

NOTE 15 — UNEARNED REVENUE

Unearned revenue by segment was as follows:

(In millions)

June 30,	2018	2017
Productivity and Business Processes	\$ 14,864	\$ 12,692
Intelligent Cloud	14,706	11,152
More Personal Computing	3,150	2,812
Total	<u>\$ 32,720</u>	<u>\$ 26,656</u>

The opening balance of unearned revenue was \$22.2 billion as of July 1, 2016.

Changes in unearned revenue were as follows:

(In millions)

Year Ended June 30, 2018

Balance, beginning of period	\$ 26,656
Deferral of revenue	61,142
Recognition of unearned revenue	(55,078)
Balance, end of period	<u>\$ 32,720</u>

Revenue allocated to remaining performance obligations represents contracted revenue that has not yet been recognized (“contracted not recognized revenue”), which includes unearned revenue and amounts that will be invoiced and recognized as revenue in future periods. Contracted not recognized revenue was \$73 billion as of June 30, 2018, of which we expect to recognize approximately 60% of the revenue over the next 12 months and the remainder thereafter.

NOTE 16 — LEASES

We have operating and finance leases for datacenters, corporate offices, research and development facilities, retail stores, and certain equipment. Our leases have remaining lease terms of 1 year to 20 years, some of which include options to extend the leases for up to 5 years, and some of which include options to terminate the leases within 1 year.

The components of lease expense were as follows:

(In millions)

Year Ended June 30,	2018	2017	2016
Operating lease cost	<u>\$ 1,585</u>	<u>\$ 1,412</u>	<u>\$ 936</u>
Finance lease cost:			
Amortization of right-of-use assets	\$ 243	\$ 104	\$ 28
Interest on lease liabilities	175	68	28
Total finance lease cost	<u>\$ 418</u>	<u>\$ 172</u>	<u>\$ 56</u>