GOOGLE INC.
Form 10-Q
July 23, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2015

OR

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

For the transition period from to

Commission file number: 001-36380

Google Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	77-0493581 (I.R.S. Employer Identification Number)

1600 Amphitheatre Parkway
Mountain View, CA 94043
(Address of principal executive offices, including zip code)
(650) 253-0000
(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 ý 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 ý 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	ý	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 ý

As of July 17, 2015, there were 289,886,273 shares of Google’s Class A common stock outstanding, 51,720,104 shares of Google’s Class B common stock outstanding, and 343,928,872 Google's Class C capital stock outstanding.

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NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, among other things, statements regarding:

- the growth of our business and revenues and our expectations about the factors that influence our success and trends in our business;
- our plans to continue to invest in new businesses, products and technologies, systems, facilities, and infrastructure, to continue to hire aggressively and provide competitive compensation programs, as well as to continue to invest in acquisitions;
- seasonal fluctuations in internet usage and advertiser expenditures, traditional retail seasonality and macroeconomic conditions, which are likely to cause fluctuations in our quarterly results;
- the potential for declines in our revenue growth rate;
- our expectation that growth in advertising revenues from our websites will continue to exceed that from our Google Network Members' websites, which will have a positive impact on our operating margins;
- our expectation that we will continue to take steps to improve the relevance of the ads we deliver and to reduce the number of accidental clicks;
- fluctuations in aggregate paid clicks and average cost-per-click;
- our belief that our foreign exchange risk management program will not fully offset our net exposure to fluctuations in foreign currency exchange rates;
- the expected increase of costs related to hedging activities under our foreign exchange risk management program;
- our expectation that our cost of revenues, research and development expenses, sales and marketing expenses, and general and administrative expenses will increase in dollars and may increase as a percentage of revenues;
- our potential exposure in connection with pending investigations, proceedings, and other contingencies;
- our expectation that our traffic acquisition costs will fluctuate in the future;
- our continued investments in international markets;
- estimates of our future compensation expenses;
- fluctuations in our effective tax rate;
- the sufficiency of our sources of funding;
- our payment terms to certain advertisers, which may increase our working capital requirements;
- fluctuations in our capital expenditures;

as well as other statements regarding our future operations, financial condition and prospects, and business strategies. Forward-looking statements may appear throughout this report and other documents we file with the Securities and Exchange Commission (SEC), including without limitation, Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Quarterly Report on Form 10-Q and Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2014, as may be updated in our subsequent Quarterly Reports on Form 10-Q. Forward-looking statements generally can be identified by words such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "projects," "will be," "will continue," "will and similar expressions. These forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties, which could cause our actual results to differ materially from those reflected in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this Quarterly Report on Form 10-Q, and in particular, the risks discussed in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2014, and those discussed in other documents we file with the SEC. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

As used herein, "Google," "we," "our," and similar terms include Google Inc. and its subsidiaries, unless the context indicates otherwise.

"Google" and other trademarks of ours appearing in this report are our property. This report contains additional trade names and trademarks of other companies. We do not intend our use or display of other companies' trade names or trademarks to imply an endorsement or sponsorship of us by such companies, or any relationship with any of these companies.

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PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
Google Inc.
CONSOLIDATED BALANCE SHEETS
(In millions, except share and par value amounts which are reflected in thousands and par value per share amounts)

	As of December 31, 2014	As of June 30, 2015 (unaudited)
Assets		
Current assets:		
Cash and cash equivalents	$18,347	$18,453
Marketable securities	46,048	51,327
Total cash, cash equivalents, and marketable securities (including securities loaned of $4,058 and $4,448)	64,395	69,780
Accounts receivable, net of allowance of $225 and $235	9,383	9,394
Receivable under reverse repurchase agreements	875	625
Deferred income taxes, net	1,322	1,316
Income taxes receivable, net	591	0
Prepaid revenue share, expenses and other assets	3,412	3,049
Total current assets	79,978	84,164
Prepaid revenue share, expenses and other assets, non-current	3,280	3,403
Non-marketable investments	3,079	4,409
Property and equipment, net	23,883	27,008
Intangible assets, net	4,607	4,213
Goodwill	15,599	15,610
Total assets	$130,426	$138,807
Liabilities and Stockholders’ Equity		
Current liabilities:		
Accounts payable	$1,715	$1,315
Short-term debt	2,009	3,008
Accrued compensation and benefits	3,069	2,466
Accrued expenses and other current liabilities	4,434	4,396
Accrued revenue share	1,952	1,823
Securities lending payable	2,778	2,694
Deferred revenue	752	712
Income taxes payable, net	96	948
Total current liabilities	16,805	17,362
Long-term debt	3,228	2,225
Deferred revenue, non-current	104	108
Income taxes payable, non-current	3,340	3,615
Deferred income taxes, net, non-current	1,971	1,754
Other long-term liabilities	1,118	1,960
Commitments and contingencies		
Stockholders’ equity:		
Convertible preferred stock, $0.001 par value per share, 100,000 shares authorized; no shares issued and outstanding	0	0
	28,767	30,722

Class A and Class B common stock, and Class C capital stock and additional paid-in capital, $0.001 par value per share: 15,000,000 shares authorized (Class A 9,000,000, Class B 3,000,000, Class C 3,000,000); 680,172 (Class A 286,560, Class B 53,213, Class C 340,399) and par value of $680 (Class A $287, Class B $53, Class C $340) and 685,490 (Class A 289,834, Class B 51,748, Class C 343,908) and par value of $686 (Class A $290, Class B $52, Class C $344) shares issued and outstanding		
Accumulated other comprehensive income (loss)	27	(929)
Retained earnings	75,066	81,990
Total stockholders' equity	103,860	111,783
Total liabilities and stockholders' equity	$130,426	$138,807

See accompanying notes.

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Google Inc.
CONSOLIDATED STATEMENTS OF INCOME
(In millions, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2015	2014	2015
	(unaudited)			
Revenues	$15,955	$17,727	$31,375	$34,985
Costs and expenses:				
Cost of revenues	6,114	6,583	12,075	12,939
Research and development	2,238	2,789	4,364	5,542
Sales and marketing	1,941	2,080	3,670	4,145
General and administrative	1,404	1,450	2,893	3,087
Total costs and expenses	11,697	12,902	23,002	25,713
Income from operations	4,258	4,825	8,373	9,272
Interest and other income, net	145	131	502	288
Income from continuing operations before income taxes	4,403	4,956	8,875	9,560
Provision for income taxes	984	1,025	1,887	2,114
Net income from continuing operations	3,419	3,931	6,988	7,446
Net loss from discontinued operations	(68)	0	(266)	0
Net income	$3,351	$3,931	$6,722	$7,446
Less: Adjustment Payment to Class C capital stockholders	0	522	0	522
Net income available to all stockholders	$3,351	$3,409	$6,722	$6,924
Basic net income (loss) per share of Class A and B common stock:				
Continuing operations	$5.06	$4.99	$10.37	$10.15
Discontinued operations	(0.10)	0.00	(0.39)	0.00
Basic net income per share of Class A and B common stock	$4.96	$4.99	$9.98	$10.15
Basic net income (loss) per share of Class C capital stock:				
Continuing operations	$5.06	$6.51	$10.37	$11.68
Discontinued operations	(0.10)	0.00	(0.39)	0.00
Basic net income per share of Class C capital stock	$4.96	$6.51	$9.98	$11.68
Diluted net income (loss) per share of Class A and B common stock:				
Continuing operations	$4.98	$4.93	$10.19	$10.03
Discontinued operations	(0.10)	0.00	(0.39)	0.00
Diluted net income per share of Class A and B common stock	$4.88	$4.93	$9.80	$10.03
Diluted net income (loss) per share of Class C capital stock:				
Continuing operations	$4.98	$6.43	$10.19	$11.53
Discontinued operations	(0.10)	0.00	(0.39)	0.00
Diluted net income per share of Class C capital stock	$4.88	$6.43	$9.80	$11.53

See accompanying notes.

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Google Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2015	2014	2015
	(unaudited)			
Net income	$3,351	$3,931	$6,722	$7,446
Other comprehensive income (loss):				
Change in foreign currency translation adjustment	(11)	218	54	(705)
Available-for-sale investments:				
Change in net unrealized gains (losses)	228	(336)	445	(115)
Less: reclassification adjustment for net gains included in net income	(40)	(50)	(107)	(77)
Net change (net of tax effect of $62, $92, $104, and $31)	188	(386)	338	(192)
Cash flow hedges:				
Change in net unrealized gains	(16)	(61)	(6)	501
Less: reclassification adjustment for net gains included in net income	(4)	(329)	(9)	(560)
Net change (net of tax effect of $21, $202, $9, and $10)	(20)	(390)	(15)	(59)
Other comprehensive income (loss)	157	(558)	377	(956)
Comprehensive income	$3,508	$3,373	$7,099	$6,490

See accompanying notes.

Google Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Six Months Ended June 30,	
	2014	2015
	(unaudited)	
Operating activities		
Net income	$6,722	$7,446
Adjustments:		
Depreciation expense and impairment of property and equipment	1,629	1,949
Amortization and impairment of intangible and other assets	536	462
Stock-based compensation expense	1,802	2,335
Excess tax benefits from stock-based award activities	(292)	(216)
Deferred income taxes	(138)	(150)
Gain on equity interest	(126)	0
(Gain) loss on marketable and non-marketable investments, net	(239)	33
Other	91	116
Changes in assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(454)	(69)
Income taxes, net	90	1,950
Prepaid revenue share, expenses and other assets	519	62
Accounts payable	14	(398)
Accrued expenses and other liabilities	(68)	237
Accrued revenue share	(68)	(121)
Deferred revenue	0	(34)
Net cash provided by operating activities	10,018	13,602
Investing activities		
Purchases of property and equipment	(4,991)	(5,442)
Purchases of marketable securities	(24,857)	(33,126)
Maturities and sales of marketable securities	23,605	27,586
Purchases of non-marketable investments	(467)	(1,449)
Cash collateral related to securities lending	1,713	(84)
Investments in reverse repurchase agreements	0	250
Acquisitions, net of cash acquired, and purchases of intangibles and other assets	(3,490)	(142)
Net cash used in investing activities	(8,487)	(12,407)
Financing activities		
Net payments related to stock-based award activities	(921)	(1,004)
Excess tax benefits from stock-based award activities	292	216
Adjustment Payment to Class C capital stockholders	0	(47)
Proceeds from issuance of debt, net of costs	6,293	6,698
Repayments of debt	(6,304)	(6,704)
Net cash used in financing activities	(640)	(841)
Effect of exchange rate changes on cash and cash equivalents	(9)	(248)
Net increase in cash and cash equivalents	882	106
Cash and cash equivalents at beginning of period	18,898	18,347
Reclassification of assets previously held for sale	(160)	0
Cash and cash equivalents at end of period	$19,620	$18,453

Supplemental disclosures of cash flow information		
Cash paid for taxes	$1,666	$234
Cash paid for interest	$38	$48
Non-cash financing activity:		
Shares issued in connection with the Class C Adjustment Payment	$0	$475

See accompanying notes.

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Google Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Google Inc. and Summary of Significant Accounting Policies

We were incorporated in California in September 1998 and re-incorporated in the State of Delaware in August 2003. We generate revenues primarily by delivering relevant, cost-effective online advertising.

On October 29, 2014, we sold the Motorola Mobile business (Motorola Mobile) to Lenovo Group Limited (Lenovo). The financial results of Motorola Mobile are presented as net loss from discontinued operations on the Consolidated Statements of Income for the three and six months ended June 30, 2014. See Note 8 for further discussion of the sale.

Basis of Consolidation

The consolidated financial statements include the accounts of Google Inc. and our subsidiaries. All intercompany balances and transactions have been eliminated.

Unaudited Interim Financial Information

The accompanying Consolidated Balance Sheet as of June 30, 2015, the Consolidated Statements of Income for the three and six months ended June 30, 2014 and 2015, the Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2014 and 2015, and the Consolidated Statements of Cash Flows for the six months ended June 30, 2014 and 2015 are unaudited. These unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (GAAP). In our opinion, the unaudited interim consolidated financial statements include all adjustments of a normal recurring nature necessary for the fair presentation of our financial position as of June 30, 2015, our results of operations for the three and six months ended June 30, 2014 and 2015, and our cash flows for the six months ended June 30, 2014 and 2015. The results of operations for the three and six months ended June 30, 2015 are not necessarily indicative of the results to be expected for the year ending December 31, 2015.

These unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, filed with the SEC on February 6, 2015.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the amounts reported and disclosed in the financial statements and the accompanying notes. Actual results could differ materially from these estimates. On an ongoing basis, we evaluate our estimates, including those related to the accounts receivable and sales allowances, fair values of financial instruments, intangible assets and goodwill, useful lives of intangible assets and property and equipment, income taxes, and contingent liabilities, among others. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09 (ASU 2014-09) "Revenue from Contracts with Customers." ASU 2014-09 supersedes the revenue recognition requirements in “Revenue Recognition (Topic 605)”, and requires entities to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. As currently issued, ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, and early adoption is not permitted. We are currently in the process of evaluating the impact of the adoption of ASU 2014-09 on our consolidated financial statements.

In June 2014, the FASB issued Accounting Standards Update No. 2014-10 (ASU 2014-10) "Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation". ASU 2014-10 removes the definition of a development stage entity from the Master Glossary of the ASC thereby removing the financial reporting distinction between development stage entities and other reporting entities. The amendment eliminating the exception to the sufficiency-of-equity-at-risk criterion for development stage entities will be applied retrospectively for annual reporting periods beginning after December 15, 2015, and interim periods therein. Early application of these amendments is permitted. We are

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currently in the process of evaluating the impact of the adoption of ASU 2014-10 on our consolidated financial statements.

In February 2015, the FASB issued Accounting Standards Update No. 2015-02 (ASU 2015-02) "Consolidation (Topic 810): Amendments to the Consolidation Analysis." ASU 2015-02 changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. It is effective for annual reporting periods, and interim periods within those years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. We are currently in the process of evaluating the impact of the adoption of ASU 2015-02 on our consolidated financial statements.

Revision of Previously Issued Financial Statements

In the second quarter of 2015, we identified an incorrect classification of certain revenues between legal entities, and as a consequence, we revised our income tax expense for periods beginning in 2008 through the first quarter of 2015 in the cumulative amount of $711 million. We have evaluated the materiality of the income tax expense impact quantitatively and qualitatively and concluded it was not material to any of the prior periods impacted and that correction of income tax expense as an out of period adjustment in the quarter ended June 30, 2015 would not be material to our consolidated financial statements for the year ending December 31, 2015. Consolidated revenues are not impacted. We have elected to revise previously issued financial statements for periods contained on this Form 10-Q to correct the effect of this immaterial income tax expense underaccrual for the corresponding periods. Periods not presented herein will be revised, as applicable, as they are included in future filings. Refer to Note 15 for additional information.

Note 2. Financial Instruments

Fair Value Measurements

We measure our cash equivalents, marketable securities, foreign currency and interest rate derivative contracts, and non-marketable debt securities at fair value on a recurring basis. Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or a liability. Assets and liabilities recorded at fair value are measured and classified in accordance with a three-tier fair value hierarchy based on the observability of the inputs available in the market used to measure fair value:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant inputs are observable in the market or can be derived from observable market data. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, foreign exchange rates, and credit ratings.

Level 3 - Unobservable inputs that are supported by little or no market activities.

The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

We classify our cash equivalents and marketable securities within Level 1 or Level 2 because we use quoted market prices or alternative pricing sources and models utilizing market observable inputs to determine their fair value. We classify our foreign currency and interest rate derivative contracts primarily within Level 2 as the valuation inputs are based on quoted prices and market observable data of similar instruments. We classify our non-marketable investments within Level 3 as the valuation inputs are not observable in an active market.

Cash, Cash Equivalents and Marketable Securities

The following tables summarize our cash, cash equivalents and marketable securities by significant investment categories as of December 31, 2014 and June 30, 2015 (in millions):

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	As of December 31, 2014					
	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cash and Cash Equivalents	Marketable Securities
Cash	$9,863	$0	$0	$9,863	$9,863	$0
Level 1:						
Money market and other funds	2,532	0	0	2,532	2,532	0
U.S. government notes	15,320	37	(4)	15,353	1,128	14,225
Marketable equity securities	988	428	(64)	1,352	0	1,352
	18,840	465	(68)	19,237	3,660	15,577
Level 2:						
Time deposits[1]	2,409	0	0	2,409	2,309	100
Money market and other funds[2]	1,762	0	0	1,762	1,762	0
Fixed-income bond funds[3]	385	0	(38)	347	0	347
U.S. government agencies	2,327	8	(1)	2,334	750	1,584
Foreign government bonds	1,828	22	(10)	1,840	0	1,840
Municipal securities	3,370	33	(6)	3,397	3	3,394
Corporate debt securities	11,499	114	(122)	11,491	0	11,491
Agency residential mortgage-backed securities	8,196	109	(42)	8,263	0	8,263
Asset-backed securities	3,456	1	(5)	3,452	0	3,452
	35,232	287	(224)	35,295	4,824	30,471
Total	$63,935	$752	$(292)	$64,395	$18,347	$46,048

	As of June 30, 2015					
	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cash and Cash Equivalents	Marketable Securities
	(unaudited)					
Cash	$12,391	$0	$0	$12,391	$12,391	$0
Level 1:						
Money market and other funds	2,114	0	0	2,114	2,114	0
U.S. government notes	15,258	63	0	15,321	0	15,321
Marketable equity securities	978	266	(32)	1,212	0	1,212
	18,350	329	(32)	18,647	2,114	16,533
Level 2:						
Time deposits[1]	3,161	0	0	3,161	1,871	1,290
Money market and other funds[2]	2,055	0	0	2,055	2,055	0
Fixed-income bond funds[3]	370	0	(54)	316	0	316
U.S. government agencies	1,752	5	0	1,757	0	1,757
Foreign government bonds	2,042	17	(13)	2,046	0	2,046
Municipal securities	4,008	20	(16)	4,012	22	3,990
Corporate debt securities	13,600	88	(114)	13,574	0	13,574
Agency residential mortgage-backed securities	8,296	70	(63)	8,303	0	8,303
Asset-backed securities	3,518	2	(2)	3,518	0	3,518
	38,802	202	(262)	38,742	3,948	34,794
Total	$69,543	$531	$(294)	$69,780	$18,453	$51,327

(1) The majority of our time deposits are foreign deposits.

(2)

The balances as of December 31, 2014 and June 30, 2015 were related to cash collateral received in connection with our securities lending program, which was invested in reverse repurchase agreements maturing within three months. See section titled "Securities Lending Program" below for further discussion of this program.

(3) Fixed-income bond funds consist of mutual funds that primarily invest in corporate and government bonds.

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We determine realized gains or losses on the sale of marketable securities on a specific identification method. We recognized gross realized gains of $58 million and $156 million for the three and six months ended June 30, 2014 and $104 million and $181 million for the three and six months ended June 30, 2015. We recognized gross realized losses of $10 million and $34 million for the three and six months ended June 30, 2014 and $51 million and $96 million for the three and six months ended June 30, 2015. We reflect these gains and losses as a component of Interest and other income, net in the accompanying Consolidated Statements of Income.

The following table summarizes the estimated fair value of our investments in marketable debt securities, accounted for as available-for-sale securities and classified by the contractual maturity date of the securities (in millions):

	As of June 30, 2015 (unaudited)
Due in 1 year	$7,979
Due in 1 year through 5 years	25,388
Due in 5 years through 10 years	7,542
Due after 10 years	8,890
Total	$49,799

Non-marketable Investments

We included $90 million and $998 million of available-for-sale debt securities in our non-marketable investments as of December 31, 2014 and June 30, 2015. These debt securities are primarily preferred stock with certain features and convertible notes issued by private companies that do not have readily determinable market values and are categorized accordingly as Level 3 in the fair value hierarchy. To estimate the fair value of these securities, we use a combination of valuation methodologies, including market and income approaches based on prior transaction prices; estimated timing, probability, and amount of cash flows; and illiquidity considerations. Financial information of the private companies may not be available and consequently we will estimate the value based on the best available information at the measurement date. As of December 31, 2014 and June 30, 2015, the estimated fair value of these securities approximated their carrying value. In addition, since these securities do not have contractual maturity dates and we do not intend to liquidate them in the next 12 months, we have classified them as non-current assets on the accompanying Consolidated Balance Sheet as of December 31, 2014 and June 30, 2015.

The following table presents reconciliations for our assets measured and recorded at fair value on a recurring basis, using significant unobservable inputs (Level 3) (in millions):

	Level 3 (unaudited)
Balance as of December 31, 2014	$90
Purchases, issuances, and settlements[(1)]	908
Balance as of June 30, 2015	$998

(1) Purchases of securities included our $900 million investment in SpaceX, a space exploration and space transport company, made during January 2015.

Impairment Considerations for Available-for-sale Investments

The following tables present gross unrealized losses and fair values for those marketable investments that were in an unrealized loss position as of December 31, 2014 and June 30, 2015, aggregated by investment category and the length of time that individual securities have been in a continuous loss position (in millions):

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	As of December 31, 2014					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. government notes	$4,490	$(4)	$0	$0	$4,490	$(4)
U.S. government agencies	830	(1)	0	0	830	(1)
Foreign government bonds	255	(7)	43	(3)	298	(10)
Municipal securities	877	(3)	174	(3)	1,051	(6)
Corporate debt securities	5,851	(112)	225	(10)	6,076	(122)
Agency residential mortgage-backed securities	609	(1)	2,168	(41)	2,777	(42)
Asset-backed securities	2,388	(4)	174	(1)	2,562	(5)
Fixed-income bond funds	347	(38)	0	0	347	(38)
Marketable equity securities	690	(64)	0	0	690	(64)
Total	$16,337	$(234)	$2,784	$(58)	$19,121	$(292)

	As of June 30, 2015					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(unaudited)					
Foreign government bonds	$795	$(11)	$21	$(2)	$816	$(13)
Municipal securities	1,930	(15)	19	(1)	1,949	(16)
Corporate debt securities	7,431	(104)	206	(10)	7,637	(114)
Agency residential mortgage-backed securities	2,754	(25)	1,078	(38)	3,832	(63)
Asset-backed securities	1,828	(2)	0	0	1,828	(2)
Fixed-income bond funds	316	(54)	0	0	316	(54)
Marketable equity securities	755	(32)	0	0	755	(32)
Total	$15,809	$(243)	$1,324	$(51)	$17,133	$(294)

We periodically review our available-for-sale debt and equity securities for other-than-temporary impairment. We consider factors such as the duration, severity and the reason for the decline in value, the potential recovery period and our intent to sell. For debt securities, we also consider whether (i) it is more likely than not that we will be required to sell the debt securities before recovery of their amortized cost basis, and (ii) the amortized cost basis cannot be recovered as a result of credit losses. During the three and six months ended June 30, 2014 and 2015, we did not recognize any other-than-temporary impairment loss.

Securities Lending Program

From time to time, we enter into securities lending agreements with financial institutions to enhance investment income. We loan certain securities which are collateralized in the form of cash or securities. Cash collateral is invested in reverse repurchase agreements which are collateralized in the form of securities.

We classify loaned securities as cash equivalents or marketable securities and record the cash collateral as an asset with a corresponding liability in the accompanying Consolidated Balance Sheets. We classify reverse repurchase agreements maturing within three months as cash equivalents and those longer than three months as receivable under reverse repurchase agreements in the accompanying Consolidated Balance Sheets. For security collateral received, we do not record an asset or liability except in the event of counterparty default.

Our securities lending transactions were accounted for as secured borrowings with significant investment categories as follows (in millions):

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	As of June 30, 2015				
	Remaining Contractual Maturity of the Agreements				
Securities Lending Transactions	Overnight and Continuous	Up to 30 days	30 - 90 Days	Greater Than 90 Days	Total
	(unaudited)				
U.S. government notes	$2,175	$0	$0	$204	$2,379
U.S. government agencies	114	0	0	0	114
Corporate debt securities	201	0	0	0	201
Total	$2,490	$0	$0	$204	$2,694
Gross amount of recognized liabilities for securities lending in offsetting disclosure					$2,694
Amounts related to agreements not included in securities lending in offsetting disclosure					$0

Derivative Financial Instruments

We recognize derivative instruments as either assets or liabilities in the accompanying Consolidated Balance Sheets at fair value. We record changes in the fair value (i.e. gains or losses) of the derivatives in the accompanying Consolidated Statements of Income as Interest and other income, net, as part of revenues, or as a component of accumulated other comprehensive income (AOCI) in the accompanying Consolidated Balance Sheets, as discussed below.

We enter into foreign currency contracts with financial institutions to reduce the risk that our cash flows and earnings will be adversely affected by foreign currency exchange rate fluctuations. We use certain interest rate derivative contracts to hedge interest rate exposures on our fixed income securities and our anticipated debt issuance. Our program is not used for trading or speculative purposes.

We enter into master netting arrangements, which reduce credit risk by permitting net settlement of transactions with the same counterparty. To further reduce credit risk, we enter into collateral security arrangements under which the counterparty is required to provide collateral when the net fair value of certain financial instruments fluctuates from contractually established thresholds. We can take possession of the collateral in the event of counterparty default. As of December 31, 2014 and June 30, 2015, we received cash collateral related to the derivative instruments under our collateral security arrangements of $268 million and $161 million.

Cash Flow Hedges

We use options designated as cash flow hedges to hedge certain forecasted revenue transactions denominated in currencies other than the U.S. dollar. The notional principal of these contracts was approximately $13.6 billion and $13.4 billion as of December 31, 2014 and June 30, 2015. These foreign exchange contracts have maturities of 36 months or less.

In 2012, we entered into forward-starting interest rate swaps, with a total notional amount of $1.0 billion and terms calling for us to receive interest at a variable rate and to pay interest at a fixed rate, that effectively locked in an interest rate on our anticipated debt issuance of $1.0 billion in 2014. We issued $1.0 billion of unsecured senior notes in February 2014 (see details in Note 3). As a result, we terminated the forward-starting interest rate swaps upon the debt issuance. The gain associated with the termination is reported within operating activities in the Consolidated Statement of Cash Flows for the six months ended June 30, 2014, consistent with the impact of the hedged item.

We reflect gains or losses on the effective portion of a cash flow hedge as a component of AOCI and subsequently reclassify cumulative gains and losses to revenues or interest expense when the hedged transactions are recorded. If the hedged transactions become probable of not occurring, the corresponding amounts in AOCI would be immediately reclassified to Interest and other income, net. Further, we exclude the change in the time value of the options from our assessment of hedge effectiveness. We record the premium paid or time value of an option on the date of purchase as an asset. Thereafter, we recognize changes to this time value in Interest and other income, net.

As of June 30, 2015, the effective portion of our cash flow hedges before tax effect was $747 million, of which $619 million is expected to be reclassified from AOCI into earnings within the next 12 months.

Fair Value Hedges

We use forward contracts designated as fair value hedges to hedge foreign currency risks for our investments denominated in currencies other than the U.S. dollar. We exclude changes in the time value for these forward contracts from the assessment of hedge effectiveness. The notional principal of these contracts was $1.5 billion and $1.6 billion as of December 31, 2014 and June 30, 2015.

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We use interest rate swaps designated as fair value hedges to hedge interest rate risk for certain fixed rate securities. The notional principal of these contracts was $175 million and $290 million as of December 31, 2014 and June 30, 2015.

Gains and losses on these forward contracts and interest rate swaps are recognized in Interest and other income, net along with the offsetting losses and gains of the related hedged items. Cash flows from these forward contracts and interest rate swaps are reported within investment activities in the Consolidated Statements of Cash Flows, consistent with the impact of the hedged items.

Other Derivatives

Other derivatives not designated as hedging instruments consist of forward contracts that we use to hedge intercompany transactions and other monetary assets or liabilities denominated in currencies other than the local currency of a subsidiary. We recognize gains and losses on these contracts, as well as the related costs in Interest and other income, net along with the foreign currency gains and losses on monetary assets and liabilities. The notional principal of foreign exchange contracts outstanding was $6.2 billion and $3.8 billion as of December 31, 2014 and June 30, 2015.

We also use exchange-traded interest rate futures contracts and “To Be Announced” (TBA) forward purchase commitments of mortgage-backed assets to hedge interest rate risks on certain fixed income securities. The TBA contracts meet the definition of derivative instruments in cases where physical delivery of the assets is not taken at the earliest available delivery date. Our interest rate futures and TBA contracts (together interest rate contracts) are not designated as hedging instruments. We recognize gains and losses on these contracts, as well as the related costs, in Interest and other income, net. The gains and losses are generally economically offset by unrealized gains and losses in the underlying available-for-sale securities, which are recorded as a component of AOCI until the securities are sold or other-than-temporarily impaired, at which time the amounts are moved from AOCI into Interest and other income, net. The total notional amounts of interest rate contracts outstanding were $150 million as of December 31, 2014 and $95 million as of June 30, 2015.

The fair values of our outstanding derivative instruments were as follows (in millions):

		As of December 31, 2014		
	Balance Sheet Location	Fair Value of Derivatives Designated as Hedging Instruments	Fair Value of Derivatives Not Designated as Hedging Instruments	Total Fair Value
Derivative Assets:				
Level 2:				
Foreign exchange contracts	Prepaid revenue share, expenses and other assets, current and non-current	$851	$0	$851
Interest rate contracts	Prepaid revenue share, expenses and other assets, current and non-current	1	0	1
Total		$852	$0	$852
Derivative Liabilities:				
Level 2:				
Foreign exchange contracts	Accrued expenses and other current liabilities	$0	$3	$3
Interest rate contracts	Accrued expenses and other liabilities, current and non-current	1	0	1
Total		$1	$3	$4

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	Balance Sheet Location	As of June 30, 2015 Fair Value of Derivatives Designated as Hedging Instruments (unaudited)	Fair Value of Derivatives Not Designated as Hedging Instruments	Total Fair Value
Derivative Assets:				
Level 2:				
Foreign exchange contracts	Prepaid revenue share, expenses and other assets, current and non-current	$791	$0	$791
Total		$791	$0	$791
Derivative Liabilities:				
Level 2:				
Foreign exchange contracts	Accrued expenses and other current liabilities	$8	$1	$9
Interest rate contracts	Accrued expenses and other liabilities, current and non-current	1	0	1
Total		$9	$1	$10

The effect of derivative instruments in cash flow hedging relationships on income and other comprehensive income (OCI) is summarized below (in millions):

Derivatives in Cash Flow Hedging Relationship	Gains (Losses) Recognized in OCI on Derivatives Before Tax Effect (Effective Portion) Three Months Ended June 30, 2014	 2015	 Six Months Ended June 30, 2014	 2015
	(unaudited)			
Foreign exchange contracts	$9	$(120)	$22	$716
Interest rate contracts	0	0	(31)	0
Total	$9	$(120)	$(9)	$716

Derivatives in Cash Flow Hedging Relationship	Income Statement Location	Gains Reclassified from AOCI into Income (Effective Portion) Three Months Ended June 30, 2014	 2015	 Six Months Ended June 30, 2014	 2015
		(unaudited)			
Foreign exchange contracts	Revenues	$6	$471	$14	$782
Interest rate contracts	Interest and other income, net	1	1	1	2
Total		$7	$472	$15	$784

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Derivatives in Cash Flow Hedging Relationship	Income Statement Location	Gains (Losses) Recognized in Income on Derivatives [1] (Amount Excluded from Effectiveness Testing and Ineffective Portion) Three Months Ended June 30, 2014	2015	Six Months Ended June 30, 2014	2015
		(unaudited)			
Foreign exchange contracts	Interest and other income, net	$(67)	$(66)	$(134)	$(167)
Interest rate contracts	Interest and other income, net	0	0	4	0
Total		$(67)	$(66)	$(130)	$(167)

[1] Gains (losses) related to the ineffective portion of the hedges were not material in all periods presented.

The effect of derivative instruments in fair value hedging relationships on income is summarized below (in millions):

Derivatives in Fair Value Hedging Relationship	Income Statement Location	Gains (Losses) Recognized in Income on Derivatives[2] Three Months Ended June 30, 2014	2015	Six Months Ended June 30, 2014	2015
		(unaudited)			
Foreign Exchange Hedges:					
Foreign exchange contracts	Interest and other income, net	$(19)	$(44)	$(21)	$67
Hedged item	Interest and other income, net	17	42	17	(71)
Total		$(2)	$(2)	$(4)	$(4)
Interest Rate Hedges:					
Interest rate contracts	Interest and other income, net	$0	$1	$0	$(1)
Hedged item	Interest and other income, net	0	(1)	0	1
Total		$0	$0	$0	$0

[2] Losses related to the amount excluded from effectiveness testing of the hedges were $2 million and $4 million for the three and six months ended June 30, 2014 and $2 million and $4 million for the three and six months ended June 30, 2015.

The effect of derivative instruments not designated as hedging instruments on income is summarized below (in millions):

Derivatives Not Designated As Hedging Instruments	Income Statement Location	Gains (Losses) Recognized in Income on Derivatives Three Months Ended June 30, 2014	2015	Six Months Ended June 30, 2014	2015
		(unaudited)			
Foreign exchange contracts	Interest and other income, net and net loss from discontinued operations	$(76)	$(66)	$(113)	$91
Interest rate contracts		(1)	4	0	(3)

	Interest and other income, net				
Total		$(77)	$(62)	$(113)	$88

Offsetting of Derivatives, Securities Lending and Reverse Repurchase Agreements

We present our derivatives, securities lending and reverse repurchase agreements at gross fair values in the

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Consolidated Balance Sheets. However, our master netting and other similar arrangements allow net settlements under certain conditions. As of December 31, 2014 and June 30, 2015, information related to these offsetting arrangements was as follows (in millions):

Offsetting of Assets

As of December 31, 2014

Description	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheets	Net Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets, but Have Legal Rights to Offset: Financial Instruments	Cash Collateral Received	Non-Cash Collateral Received	Net Assets Exposed
Derivatives	$852	$ 0	$ 852	$(1)[1]	$(251)	$(412)	$188
Reverse repurchase agreements	2,637	0	2,637 [2]	0	0	(2,637)	0
Total	$3,489	$ 0	$ 3,489	$(1)	$(251)	$(3,049)	$188

As of June 30, 2015

Description	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheets	Net Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets, but Have Legal Rights to Offset: Financial Instruments	Cash Collateral Received	Non-Cash Collateral Received	Net Assets Exposed
	(unaudited)						
Derivatives	$791	$ 0	$ 791	$(3)[1]	$(159)	$(344)	$285
Reverse repurchase agreements	2,680	0	2,680 [2]	0	0	(2,680)	0
Total	$3,471	$ 0	$ 3,471	$(3)	$(159)	$(3,024)	$285

(1) The balances as of December 31, 2014 and June 30, 2015 were related to derivative liabilities which are allowed to be net settled against derivative assets in accordance with our master netting agreements.

(2) The balances as of December 31, 2014 and June 30, 2015 included $1,762 million and $2,055 million recorded in cash and cash equivalents, respectively, and $875 million and $625 million recorded in receivable under reverse repurchase agreements, respectively.

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Offsetting of Liabilities

As of December 31, 2014

Description	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets, but Have Legal Rights to Offset: Financial Instruments	Cash Collateral Pledged	Non-Cash Collateral Pledged	Net Liabilities
Derivatives	$4	$ 0	$ 4	$(1)[3]	$0	$0	$3
Securities lending agreements	2,778	0	2,778	0	0	(2,740)	38
Total	$2,782	$ 0	$ 2,782	$(1)	$0	$(2,740)	$41

As of June 30, 2015

Description	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets, but Have Legal Rights to Offset: Financial Instruments	Cash Collateral Pledged	Non-Cash Collateral Pledged	Net Liabilities
	(unaudited)						
Derivatives	$10	$ 0	$ 10	$(3)[3]	$0	$0	$7
Securities lending agreements	2,694	0	2,694	0	0	(2,669)	25
Total	$2,704	$ 0	$ 2,704	$(3)	$0	$(2,669)	$32

(3) The balances as of December 31, 2014 and June 30, 2015 were related to derivative assets which are allowed to be net settled against derivative liabilities in accordance with our master netting agreements.

Note 3. Debt

Short-Term Debt

We have a debt financing program of up to $3.0 billion through the issuance of commercial paper. Net proceeds from this program are used for general corporate purposes. As of December 31, 2014 and June 30, 2015, we had $2.0 billion of outstanding commercial paper recorded as short-term debt with weighted-average interest rates of 0.1%. In conjunction with this program, we have a $3.0 billion revolving credit facility which expires in July 2016. The interest rate for the credit facility is determined based on a formula using certain market rates. As of December 31, 2014 and June 30, 2015, we were in compliance with the financial covenants in the credit facility, and no amounts were outstanding under the credit facility as of December 31, 2014 and June 30, 2015. The estimated fair value of the commercial paper approximated its carrying value as of December 31, 2014 and June 30, 2015.

Our short-term debt balance also includes the short-term portion of certain long-term debt, as described in the section below.

Long-Term Debt

We issued $1.0 billion of unsecured senior notes (the "2014 Notes") in February 2014 and $3.0 billion of unsecured senior notes in three tranches (collectively, the "2011 Notes") in May 2011. We used the net proceeds from the issuance of the 2011 Notes to repay a portion of our outstanding commercial paper and for general corporate purposes.

We used the net proceeds from the issuance of the 2014 Notes for the repayment of the portion of the principal amount of our 2011 Notes which matured on May 19, 2014 and for general corporate purposes. The total outstanding Notes are summarized below (in millions):

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	As of December 31, 2014	As of June 30, 2015 (unaudited)
Short-Term Portion of Long-Term Debt		
2.125% Notes due on May 19, 2016[(1)]	$0	$999
Capital Lease Obligation	10	9
Total	$10	$1,008
Long-Term Debt		
2.125% Notes due on May 19, 2016	$1,000	$0
3.625% Notes due on May 19, 2021	1,000	1,000
3.375% Notes due on February 25, 2024	1,000	1,000
Unamortized discount for the Notes above	(8)	(6)
Subtotal	2,992	1,994
Capital Lease Obligation	236	231
Total	$3,228	$2,225

(1) The outstanding Notes as of June 30, 2015 are net of unamortized discount of $1 million.

The effective interest yields of the Notes due in 2016, 2021, and 2024 were 2.241%, 3.734% and 3.377%, respectively. Interest on the 2011 and 2014 Notes is payable semi-annually. The 2011 and 2014 Notes rank equally with each other and with all of our other senior unsecured and unsubordinated indebtedness from time to time outstanding. We may redeem the 2011 and 2014 Notes at any time in whole or in part at specified redemption prices. We are not subject to any financial covenants under the 2011 Notes or the 2014 Notes. The total estimated fair value of the outstanding 2011 and 2014 Notes was approximately $3.1 billion as of December 31, 2014 and June 30, 2015. The fair value of the outstanding 2011 and 2014 Notes was determined based on observable market prices of identical instruments in less active markets and is categorized accordingly as Level 2 in the fair value hierarchy.

In August 2013, we entered into a capital lease obligation on certain property which expires in 2028 with an option to purchase the property in 2016. The effective rate of the capital lease obligation approximates the market rate. The estimated fair value of the capital lease obligation approximated its carrying value as of December 31, 2014 and June 30, 2015.

Note 4. Balance Sheet Components

Property and Equipment

Property and equipment consisted of the following (in millions):

	As of December 31, 2014	As of June 30, 2015 (unaudited)
Land and buildings	$13,326	$14,546
Information technology assets	10,918	12,992
Construction in progress	6,555	7,260
Leasehold improvements	1,868	2,234
Furniture and fixtures	79	80
Property and equipment, gross	32,746	37,112
Less: accumulated depreciation and amortization	(8,863)	(10,104)
Property and equipment, net	$23,883	$27,008

Property under capital lease with a cost basis of $258 million was included in land and buildings as of June 30, 2015.

Prepaid Revenue Share, Expenses and Other Assets, Non-Current

Note Receivable

In connection with the sale of our Motorola Mobile business on October 29, 2014, we received an interest-free, three-year prepayable promissory note (the "Note Receivable") due October 2017 from Lenovo. The Note Receivable is included in prepaid revenue share, expenses and other assets, non-current on our Consolidated Balance Sheets.

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Based on the general market conditions and the credit quality of Lenovo, we discounted the Note Receivable at an effective interest rate of 4.5% as shown in the table below (in millions):

	As of December 31, 2014	As of June 30, 2015
		(unaudited)
Principal of the Note Receivable	$1,500	$1,500
Less: unamortized discount for the Note Receivable	(175)	(144)
Total	$1,325	$1,356

As of December 31, 2014 and June 30, 2015, we did not recognize any valuation allowance on the Note Receivable.

Accumulated Other Comprehensive Income (Loss)

The components of AOCI, net of tax, were as follows (in millions, unaudited):

	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) on Available-for-Sale Investments	Unrealized Gains on Cash Flow Hedges	Total
Balance as of December 31, 2013	$16	$ 50	$59	$125
Other comprehensive income (loss) before reclassifications	54	445	(6)	493
Amounts reclassified from AOCI	0	(107)	(9)	(116)
Other comprehensive income (loss)	54	338	(15)	377
Balance as of June 30, 2014	$70	$ 388	$44	$502

	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) on Available-for-Sale Investments	Unrealized Gains on Cash Flow Hedges	Total
Balance as of December 31, 2014	$(980)	$ 421	$586	$27
Other comprehensive income (loss) before reclassifications	(705)	(115)	501	(319)
Amounts reclassified from AOCI	0	(77)	(560)	(637)
Other comprehensive income (loss)	(705)	(192)	(59)	(956)
Balance as of June 30, 2015	$(1,685)	$ 229	$527	$(929)

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The effects on net income of amounts reclassified from AOCI were as follows (in millions, unaudited):

		Gains (Losses) Reclassified from AOCI to the Consolidated Statement of Income			
		Three Months Ended June 30,		Six Months Ended June 30,	
AOCI Components	Location	2014	2015	2014	2015
Unrealized gains on available-for-sale investments					
	Interest and other income, net	$48	$53	$122	$85
	Provision for income taxes	(8)	(3)	(15)	(8)
	Net of tax	$40	$50	$107	$77
Unrealized gains on cash flow hedges					
Foreign exchange contracts	Revenue	$6	$471	$14	$782
Interest rate contracts	Interest and other income, net	1	1	1	2
	Provision for income taxes	(3)	(143)	(6)	(224)
	Net of tax	$4	$329	$9	$560
Total amount reclassified, net of tax		$44	$379	$116	$637

Note 5. Acquisitions

During the six months ended June 30, 2015, we completed various acquisitions and purchases of intangible assets for total consideration of approximately $149 million. In aggregate, $2 million was cash acquired, $52 million was attributed to intangible assets, $55 million was attributed to goodwill, and $40 million was attributed to net assets acquired. These acquisitions generally enhance the breadth and depth of our offerings and expand our expertise in engineering and other functional areas. The amount of goodwill expected to be deductible for tax purposes is approximately $9 million.

Pro forma results of operations for these acquisitions have not been presented because they are not material to the consolidated results of operations, either individually or in aggregate.

For all acquisitions completed during the six months ended June 30, 2015, patents and developed technology have a weighted-average useful life of 4.1 years and trade names and other have a weighted-average useful life of 9.3 years.

Note 6. Collaboration Agreement

On September 18, 2013, we announced the formation of Calico, a life science company with a mission to harness advanced technologies to increase our understanding of the biology that controls lifespan. Calico's results of operations and statement of financial position are included in our consolidated financial statements. As of June 30, 2015, Google has contributed $240 million to Calico in exchange for Calico convertible preferred units. As of June 30, 2015, Google has also committed to fund an additional $490 million on an as-needed basis.

In September 2014, AbbVie Inc. (AbbVie) and Calico announced a research and development collaboration intended to help both companies discover, develop, and bring to market new therapies for patients with age-related diseases, including neurodegeneration and cancer. As of June 30, 2015, AbbVie has contributed $750 million to fund the collaboration pursuant to the agreement, which reflects its total commitment. As of June 30, 2015, Calico has contributed $250 million and committed up to an additional $500 million.

Calico will use its scientific expertise to establish a world-class research and development facility, with a focus on drug discovery and early drug development; and AbbVie will provide scientific and clinical development support and its commercial expertise to bring new discoveries to market. Both companies will share costs and profits equally. AbbVie's contribution has been recorded as a liability on Calico's financial statements, which is reduced and reflected as a reduction to research and development expense as eligible research and development costs are incurred by Calico over the next few years.

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Note 7. Goodwill and Other Intangible Assets

Goodwill

The changes in the carrying amount of goodwill for the six months ended June 30, 2015 were as follows (in millions, unaudited):

Balance as of December 31, 2014	$15,599
Goodwill acquired	55
Goodwill adjustment	(44)
Balance as of June 30, 2015	$15,610

Other Intangible Assets

Information regarding our purchased intangible assets was as follows (in millions):

	As of December 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Patents and developed technology	$6,547	$2,513	$4,034
Customer relationships	1,410	1,168	242
Trade names and other	696	365	331
Total	$8,653	$4,046	$4,607

	As of June 30, 2015		
	Gross Carrying Amount (unaudited)	Accumulated Amortization	Net Carrying Value
Patents and developed technology	$6,571	$2,852	$3,719
Customer relationships	1,370	1,193	177
Trade names and other	737	420	317
Total	$8,678	$4,465	$4,213

Amortization expense relating to our purchased intangible assets was $266 million and $536 million for the three and six months ended June 30, 2014 and $222 million and $461 million for the three and six months ended June 30, 2015. For the three and six months ended June 30, 2014, amortization expense related to Motorola Mobile was included in net loss from discontinued operations.

As of June 30, 2015, expected amortization expense relating to purchased intangible assets for each of the next five years and thereafter was as follows (in millions, unaudited):

Remainder of 2015	$430
2016	797
2017	720
2018	635
2019	526
Thereafter	1,105
	$4,213

Note 8. Discontinued Operations

On October 29, 2014, we closed the sale of the Motorola Mobile business to Lenovo. We maintain ownership of the vast majority of the Motorola Mobile patent portfolio, including pre-closing patent applications and invention disclosures, which we licensed to Motorola Mobile for its continued operations. Additionally, in connection with the sale, we agreed to indemnify Lenovo for certain potential liabilities of the Motorola Mobile business, for which we recorded a liability of $130 million at the time of close.

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The following table presents financial results of the Motorola Mobile business for the three and six months ended June 30, 2014, which were presented as net loss from discontinued operations (in millions, unaudited):

	Three Months Ended June 30, 2014	Six Months Ended June 30, 2014
Revenues	$1,806	$3,183
Loss from discontinued operations before income taxes	(99)	(373)
Benefits from income taxes	31	107
Net loss from discontinued operations	$(68)	$(266)

Note 9. Interest and Other Income, Net

The components of interest and other income, net, were as follows (in millions, unaudited):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2015	2014	2015
Interest income	$169	$240	$337	$466
Interest expense	(27)	(26)	(51)	(52)
Realized gains on marketable securities, net	48	53	122	85
Foreign currency exchange losses, net	(93)	(99)	(202)	(161)
Realized gain on equity interest	23	0	126	0
Realized gain (loss) on non-marketable investments, net	10	(70)	117	(118)
Other income (expense), net	15	33	53	68
Interest and other income, net	$145	$131	$502	$288

Note 10. Contingencies

Legal Matters

Antitrust Investigations

On November 30, 2010, the European Commission's (EC) Directorate General for Competition opened an investigation into various antitrust-related complaints against us. On April 15, 2015, the EC issued a Statement of Objections (SO) regarding the display and ranking of shopping search results. The EC also opened a formal investigation into Android. We will respond to the SO and will continue to cooperate with the EC.

The Comision Nacional de Defensa de la Competencia in Argentina, the Competition Commission of India, the Taiwan Fair Trade Commission, Brazil's Council for Economic Defense, the Canadian Competition Bureau and the Federal Antimonopoly Service of the Russian Federation have also opened investigations into certain of our business practices.

The state attorney general from Mississippi issued subpoenas in 2011 and 2012 in an antitrust investigation of our business practices. We have responded to those subpoenas, and we remain willing to cooperate with them if they have any further information requests.

Patent and Intellectual Property Claims

We have had patent, copyright, and trademark infringement lawsuits filed against us claiming that certain of our products, services, and technologies infringe the intellectual property rights of others. Adverse results in these lawsuits may include awards of substantial monetary damages, costly royalty or licensing agreements, or orders preventing us from offering certain features, functionalities, products, or services, and may also cause us to change our business practices, and require development of non-infringing products or technologies, which could result in a loss of revenues for us and otherwise harm our business. In addition, the U.S. International Trade Commission (ITC) has increasingly become an important forum to litigate intellectual property disputes because an ultimate loss for a company or its suppliers in an ITC action could result in a prohibition on importing infringing products into the U.S. Since the U.S. is an important market, a prohibition on importation could have an adverse effect on us, including preventing us from

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importing many important products into the U.S. or necessitating workarounds that may limit certain features of our products.

Furthermore, many of our agreements with our customers and partners require us to indemnify them for certain intellectual property infringement claims against them, which would increase our costs as a result of defending such claims, and may require that we pay significant damages if there were an adverse ruling in any such claims. Our customers and partners may discontinue the use of our products, services, and technologies, as a result of injunctions or otherwise, which could result in loss of revenues and adversely impact our business.

Other

We are also regularly subject to claims, suits, government investigations, and other proceedings involving competition (such as the pending EC investigations described above), intellectual property, privacy, tax, labor and employment, commercial disputes, content generated by our users, goods and services offered by advertisers or publishers using our platforms, personal injury, consumer protection, and other matters. Such claims, suits, government investigations, and other proceedings could result in fines, civil or criminal penalties, or other adverse consequences.

Certain of our outstanding legal matters include speculative claims for substantial or indeterminate amounts of damages. We record a liability when we believe that it is probable that a loss has been incurred and the amount can be reasonably estimated. If we determine that a loss is possible and a range of the loss can be reasonably estimated, we disclose the range of the possible loss. We evaluate, on a monthly basis, developments in our legal matters that could affect the amount of liability that has been previously accrued, and the matters and related ranges of possible losses disclosed, and make adjustments as appropriate. Significant judgment is required to determine both likelihood of there being and the estimated amount of a loss related to such matters.

With respect to our outstanding legal matters, based on our current knowledge, we believe that the amount or range of reasonably possible loss will not, either individually or in the aggregate, have a material adverse effect on our business, consolidated financial position, results of operations, or cash flows. However, the outcome of such legal matters is inherently unpredictable and subject to significant uncertainties.

We expense legal fees in the period in which they are incurred.

Taxes

We are under audit by the Internal Revenue Service (IRS) and various other domestic and foreign tax authorities with regards to income tax and indirect tax matters. We have reserved for potential adjustments to our provision for income taxes and accrual of indirect taxes that may result from examinations by, or any negotiated agreements with, these tax authorities, and we believe that the final outcome of these examinations or agreements will not have a material effect on our results of operations. If events occur which indicate payment of these amounts is unnecessary, the reversal of the liabilities would result in the recognition of benefits in the period we determine the liabilities are no longer necessary. If our estimates of the federal, state, and foreign income tax liabilities and indirect tax liabilities are less than the ultimate assessment, it would result in a further charge to expense.

Please see Note 13 for additional information regarding contingencies related to our income taxes.

Note 11. Net Income Per Share

The following table sets forth the computation of basic and diluted net income per share of Class A and Class B common stock and Class C capital stock (in millions, except share amounts which are reflected in thousands and per share amounts):

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	Three Months Ended June 30,					
	2014			2015		
	(unaudited)					
	Class A	Class B	Class C	Class A	Class B	Class C
Basic net income (loss) per share:						
Numerator						
Adjustment Payment to Class C capital stockholders - continuing operations	$0	$0	$0	$0	$0	$522
Allocation of undistributed earnings - continuing operations	1,429	280	1,710	1,440	260	1,709
Allocation of undistributed earnings - discontinued operations	(28)	(6)	(34)	0	0	0
Total	$1,401	$274	$1,676	$1,440	$260	$2,231
Denominator						
Number of shares used in per share computation	282,216	55,300	337,599	288,723	52,114	342,780
Basic net income (loss) per share:						
Continuing operations	$5.06	$5.06	$5.06	$4.99	$4.99	$6.51
Discontinued operations	(0.10)	(0.10)	(0.10)	0.00	0.00	0.00
Basic net income per share	$4.96	$4.96	$4.96	$4.99	$4.99	$6.51
Diluted net income (loss) per share:						
Numerator						
Adjustment Payment to Class C capital stockholders - continuing operations	$0	$0	$0	$0	$0	$522
Allocation of undistributed earnings for basic computation - continuing operations	$1,429	$280	$1,710	$1,440	$260	$1,709
Reallocation of undistributed earnings as a result of conversion of Class B to Class A shares	280	0	0	260	0	0
Reallocation of undistributed earnings	(2)	(5)	2	(7)	(3)	7
Allocation of undistributed earnings - continuing operations	$1,707	$275	$1,712	$1,693	$257	$1,716
Allocation of undistributed earnings for basic computation - discontinued operations	(28)	(6)	(34)	0	0	0
Reallocation of undistributed earnings as a result of conversion of Class B to Class A shares	(6)	0	0	0	0	0
Reallocation of undistributed earnings	0	1	0	0	0	0
Allocation of undistributed earnings - discontinued operations	$(34)	$(5)	$(34)	$0	$0	$0
Denominator						
Number of shares used in basic computation	282,216	55,300	337,599	288,723	52,114	342,780
Weighted-average effect of dilutive securities						
Add:						
Conversion of Class B to Class A common shares outstanding	55,300	0	0	52,114	0	0
Employee stock options	2,010	0	2,004	1,546	0	1,502
Restricted stock units and other contingently issuable shares	3,104	0	4,130	807	0	3,406
Number of shares used in per share computation	342,630	55,300	343,733	343,190	52,114	347,688
Diluted net income (loss) per share:						
Continuing operations	$4.98	$4.98	$4.98	$4.93	$4.93	$6.43

Discontinued operations	(0.10)	(0.10)	(0.10)	0.00	0.00	0.00
Diluted net income per share	$4.88	$4.88	$4.88	$4.93	$4.93	$6.43

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	Six Months Ended June 30,					
	2014			2015		
	(unaudited)					
	Class A	Class B	Class C	Class A	Class B	Class C
Basic net income (loss) per share:						
Numerator						
Adjustment Payment to Class C capital stockholders - continuing operations	$0	$0	$0	$0	$0	$522
Allocation of undistributed earnings - continuing operations	2,916	578	3,494	2,921	533	3,470
Allocation of undistributed earnings - discontinued operations	(111)	(22)	(133)	0	0	0
Total	$2,805	$556	$3,361	$2,921	$533	$3,992
Denominator						
Number of shares used in per share computation	281,160	55,702	336,989	287,800	52,480	341,986
Basic net income (loss) per share:						
Continuing operations	$10.37	$10.37	$10.37	$10.15	$10.15	$11.68
Discontinued operations	(0.39)	(0.39)	(0.39)	0.00	0.00	0.00
Basic net income per share	$9.98	$9.98	$9.98	$10.15	$10.15	$11.68
Diluted net income (loss) per share:						
Numerator						
Adjustment Payment to Class C capital stockholders - continuing operations	$0	$0	$0	$0	$0	$522
Allocation of undistributed earnings for basic computation - continuing operations	$2,916	$578	$3,494	$2,921	$533	$3,470
Reallocation of undistributed earnings as a result of conversion of Class B to Class A shares	578	0	0	533	0	0
Reallocation of undistributed earnings	(3)	(10)	3	(15)	(7)	15
Allocation of undistributed earnings - continuing operations	$3,491	$568	$3,497	$3,439	$526	$3,485
Allocation of undistributed earnings for basic computation - discontinued operations	(111)	(22)	(133)	0	0	0
Reallocation of undistributed earnings as a result of conversion of Class B to Class A shares	(22)	0	0	0	0	0
Reallocation of undistributed earnings	0	0	0	0	0	0
Allocation of undistributed earnings - discontinued operations	$(133)	$(22)	$(133)	$0	$0	$0
Denominator						
Number of shares used in basic computation	281,160	55,702	336,989	287,800	52,480	341,986
Weighted-average effect of dilutive securities						
Add:						
Conversion of Class B to Class A common shares outstanding	55,702	0	0	52,480	0	0
Employee stock options	2,216	0	2,210	1,619	0	1,577
Restricted stock units and other contingently issuable shares	3,499	0	4,012	922	0	3,805
Number of shares used in per share computation	342,577	55,702	343,211	342,821	52,480	347,368
Diluted net income (loss) per share:						
Continuing operations	$10.19	$10.19	$10.19	$10.03	$10.03	$11.53

Discontinued operations	(0.39)	(0.39)	(0.39)	0.00	0.00	0.00
Diluted net income per share	$9.80	$9.80	$9.80	$10.03	$10.03	$11.53

Stock Split Effected In Form of Stock Dividend

In January 2014, our board of directors approved the distribution of shares of Class C capital stock as a dividend to our holders of Class A and Class B common stock (the Stock Split). The Stock Split had a record date of March 27, 2014 and a payment date of April 2, 2014.

In the three months ended June 30, 2015, in accordance with a settlement of litigation involving the authorization to distribute Class C capital stock, at the close of trading on April 2, 2015, the last trading day of the 365 day period following the first date the Class C shares traded on NASDAQ (Lookback Period), we determined that a payment (the Adjustment Payment) in the amount of $522 million was due to Class C capital stockholders. The amount of the Adjustment Payment was based on the percentage difference that developed between the volume-weighted average

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price of Class A and Class C shares during the Lookback Period, as supplied by NASDAQ Data-on-Demand, and was payable to holders of Class C capital stock as of the end of the Lookback Period in cash, Class A common stock, Class C capital stock, or a combination thereof, at the discretion of our board of directors. On April 22, 2015, our board of directors approved the Adjustment Payment in shares of Class C capital stock, and cash in lieu of any fractional shares of Class C capital stock. In May 2015, the Adjustment Payment was made, resulting in the issuance of approximately 853 thousand shares of Class C capital stock and $47 million of cash in lieu of fractional shares of Class C capital stock.

In the three and six months ended June 30, 2015, the Adjustment Payment was allocated to the numerator for calculating net income per share of Class C capital stock from net income available to all stockholders and the remaining undistributed earnings were allocated on a pro rata basis to Class A and Class B common stock and Class C capital stock based on the number of shares used in the per share computation for each class of stock. The weighted-average share impact of the Adjustment Payment is included in the denominator of both basic and diluted net income per share computations for the three and six months ended June 30, 2015.

In the three and six months ended June 30, 2014, the net income per share amounts are the same for Class A and Class B common stock and Class C capital stock because the holders of each class are entitled to equal per share dividends or distributions in liquidation in accordance with our Fourth Amended and Restated Certificate of Incorporation.

Note 12. Stockholders’ Equity

Stock-Based Compensation

The following table presents our aggregate stock-based compensation expense by type of costs and expenses per the Consolidated Statements of Income (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2015	2014	2015
	(unaudited)			
Cost of revenues	$100	$163	$195	$323
Research and development	447	583	903	1,198
Sales and marketing	158	196	305	401
General and administrative	175	190	316	413
Discontinued operations	35	0	83	0
Total stock-based compensation expense	$915	$1,132	$1,802	$2,335

Stock-Based Award Activities

The following table summarizes the activities for our stock options for the six months ended June 30, 2015:

	Options Outstanding			
	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions) [1]
	(unaudited)			
Balance as of December 31, 2014	7,240,419	$215.56		
Granted	0	N/A		
Exercised	(1,142,926)	$193.38		
Forfeited/canceled	(132,858)	$310.78		
Balance as of June 30, 2015	5,964,635	$217.69	3.8	$ 1,865
Exercisable as of June 30, 2015	5,331,727	$206.15	3.7	$ 1,729
Exercisable as of June 30, 2015 and expected to vest thereafter [2]	5,781,735	$214.59	3.9	$ 1,826

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(1) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the closing stock price of $540.04 and $520.51 for our Class A common stock and Class C capital stock, respectively, on June 30, 2015.

(2) Options expected to vest reflect an estimated forfeiture rate.

As of June 30, 2015, there was $24 million of unrecognized compensation cost related to outstanding Google employee stock options. This amount is expected to be recognized over a weighted-average period of 0.9 years. To the extent the actual forfeiture rate is different from what we have estimated, stock-based compensation expense related to these awards will be different from our expectations.

The following table summarizes the activities for our unvested restricted stock units (RSUs) for the six months ended June 30, 2015:

	Unvested Restricted Stock Units	
	Number of Shares	Weighted-Average Grant-Date Fair Value
	(unaudited)	
Unvested as of December 31, 2014	24,619,549	$487.80
Granted	2,113,263	$530.61
Vested	(5,597,742)	$425.24
Forfeited/canceled	(996,884)	$487.50
Unvested as of June 30, 2015	20,138,186	$509.69
Expected to vest after June 30, 2015 (1)	17,840,870	$509.69

(1) RSUs expected to vest reflect an estimated forfeiture rate.

As of June 30, 2015, there was $8.2 billion of unrecognized compensation cost related to unvested Google employee RSUs. This amount is expected to be recognized over a weighted-average period of 2.6 years. To the extent the actual forfeiture rate is different from what we have estimated, stock-based compensation expense related to these awards will be different from our expectations.

Note 13. Income Taxes

We are subject to income taxes in the U.S. and numerous foreign jurisdictions. Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. Our total gross unrecognized tax benefits were $3,294 million and $3,870 million as of December 31, 2014 and June 30, 2015. Our total unrecognized tax benefits that, if recognized, would affect our effective tax rate were $2,909 million and $3,424 million as of December 31, 2014 and June 30, 2015. Our existing tax positions will continue to generate an increase in liabilities for unrecognized tax benefits.

Our effective tax rate is lower than the U.S. statutory rate primarily because of more earnings realized in countries that have lower statutory tax rates. Our effective tax rate in the future will depend on the portion of our profits earned within and outside the United States.

Our effective tax rate could fluctuate significantly on a quarterly basis and could be adversely affected to the extent earnings are lower than anticipated in countries that have lower statutory rates and higher than anticipated in countries that have higher statutory rates. Our effective tax rate could also fluctuate due to the net gains and losses recognized by legal entities on certain hedges and related hedged intercompany and other transactions under our foreign exchange risk management program, by changes in the valuation of our deferred tax assets or liabilities, or by changes in tax laws, regulations, or accounting principles, as well as certain discrete items.

In addition, we are subject to the continuous examination of our income tax returns by the IRS and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. We continue to monitor the progress of ongoing discussions with tax authorities and the impact, if any, of the expected expiration of the statute of limitations in various taxing jurisdictions. We believe that an adequate provision has been made for any adjustments that may result from tax examinations. However, the outcome of tax audits cannot be predicted with certainty. If any issues addressed in the Company's tax audits are resolved in a manner not consistent with management's expectations, the Company could be required to adjust its provision for income taxes in the period such resolution occurs. Although timing of the resolution and/or

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closure of audits is not certain, the Company does not believe it is reasonably possible that its unrecognized tax benefits would materially change in the next 12 months.

We have received tax assessments in multiple foreign jurisdictions asserting transfer pricing adjustments or permanent establishment. We continue to defend against any and all such claims as presented. While we believe it is more likely than not that our tax position will be sustained, it is reasonably possible that we will have future obligations related to these matters.

Note 14. Information about Segments and Geographic Areas

Subsequent to the completion of our sale of the Motorola Mobile business on October 29, 2014, we operate as a single operating segment. Our chief operating decision maker reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance.

Revenues by geography are based on the billing addresses of our customers. The following tables set forth revenues and long-lived assets by geographic area (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2015	2014	2015
	(unaudited)			
Revenues:				
United States[1]	$6,958	$8,048	$13,853	$15,769
United Kingdom	1,616	1,678	3,199	3,353
Rest of the world[1]	7,381	8,001	14,323	15,863
Total revenues	$15,955	$17,727	$31,375	$34,985

[1] In the second quarter of 2015, we identified an incorrect classification of certain revenues between legal entities. We revised the classification of such revenues between Rest of the world and U.S. for prior periods. Please refer to Note 1 and Note 15 for further information.

	As of December 31, 2014	As of June 30, 2015
		(unaudited)
Long-lived assets:		
United States	$37,355	$41,379
International	13,093	13,264
Total long-lived assets	$50,448	$54,643

Note 15. Revision of Previously Issued Financial Statements

In the second quarter of 2015, we identified an incorrect classification of certain revenues between legal entities, and as a consequence, we revised our income tax expense for periods beginning in 2008 through the first quarter of 2015 in the cumulative amount of $711 million. We have evaluated the materiality of the income tax expense impact quantitatively and qualitatively and concluded it was not material to any of the prior periods impacted and that correction of income tax expense as an out of period adjustment in the quarter ended June 30, 2015 would not be material to our consolidated financial statements for the year ending December 31, 2015. Consolidated revenues are not impacted. We have elected to revise previously issued financial statements for periods contained on this Quarterly Report on Form 10-Q to correct the effect of this immaterial income tax expense underaccrual for the corresponding periods. Periods not presented herein will be revised, as applicable, as they are included in future filings.

The following table presents the impact of these corrections on affected Consolidated Balance Sheet line items as of December 31, 2014 (in millions; unaudited):

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	As of December 31, 2014		
	As Previously Reported	Adjustment	As Revised
Selected Balance Sheets Data:			
Income tax receivable, net	$1,298	$(707)	$591
Total current assets	80,685	(707)	79,978
Total assets	131,133	(707)	130,426
Income taxes payable, non-current	3,407	(67)	3,340
Retained earnings	75,706	(640)	75,066
Total stockholders' equity	104,500	(640)	103,860
Total liabilities and stockholders' equity	$131,133	$(707)	$130,426

The following table presents the impact of these corrections on affected Consolidated Statements of Income line items for the three and six months ended June 30, 2014 and the three months ended March 31, 2015 (in millions, except per share amounts; unaudited):

	Three Months Ended June 30, 2014			Six Months Ended June 30, 2014		
	As Previously Reported	Adjustment	As Revised	As Previously Reported	Adjustment	As Revised
Selected Statements of Income Data:						
Provision for income taxes	$913	$71	$984	$1,735	$152	$1,887
Net income from continuing operations	3,490	(71)	3,419	7,140	(152)	6,988
Net income	$3,422	$(71)	$3,351	$6,874	$(152)	$6,722
Basic net income per share from continuing operations	$5.17	$(0.11)	$5.06	$10.59	$(0.22)	$10.37
Basic net income per share	5.07	(0.11)	4.96	10.20	(0.22)	9.98
Diluted net income per share from continuing operations	$5.09	$(0.11)	$4.98	$10.41	$(0.22)	$10.19
Diluted net income per share	4.99	(0.11)	4.88	10.02	(0.22)	9.80

	Three Months Ended March 31, 2015		
	As Previously Reported	Adjustment	As Revised
Selected Statements of Income Data:			
Provision for income taxes	$1,018	$71	$1,089
Net income from continuing operations	3,586	(71)	3,515
Net income	$3,586	$(71)	$3,515
Basic net income per share from continuing operations	$5.27	$(0.11)	$5.16
Basic net income per share	5.27	(0.11)	5.16
Diluted net income per share from continuing operations	$5.20	$(0.10)	$5.10
Diluted net income per share	5.20	(0.10)	5.10

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The following table presents the impact of these corrections on affected Consolidated Statements of Comprehensive Income line items for the three and six months ended June 30, 2014 and the three months ended March 31, 2015 (in millions; unaudited):

	Three Months Ended June 30, 2014			Six Months Ended June 30, 2014		
	As Previously Reported	Adjustment	As Revised	As Previously Reported	Adjustment	As Revised
Selected Statements of Comprehensive Income Data:						
Net income	$3,422	$(71)	$3,351	$6,874	$(152)	$6,722
Comprehensive income	3,579	(71)	3,508	7,251	(152)	7,099

	Three Months Ended March 31, 2015		
	As Previously Reported	Adjustment	As Revised
Selected Statements of Comprehensive Income Data:			
Net income			