(1) Prepaid product discounts are accrued upon contract execution. Cash payments made for prepaid product discounts were $5,364 for the quarter ended March 31, 2018 and $6,099 for the quarter ended March 31, 2017.

Accrued liabilities – Accrued liabilities were comprised of the following:

(in thousands)	March 31, 2018	December 31, 2017
Funds held for customers	$ 93,867	$ 85,091
Deferred revenue	49,630	47,021
Acquisition-related liabilities[1]	24,893	23,878
Income tax	19,204	17,827
Prepaid product discounts due within one year[2]	15,510	11,670
Employee profit sharing/cash bonus	12,358	31,312
Customer rebates	10,856	11,508
Restructuring due within one year (Note 8)	2,326	4,380
Other	46,684	44,566
Accrued liabilities	$ 275,328	$ 277,253

(1) Consists of holdback payments due at future dates and liabilities for contingent consideration. Further information regarding liabilities for contingent consideration can be found in Note 7.

(2) In our prior period financial statements, we referred to this liability as contract acquisition costs due within one year.

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Other non-current liabilities – Other non-current liabilities were comprised of the following:

(in thousands)	**March 31, 2018**	**December 31, 2017**
Prepaid product discounts[1]	$ 19,922	$ 21,658
Other	28,190	30,583
Other non-current liabilities	$ 48,112	$ 52,241

[1] In our prior period financial statements, we referred to this liability as contract acquisition costs.

Note 4: Earnings per share

The following table reflects the calculation of basic and diluted earnings per share. During each period, certain stock options, as noted below, were excluded from the calculation of diluted earnings per share because their effect would have been antidilutive.

	Quarter Ended March 31,	
(in thousands, except per share amounts)	**2018**	**2017**
Earnings per share – basic:		
Net income	$63,336	$57,066
Income allocated to participating securities	(286)	(406)
Income available to common shareholders	$63,050	$56,660
Weighted-average shares outstanding	47,755	48,324
Earnings per share – basic	$1.32	$1.17
Earnings per share – diluted:		
Net income	$63,336	$57,066
Income allocated to participating securities	(285)	(404)
Re-measurement of share-based awards classified as liabilities	(85)	(4)
Income available to common shareholders	$62,966	$56,658
Weighted-average shares outstanding	47,755	48,324
Dilutive impact of potential common shares	262	374
Weighted-average shares and potential common shares outstanding	48,017	48,698
Earnings per share – diluted	$1.31	$1.16
Antidilutive options excluded from calculation	521	270

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Note 5: Other comprehensive income

Reclassification adjustments – Information regarding amounts reclassified from accumulated other comprehensive loss to net income was as follows:

Accumulated other comprehensive loss components	**Amounts reclassified from accumulated other comprehensive loss Quarter Ended March 31,**		**Affected line item in consolidated statements of comprehensive income**
(in thousands)	**2018**	**2017**	
Amortization of postretirement benefit plan items:			
Prior service credit	$ 355	$ 355	Other income
Net actuarial loss	(721)	(909)	Other income
Total amortization	(366)	(554)	Other income
Tax benefit	356	165	Income tax provision
Total reclassifications, net of tax	$ (10)	$ (389)	Net income

Accumulated other comprehensive loss – Changes in the components of accumulated other comprehensive loss during the quarter ended March 31, 2018 were as follows:

(in thousands)	**Postretirement benefit plans**	**Net unrealized loss on marketable securities, net of tax[(1)]**	**Currency translation adjustment**	**Accumulated other comprehensive loss**
Balance, December 31, 2017	$ (26,829)	$ (322)	$ (10,446)	$ (37,597)
Other comprehensive loss before reclassifications	—	(36)	(1,745)	(1,781)
Amounts reclassified from accumulated other comprehensive loss	10	—	—	10
Net current-period other comprehensive income (loss)	10	(36)	(1,745)	(1,771)
Adoption of ASU No. 2018-02	(6,867)	—	—	(6,867)
Balance, March 31 2018	$ (33,686)	$ (358)	$ (12,191)	$ (46,235)

(1) Other comprehensive loss before reclassifications is net of income tax benefit of $13.

Note 6: Acquisitions

We periodically complete business combinations that align with our business strategy. The assets and liabilities acquired are recorded at their estimated fair values, and the results of operations of each acquired business are included in our consolidated statements of comprehensive income from their acquisition dates. Transaction costs related to acquisitions are expensed as incurred and are included in SG&A expense in the consolidated statements of comprehensive income. Transaction costs were not significant to our consolidated statements of comprehensive income for the quarters ended March 31, 2018 and 2017. The acquisitions completed during the quarter ended March 31, 2018 were cash transactions, funded by use of our revolving credit facility. We completed these acquisitions to add logo and web services capabilities, to increase our mix of marketing solutions and other services revenue and to reach new customers.

2018 acquisitions – In March 2018, we acquired the equity of Logomix Inc. (Logomix), a self-service marketing and branding platform that helps small businesses create logos and custom marketing products. The preliminary allocation of the purchase price based upon the estimated fair values of the assets acquired and liabilities assumed resulted in nondeductible goodwill of $28,293. The acquisition resulted in goodwill as we expect to accelerate revenue growth by combining our

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capabilities with Logomix's platform. The operations of this business from its acquisition date are included in our Small Business Services segment.

Also during the quarter ended March 31, 2018, we acquired the operations of 2 small business distributors that are included in our Small Business Services segment. The assets acquired consisted primarily of customer list intangible assets. As these small business distributors were previously part of our Safeguard distributor network, our revenue was not impacted by these acquisitions, and the impact to our costs was not significant.

We expect to finalize the allocations of the purchase price for these acquisitions by the end of 2018 when our valuation of the acquired intangible assets is completed, as well as the valuation of various other assets acquired and liabilities assumed related to the Logomix acquisition.

Information regarding the useful lives of acquired intangibles and goodwill by reportable segment can be found in Note 3. Information regarding the calculation of the estimated fair values of the acquired intangibles can be found in Note 7. As our acquisitions were immaterial to our reported operating results both individually and in the aggregate, pro forma results of operations are not provided. The following illustrates the preliminary allocation, as of March 31, 2018, of the aggregate purchase price for the above acquisitions to the assets acquired and liabilities assumed:

(in thousands)	**2018 acquisitions**
Net tangible assets acquired and liabilities assumed[1]	$ (4,244)
Identifiable intangible assets:	
Customer lists/relationships	12,351
Trade name	10,000
Technology-based intangible	7,000
Total intangible assets	29,351
Goodwill	28,293
Total aggregate purchase price	53,400
Liabilities for holdback payments and contingent consideration	(1,585)
Net cash paid for 2018 acquisitions	51,815
Holdback payments for prior year acquisitions	554
Payments for acquisitions, net of cash acquired of $1,500	$ 52,369

(1) Net liabilities acquired consisted primarily of Logomix deferred income taxes.

During the quarter ended March 31, 2018, we finalized the purchase accounting for the acquisition of RDM Corporation, which was acquired in April 2017, and we recorded adjustments related to the purchase accounting for Digital Pacific Group Pty Ltd and Impact Marketing Specialists, Inc., which were also acquired during 2017. We expect to finalize the purchase accounting for these acquisitions by mid-2018 when our valuation of property, plant and equipment, as well as the acquired customer list intangible assets, is finalized. Further information regarding these acquisitions can be found under the caption “Note 5: Acquisitions” in the Notes to Consolidated Financial Statements appearing in the 2017 Form 10-K. These measurement-period adjustments resulted in an increase in goodwill of $2,590 during the quarter ended March 31, 2018, with the offset to various assets and liabilities, including deferred income taxes and other long-term liabilities, as well as a decrease of $1,041 in customer list intangibles and an increase in internal-use software of $1,000.

2017 acquisitions – During the quarter ended March 31, 2017, we completed the following acquisitions:

- In February 2017, we acquired selected assets of Panthur Pty Ltd, an Australian web hosting and domain registration service provider.
- We acquired the operations of several small business distributors, all of which were previously part of our Safeguard distributor network.

Payments for acquisitions, net of cash acquired, as presented on the consolidated statement of cash flows for the quarter ended March 31, 2017, included payments of $3,087 for these acquisitions and $2,152 for holdback payments for prior

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year acquisitions. Further information regarding our 2017 acquisitions can be found under the caption “Note 5: Acquisitions” in the Notes to Consolidated Financial Statements appearing in the 2017 Form 10-K.

Note 7: Fair value measurements

Non-recurring asset impairment analyses – During the first quarter of 2018, we recorded a pre-tax asset impairment charge of $2,149 related to a Small Business Services customer list intangible asset. As a result of changes in market trends, including the continuing decline in check and forms usage, we determined that this customer list asset was impaired and had a fair market value of $0 (level 3 fair value measurement) as of March 31, 2018.

During the first quarter of 2017, we recorded a pre-tax asset impairment charge of $5,296 related to a small business distributor classified as held for sale in the consolidated balance sheets. Based on ongoing negotiations for the sale of the business, including multiple offers, we determined that the business's carrying value exceeded its estimated fair value less costs to sell of $5,000 (level 3 fair value measurement), and we reduced the carrying value of the related customer list intangible asset.

2018 acquisitions – For all acquisitions, we are required to measure the fair value of the net identifiable tangible and intangible assets and liabilities acquired. Information regarding the acquisitions completed during the quarter ended March 31, 2018 can be found in Note 6. The identifiable net assets acquired during the quarter ended March 31, 2018 were comprised primarily of customer list intangible assets, a trade name and a technology-related intangible asset. The estimated fair value of the Logomix customer list was calculated using the multi-period excess earnings method. This valuation model estimates revenues and cash flows derived from the asset and then deducts portions of the cash flow that can be attributed to supporting assets, such as a brand name or fixed assets, that contributed to the generation of the cash flows. The resulting cash flow, which is attributable solely to the customer list asset, is then discounted at a rate of return commensurate with the risk of the asset to calculate a present value. The estimated fair value of the other acquired customer lists was calculated by discounting the estimated cash flows expected to be generated by the assets. Key assumptions used in the calculations included same-customer revenue growth rates and estimated customer retention rates based on the acquirees' historical information.

The estimated fair values of the trade name and technology-related asset were calculated using the relief from royalty method, which calculates the cost savings associated with owning rather than licensing the trade name or the technology. Assumed royalty rates were applied to projected revenue for the estimated remaining useful lives of the assets to estimate the royalty savings.

Recurring fair value measurements – Funds held for customers included cash equivalents and available-for-sale debt securities (Note 3). The cash equivalents consisted of a money market fund investment that is traded in an active market. Because of the short-term nature of the underlying investments, the cost of this investment approximates its fair value. Available-for-sale debt securities consisted of a mutual fund investment that invests in Canadian and provincial government securities and investments in Canadian guaranteed investment certificates (GICs) with maturities of 1 year. The mutual fund is not traded in an active market and its fair value is determined by obtaining quoted prices in active markets for the underlying securities held by the fund. The fair value of the GICs approximated cost due to their relatively short duration. Unrealized gains and losses, net of tax, are included in accumulated other comprehensive loss in the consolidated balance sheets. The cost of securities sold is determined using the average cost method. Realized gains and losses are included in revenue in the consolidated statements of comprehensive income and were not significant for the quarters ended March 31, 2018 and 2017.

The fair value of accrued contingent consideration is remeasured each reporting period. Increases or decreases in projected revenue, gross profit or operating income, as appropriate, and the related probabilities of achieving the forecasted results, may result in a higher or lower fair value measurement. Changes in fair value resulting from changes in the timing, amount of, or likelihood of contingent payments are included in SG&A expense in the consolidated statements of comprehensive income. Changes in fair value resulting from accretion for the passage of time are included in interest expense in the consolidated statements of comprehensive income.

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Changes in accrued contingent consideration during the quarter ended March 31, 2018 were as follows:

(in thousands)	**Quarter Ended March 31, 2018**
Balance, December 31, 2017	$ 3,623
Acquisition date fair value	100
Change in fair value	(54)
Payments	(363)
Balance, March 31, 2018	$ 3,306

Information regarding the fair values of our financial instruments was as follows:

	March 31, 2018		**Fair value measurements using**		
(in thousands)	**Carrying value**	**Fair value**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Measured at fair value through net income:					
Accrued contingent consideration	$ (3,306)	$ (3,306)	$ —	$ —	$ (3,306)
Measured at fair value through comprehensive income:					
Cash equivalents (funds held for customers)	15,000	15,000	15,000	—	—
Available-for-sale debt securities (funds held for customers)	16,189	16,189	—	16,189	—
Amortized cost:					
Cash	67,728	67,728	67,728	—	—
Cash (funds held for customers)	63,751	63,751	63,751	—	—
Loans and notes receivable from Safeguard distributors	57,579	53,647	—	—	53,647
Long-term debt[(1)]	740,625	740,625	—	740,625	—

(1) Amounts exclude capital lease obligations.

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	December 31, 2017		Fair value measurements using		
(in thousands)	Carrying value	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Measured at fair value through net income:					
Accrued contingent consideration	$(3,623)	$(3,623)	$—	$—	$(3,623)
Measured at fair value through comprehensive income:					
Cash equivalents (funds held for customers)	17,300	17,300	17,300	—	—
Available-for-sale debt securities (funds held for customers)	16,613	16,613	—	16,613	—
Amortized cost:					
Cash	59,240	59,240	59,240	—	—
Cash (funds held for customers)	52,279	52,279	52,279	—	—
Loans and notes receivable from Safeguard distributors	46,409	44,650	—	—	44,650
Long-term debt[1]	707,386	707,938	—	707,938	—

[1] Amounts exclude capital lease obligations.

Our policy is to recognize transfers between fair value levels as of the end of the reporting period in which the transfer occurred. There were no transfers between fair value levels during the quarter ended March 31, 2018.

Note 8: Restructuring charges

Net restructuring charges for each period consisted of the following components:

	Quarter Ended March 31,	
(in thousands, except number of employees)	2018	2017
Severance accruals	$844	$1,108
Severance reversals	(135)	(399)
Net restructuring accruals	709	709
Other costs	1,613	284
Net restructuring charges	$2,322	$993
Number of employees included in severance accruals	25	30

The net restructuring charges are reflected in the consolidated statements of comprehensive income as follows:

	Quarter Ended March 31,	
(in thousands)	2018	2017
Total cost of revenue	$177	$(21)

Operating expenses	2,145	1,014
Net restructuring charges	$2,322	$993

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During the quarters ended March 31, 2018 and 2017, the net restructuring accruals included severance charges related to employee reductions across functional areas as we continued to reduce costs, primarily within our sales, marketing and fulfillment functions. These charges were reduced by the reversal of restructuring accruals recorded in previous periods, as fewer employees received severance benefits than originally estimated. Other restructuring costs, which were expensed as incurred, included items such as information technology costs, employee and equipment moves, training and travel related to our restructuring and integration activities.

Restructuring accruals of $2,326 as of March 31, 2018 and $4,380 as of December 31, 2017 are reflected in the consolidated balance sheets as accrued liabilities. The majority of the employee reductions are expected to be completed by mid-2018, and we expect most of the related severance payments to be paid by the end of 2018, utilizing cash from operations. As of March 31, 2018, approximately 10 employees had not yet started to receive severance benefits.

Accruals for our restructuring initiatives, summarized by year, were as follows:

(in thousands)	2018 initiatives	2017 initiatives	2016 initiatives	Total
Balance, December 31, 2017	$ —	$ 4,348	$ 32	$4,380
Restructuring charges	746	98	—	844
Restructuring reversals	—	(130)	(5)	(135)
Payments	(97)	(2,639)	(27)	(2,763)
Balance, March 31, 2018	$ 649	$ 1,677	$ —	$2,326
Cumulative amounts:				
Restructuring charges	$ 746	$ 7,320	$ 7,801	$15,867
Restructuring reversals	—	(291)	(750)	(1,041)
Payments	(97)	(5,352)	(7,051)	(12,500)
Balance, March 31, 2018	$ 649	$ 1,677	$ —	$2,326

The components of our restructuring accruals, by segment, were as follows:

	Employee severance benefits				Operating lease obligations	
(in thousands)	Small Business Services	Financial Services	Direct Checks	Corporate[1]	Small Business Services	Total
Balance, December 31, 2017	$789	$ 1,398	$ 140	$ 2,049	$ 4	$4,380
Restructuring charges	522	174	—	148	—	844
Restructuring reversals	(22)	(23)	(1)	(89)	—	(135)
Payments	(432)	(936)	(89)	(1,302)	(4)	(2,763)
Balance, March 31, 2018	$857	$ 613	$ 50	$ 806	$ —	$2,326
Cumulative amounts:[2]						
Restructuring charges	$5,158	$ 4,276	$ 286	$ 6,065	$ 82	$15,867
Restructuring reversals	(376)	(98)	(7)	(560)	—	(1,041)
Payments	(3,925)	(3,565)	(229)	(4,699)	(82)	(12,500)
Balance, March 31, 2018	$857	$ 613	$ 50	$ 806	$ —	$2,326

(1) As discussed in Note 14, corporate costs are allocated to our business segments. As such, the net corporate restructuring charges are reflected in the business segment operating income presented in Note 14 in accordance with our allocation methodology.

(2) Includes accruals related to our cost reduction initiatives for 2016 through 2018.

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Note 9: Income tax provision

The effective tax rate on pre-tax income reconciles to the United States federal statutory tax rate of 21% for 2018 and 35% for 2017 as follows:

	Quarter Ended March 31, 2018	Year Ended December 31, 2017
Income tax at federal statutory rate	21.0 %	35.0 %
State income tax expense, net of federal benefit	3.3 %	2.7 %
Goodwill impairment charge	—	1.5 %
Impact of the Tax Cuts and Jobs Act of 2017	(0.4 %)	(6.6 %)
Qualified production activities deduction	—	(3.2 %)
Net tax benefit of share-based compensation	(0.8 %)	(1.6 %)
Other	1.0 %	(1.4 %)
Effective tax rate	24.1 %	26.4 %

Further information regarding the impact of the Tax Cuts and Jobs Act of 2017 on our financial statements can be found in Note 2 and under the caption “Note 9: Income tax provision” in the Notes to Consolidated Financial Statements appearing in the 2017 Form 10-K.

Note 10: Postretirement benefits

We have historically provided certain health care benefits for a portion of our retired United States employees. In addition to our retiree health care plan, we also have a supplemental executive retirement plan in the United States. Further information regarding our postretirement benefit plans can be found under the caption “Note 12: Postretirement benefits” of the Notes to Consolidated Financial Statements appearing in the 2017 Form 10-K.

Postretirement benefit income for each period consisted of the following components:

	Quarter Ended March 31,	
(in thousands)	**2018**	**2017**
Interest cost	$656	$724
Expected return on plan assets	(1,934)	(1,782)
Amortization of prior service credit	(355)	(355)
Amortization of net actuarial losses	721	909
Net periodic benefit income	$(912)	$(504)

Effective January 1, 2018, we adopted ASU No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which required us to reclassify postretirement benefit income from cost of revenue and SG&A expense to other income in our consolidated statements of comprehensive income. Further information can be found in Note 2.

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Note 11: Debt

Debt outstanding was comprised of the following:

(in thousands)	March 31, 2018	December 31, 2017
Amount drawn on revolving credit facility	$740,625	$ 413,000
Amount outstanding under term loan facility	—	294,938
Capital lease obligations	1,908	1,914
Long-term debt, principal amount	742,533	709,852
Less unamortized debt issuance costs	—	(471)
Less current portion of long-term debt	(831)	(44,121)
Long-term debt	741,702	665,260
Current portion of amount drawn under term loan facility	—	43,313
Current portion of capital lease obligations	831	808
Long-term debt due within one year, principal amount		