DELUXE CORP
Form 10-Q
May 04, 2012

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, 2012
o	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from ________________________ to ________________________

Commission file number: 1-7945

DELUXE CORPORATION
(Exact name of registrant as specified in its charter)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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).
þYes o No

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

Large accelerated filer þ	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o

(Do not check if a smaller reporting company)

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

The number of shares outstanding of registrant's common stock, par value $1.00 per share, at April 24, 2012 was 50,991,275.

PART I – FINANCIAL INFORMATION
Item 1. Financial Statements.
DELUXE CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands, except share par value)
(Unaudited)

	March 31, 2012	December 31, 2011
ASSETS		
Current Assets:		
Cash and cash equivalents	$58,715	$28,687
Trade accounts receivable (net of allowances for uncollectible accounts of $3,626 and $4,007, respectively)	67,750	69,023
Inventories and supplies	22,742	22,043
Deferred income taxes	6,481	7,216
Funds held for customers	40,656	44,394
Other current assets	29,793	21,212
Total current assets	226,137	192,575
Long-Term Investments (including $2,137 and $2,165 of investments at fair value, respectively)	45,855	45,147
Property, Plant And Equipment (net of accumulated depreciation of $355,911 and $352,842, respectively)	110,695	113,411
Assets Held For Sale	2,741	2,741
Intangibles (net of accumulated amortization of $440,243 and $433,335, respectively)	152,041	157,339
Goodwill	777,042	776,998
Other Non-Current Assets	95,499	100,598
Total Assets	$1,410,010	$1,388,809
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$58,310	$64,694
Accrued liabilities	151,273	150,098
Long-term debt due within one year	85,497	85,575
Total current liabilities	295,080	300,367
Long-Term Debt	656,524	656,131
Deferred Income Taxes	52,135	49,807
Other Non-Current Liabilities	66,623	79,815
Commitments and Contingencies (Notes 10 and 11)		
Shareholders' Equity:		
Common shares $1 par value (authorized: 500,000 shares; outstanding: 2012 – 50,991; 2011 – 50,826)	50,991	50,826
Additional paid-in capital	59,782	55,838
Retained earnings	286,745	255,426
Accumulated other comprehensive loss	(57,870)	(59,401)
Total shareholders' equity	339,648	302,689
Total Liabilities And Shareholders' Equity	$1,410,010	$1,388,809

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,	
	2012	2011
Revenue	$377,981	$349,752
Cost of goods sold, including net restructuring charges	(127,487)	(120,163)
Gross Profit	250,494	229,589
Selling, general and administrative expense	(171,831)	(160,817)
Net restructuring charges	(638)	(1,427)
Net gain on sale of facility	—	110
Operating Income	78,025	67,455
Loss on early debt extinguishment	—	(6,995)
Interest expense	(11,697)	(12,038)
Other income	39	155
Income Before Income Taxes	66,367	48,577
Income tax provision	(22,288)	(16,021)
Net Income	$44,079	$32,556
Comprehensive Income	$45,610	$34,115
Basic Earnings Per Share	$0.86	$0.63
Diluted Earnings Per Share	$0.86	$0.63
Cash Dividends Per Share	$0.25	$0.25

See Condensed Notes to Unaudited Consolidated Financial Statements

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

	Common shares par value[1]	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total
Balance, December 31, 2011	$50,826	$55,838	$255,426	$(59,401)	$302,689
Net income	—	—	44,079	—	44,079
Cash dividends	—	—	(12,760)	—	(12,760)
Common shares issued	185	2,856	—	—	3,041
Tax impact of share-based awards	—	156	—	—	156
Common shares retired	(20)	(474)	—	—	(494)
Fair value of share-based compensation	—	1,406	—	—	1,406
Other comprehensive income (Note 12)	—	—	—	1,531	1,531
Balance, March 31, 2012	$50,991	$59,782	$286,745	$(57,870)	$339,648

[1] As the par value of our common shares is $1.00 per share, the number of shares associated with the transactions presented here is equivalent to the related par value. See Note 12 for share information.

See Condensed Notes to Unaudited Consolidated Financial Statements

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

		Quarter Ended March 31,	
		2012	2011
Cash Flows From Operating Activities:			
Net income		$44,079	$32,556
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation		5,108	5,159
Amortization of intangibles		11,989	14,584
Amortization of contract acquisition costs		4,379	4,427
Deferred income taxes		2,557	2,241
Employee share-based compensation expense		1,550	1,554
Loss on early debt extinguishment		—	6,995
Other non-cash items, net		2,514	3,508
Changes in assets and liabilities:			
Trade accounts receivable		532	4,524
Inventories and supplies		(1,043)	746
Other current assets		(5,679)	(2,496)
Non-current assets		1,020	2,910
Accounts payable		(3,829)	(2,437)
Contract acquisition payments		(9,357)	(4,515)
Other accrued and non-current liabilities		(1,824)	(8,716)
Net cash provided by operating activities		51,996	61,040
Cash Flows From Investing Activities:			
Purchases of capital assets		(8,996)	(8,422)
Other		(92)	41
Net cash used by investing activities		(9,088)	(8,381)
Cash Flows From Financing Activities:			
Net payments on short-term debt		—	(7,000)
Payments on long-term debt, including costs of debt reacquisition		—	(215,030)
Proceeds from issuing long-term debt		—	200,000
Payments for debt issue costs		(1,038)	(3,280)
Change in book overdrafts		(2,628)	(825)
Proceeds from issuing shares under employee plans		2,661	5,633
Excess tax benefit from share-based employee awards		362	752
Payments for common shares repurchased		—	(5,986)
Cash dividends paid to shareholders		(12,760)	(12,881)
Net cash used by financing activities		(13,403)	(38,617)
Effect Of Exchange Rate Change On Cash		523	427
Net Change In Cash And Cash Equivalents		30,028	14,469
Cash And Cash Equivalents:	Beginning Of Period	28,687	17,383
	End Of Period	$58,715	$31,852

See Condensed Notes to Unaudited Consolidated Financial Statements

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

Note 1: Consolidated financial statements

The consolidated balance sheet as of March 31, 2012, the consolidated statements of comprehensive income for the quarters ended March 31, 2012 and 2011, the consolidated statement of shareholders' equity for the quarter ended March 31, 2012, and the consolidated statements of cash flows for the quarters ended March 31, 2012 and 2011 are unaudited. The consolidated balance sheet as of December 31, 2011 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, 2011 (the “2011 Form 10-K”).

Note 2: New accounting pronouncements

On January 1, 2012, we adopted Accounting Standards Update (ASU) No. 2011-05, Presentation of Comprehensive Income. This standard eliminates the option to report other comprehensive income and its components in the statement of shareholders' equity. Also effective January 1, 2012, we adopted ASU No. 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. This standard temporarily defers a provision included in ASU No. 2011-05 which requires that reclassification adjustments from other comprehensive income to net income be presented by income statement line item. Our presentation of comprehensive income in this quarterly report on Form 10-Q complies with these accounting standards.

On January 1, 2012, we adopted ASU No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S GAAP and IFRSs. The new guidance changes some fair value measurement principles and disclosure requirements. The changes in fair value measurement principles relate primarily to financial assets and did not affect the fair value measurements presented in this report on Form 10-Q. The fair value disclosures required by the new standard are presented in Note 6: Fair value measurements.

Note 3: Supplemental balance sheet information

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

	March 31, 2012	December 31, 2011
Raw materials	$5,524	$5,566
Semi-finished goods	8,427	8,273
Finished goods	5,694	5,301
Supplies, primarily production	3,097	2,903

Inventories and supplies	$22,742	$22,043

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Available-for-sale securities – Available-for-sale securities included within cash and cash equivalents, funds held for customers and other current assets were comprised of the following:

	March 31, 2012			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Money market securities (cash equivalents)	$38,580	$—	$—	$38,580
Canadian and provincial government securities (funds held for customers) [1]	5,334	173	—	5,507
Money market securities (other current assets)	2,052	—	—	2,052
Total available-for-sale securities	$45,966	$173	$—	$46,139

[1] Funds held for customers, as reported on the consolidated balance sheet as of March 31, 2012, also included cash of $35,149.

	December 31, 2011			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Funds held for customers:[1]				
Money market securities	$3	$—	$—	$3
Canadian and provincial government securities	5,172	243	—	5,415
Available-for-sale securities (funds held for customers)	5,175	243	—	5,418
Money market securities (other current assets)	2,001	—	—	2,001
Total available-for-sale securities	$7,176	$243	$—	$7,419

[1] Funds held for customers, as reported on the consolidated balance sheet as of December 31, 2011, also included cash of $38,976.

Expected maturities of available-for-sale securities as of March 31, 2012 were as follows:

	Fair value
Due in one year or less	$40,698
Due in three to five years	1,465
Due after five years	3,976
Total marketable securities	$46,139

Further information regarding the fair value of available-for-sale securities can be found in Note 6: Fair value measurements.

Intangibles – Intangibles were comprised of the following:

	March 31, 2012			December 31, 2011		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Indefinite-lived:						
Trade name	$19,100	$—	$19,100	$19,100	$—	$19,100
Amortizable intangibles:						
Internal-use software	417,625	(353,564)	64,061	410,905	(345,145)	65,760
Customer lists/relationships	48,490	(23,927)	24,563	52,542	(26,059)	26,483
Distributor contracts	30,900	(28,648)	2,252	30,900	(28,198)	2,702
Trade names	67,661	(26,980)	40,681	67,661	(25,958)	41,703
Other	8,508	(7,124)	1,384	9,566	(7,975)	1,591
Amortizable intangibles	573,184	(440,243)	132,941	571,574	(433,335)	138,239
Intangibles	$592,284	$(440,243)	$152,041	$590,674	$(433,335)	$157,339

Total amortization of intangibles was $11,989 for the quarter ended March 31, 2012 and $14,584 for the quarter ended March 31, 2011. Based on the intangibles in service as of March 31, 2012, estimated future amortization expense is as follows:

	Estimated amortization expense
Remainder of 2012	$28,753
2013	28,732
2014	17,181
2015	8,404
2016	5,822

Goodwill – Changes in goodwill during the quarter ended March 31, 2012 were as follows:

	Small Business Services	Financial Services	Direct Checks	Total
Balance, December 31, 2011:				
Goodwill, gross	$621,314	$27,178	$148,506	$796,998
Accumulated impairment charges	(20,000)	—	—	(20,000)
Goodwill, net of accumulated impairment charges	601,314	27,178	148,506	776,998
Currency translation adjustment	44	—	—	44
Balance, March 31, 2012:				
Goodwill, gross	621,358	27,178	148,506	797,042
Accumulated impairment charges	(20,000)	—	—	(20,000)
Goodwill, net of accumulated impairment charges	$601,358	$27,178	$148,506	$777,042

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

	March 31, 2012	December 31, 2011
Contract acquisition costs	$51,068	$55,076
Deferred advertising costs	14,664	15,599
Loans and notes receivable from distributors	10,898	11,148
Other	18,869	18,775
Other non-current assets	$95,499	$100,598

Changes in contract acquisition costs during the quarters ended March 31, 2012 and 2011 were as follows:

	Quarter Ended March 31,	
	2012	2011
Balance, beginning of year	$55,076	$57,476
Additions[1]	520	143
Amortization	(4,379)	(4,427)
Other	(149)	(85)
Balance, end of period	$51,068	$53,107

[1] Contract acquisition costs are accrued upon contract execution. Cash payments made for contract acquisition costs were $9,357 for the quarter ended March 31, 2012 and $4,515 for the quarter ended March 31, 2011.

Accrued liabilities – Accrued liabilities were comprised of the following:

	March 31, 2012	December 31, 2011
Funds held for customers	$40,144	$43,829
Customer rebates	19,410	20,969
Income tax	17,158	891
Interest	13,233	8,760
Wages, including vacation	11,979	4,995
Employee profit sharing/cash bonus	9,717	23,783
Restructuring due within one year (see Note 7)	4,905	5,946
Contract acquisition costs due within one year	4,123	13,070
Other	30,604	27,855
Accrued liabilities	$151,273	$150,098

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

	March 31, 2012	December 31, 2011
Pension and postretirement benefit plans	$38,743	$48,859
Contract acquisition costs	7,455	7,455
Unrecognized tax benefits, including interest and penalties	5,989	7,570
Other	14,436	15,931
Other non-current liabilities	$66,623	$79,815

Note 4: Earnings per share

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

	Quarter Ended March 31, 2012	2011
Earnings per share – basic:		
Net income	$44,079	$32,556
Income allocated to participating securities	(288)	(114)
Income available to common shareholders	$43,791	$32,442
Weighted-average shares outstanding	50,898	51,298
Earnings per share – basic	$0.86	$0.63
Earnings per share – diluted:		
Net income	$44,079	$32,556
Income allocated to participating securities	(287)	—
Re-measurement of share-based awards classified as liabilities	13	36
Income available to common shareholders	$43,805	$32,592
Weighted-average shares outstanding	50,898	51,298
Dilutive impact of potential common shares	298	555
Weighted-average shares and potential common shares outstanding	51,196	51,853
Earnings per share – diluted	$0.86	$0.63
Antidilutive awards excluded from calculation	2,164	1,536

Note 5: Derivative financial instruments

We have entered into interest rate swaps to hedge against changes in the fair value of a portion of our long-term debt. We entered into these swaps, which we designated as fair value hedges, to achieve a targeted mix of fixed and variable rate debt, where we receive a fixed rate and pay a variable rate based on the London Interbank Offered Rate (LIBOR). Changes in the fair value of the interest rate swaps and the related long-term debt are included in interest expense in the consolidated statements of comprehensive income. When the change in the fair value of the interest rate swaps and the hedged debt are not equal (i.e., hedge ineffectiveness), the difference in the changes in fair value affects the reported amount of interest expense in our consolidated statements of comprehensive income. Information regarding hedge ineffectiveness in each period is presented in Note 6. The fair value of the interest rate swaps related to our debt due in 2012 is included in other current assets on the consolidated balance sheets. The fair value of the interest rate swaps related to our debt due in 2014 is included in other non-current assets on the consolidated balance sheets.

Information regarding interest rate swaps as of March 31, 2012 was as follows:

	Notional amount	Fair value of interest rate swaps	Increase in debt due to fair value adjustment
Fair value hedge related to long-term debt due in 2012	$84,847	$1,159	$688
Fair value hedge related to long-term debt due in 2014	198,000	3,622	3,166
Total fair value hedges	$282,847	$4,781	$3,854

Information regarding interest rate swaps as of December 31, 2011 was as follows:

	Notional amount	Fair value of interest rate swaps	Increase in debt due to fair value adjustment
Fair value hedge related to long-term debt due in 2012	$84,847	$1,309	$780
Fair value hedge related to long-term debt due in 2014	198,000	3,230	2,788
Total fair value hedges	$282,847	$4,539	$3,568

During the first quarter of 2011, we retired a portion of our long-term debt due in 2012 (see Note 10). In conjunction with this debt retirement, we settled a portion of the interest rate swaps and received cash payments of $2,548. Interest rate swaps remaining after the settlement were redesignated as fair value hedges during March 2011. In conjunction with the debt retirement, we recognized $3,094 of the fair value adjustment to the hedged debt, decreasing the loss on early debt extinguishment recognized during the first quarter of 2011. The $1,355 remaining fair value adjustment to the hedged debt as of the date hedge accounting was discontinued is being recorded as a decrease to interest expense over the term of the remaining debt.

Note 6: Fair value measurements

Recurring fair value measurements – Cash and cash equivalents as of March 31, 2012 includes investments in various money market funds which are traded in active markets. As such, the fair value of these investments is determined based on quoted market prices. Because of the short-term nature of the underlying investments, the cost of these securities approximates their fair value. The cost of securities sold is determined using the average cost method. No gains or losses on sales of these marketable securities were realized during the quarter ended March 31, 2012.

We hold an investment in a Canadian money market fund as a corporate investment (see Note 3). This investment is included in other current assets on the consolidated balance sheets. The money market 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. Because of the short-term nature of the underlying investments, the cost of these securities approximates their fair value. The cost of securities sold is determined using the average cost method. No gains or losses on sales of these marketable securities were realized during the quarters ended March 31, 2012 and 2011.

Funds held for customers include available-for-sale marketable securities (see Note 3). These securities consist primarily of a mutual fund investment which invests in Canadian and provincial government securities. The 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. Unrealized gains and losses, net of tax, are included in other comprehensive loss on the consolidated balance sheets. Realized gains and losses are included in revenue on the consolidated statements of comprehensive income and were not significant for the quarters ended March 31, 2012 and 2011. The cost of securities sold is determined using the average cost method.

We have elected to account for a long-term investment in domestic mutual funds under the fair value option for financial assets and financial liabilities. The fair value option provides companies an irrevocable option to measure many financial assets and liabilities at fair value with changes in fair value recognized in earnings. The investment is included in long-term investments on the consolidated balance sheets. Long-term investments also include the cash surrender values of company-owned life insurance policies. Realized and unrealized gains and losses, as well as dividends earned by the mutual fund investment, are included in selling, general and administrative (SG&A) expense in the consolidated statements of comprehensive income. This investment corresponds to a liability under an officers' deferred compensation plan which is not available to new participants and is fully funded by the investment in mutual funds. The liability under the plan equals the fair value of the investment in mutual funds. Thus, as the value of the investment changes, the value of the liability changes accordingly. As changes in the liability are reflected within SG&A expense in the consolidated statements of comprehensive income, the fair value option of accounting for the investment in mutual funds allows us to net changes in the investment and the related liability in the statements of comprehensive income. The cost of securities sold is determined using the average cost method. Realized gains recognized during the quarters ended March 31, 2012 and 2011 were not significant. We recognized net unrealized gains on the investment in mutual funds of $111 during the quarter ended March 31, 2012 and $180 during the quarter ended March 31, 2011.

The fair value of interest rate swaps (see Note 5) is determined at each reporting date by means of a pricing model utilizing readily observable market interest rates. The change in fair value is determined as the change in the present value of estimated future cash flows discounted using the LIBOR rate. Changes in the fair value of the interest rate swaps, as well as changes in the fair value of the hedged debt, are included in interest expense in the consolidated statements of comprehensive income and were as follows:

	Quarter Ended March 31,	
	2012	2011
Gain (loss) from derivatives	$241	$(1,044)
(Loss) gain from change in fair value of hedged debt	(287)	605
Net increase in interest expense	$(46)	$(439)

Information regarding recurring fair value measurements completed during each period was as follows:

		Fair value measurements using		
	Fair value as of March 31, 2012	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash equivalents	$38,580	$38,580	$—	$—
Marketable securities (funds held for customers)	5,507	$—	5,507	$—
Marketable securities (other current assets)	2,052	—	2,052	—
Long-term investment in mutual funds	2,137	2,137	—	—
Derivative assets	4,781	—	4,781	—

		Fair value measurements using		
	Fair value as of December 31, 2011	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Marketable securities (funds held for customers)	$5,418	$—	$ 5,418	$—
Marketable securities (other current assets)	2,001	—	2,001	—
Long-term investment in mutual funds	2,165	2,165	—	—
Derivative assets	4,539	—	4,539	—

Fair value measurements of other financial instruments – The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate fair value.

Cash and cash included within funds held for customers – The carrying amounts reported in the consolidated balance sheets approximate fair value because of the short-term nature of these items.

Loans and notes receivable from distributors – We have receivables for loans made to our Safeguard® distributors. In addition, during 2011, we acquired the operations of several small business distributors which we then sold to our Safeguard distributors. In most cases, we entered into notes receivable upon the sale of the assets to the distributors. The fair value of these receivables is calculated as the present value of expected future cash flows, discounted using an interest rate based on published bond yields for companies of similar size and risk.

Long-term debt – The fair value of long-term debt is based on quoted prices for identical liabilities when traded as assets in an active market. As of December 31, 2011, our long-term debt issued in March 2011 was not traded in an active market. As such, its fair value as of December 31, 2011 was determined by means of a pricing model utilizing readily observable market interest rates and data from trades executed by institutional investors. The fair value of long-term debt included in the table below does not reflect the impact of hedging activity. The carrying amount of long-term debt includes the change in fair value of hedged long-term debt.

The estimated fair values of these financial instruments were as follows:

	March 31, 2012		Fair value measurements using		
			Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
	Carrying value	Fair value	(Level 1)	(Level 2)	(Level 3)
Cash	$20,135	$20,135	$20,135	$—	$—
Cash (funds held for customers)	35,149	35,149	35,149	—	—
Loans and notes receivable from distributors	11,704	10,390	—	—	10,390
Long-term debt, including portion due within one year	742,021	760,382	760,382	—	—

	December 31, 2011		Fair value measurements using		
			Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
	Carrying value	Fair value	(Level 1)	(Level 2)	(Level 3)
Cash	$28,687	$28,687	$28,687	$—	$—
Cash (funds held for customers)	38,976	38,976	38,976	—	—
Loans and notes receivable from distributors	11,940	10,616	—	—	10,616
Long-term debt, including portion due within one year	741,706	738,157	544,657	193,500	—

Note 7: Restructuring charges

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

	Quarter Ended March 31,	
	2012	2011
Severance accruals	$1,992	$796
Severance reversals	(465)	(738)
Net restructuring accruals	1,527	58
Other costs	350	1,416
Net restructuring charges	$1,877	$1,474

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

	Quarter Ended March 31,	
	2012	2011
Cost of goods sold	$1,239	$47
Operating expenses	638	1,427
Net restructuring charges	$1,877	$1,474

2012 restructuring charges – During the quarter ended March 31, 2012, the net restructuring accruals included severance charges related to employee reductions across functional areas as we continue to reduce costs, including the planned closing of one of our printing facilities in the fourth quarter of 2012. The restructuring accruals included severance benefits for approximately 145 employees. These charges were reduced by the reversal of restructuring accruals recorded in previous years, as fewer employees received severance benefits than originally estimated. Other restructuring costs, which were expensed as incurred, included items such as employee and equipment moves, training and travel related to our restructuring activities.

2011 restructuring charges – During the quarter ended March 31, 2011, the net restructuring accruals included severance charges related to employee reductions in various functional areas as we continued to reduce costs, primarily within our fulfillment and shared services organizations. The restructuring accruals included severance benefits for approximately 20 employees. These charges were reduced by the reversal of restructuring accruals, recorded primarily in 2010, as fewer employees received severance benefits than originally estimated. Other restructuring costs, which were expensed as incurred, included items such as employee and equipment moves, training and travel related to our restructuring activities.

Restructuring accruals of $4,939 as of March 31, 2012 are reflected in the consolidated balance sheet as accrued liabilities of $4,905 and other non-current liabilities of $34. Restructuring accruals of $6,032 as of December 31, 2011 are reflected in the consolidated balance sheet as accrued liabilities of $5,946 and other non-current liabilities of $86. The majority of the employee reductions are expected to be completed by the first quarter of 2013, and we expect most of the related severance payments to be paid by the third quarter of 2013, utilizing cash from operations. The remaining payments due under operating lease obligations will be paid through May 2013. As of March 31, 2012, approximately 265 employees had not yet started to receive severance benefits. Further information regarding our restructuring accruals can be found under the caption “Note 8: Restructuring charges” in the Notes to Consolidated Financial Statements appearing in the 2011 Form 10-K.

As of March 31, 2012, our restructuring accruals, by company initiative, were as follows:

	2009 initiatives	2010 initiatives	2011 initiatives	2012 initiatives	Total
Balance, December 31, 2011	$184	$781	$5,067	$—	$6,032
Restructuring charges	11	5	183	1,793	1,992
Restructuring reversals	—	(189)	(276)	—	(465)
Payments	(65)	(262)	(2,140)	(153)	