NAVIGANT CONSULTING INC
Form 10-Q
July 31, 2014
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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 June 30, 2014

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File No. 1-12173

Navigant Consulting, Inc.

(Exact name of Registrant as specified in its charter)

Delaware	**36-4094854**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

30 South Wacker Drive, Suite 3550, Chicago, Illinois 60606

(Address of principal executive offices, including zip code)

(312) 573-5600

(Registrant s telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES x 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. (Check one):

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

As of July 25, 2014, 48,839,208 shares of the registrant s common stock, par value $.001 per share, were outstanding.

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Forward-Looking Statements

Statements included in this report which are not historical in nature are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements may generally be identified by words such as anticipate, believe, intend, estimate, expect, plan, outlook and similar expressions. We caution rea there may be events in the future that we are not able to accurately predict or control and the information contained in the forward-looking statements is inherently uncertain and subject to a number of risks that could cause actual results to differ materially from those contained in or implied by the forward-looking statements, including the factors described in the section entitled Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2013 and Part I, Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations in this report. We cannot guarantee any future results, levels of activity, performance or achievement, and we undertake no obligation to update any of the forward-looking statements contained in this report.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

NAVIGANT CONSULTING, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands)

	June 30, 2014 (unaudited)	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9,852	$ 1,968
Accounts receivable, net	205,527	167,066
Prepaid expenses and other current assets	26,633	24,554
Deferred income tax assets	14,550	17,314
Total current assets	256,562	210,902
Non-current assets:		
Property and equipment, net	57,149	44,338
Intangible assets, net	27,776	10,778
Goodwill	571,863	615,343
Other assets	20,984	22,836
Total assets	$ 934,334	$ 904,197
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 11,087	$ 13,415
Accrued liabilities	11,006	12,691
Accrued compensation-related costs	59,002	78,610
Income tax payable		1,137
Other current liabilities	28,990	32,009
Total current liabilities	110,085	137,862
Non-current liabilities:		
Deferred income tax liabilities	71,240	86,571
Other non-current liabilities	38,888	26,016
Bank debt non-current	188,825	56,673
Total non-current liabilities	298,953	169,260

Total liabilities	409,038	307,122
Stockholders equity:		
Common stock	63	63
Additional paid-in capital	606,606	598,724
Treasury stock	(262,522)	(247,106)
Retained earnings	189,755	254,735
Accumulated other comprehensive loss	(8,606)	(9,341)
Total stockholders equity	525,296	597,075
Total liabilities and stockholders equity	$ 934,334	$ 904,197

See accompanying notes to unaudited consolidated financial statements.

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NAVIGANT CONSULTING, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands, except per share data)

	For the three months ended June 30,		For the six months ended June 30,	
	2014	2013	2014	2013
Revenues before reimbursements	$ 186,504	$ 187,066	$ 361,560	$ 370,200
Reimbursements	21,593	22,589	44,285	48,954
Total revenues	208,097	209,655	405,845	419,154
Cost of services before reimbursable expenses	126,792	122,360	246,920	245,412
Reimbursable expenses	21,593	22,589	44,285	48,954
Total costs of services	148,385	144,949	291,205	294,366
General and administrative expenses	34,237	32,556	67,339	65,122
Depreciation expense	4,953	4,100	9,262	7,830
Amortization expense	1,633	1,713	2,995	3,411
Other operating costs (benefit):				
Contingent acquisition liability adjustments, net	(2,444)		(3,604)	
Office consolidation, net		290		498
Gain on disposition of assets				(1,715)
Goodwill impairment	122,045		122,045	
Other impairment	204		204	
Operating income (loss)	(100,916)	26,047	(83,601)	49,642
Interest expense	1,397	1,172	2,235	2,397
Interest income	(71)	(112)	(160)	(275)
Other (income) expense, net	186	6	268	(142)
Income (loss) from continuing operations before income tax (benefit) expense	(102,428)	24,981	(85,944)	47,662
Income tax (benefit) expense	(26,569)	10,732	(20,455)	20,298
Net income (loss) from continuing operations	(75,859)	14,249	(65,489)	27,364
Income (loss) from discontinued operations, net of tax		(299)	509	384
Net income (loss)	$ (75,859)	$ 13,950	$ (64,980)	$ 27,748
Basic per share data				
Net income (loss) from continuing operations	$ (1.55)	$ 0.28	$ (1.34)	$ 0.55
Income (loss) from discontinued operations, net of tax		(0.01)	0.01	0.01
Net income (loss) (1)	$ (1.55)	$ 0.28	$ (1.33)	$ 0.55

Shares used in computing basic per share data	48,971	50,041	48,917	50,168
Diluted per share data				
Net income (loss) from continuing operations	$ (1.55)	$ 0.28	$ (1.34)	$ 0.53
Income (loss) from discontinued operations, net of tax		(0.01)	0.01	0.01
Net income (loss)	$ (1.55)	$ 0.27	$ (1.33)	$ 0.54
Shares used in computing diluted per share data	48,971	51,022	48,917	51,191
Net income (loss)	$ (75,859)	$ 13,950	$ (64,980)	$ 27,748
Other comprehensive income (loss), net of tax				
Unrealized net income (loss), foreign currency translation	786	(744)	692	(6,085)
Unrealized net income (loss) on interest rate derivatives	(14)	45	(34)	35
Reclassification adjustment on interest rate derivatives included in interest expense and income tax expense	39	30	77	58
Other comprehensive income (loss), net of tax	811	(669)	735	(5,992)
Total comprehensive income (loss), net of tax	$ (75,048)	$ 13,281	$ (64,245)	$ 21,756

(1) Basic net income per share for the three and six months ended June 30, 2013 do not sum due to rounding.

See accompanying notes to unaudited consolidated financial statements.

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NAVIGANT CONSULTING, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(In thousands)

	Common Stock Shares	Treasury Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Treasury Stock Cost	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stock-holders Equity
Balance at December 31, 2013	62,802	(13,770)	63	598,724	(247,106)	(9,341)	254,735	597,075
Comprehensive income (loss)						735	(64,980)	(64,245)
Issuances of common stock	94			1,535				1,535
Tax benefits on stock options exercised and restricted stock units vested				1,929				1,929
Vesting of restricted stock and restricted stock units, net of forfeitures and tax withholdings	630	(44)		(3,573)	(817)			(4,390)
Share-based compensation expense	10	(10)		5,408	(172)			5,236
Additional paid-in capital recorded through compensation expense				2,583				2,583
Repurchases of common stock		(814)			(14,427)			(14,427)
Balance at June 30, 2014	63,536	(14,638)	$ 63	$ 606,606	$ (262,522)	$ (8,606)	$ 189,755	$ 525,296

See accompanying notes to unaudited consolidated financial statements.

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NAVIGANT CONSULTING, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	For the six months ended June 30, 2014	2013
Cash flows from operating activities:		
Net income (loss)	$ (64,980)	$ 27,748
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation expense	9,262	7,830
Accelerated depreciation - office consolidation		498
Amortization expense	2,995	3,411
Amortization expense client-facing software	242	151
Share-based compensation expense	5,236	5,419
Accretion of interest expense	654	453
Deferred income taxes	(24,395)	11,973
Allowance for doubtful accounts receivable	2,784	1,227
Contingent acquisition liability adjustments, net	(3,604)	
Gain on disposition of assets		(1,715)
Gain on disposition of discontinued operations	(509)	
Goodwill impairment	122,045	
Other impairment	204	
Changes in assets and liabilities (net of acquisitions and dispositions):		
Accounts receivable	(29,293)	(16,264)
Prepaid expenses and other assets	141	7,125
Accounts payable	(4,216)	(5,559)
Accrued liabilities	(1,695)	87
Accrued compensation-related costs	(21,619)	(21,428)
Income taxes payable	(837)	(5,412)
Other liabilities	(4,879)	21
Net cash (used in) provided by operating activities	(12,464)	15,565
Cash flows from investing activities:		
Purchases of property and equipment	(10,942)	(5,755)
Acquisitions of businesses, net of cash acquired	(84,834)	
Proceeds from dispositions, net of selling costs	824	15,607
Payments of acquisition liabilities	(443)	(348)
Capitalized client-facing software	(864)	(2,001)
Net cash (used in) provided by investing activities	(96,259)	7,503
Cash flows from financing activities:		
Issuances of common stock	1,535	2,145

Repurchases of common stock	(14,427)	(13,645)
Payments of contingent acquisition liabilities	(107)	(3,287)
Repayments to banks	(156,895)	(204,444)
Borrowings from banks	288,774	199,338
Other, net	(2,281)	(1,452)
Net cash (used in) provided by financing activities	116,599	(21,345)
Effect of exchange rate changes on cash and cash equivalents	8	(187)
Net increase in cash and cash equivalents	7,884	1,536
Cash and cash equivalents at beginning of the period	1,968	1,052
Cash and cash equivalents at end of the period	$ 9,852	$ 2,588

Supplemental Consolidated Cash Flow Information

	For the six months ended June 30,	
	2014	**2013**
Interest paid	$ 1,192	$ 1,554
Income taxes paid, net of refunds	$ 3,236	$ 13,133

See accompanying notes to unaudited consolidated financial statements.

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NAVIGANT CONSULTING, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Navigant Consulting, Inc. (we, us, or our) is an independent specialized, global professional services firm that combines deep industry knowledge with technical expertise to enable companies to defend, protect and create value. We focus on industries and clients facing transformational change and significant regulatory and legal issues. We serve clients primarily in the healthcare, energy, construction and financial services sectors which represent highly complex regulatory environments. Our professional service offerings include strategic, financial, operational, technology, risk management, compliance, investigative solutions, dispute resolution services and revenue cycle management. We provide our services to companies, legal counsel and governmental agencies. Our business is organized in four reporting segments Disputes, Investigations & Economics; Financial, Risk & Compliance; Healthcare; and Energy.

The accompanying unaudited interim consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) for interim reporting and do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America (GAAP). The information contained herein includes all adjustments, consisting of normal and recurring adjustments except where indicated, which are, in the opinion of management, necessary for a fair presentation of the results of operations for the interim periods presented.

The results of operations for the three and six months ended June 30, 2014 are not necessarily indicative of the results to be expected for the entire year ending December 31, 2014.

These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes as of and for the year ended December 31, 2013 included in our Annual Report on Form 10-K filed with the SEC on February 14, 2014 (2013 10-K).

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the unaudited consolidated financial statements and the related notes. Actual results could differ from those estimates and may affect future results of operations and cash flows. We have evaluated events and transactions occurring after the balance sheet date and prior to the date of the filing of this report.

2. ACQUISITIONS

2014 Acquisitions

On May 14, 2014, we acquired Cymetrix Corporation (Cymetrix) to expand our healthcare business. Cymetrix specializes in providing revenue cycle management services to hospital and healthcare networks. This acquisition included approximately 600 professionals and was integrated into our Technology, Data & Process group within our Healthcare segment. We paid $76.9 million, including selling costs, in cash at closing. The selling stockholders of Cymetrix can also earn up to an additional $25.0 million based on the business achieving certain performance targets over the period beginning November 1, 2014 and ending October 31, 2015. The additional payment is due within 90 days of the end of the performance period. During the third quarter we expect to pay approximately $1.4 million for closing date working capital adjustments. We estimated the fair value of the deferred contingent consideration on the date of closing to be $20.3 million which was recorded in other non-current liabilities at net present value using a risk-adjusted discount rate. During the six months ended June 30, 2014, acquisition costs relating to this acquisition totaling $1.1 million were expensed as incurred and included within general and administrative expenses. We have preliminarily estimated the fair value of the assets and liabilities for Cymetrix. We are still in the process of finalizing closing date working capital adjustments and tax related balances. In addition, as we complete our review we may come across additional closing date adjustments not anticipated. These adjustments may revise our preliminary purchase price allocation. The excess of the purchase price over the aggregate fair values was recorded as goodwill as required by ASC 805 Accounting for Business Combinations and Non-controlling Interests. Post-acquisition adjustments relating to facts and circumstances at the closing date, if any, will be recorded to goodwill as identified for a period not exceeding 12 months. The preliminary opening balance sheet for Cymetrix is as follows (in thousands):

Cash	$ 1,357
Accounts receivable, net	11,283
Other current assets	1,659
Property and equipment, net	11,813
Goodwill	71,212
Intangible assets	18,000
Total assets	$ 115,324
Total liabilities	$ 36,975

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The beginning balance of the Cymetrix intangible assets consisted of the following (amounts in thousands, except year data):

Category	Useful Life (years)	Amount
Trade name	4.0	$ 1,900
Customer lists and relationships	8.3	16,100
		$ 18,000

Also, during 2014, we acquired two small businesses, Leerink Swann Consulting (Leerink) in April 2014 and HLP Consulting PTE. LTD (HLP) in June 2014, for an aggregate purchase price of $8.5 million, of which $6.4 million was paid in cash at closing. Leerink was integrated into our Healthcare segment, and HLP was integrated into our Disputes, Investigations & Economics segment.

2013 Acquisitions

On July 1, 2013, we acquired the assets of The Anson Group, LLC (Anson) for an aggregate purchase price of $5.0 million, of which $3.0 million was paid in cash at closing and $2.0 million will be paid in deferred cash payments in three equal installments on each of the first, second and third anniversaries of closing. Anson can also earn up to $3.0 million of additional payments based on the business achieving certain performance targets over a three-year period following the closing. The deferred contingent consideration is recorded at fair value for each reporting period (see Note 12 Fair Value). Anson was integrated into our Disputes, Investigations & Economics segment.

Pro Forma Information

The following supplemental unaudited pro forma financial information was prepared as if the acquisitions noted above had occurred as of January 1, 2013. The following table was prepared for comparative purposes only and does not purport to be indicative of what would have occurred had the acquisitions been made at that time or of results which may occur in the future (in thousands, except per share data).

	For the three months ended June 30, 2014	For the three months ended June 30, 2013	For the six months ended June 30, 2014	For the six months ended June 30, 2013
Total revenues	$ 216,425	$ 229,076	$ 430,267	$ 456,038
Net income (loss) from continuing operations	$ (75,859)	$ 14,876	$ (65,491)	$ 28,524
Basic net income (loss) from continuing operations per basic share	$ (1.54)	$ 0.30	$ ($1.34)	$ $0.57
Shares used in computing net income (loss) per basic share	48,971	50,041	48,917	50,168
Diluted net income (loss) from continuing operations per diluted share	$ (1.54)	$ 0.29	$ ($1.34)	$ 0.56
Shares used in computing net income (loss) per diluted share	48,971	51,022	48,917	51,191

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3. DISPOSITIONS AND DISCONTINUED OPERATIONS

On July 8, 2013, we sold the United Kingdom financial services advisory business within our Financial, Risk & Compliance segment. The transaction included the transition of 45 employees to the purchaser. As part of the transaction, we received $1.4 million in cash, net of selling costs and a holdback for post-closing working capital adjustments. The sale agreement also allowed for contingent deferred proceeds of $2.5 million payable to us on the 13th month anniversary of the closing based on the achievement of certain performance targets. Contingent deferred proceeds are currently estimated to be zero. During the three months ended March 31, 2014, we recorded a $0.5 million gain which was included in income from discontinued operations, net of tax, related to the settlement of the holdback mentioned above.

The operating results of the United Kingdom financial services advisory business have been reported in accordance with ASC Topic 205 as discontinued operations. All other operations are considered continuing operations. Summarized operating results of the discontinued operations are presented in the following table (in thousands):

	For the three months ended June 30, 2014	For the three months ended June 30, 2013	For the six months ended June 30, 2014	For the six months ended June 30, 2013
Revenues before reimbursements	$	$ 2,641	$	$ 6,765
Total revenues	$	$ 3,437	$	$ 8,711
Income (loss) from discontinued operations before income tax expense	$	$ (383)	$ 509	$ 511
Income tax (benefit) expense from discontinued operations	$	$ (84)	$	$ 127
Income (loss) from discontinued operations, net of tax	$	$ (299)	$ 509	$ 384

On January 31, 2013, we sold a portion of the economics business within our Disputes, Investigations & Economics segment. This disposition facilitated the transition of four experts and certain engagements and approximately 40 other employees to the purchaser. We received $15.6 million in cash, net of selling costs, for the sale. As part of the transaction, we recorded a $1.7 million gain in other operating benefit, which reflected a reduction of $7.4 million in goodwill and $6.5 million in working capital. The economics business remains as a continuing operation and as such did not qualify as discontinued operations.

4. SEGMENT INFORMATION

Our business is assessed and resources are allocated based on the following four reportable segments:

The **Disputes, Investigations & Economics** segment provides accounting, financial and economic analysis, as well as discovery support, data management and analytics, on a wide range of legal and business issues including disputes, investigations and regulatory matters. The clients of this segment are principally companies, along with their in-house counsel and law firms, as well as accounting firms, corporate boards and government agencies.

The **Financial, Risk & Compliance** segment provides strategic, operational, valuation, risk management, investigative and compliance consulting to clients in the highly regulated financial services industry, including major financial and insurance institutions. This segment also provides anti-corruption solutions and anti-money laundering, valuation and restructuring consulting, litigation support and tax compliance services to clients in a broad variety of industries.

The **Healthcare** segment provides strategic, operational, performance improvement and revenue cycle management solutions to clients across the healthcare landscape including health systems, physician practice groups, health insurance providers, government and life sciences companies. We assist clients on issues such as the shift to an outcomes and value-based reimbursements model, ongoing industry consolidation and reorganization, and the required implementation of a new medical coding system.

The **Energy** segment provides management advisory services to utility, government and commercial clients. We focus on creating value for our clients by assisting in their implementation of new business models and creating sustainable excellence on issues ranging from asset investment management, integrated resource planning, renewables, distributed generation, energy efficiency and outage management and restoration.

The following information includes segment revenues before reimbursements, segment total revenues and segment operating profit. Certain unallocated expense amounts related to specific reporting segments have been excluded from segment operating profit to be consistent with the information used by management to evaluate segment performance. Segment operating profit represents total revenues less costs of services excluding long-term compensation expense attributable to consultants. Long-term compensation expense attributable to consultants includes share-based compensation expense and compensation expense attributed to certain retention incentives (see Note 7 Share-based Compensation Expense and Note 8 Supplemental Consolidated Balance Sheet Information). During the year ended December 31, 2013, we disposed of a portion of our Financial, Risk & Compliance segment and the results of operations from the disposed business have been classified as discontinued operations. As such, the segment information reflects results of segment operations on a continuing basis (see Note 3 Dispositions and Discontinued Operations).

The information presented does not necessarily reflect the results of segment operations that would have occurred had the segments been stand-alone businesses.

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Information on the segment operations has been summarized as follows (in thousands):

	For the three months ended June 30, 2014	For the three months ended June 30, 2013	For the six months ended June 30, 2014	For the six months ended June 30, 2013
Revenues before reimbursements:				
Disputes, Investigations & Economics	$ 76,294	$ 76,352	$ 152,326	$ 153,327
Financial, Risk & Compliance	32,193	40,097	63,604	77,738
Healthcare	54,446	46,814	99,181	90,397
Energy	23,571	23,803	46,449	48,738
Total revenues before reimbursements	$ 186,504	$ 187,066	$ 361,560	$ 370,200
Total revenues:				
Disputes, Investigations & Economics	$ 82,444	$ 82,828	$ 164,528	$ 166,286
Financial, Risk & Compliance	38,224	46,939	76,222	94,268
Healthcare	60,476	52,383	110,842	101,574
Energy	26,953	27,505	54,253	57,026
Total revenues	$ 208,097	$ 209,655	$ 405,845	$ 419,154
Segment operating profit:				
Disputes, Investigations & Economics	$ 26,213	$ 25,393	$ 50,931	$ 51,210
Financial, Risk & Compliance	13,541	16,791	27,009	30,938
Healthcare	15,475	18,110	29,504	33,914
Energy	7,009	8,075	13,496	16,871
Total segment operating profit	62,238	68,369	120,940	132,933
Segment reconciliation to income from continuing operations before income tax (benefit) expense:				
Reconciling items:				
General and administrative expenses	34,237	32,556	67,339	65,122
Depreciation expense	4,953	4,100	9,262	7,830
Amortization expense	1,633	1,713	2,995	3,411
Other operating costs (benefit), net	119,805	290	118,645	(1,217)
Long-term compensation expense attributable to consultants (including share-based compensation expense)	2,526	3,663	6,300	8,145
Operating income (loss)	(100,916)	26,047	(83,601)	49,642
Interest and other expense, net	1,512	1,066	2,343	1,980
Income (loss) from continuing operations before income tax (benefit) expense	$ (102,428)	$ 24,981	$ (85,944)	$ 47,662

Total assets allocated by segment include accounts receivable (net), certain retention-related prepaid assets, intangible assets and goodwill. The remaining assets are unallocated. Allocated assets by segment were as follows (in thousands):

	June 30, 2014	December 31, 2013
Disputes, Investigations & Economics	$ 342,628	$ 443,417
Financial, Risk & Compliance	94,750	89,498
Healthcare	285,236	173,066
Energy	99,464	101,851
Unallocated assets	112,256	96,365
Total assets	$ 934,334	$ 904,197

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5. GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill consisted of (in thousands):

	June 30, 2014	December 31, 2013
Goodwill	$ 699,333	$ 620,768
Less - accumulated amortization	(5,425)	(5,425)
Less - accumulated impairment	(122,045)	
Goodwill, net	$ 571,863	$ 615,343

Changes made to our goodwill balances during the six months ended June 30, 2014 and 2013 were as follows (in thousands):

	Disputes, Investigations & Economics	Financial, Risk & Compliance	Healthcare	Energy	Total Company
Goodwill, net as of January 1, 2013	$ 357,091	$ 56,982	$ 129,231	$ 76,628	$ 619,932
Adjustments	(78)	11	(34)		(101)
Disposition	(7,350)				(7,350)
Foreign currency	(5,757)	(168)		(73)	(5,998)
Goodwill, net as of June 30, 2013	$ 343,906	$ 56,825	$ 129,197	$ 76,555	$ 606,483
Goodwill, net as of January 1, 2014	354,221	55,330	129,191	76,601	615,343
Acquisitions	3,100		74,724		77,824
Impairment	(122,045)				(122,045)
Adjustments	(78)	(17)	(6)		(101)
Foreign currency	852	(14)		4	842
Goodwill, net as of June 30, 2014	$ 236,050	$ 55,299	$ 203,909	$ 76,605	$ 571,863

We performed our annual goodwill impairment test as of May 31, 2014. The test is a two-step test, the first step compares the fair value of a reporting unit to its carrying value. The fair value is determined using a discounted cash flow analysis (income approach) and a comparable company analysis (market approach). The second step is performed only if the carrying value exceeds the fair value determined in step one.

We determine the fair value of a reporting unit by using an equal weighting of estimated fair value using the income and market approaches. The income approach uses estimated future cash flows and terminal values. Assumptions used to determine future cash flows include: forecasted growth rates; profit margins; longer-term historical performance and cost of capital. Our assumptions are consistent with our internal projections and operating plans. Our internal projections and operating plans and thus our estimated fair value may be impacted by the overall economic environment. Our assumptions may change as a result of, among other things: changes in our estimated business future growth rate; profit margin; long-term outlook; market valuations of comparable companies;

the ability to retain key personnel; changes in operating segments; competitive environment and weighted average cost of capital. Under the market approach for determining fair value, we adopt certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk or the risks inherent in the inputs to the valuation. Inputs to the valuation can be readily observable, market-corroborated or unobservable. Wherever possible, we use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs; however, due to the use of our own assumptions about the inputs in measuring fair value, our goodwill impairment testing also makes use of significant unobservable inputs. The fair value of our reporting units is also impacted by our overall market capitalization and may be impacted by volatility in our stock price and assumed control premium, among other things.

If the carrying value exceeds the fair value determined in step one, step two is performed. Step two requires us to calculate the implied fair value of a reporting unit s goodwill. This is accomplished by performing a hypothetical purchase price allocation for the reporting unit as of the measurement date, similar to the purchase price allocation used when purchasing a new business. We estimate the fair value of the reporting unit s assets and liabilities and deem the residual fair value of the reporting unit as the implied fair value of the reporting unit s goodwill. To the extent that the implied fair value of goodwill is below our carrying value, an impairment is recorded to reduce the carrying value to the implied fair value. The resulting impairment may be significantly higher than the difference between the carrying value and fair value determined in step one as a result of fair value assigned to other assets and liabilities in the hypothetical purchase price allocation completed in step two.

The key assumptions used in our annual impairment test included: internal projections completed during our most recent quarterly forecasting process; profit margin improvement generally consistent with our longer-term historical performance; assumptions regarding contingent revenue; revenue growth rates consistent with our longer-term historical performance also considering our near term investment plans and growth objectives; discount rates that were determined based on comparable discount rates for our peer group; company specific risk considerations; and cost of capital based on our historical experience. Each reporting unit s estimated fair value depends on various factors including its expected ability to achieve profitable growth.

Based on our assumptions, the estimated fair value exceeded the net asset carrying value for our Healthcare, Energy and Financial, Risk & Compliance reporting units as of May 31, 2014. Accordingly, there was no indication of impairment of our goodwill for these reporting units. Healthcare, Energy and Financial, Risk & Compliance reporting units exceeded their net asset carrying values by 41%, 41% and 65%, respectively.

Based on our impairment test as of May 31, 2014, the estimated fair value of our Disputes, Investigations & Economics reporting unit was less than the net asset carrying value by approximately 1%. As such, we performed the second step of the goodwill impairment test on this reporting unit. The second step indicated that the current fair value of the reporting unit s identifiable intangible assets based upon the hypothetical purchase price allocation mentioned above significantly exceeded the carrying value of those assets. As such, a pre-tax goodwill impairment of $122.0 million was recorded as a separate line item within other operating costs (benefit) within the unaudited consolidated statements of comprehensive income (loss). The impairment was non-cash in nature and did not affect our current liquidity, cash flows, borrowing capability or operations; nor did it impact the debt covenants under our credit agreement. Additionally, we tested the intangible and tangible assets related to this reporting unit based on the related undiscounted future cash flows and concluded that no impairment for these assets existed.

Historically, our May 31, 2013 and 2012 impairment tests of our Disputes, Investigations & Economics indicated that the reporting unit exceeded its carrying value by 7% and 18%, respectively. Given the relatively lower percentage of excess of carrying value and the decreasing trend in the estimated fair value of this reporting unit, we indicated in previous periodic reports filed with the SEC that if the estimated fair value decreased in future periods, an impairment could result. Also, due to the relatively low excess carrying value, we have evaluated Disputes, Investigations, & Economics each quarter since our May 31, 2013 impairment test, and at the time, concluded that it was not more likely than not that the fair value of the reporting unit had fallen below the carrying value and as a result the two step impairment test was not performed prior to the May 2014 annual impairment test.

In completing our annual impairment test at May 31, 2014, we considered historical trends as we updated projections for the business. While Disputes, Investigations & Economics revenue before reimbursements (RBR) during the three months ended June 30, 2014 was consistent with the corresponding period in 2013 and segment operating profit as a percentage of RBR (margins) were slightly improved, the results were lower than assumed in previous projections. At the same time, declines in our most recent projections for the year ended December 31, 2014 indicated results were not expected to return to levels included in previous projections. As a result, as we finalized our longer term growth assumptions for Disputes, Investigations & Economics (as well as our other segments), we reduced our long-term RBR growth rates and also lowered our expectations for margin improvements in the future, partly due to the anticipated change in mix of services within the segment. We also considered contingent events not included in our projections that would potentially improve RBR and margin performance, and included those factors in our impairment test. However, the impact of lower long-term RBR and margin growth combined with these other contingent improvement considerations still resulted in a lower overall projection from previous projections for the segment.

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We will continue to monitor the factors and key assumptions used in determining the fair value of each of our reporting units. There can be no assurance that goodwill or intangible assets will not be further impaired in the future. We will perform our next annual goodwill impairment test on May 31, 2015.

As we review our portfolio of services in the future, we may exit certain markets or reposition certain service offerings within our business. Consistent with past evaluations, further evaluations may result in redefining our operating segments and may impact a significant portion of one or more of our reporting units. As noted above, if such actions occur, they may be considered triggering events that would result in our performing an interim impairment test of our goodwill and an impairment test of our intangible assets.

Intangible assets consisted of (in thousands):

	June 30, 2014	December 31, 2013
Intangible assets:		
Customer lists and relationships	$ 97,421	$ 79,514
Non-compete agreements	22,924	22,557
Other	26,241	24,297
Intangible assets, at cost	146,586	126,368
Less: accumulated amortization	(118,810)	(115,590)
Intangible assets, net	$ 27,776	$ 10,778

Our intangible assets have estimated remaining useful lives ranging up to ten years which approximate the estimated periods of consumption. We will amortize the remaining net book values of intangible assets over their remaining useful lives. During the three months ended June 30, 2014 we acquired $18.0 million in intangible assets as part of our Cymetrix acquisition (see Note 2 Acquisitions). At June 30, 2014, our intangible assets consisted of the following (amounts in thousands, except year data):

Category	Weighted Average Remaining Years	Amount
Customer lists and relationships, net	7.7	$ 23,295
Non-compete agreements, net	4.1	1,697
Other intangible assets, net	3.0	2,784
Total intangible assets, net	7.0	$ 27,776

Below is the estimated annual aggregate amortization expense to be recorded for the remainder of 2014 and in future years related to intangible assets at June 30, 2014 (in thousands):

Year Ending December 31,	Amount
2014 (July - December)	$ 2,872
2015	6,680
2016	5,141
2017	3,978
2018	2,947
Thereafter	6,158
Total	$ 27,776

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6. NET INCOME (LOSS) PER SHARE (EPS)

The components of basic and diluted shares (in thousands and based on the weighted average days outstanding for the periods) are as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2014	2013	2014	2013
Basic shares	48,971	50,041	48,917	50,168
Employee stock options		97		79
Restricted stock and restricted stock units		817		813
Contingently issuable shares		67		131
Diluted shares	48,971	51,022	48,917	51,191
Antidilutive shares (1)	1,283	461	1,452	526

(1) Stock options with exercise prices greater than the average market price of our common stock during the respective time periods were excluded from the computation of diluted shares because the impact of including the shares subject to these stock options in the diluted share calculation would have been antidilutive.

Due to a net loss applicable to common stockholders for the three and six months ended June 30, 2014, respectively, we excluded 1,107,060 and 1,339,087 in potentially dilutive securities from the computation as their effect would be anti-dilutive.

7. SHARE-BASED COMPENSATION EXPENSE

Share-based compensation expense is recorded for restricted stock, restricted stock units, stock options and the discount given on employee stock purchase plan transactions.

The following table shows the amounts attributable to each category (in thousands):

	For the three months ended June 30,		For the six months ended June 30,	
	2014	2013	2014	2013
Amortization of restricted stock and restricted stock unit awards	$ 2,274	$ 2,630	$ 4,682	$ 4,762
Amortization of stock option awards	193	185	386	477
Discount given on employee stock purchase transactions through our Employee Stock Purchase Plan	55	51	168	139
Total share-based compensation expense	$ 2,522	$ 2,866	$ 5,236	$ 5,378

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Total share-based compensation expense consisted of the following (in thousands):

	For the three months ended June 30,		For the six months ended June 30,	
	2014	2013	2014	2013
Cost of services before reimbursable expenses	$ 1,183	$ 1,547	$ 2,625	$ 2,829
General and administrative expenses	1,339	1,319	2,611	2,549
Total share-based compensation expense	$ 2,522	$ 2,866	$ 5,236	$ 5,378

Share-based compensation expense attributable to consultants was included in cost of services before reimbursable expenses. Share-based compensation expense attributable to corporate management and support personnel was included in general and administrative expenses. Amounts are presented on a continuing operations basis.

At June 30, 2014, we had $16.2 million of total compensation costs related to unvested stock-based awards that have not been recognized as share-based compensation expense. The compensation costs will be recognized as an expense over the remaining vesting periods. The weighted average remaining vesting period is approximately 2 years. During the six months ended June 30, 2014 we granted an aggregate of 835,178 shares underlying restricted stock unit and stock option awards with an aggregate fair value of $14.1 million at the time of grant. These grants include certain awards that vest based on relative achievement of pre-established performance criteria.

8. SUPPLEMENTAL CONSOLIDATED BALANCE SHEET INFORMATION

Accounts Receivable, net

The components of accounts receivable were as follows (in thousands):

	June 30, 2014	December 31, 2013
Billed amounts	$ 145,232	$ 121,335
Engagements in process	71,834	55,650
Allowance for uncollectible accounts	(11,539)	(9,919)
Accounts receivable, net	$ 205,527	$ 167,066

Receivables attributable to engagements in process represent balances for services that have been performed and earned but have not been billed to the client. Services are generally billed on a monthly basis for the prior month s services. Our allowance for uncollectible accounts is based on historical experience and management judgment and may change based on market conditions or specific client circumstances. During the six months ended June 30, 2014 we acquired $11.3 million in accounts receivable as part of the Cymetrix acquisition (see Note 2 Acquisitions).

Prepaid Expenses and Other Current Assets

The components of prepaid expenses and other current assets were as follows (in thousands):

	June 30, 2014	December 31, 2013
Notes receivable - current	$ 4,698	$ 4,906
Income tax receivable	1,816	
Prepaid recruiting and retention incentives	9,148	8,001
Other prepaid expenses and other current assets	10,971	11,647
Prepaid expenses and other current assets	$ 26,633	$ 24,554

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Other Assets

The components of other assets were as follows (in thousands):

	June 30, 2014	December 31, 2013
Notes receivable - non-current	$ 4,534	$ 7,155
Capitalized client-facing software	4,262	5,586
Prepaid recruiting and retention incentives - non-current	8,048	6,773
Prepaid expenses and other non-current assets	4,140	3,322
Other assets	$ 20,984	$ 22,836

Notes receivable represent unsecured employee loans. These loans were issued to recruit or retain certain senior-level consultants. The principal amount and accrued interest on these loans is either paid by the consultant or forgiven by us over the term of the loans so long as the consultant remains continuously employed by us and complies with certain contractual requirements. The expense associated with the forgiveness of the principal amount of the loans is amortized as compensation expense over the service period, which is consistent with the term of the loans.

Capitalized client-facing software is marketed or licensed to our clients. These amounts are amortized into cost of services before reimbursable expenses over their estimated remaining useful life. During the six months ended June 30, 2014 and 2013, we capitalized and acquired $2.4 million and $2.0 million, respectively, in client-facing software. In addition, during the six months ended June 30, 2014, we transferred $3.0 million of developed software into property and equipment, net due to a change in scope for its use.

Prepaid recruiting and retention incentives include sign-on and retention bonuses that are generally recoverable from an employee if the employee terminates employment prior to fulfilling his or her obligations to us. These amounts are amortized as compensation expense over the period in which they are recoverable from the employee, generally in periods up to six years. During the six months ended June 30, 2014 and 2013, we granted $7.8 million and $3.8 million, respectively, of sign-on and retention bonuses, which have been included in current and non-current prepaid recruiting and retention incentives.

Property and Equipment, net

Property and equipment, net consisted of (in thousands):

	June 30, 2014	December 31, 2013
Furniture, fixtures and equipment	$ 67,509	$ 62,486
Software	59,479	43,867
Leasehold improvements	30,102	32,416
Property and equipment, at cost	157,090	138,769
Less: accumulated depreciation and amortization	(99,941)	(94,431)

Property and equipment, net	$ 57,149	$ 44,338

During the six months ended June 30, 2014, we invested $10.1 million in our technology infrastructure and software. Additionally, we disposed of $3.8 million in fully depreciated assets. During the same period, we made a cash payment of $3.6 million relating to additions accrued in prior years, added $11.8 million as part of the Cymetrix acquisition (see Note 2 Acquisitions) and transferred $3.0 million from client-facing software included in other assets due to a change in scope for the use of the developed product.

Other Current Liabilities

The components of other current liabilities were as follows (in thousands):

	June 30, 2014	December 31, 2013
Deferred acquisition liabilities	$ 6,370	$ 5,773
Deferred revenue	14,804	19,503
Deferred rent - short term	2,324	997
Other current liabilities	5,492	5,736
Total other current liabilities	$ 28,990	$ 32,009

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The deferred acquisition liabilities at June 30, 2014 consisted of cash obligations related to definitive and contingent purchase price considerations recorded at net present value. During the six months ended June 30, 2014, we made cash payments of $0.6 million in connection with deferred acquisition liabilities relating to prior period acquisitions and added an additional $1.6 million relating to acquisitions (see Note 2 Acquisitions). Additionally, we reduced the fair value of certain current deferred contingent acquisition liabilities by $0.4 million during the six months ended June 30, 2014 (see Note 12 Fair Value). During the six months ended June 30, 2014, $2.6 million relating to accrued incentive compensation liabilities for the 2013 performance year was recorded as additional paid-in capital at the time of grant of the restricted stock units in 2014.

The current portion of deferred rent relates to rent allowances and incentives on lease arrangements for our office facilities that expire at various dates through 2025.

Deferred revenue represents advance billings to our clients for services that have not yet been performed and earned.

Other Non-Current Liabilities

The components of other non-current liabilities were as follows (in thousands):

	June 30, 2014	December 31, 2013
Deferred acquisition liabilities	$ 26,282	$ 8,038
Deferred rent - long term	9,281	10,642
Other non-current liabilities	3,325	7,336
Total other non-current liabilities	$ 38,888	$ 26,016

The deferred acquisition liabilities at June 30, 2014 consisted of cash obligations related to definitive and contingent purchase price considerations recorded at net present value. As obligations become payable within the year, these cash obligations are moved to other current liabilities. During the six months ended June 30, 2014, we reduced the fair value of certain non-current deferred contingent acquisition liabilities by $3.2 million, added $20.3 million relating to the Cymetrix acquisition and $0.6 million relating to other acquisitions in deferred acquisition liabilities (see Note 2 Acquisitions and Note 12 Fair Value).

The long-term portion of deferred rent relates to rent allowances and incentives on lease arrangements for our office facilities that expire at various dates through 2025.

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9. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table summarizes the activity in accumulated other comprehensive income (loss) (in thousands):

	For the three months ended June 30,		For the six months ended June 30,	
	2014	2013	2014	2013
Unrealized gain (loss) on foreign exchange:				
Balance at beginning of period	$ (9,223)	$ (13,759)	$ (9,129)	$ (8,418)
Unrealized gain (loss) on foreign exchange	786	(744)	692	(6,085)
Balance at end of period	$ (8,437)	$ (14,503)	$ (8,437)	$ (14,503)
Unrealized gain (loss) on derivatives:				
Balance at beginning of period	$ (194)	$ (288)	$ (212)	$ (306)
Unrealized gain (loss) on derivatives in quarter, net of reclassification	(14)	45	(34)	35
Reclassified to interest expense	65	50	128	96
Income tax expense	(26)	(20)	(51)	(38)
Balance at end of period	$ (169)	$ (213)	$ (169)	$ (213)

	2014	2013	2014	2013
Accumulated other comprehensive income (loss) at June 30,	$ (8,606)	$ (14,716)	$ (8,606)	$ (14,716)

10. DERIVATIVES AND HEDGING ACTIVITY

During the six months ended June 30, 2014, the following interest rate derivatives were outstanding (summarized based on month of execution):

Month executed	Number of Contracts	Beginning Date	Maturity Date	Rate	Total Notional Amount (millions)
November 2011	1	May 31, 2012	May 31, 2015	0.98%	$ 10.0
December 2011	2	December 31, 2012	December 31, 2015	1.17%	$ 10.0
March 2012	1	June 29, 2012	June 30, 2015	1.01%	$ 5.0
May 2012	1	June 28, 2013	May 27, 2016	1.15%	$ 5.0

We expect the interest rate derivatives to be highly effective against changes in cash flows related to changes in interest rates and have recorded the derivatives as a cash flow hedge. As a result, gains or losses related to fluctuations in the fair value of the interest rate derivatives are recorded as a component of accumulated other comprehensive (loss) income and reclassified into interest expense as the variable interest expense on our bank debt is recorded. There was no ineffectiveness related to the interest rate derivatives during the six months ended June 30, 2014. During each of the six months ended June 30, 2014 and 2013, we recorded $0.1 million in interest expense associated with differentials received or paid under the interest rate derivatives.

On July 11, 2014, we entered into five additional interest rate swap agreements with five different banks for an aggregate notional value of $30.0 million. These agreements effectively fixed $30.0 million of our LIBOR base rate indebtedness at an average rate of 1.1% beginning July 11, 2014 through July 11, 2017.

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11. BANK DEBT

Our credit agreement provides a $400.0 million revolving credit facility. At our option, subject to the terms and conditions specified in the credit agreement, we may elect to increase the commitments under the credit facility up to an aggregate amount of $500.0 million. The credit facility becomes due and payable in full upon maturity in September 2018. Borrowings and repayments under the credit facility may be made in multiple currencies including U.S. Dollars, Canadian Dollars, United Kingdom Pound Sterling and Euro.

At June 30, 2014, we had aggregate borrowings outstanding of $188.8 million, compared to $56.7 million at December 31, 2013. Based on our financial covenants at June 30, 2014, approximately $190 million in additional borrowings were available to us under the credit facility. At June 30, 2014, we had $8.3 million of unused letters of credit under our credit facility, which have been included as a reduction in the available borrowings above. The letters of credit are primarily related to the requirements of certain lease agreements for office space.

At our option, borrowings under the credit facility bear interest at a variable rate equal to an applicable base rate or LIBOR, in each case plus an applicable margin. For LIBOR loans, the applicable margin varies depending upon our consolidated leverage ratio (the ratio of total funded debt to adjusted EBITDA, as defined in the credit agreement). At June 30, 2014, the applicable margins on LIBOR and base rate loans were 1.00% and zero, respectively. Depending upon our performance and financial condition, our LIBOR loans will have applicable margins varying between 1.00% and 2.00%, and our base rate loans will have applicable margins varying between zero and 1.00%. Our average borrowing rate (including the impact of our interest rate derivatives; see Note 10 Derivatives and Hedging Activity) was 2.0% and 2.4% for the three months ended June 30, 2014 and 2013, respectively, and 2.4% and 2.5% for the six months ended June 30, 2014 and 2013, respectively.

Our credit agreement contains certain financial covenants, including covenants that require that we maintain a consolidated leverage ratio of not greater than 3.25:1 (except for the first quarter of each calendar year when the covenant requires us to maintain a consolidated leverage ratio of not greater than 3.5:1) and a consolidated interest coverage ratio (the ratio of the sum of adjusted EBITDA (as defined in the credit agreement) and rental expense to the sum of cash interest expense and rental expense) of not less than 2.0:1. At June 30, 2014, under the definitions in the credit agreement, our consolidated leverage ratio was 1.7 and our consolidated interest coverage ratio was 4.9. In addition, the credit agreement contains customary affirmative and negative covenants (subject to customary exceptions), including covenants that limit our ability to incur liens or other encumbrances, make investments, incur indebtedness, enter into mergers, consolidations and asset sales, change the nature of our business and engage in transactions with affiliates, as well as customary provisions with respect to events of default. We were in compliance with the terms of our credit agreement at June 30, 2014; however, there can be no assurances that we will remain in compliance in the future.

12. FAIR VALUE

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The inputs used to measure fair value are classified into the following hierarchy:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability

Level 3: Unobservable inputs for the asset or liability

We endeavor to utilize the best available information in measuring fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Our interest rate derivatives (see Note 10 Derivatives and Hedging Activity) are valued using counterparty quotations in over-the-counter markets. In addition, we incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty s nonperformance risk. The credit valuation adjustments associated with our interest rate derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by ourselves and our counterparties. However, at June 30, 2014, we assessed the significance of the impact on the overall valuation and believe that these adjustments are not significant. As such, our interest rate derivatives are classified within Level 2.

In certain instances our acquisitions provide for deferred contingent acquisition payments. These deferred payments are recorded at fair value at the time of acquisition and are included in other current and/or non-current liabilities on our consolidated balance sheets. We estimate the fair value of our deferred contingent acquisition liabilities using a probability-weighted discounted cash flow model. This fair value measure is based on significant inputs not observed in the market and thus represents a Level 3 measurement. Fair value measurements characterized within Level 3 of the fair value hierarchy are measured based on unobservable inputs that are supported by little or no market activity and reflect our own assumptions in measuring fair value.

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The significant unobservable inputs used in the fair value measurements of our deferred contingent acquisition liabilities are our measures of the future profitability and related cash flows and discount rates. The fair value of our deferred contingent acquisition liabilities is reassessed on a quarterly basis based on assumptions provided to us by segment and business area leaders in conjunction with our business development and finance departments. Any change in the fair value estimate is recorded in the earnings of that period. During the six months ended June 30, 2014, we recorded $3.6 million in other operating benefit for a reduction in the liability reflecting changes in the fair value estimate of the deferred contingent consideration for certain acquisitions made in 2012 and 2013 (see Note 2 Acquisitions). The following table summarizes the changes in the deferred contingent consideration liabilities (in thousands):

	For the six months ended June 30,	
	2014	**2013**
Beginning Balance	$ 6,322	$ 13,384
Acquisitions	20,285	36
Accretion of acquisition-related contingent consideration	531	260
Remeasurement of acquisition-related contingent consideration	(3,604)	
Payments	(107)	(3,287)
Ending Balance	$ 23,427	$ 10,393

At June 30, 2014, the carrying value of our bank debt approximated fair value as it bears interest at variable rates. We consider the recorded value of our other financial assets and liabilities, which consist primarily of cash and cash equivalents, accounts receivable and accounts payable, to approximate the fair value of the respective assets and liabilities at June 30, 2014 based upon the short-term nature of the assets and liabilities.

The following table summarizes our financial liabilities measured at fair value on a recurring basis at June 30, 2014 and December 31, 2013 (in thousands):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
At June 30, 2014				