

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INCOME STATEMENTS

(In millions, except per share amounts)

Year Ended June 30,	2020	2019	2018
Revenue:			
Product	\$ 68,041	\$ 66,069	\$ 64,497
Service and other	74,974	59,774	45,863
Total revenue	143,015	125,843	110,360
Cost of revenue:			
Product	16,017	16,273	15,420
Service and other	30,061	26,637	22,933
Total cost of revenue	46,078	42,910	38,353
Gross margin	96,937	82,933	72,007
Research and development	19,269	16,876	14,726
Sales and marketing	19,598	18,213	17,469
General and administrative	5,111	4,885	4,754
Operating income	52,959	42,959	35,058
Other income, net	77	729	1,416
Income before income taxes	53,036	43,688	36,474
Provision for income taxes	8,755	4,448	19,903
Net income	\$ 44,281	\$ 39,240	\$ 16,571
Earnings per share:			
Basic	\$ 5.82	\$ 5.11	\$ 2.15
Diluted	\$ 5.76	\$ 5.06	\$ 2.13
Weighted average shares outstanding:			
Basic	7,610	7,673	7,700
Diluted	7,683	7,753	7,794

Refer to accompanying notes.

COMPREHENSIVE INCOME STATEMENTS

(In millions)

Year Ended June 30,	2020	2019	2018
Net income	<u>\$ 44,281</u>	<u>\$ 39,240</u>	<u>\$ 16,571</u>
Other comprehensive income (loss), net of tax:			
Net change related to derivatives	(38)	(173)	39
Net change related to investments	3,990	2,405	(2,717)
Translation adjustments and other	(426)	(318)	(178)
Other comprehensive income (loss)	<u>3,526</u>	<u>1,914</u>	<u>(2,856)</u>
Comprehensive income	<u>\$ 47,807</u>	<u>\$ 41,154</u>	<u>\$ 13,715</u>

Refer to accompanying notes.

BALANCE SHEETS

(In millions)

June 30,	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,576	\$ 11,356
Short-term investments	122,951	122,463
Total cash, cash equivalents, and short-term investments	136,527	133,819
Accounts receivable, net of allowance for doubtful accounts of \$788 and \$411	32,011	29,524
Inventories	1,895	2,063
Other current assets	11,482	10,146
Total current assets	181,915	175,552
Property and equipment, net of accumulated depreciation of \$43,197 and \$35,330	44,151	36,477
Operating lease right-of-use assets	8,753	7,379
Equity investments	2,965	2,649
Goodwill	43,351	42,026
Intangible assets, net	7,038	7,750
Other long-term assets	13,138	14,723
Total assets	\$ 301,311	\$ 286,556
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 12,530	\$ 9,382
Current portion of long-term debt	3,749	5,516
Accrued compensation	7,874	6,830
Short-term income taxes	2,130	5,665
Short-term unearned revenue	36,000	32,676
Other current liabilities	10,027	9,351
Total current liabilities	72,310	69,420
Long-term debt	59,578	66,662
Long-term income taxes	29,432	29,612
Long-term unearned revenue	3,180	4,530
Deferred income taxes	204	233
Operating lease liabilities	7,671	6,188
Other long-term liabilities	10,632	7,581
Total liabilities	183,007	184,226
Commitments and contingencies		
Stockholders' equity:		
Common stock and paid-in capital – shares authorized 24,000; outstanding 7,571 and 7,643	80,552	78,520
Retained earnings	34,566	24,150
Accumulated other comprehensive income (loss)	3,186	(340)
Total stockholders' equity	118,304	102,330
Total liabilities and stockholders' equity	\$ 301,311	\$ 286,556

Refer to accompanying notes.

CASH FLOWS STATEMENTS

(In millions)

Year Ended June 30,	2020	2019	2018
Operations			
Net income	\$ 44,281	\$ 39,240	\$ 16,571
Adjustments to reconcile net income to net cash from operations:			
Depreciation, amortization, and other	12,796	11,682	10,261
Stock-based compensation expense	5,289	4,652	3,940
Net recognized gains on investments and derivatives	(219)	(792)	(2,212)
Deferred income taxes	11	(6,463)	(5,143)
Changes in operating assets and liabilities:			
Accounts receivable	(2,577)	(2,812)	(3,862)
Inventories	168	597	(465)
Other current assets	(2,330)	(1,718)	(952)
Other long-term assets	(1,037)	(1,834)	(285)
Accounts payable	3,018	232	1,148
Unearned revenue	2,212	4,462	5,922
Income taxes	(3,631)	2,929	18,183
Other current liabilities	1,346	1,419	798
Other long-term liabilities	1,348	591	(20)
Net cash from operations	60,675	52,185	43,884
Financing			
Repayments of short-term debt, maturities of 90 days or less, net	0	0	(7,324)
Proceeds from issuance of debt	0	0	7,183
Cash premium on debt exchange	(3,417)	0	0
Repayments of debt	(5,518)	(4,000)	(10,060)
Common stock issued	1,343	1,142	1,002
Common stock repurchased	(22,968)	(19,543)	(10,721)
Common stock cash dividends paid	(15,137)	(13,811)	(12,699)
Other, net	(334)	(675)	(971)
Net cash used in financing	(46,031)	(36,887)	(33,590)
Investing			
Additions to property and equipment	(15,441)	(13,925)	(11,632)
Acquisition of companies, net of cash acquired, and purchases of intangible and other assets	(2,521)	(2,388)	(888)
Purchases of investments	(77,190)	(57,697)	(137,380)
Maturities of investments	66,449	20,043	26,360
Sales of investments	17,721	38,194	117,577
Other, net	(1,241)	0	(98)
Net cash used in investing	(12,223)	(15,773)	(6,061)
Effect of foreign exchange rates on cash and cash equivalents	(201)	(115)	50
Net change in cash and cash equivalents	2,220	(590)	4,283
Cash and cash equivalents, beginning of period	11,356	11,946	7,663
Cash and cash equivalents, end of period	\$ 13,576	\$ 11,356	\$ 11,946

Refer to accompanying notes.

STOCKHOLDERS' EQUITY STATEMENTS

(In millions)

Year Ended June 30,	2020	2019	2018
Common stock and paid-in capital			
Balance, beginning of period	\$ 78,520	\$ 71,223	\$ 69,315
Common stock issued	1,343	6,829	1,002
Common stock repurchased	(4,599)	(4,195)	(3,033)
Stock-based compensation expense	5,289	4,652	3,940
Other, net	(1)	11	(1)
Balance, end of period	80,552	78,520	71,223
Retained earnings			
Balance, beginning of period	24,150	13,682	17,769
Net income	44,281	39,240	16,571
Common stock cash dividends	(15,483)	(14,103)	(12,917)
Common stock repurchased	(18,382)	(15,346)	(7,699)
Cumulative effect of accounting changes	0	677	(42)
Balance, end of period	34,566	24,150	13,682
Accumulated other comprehensive income (loss)			
Balance, beginning of period	(340)	(2,187)	627
Other comprehensive income (loss)	3,526	1,914	(2,856)
Cumulative effect of accounting changes	0	(67)	42
Balance, end of period	3,186	(340)	(2,187)
Total stockholders' equity	\$ 118,304	\$ 102,330	\$ 82,718
Cash dividends declared per common share	\$ 2.04	\$ 1.84	\$ 1.68

Refer to accompanying notes.